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PUBLIC SERVICE
COMMISSION

LG&E
an e·on company

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
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Lonnie E. Bellar
Vice President
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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 Commission Staff's Third Data Request 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

1\2

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 THE
THIRD DATA REQUEST OF COMMISSION STAFF
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. 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, **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. Ely (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Paula H. Pottinger, Ph.D.**, being duly sworn, deposes and says that she is the Senior Vice President, Human Resources 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.

PAULA H. POTTINGER, Ph.D.

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

(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, **J. Clay Murphy**, being duly sworn, deposes and says that he is the Director, Gas Management, Planning, and Supply 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.

J. Clay Murphy

J. CLAY MURPHY

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 2nd 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, **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, **Butch Cockerill**, being duly sworn, deposes and says that he is Director, Revenue Collection 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.

Butch Cockerill
BUTCH COCKERILL

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

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

VERIFICATION

STATE OF TEXAS)
) **SS:**
COUNTY OF ___________)

The undersigned, **William E. Avera**, being duly sworn, deposes and says that he is President of FINCAP, 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.

____
WILLIAM E. AVERA

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 1st day of October, 2008.

______________________(SEAL)
Notary Public

My Commission Expires:

1/10/2011

ADRIEN MCKENZIE
Notary Public
STATE OF TEXAS
My Comm Exp Jan 10, 2011

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 1

Responding Witness: Paul W. Thompson

Q-1. Refer to LG&E's response to Item 5 of Commission Staff's Second Data Request dated August 27, 2008 ("Staff's Second Request"). The 2008 Joint Integrated Resource Plan ("IRP") of LG&E and Kentucky Utilities Company ("KU") calls for two 475 MW combined cycle combustion turbines ("CT") to be added to the LG&E/KU generation fleet in 2015 and 2019, respectively. It shows no coal-fired generation being added and one 155 MW simple cycle CT added over the forecast period, which ends in 2022. Explain which of these units is the "additional base load unit" to which Paul W. Thompson referred on page 15 of his direct testimony. If it is one of the combined cycle CTs, explain why only one combined cycle CT is considered a base load unit.

A-1. Both combined cycle units are included in the Company's plans for construction over the IRP period. Both units will be considered base load units. The reference on page 15 of the direct testimony was simply to the next base load unit to be built.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 2

Responding Witness: S. Bradford Rives

Q-2. Refer to LG&E's response to Item 10 of Staff's Second Request.

a. Provide the date on which LG&E began to solicit proposals for the new credit facilities discussed in the direct testimony of S. Bradford Rives ("Rives Testimony").

b. What is the specific date by which LG&E must make a decision as to the bank with whom it will enter into a credit agreement for the new credit facilities?

A-2. a. LG&E has been having discussions with banks for several months about the possibility of providing letter of credit facilities. Since the response to PSC-2 Question No. 10, the Company has received three additional verbal quotes. LG&E is in the process of preparing documents for the bank that has provided the lowest bid. The pricing of the lowest bid (50 bps) is significantly lower than the amount included in the proposed adjustment (110 bps).

b. There is no deadline for LG&E to make the decision. However, the Company is expecting to complete all of the debt restructuring approved in Case No. 2008-00131 by the end of 2008.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 3

Responding Witness: William E. Avera

Q-3. Refer to LG&E's response to Item 16 of the Staff's Second Request (page 1 of 5 of the attachment, and page 24 of the Direct Testimony of William Avera). There appear to be significant differences between LG&E and many of the firms that are included as proxies for LG&E in the analysis.

a. Eight of the firms in the proxy group own and operate nuclear power generation facilities, while LG&E does not. Explain why this should not be a factor in rejecting these firms as appropriate for inclusion in the proxy group.

b. Allete, Alliant Energy, Integrys Energy, Scana Corporation, and Vectren Corporation are all mid-cap companies, as reported by Value Line. All others in the proxy group are large-cap companies. Explain how these large companies are appropriately included in the proxy group.

c. Refer to LG&E's response to Item 107 of the Staff's Second Request wherein LG&E provides a discussion of its target capital structure. Allete, Alliant Energy, Constellation Energy, Duke Energy, Integrys Energy, MDU Resources, and Sempra Energy have debt-to-capital ratios of less than 35 percent. Only Dominion Resources, Exelon Corporation, Vectren Corporation, and Wisconsin Energy have debt-to-capital ratios greater than 50 percent.

(1) Explain why firms with capital structures so dissimilar to LG&E's should be included in the proxy group.

(2) For each company in the proxy group, including LG&E, provide the percentage of 2007 revenues derived from: (i) non-utility sources; (ii) utility operations subject to price regulation by a state commission; and (iii) utility operations not subject to price regulation by a state commission.

A-3. a. Each firm in the Utility Proxy Group has comparable risk based on objective measures of investors' risk assessments. As explained on pages 23-24 of Dr. Avera's direct testimony, in order to reflect the risks and prospects associated with LG&E's jurisdictional utility operations, the proxy group companies were those included by *The Value Line Investment Survey* ("Value Line") in its Electric Utilities Industry groups with: (1) both electric and gas utility operations, (2) S&P corporate credit ratings between "BBB" and "A"; (2) a Value Line Safety Rank of "3" or better; and (3) a Value Line Financial Strength Rating of "B++" or better. Credit ratings are assigned by independent rating agencies to provide investors with a broad assessment of the creditworthiness of a firm. Because the rating agencies' evaluation includes virtually all of the factors normally considered important in assessing a firm's relative credit standing, corporate credit ratings provide a broad measure of overall investment risk that is readily available to investors. Widely cited in the investment community and referenced by investors as an objective measure of risk, credit ratings are also frequently used as a primary risk indicator in establishing proxy groups to estimate the cost of equity.

Apart from the broad assessment of investment risk provided by credit ratings, other quality rankings published by investment advisory services also provide relative assessments of risk that are considered by investors in forming their expectations. Given that Value Line is perhaps the most widely available source of investment advisory information, its Safety Rank and Financial Strength Rating provide useful guidance regarding the risk perceptions of investors. The Safety Rank is Value Line's primary risk indicator and ranges from "1" (Safest) to "5" (Riskiest). This overall risk measure is intended to capture the total risk of a stock, and incorporates elements of stock price stability and financial strength. The Financial Strength Rating is designed as a guide to overall financial strength and creditworthiness, with the key inputs including financial leverage, business volatility measures, and company size. Value Line's Financial Strength Ratings range from "A++" (strongest) down to "C" (weakest) in nine steps.

LG&E is rated "BBB+" by S&P, which is identical to the average for the utilities in the Utility Proxy Group. Meanwhile, the average Value Line Safety Rank and Financial Strength Rating for the Utility Proxy Group is "2" and "A", respectively. These two benchmarks indicate that the risks associated with an equity investment in the Utility Proxy Group are conservative and in-line with those generally associated with a "BBB+" credit.

Within the Utility Proxy Group, individual companies may differ with respect to the specific characteristics noted in parts a, b, c (1) above. Yet it is reasonable to consider that taken as a whole, these companies are comparable in investment risk to LG&E based on objective, published indicators that incorporate consideration of a broad spectrum of risks, including nuclear generation, capitalization size, debt to total capital, and consideration of other company specific factors. For example, nuclear generation has characteristics that investors regard as contributing to investment risk such as exposure to federal regulations regarding safety, spent fuel treatment, homeland security measures, high capital costs, and technical complexity, while there are other features that decrease risk such as low relative fuel costs, limited exposure to fuel transportation disruptions or cost, environmental exposure, and use of carbon fuel. While LG&E does not have nuclear exposure, its dependence upon coal has risks in the perception of investors as documented on pages 15-16 of Dr. Avera's direct testimony. When all of the characteristics of the eight companies with nuclear exposure in the Utility Proxy Group are considered, the end-result is that objective measures of investors' risk assessment position these companies as comparable in risk to LG&E considering its concentration of coal generation and all of its other characteristics.

b. See response to 3(a) above. Size can affect investor risk perceptions. The companies in the Utility Proxy Group vary in size from mid-capitalization to large capitalization as classified by Value Line. When all of the characteristics of the companies in the Utility Group are considered in the objective measures of risk reported the end-result is that they are rated comparable to LG&E.

c. (1) See response to 3 (a) above. The capital structures of the companies in the Utility Proxy Group are one factor considered in the overall objective risk measures that are comparable to LG&E. Dr. Avera does not consider any of the capital structures of the companies in the Utility Proxy Group "far out of line" with LG&E's target capital structure. Each company selects its target capital structure to balance the costs and benefits of debt with its other risk factors and financial objectives. The historical and projected capital structures for the firms in Dr. Avera's Utility Proxy Group were presented on Schedule WEA-8 to his testimony.

(2) The data requested is not publicly available to investors in one consistent location. Due to differences in reporting among utilities, it is difficult to get comparable data that would allow development of the requested revenue breakdown. In order to respond to this request, public financial records were reviewed for the companies including Value Line reports, corporate websites, annual reports, and filings with the Securities and Exchange Commission. The attached schedule reflects the results of that search. The empty cells reflect instances where comparable date for the utility was unavailable. The entries in italics are data that was derived from sources other than Value Line. Revenues subject to price regulation at the Federal Energy Regulatory Commission (FERC) were included in the category of Utility Not Subject to State Price Regulation.

	Company	Total Revenue	Non-Utility Sources	State Price Regulation	Utility Not State Price Regulation	Notes
1	ALLETE	$842	*44.0%*	*66.0%*	*10.0%*	*58% MPUC, 10% FERC, 8% PSCW*
2	Alliant Energy	$3,438	*36.1%*	*78.6%*	*14.7%*	*Non-utility estimated as all not identified*
3	Consolidated Edison	$13,120				*Total Utility of $10,821 indentified in NY, NJ, PA and FERC*
4	Constellation Energy	$21,193				*Regulated 12% electric and 4% gas*
5	Dominion Resources	$15,674				*Regulated electric $6,044 mil. and regulated gas $1,174 mil.*
6	Duke Energy	$12,720				*Regulated electric $8,976 mil. and regulated gas $720 mil.*
7	Entergy Corp.	$11,484				*Regulated utility revenues $9,225 mil.*
8	Exelon Corp.	$18,916		*61.7%*		*Unable to separate unregulated from not state price reg.*
9	Integrys Energy Group	$10,292	*67.9%*			*Unable to separate state price regulated from FERC*
10	MDU Resources Group	$4,248	*72.4%*			*Unable to separate state price regulated from FERC*
11	PG&E Corp.	$13,237	*0.0%*			*Unable to separate state price regulated from FERC*
12	P S Enterprise Group	$12,853	*33.9%*			*Unable to separate state price regulated from other regulation*
13	SCANA Corp.	$4,621	*33.8%*			*Unable to separate state price regulated from FERC*
14	Sempra Energy	$11,438	*38.3%*			*Unable to separate state price regulated from FERC*
15	Vectren Corp.	$2,282	*23.6%*			*Unable to separate state price regulated from other regulation*
16	Wisconsin Energy	$4,238	*0.5%*	*94.4%*	*5.1%*	
17	Xcel Energy, Inc.	$10,034	*2.4%*	*85.8%*	*11.8%*	*Non-utility may include some FERC transmission*
18	LG&E	*$1,286*	*0.0%*	*85.5%*	*14.5%*	

Revenue in $ millions

(a) The Value Line Investment Survey (June 27, Aug. 8 & Aug. 29, 2008).

(b) Information from Company Form 10-K and Annual Reports presented in italics.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 4

Responding Witness: Lonnie E. Bellar

Q-4. Refer to LG&E's responses to Items 23, 24, and 91(f)(1)(c) of Staff's Second Request, all of which reference the correction of errors or changes LG&E intends to make to its original filing. Based on these corrections and adjustments, provide the revised amounts of LG&E's proposed electric and gas base rate increases.

A-4. In order to incorporate other changes identified through the Third Data Request of Commission Staff and Supplemental Data Request of the Intervenors, the Company will prepare the requested information and file it with the Commission no later than October 10, 2008.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 5

Responding Witness: Valerie L. Scott

Q-5. Refer to LG&E's response to Item 25 of the Staff's Second Request. Provide the amount of revenues related to MISO Schedule 10 expenses realized by LG&E since the end of the test year through the most recent month available.

A-5. The amount of revenue related to MISO Schedule 10 expenses realized by LG&E from the end of the test year through August 2008 is $1,113,978 ($278,496 per month as ordered in Case No. 2003-00266 and corrected in Case No. 2005-00471).

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 6

Responding Witness: William Steven Seelye

Q-6. Refer to Volume 3 of 5 of LG&E's application at Tab 42 which shows test year electric "Sales to Ultimate Consumers" of $770,423,196. Reconcile this amount to the "Revenue As Billed" of $780,786,963 shown in Volume 5 of 5 of LG&E's application on Seelye Exhibit 3, page 1 of 26.

A-6. These amounts are reconciled as follows:

Sales to Ultimate Consumers (LG&E Application Volume 3 of 5 at Tab 42)	$ 770,423,196
Revenue as Billed (Seelye Exhibit 3, page 1 of 26)	$ 780,786,964
Accrued Revenues	(9,763,357)
Unbilled Revenues	785,000
Merger Surcredit Amortization	(1,382,146)
HEA Revenue	(3,265)
Sales to Ultimate Consumers	$ 770,423,196

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 7

Responding Witness: William Steven Seelye

Q-7. Refer to Volume 3 of 5 of LG&E's application at Tab 42 which shows test year gas "Sales to Ultimate Consumers" of $374,873,592. Reconcile this amount to the "Revenue As Billed" of $388,349,421 shown in Volume 5 of 5 of LG&E's application on Seelye Exhibit 23, page 2 of 2.

A-7. These amounts are reconciled as follows:

Sales to Ultimate Consumers (LG&E Application Volume 3 of 5 at Tab 42)	$ 374,873,592

Revenue as Billed (Seelye Exhibit 23, page 1 of 2)	$ 388,349,421
Unbilled Revenues	1,203,000
Accrued Revenues	352,260
VDT Rebilled	(4,999)
UCDI - Special Contracts - Dupont	40,778
UCDI - Special Contracts - Ft. Knox	16,472
Less:	
Sales for Resale	9,367,439
Brokered	5,715,901
	$ 374,873,592

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 8

Responding Witness: Valerie L. Scott

Q-8. Refer to LG&E's responses to Items 26, 79, and 81 of the Staff's Second Request, all of which pertain to the coal tax credit which is the subject of the adjustment on Reference Schedule 1.33 of Exhibit 1 to the Rives Testimony in LG&E's application. The coal tax credit expires at the end of 2009, meaning an application for 2009 must be submitted by March 15, 2010, for use on either LG&E's 2009 state income tax return or its 2010 property tax return.

a. The years in which LG&E did not qualify for the credit were 2000 and 2001, the first two years the credit was available. Given that LG&E has qualified for the credit for six consecutive calendar years, explain why LG&E is concerned about the "contingent nature" of the credit.

b. In response to Item 49(b) of Staff's Second Request, William Steven Seelye refers to "the likelihood that the Companies will need to file rate cases in the near future (i.e. due to the need to recover the costs associated with Trimble County Unit 2)." With the anticipation of filing another rate case in conjunction with Trimble County Unit 2 going into service, which is scheduled for the summer of 2010, explain why LG&E is concerned about the expiration of the credit, the financial impact of which it would not realize until sometime in 2010.

c. Explain why the expiration of the credit is a basis for not continuing to recognize it for rate-making purposes when the amortization expense associated with the Mill Creek Ash Dredging Regulatory Asset is included for rate-making purposes although it is scheduled to expire in April 2010.

A-8. a. LG&E has received the coal tax credit in the past six years, but each year is independent of the others. To receive the credit, LG&E must purchase enough Kentucky coal to exceed the 1999 base period. Since the credit is contingent on the amount of Kentucky coal purchases over the 1999 base period, it is not known if LG&E will receive the credit in one or both of the last two years of the statute. Also, if LG&E does exceed the base amount of purchases to receive a coal tax credit, the amount of the credit is not known. The coal tax credit has varied over the years from $0 to $1,700,000.

b. LG&E believes inclusion of this credit in the determination of future rates is not appropriate as the credit is not known or measureable. In addition, the statute is due to expire as explained in the response to PSC-2 Question No. 26.

c. An amortization, like the Mill Creek Ash Dredging Regulatory Asset, is a known and measurable amount, unlike the coal tax credit. The annual amortization amount is known as well as the amortization period. Future years coal tax credit, if any, as stated in part (a), is not known. LG&E may be awarded the credit in the upcoming two years and, if LG&E does receive a credit, the amount is still unknown at the present time.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 9

Responding Witness: Shannon L. Charnas

Q-9. Refer to LG&E's response to Item 33 of Staff's Second Request and Rives Exhibit 1, Reference Schedule 1.29.

a. Explain whether the improper accounting of the IT contracts discovered in July of 2007 occurred only during 2007 or if it had occurred in prior years. If it occurred in prior years, what has LG&E done to correct the prior year incidents?

b. Explain whether LG&E's proposed adjustment results in more than 12 months of IT contract expense being included in the *pro forma* expense amount.

A-9. a. The improper accounting of the IT contracts had occurred in prior years and was corrected on a prospective basis via the August 2007 journal entry. The entry corrected the prepaid balance as of August 31, 2007, the offset of which was a correction of IT contract expenses through August 2007.

b. LG&E's proposed adjustment of $1,190,095 on Rives Exhibit 1, Reference Schedule 1.29 brings the total test year expenses for LG&E to $3,414,932, which is made up of the $2,224,837 total IT contract expense in the test year and the $1,190,095 *pro forma* adjustment. The $2,224,837 was understated because expenses that properly related to the test year were recorded as expenses in the year prior to the test year. Thus, the *pro forma* adjustment results in a total of $3,414,932, which correctly reflects 12 months of LG&E's IT contract expense, as shown in the response to PSC-2 Question No. 33, page 8 of 8.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 10

Responding Witness: J. Clay Murphy

Q-10. Refer to LG&E's response to Item 37 of Staff's Second Request, which includes LG&E's estimates of its residential customers' average annual temperature normalized gas consumption for the years 2003 through 2007. The discussion of the decline in average residential gas consumption in the direct testimony of J. Clay Murphy referred to the decline between the test year in LG&E's previous rate case and the test year in this case. The data response indicates a general trend of declining usage; however, it shows an increase at the end of the 5-year period 2003-2007. Identify and describe the factors that account for the increase in average annual consumption, from 68.1 to 72.8 Mcf, between 2006 and 2007.

A-10. Historically, declines in residential customer usage do not follow a straight line path downward from one level to another. The large reduction in average normalized residential gas consumption for 2006 was likely the result of dramatic conservation efforts by customers in response to higher than historical levels of natural gas prices following Hurricanes Katrina and Rita. In 2007, natural gas prices declined from 2006 levels, which likely contributed to a decrease in more extreme conservation efforts during 2007 and resulted in a partial rebound in average annual residential consumption for 2007. However, the average annual residential consumption for 2007 was still lower than the levels for 2003, 2004, and 2005.

This overall downward trend in residential natural gas consumption is generally consistent with the analysis of the American Gas Association dated March 2007 which indicated that the decline in residential gas consumption is influenced by on-going efforts by consumer to tighten their homes, purchase more efficient appliances, and turn down their thermostats, the price of natural gas and other factors.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 11

Responding Witness: Butch Cockerill

Q-11. Refer to LG&E's response to Item 47 of Staff's Second Request. Provide a list of the types of costs included in "Outside Services" along with the accompanying test year dollar amounts.

A-11. The costs included in "Outside Services" are all costs necessary for our contract partner to provide these services. These costs include labor, transportation, overhead, and profit. One combined rate for all these costs is established through a competitive bid process. See below for amounts billed in the test year.

Outside Services

	Month	Costs (000's)
	May-07	$ 76
	Jun-07	$ 82
	Jul-07	$ 78
	Aug-07	$ 85
	Sep-07	$ 82
	Oct-07	$ 73
	Nov-07	$ 77
	Dec-07	$ 74
	Jan-08	$ 71
	Feb-08	$ 81
	Mar-08	$ 76
	Apr-08	$ 74
Total		$ 929

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 12

Responding Witness: William Steven Seelye

Q-12. Refer to LG&E's response to Item 51 of Staff's Second Request.

a. Provide a list which identifies the LG&E gas customers that are served under special contracts.

b. Provide a schedule, by customer, which shows the throughput and base rate revenue of each special contract customer during the test year. Generic references, i.e., "Customer A, Customer B, etc." may be substituted for specific customer names on this schedule.

A-12. a. During the test year, the following LG&E gas customers were served under special contracts:

E.I. DuPont
Ford Motor Company (two delivery points)
Fort Knox

Effective May 1, 2008, in an Order dated April 11, 2008, in Case No. 2007-00449, LG&E began serving the electric operations of LG&E and KU under a special contract. Because this special contract did not become effective until after the end of the test year, there were no base rate revenues or throughput volumes during the test year. However, a *pro forma* adjustment was made to reflect the application of this special contract for the test year. In the Company's class cost of service study, revenue from this new special contract was treated as a revenue credit rather than as a separate class of customers.

b. The throughput and base rate revenue of each special contract customer during the test year is shown on pages 7 and 8 of Seelye Exhibit 11, a copy of which is attached hereto.

LOUISVILLE GAS AND ELECTRIC COMPANY
Calculations of Proposed Electric Rate Increase
Based Upon Sales for the 12 months ended April 30, 2008

Rate Class		Billing Determinants	Present Rates	Calculated Revenue @ Present Rates	Proposed Rates	Calculated Revenue @ Proposed Rates
SPECIAL CONTRACTS						
Special Contract		Customer Months	Per Customer			
Customer Charges		12	$ 686.00	$ 8,232	$ 781.00	$ 9,372
Administrative Charges	*Transportation Service*	12	$ 90.00	1,080	$ 230.00	$ 2,760
		MCF	per Mcf			
Distribution Charge		703,946.5	$ 0.0487	34,282	$ 0.0487	34,282
Demand Charge		90,000.0	$ 2.43	218,700	$ 2.43	218,700
Total Special Contract				$ 262,294		$ 265,114
Correction Factor			1.007806		1.007806	
Subtotal Special Contract after application of Correction Factor				260,263		263,061
Value Delivery Surcredit				$ (1,479)		$ (1,479)
VDT Amorization & Surcredit Adjustment				$ -		$ -
Temperture Normanlization Adjustment		29,539.7	0.04870	$ 1,439		$ 1,439
Total Rate Special Contract		733,486.17		$ 260,223		$ 263,021
Proposed Increase in Revenue						2,798
						1.08%
Special Contract		Customer Months	Per Customer			
Customer Charges		12	$ 180.00	$ 2,160	$ 275.00	$ 3,300
Administrative Charges	Transportation Service	12	$ 90.00	1,080	$ 230.00	$ 2,760
		MCF	per Mcf			
Distribution Charge		1,283,277.4	$ 0.1049	134,616	$ 0.1049	134,616
Demand Charge		*64,902.4*	*$ 2.75*	*178,482*	*$ 2.75*	*178,482*
Total Special Contract				$ 316,337		$ 319,157
Correction Factor			1.003741		1.003741	
Subtotal Special Contract after application of Correction Factor				315,158		317,968
Value Delivery Surcredit				$ (1,767)		$ (1,767)
VDT Amorization & Surcredit Adjustment				$ -		$ -
Temperture Normanlization Adjustment		9,141.7	0.1049	$ 959		$ 959
Total Rate Special Contract		1,292,419.13		$ 314,351		$ 317,160
Proposed Increase in Revenue						2,809
						0.89%

LOUISVILLE GAS AND ELECTRIC COMPANY
Calculations of Proposed Electric Rate Increase
Based Upon Sales for the 12 months ended April 30, 2008

Rate Class		Billing Determinants	Present Rates	Calculated Revenue @ Present Rates	Proposed Rates	Calculated Revenue @ Proposed Rates
Special Contracts		Customer Months	Per Customer			
Customer Charges		24	$ 180.00	$ 4,320	$ 275.00	$ 6,600
Administrative Charges	Transportation Service	24	$ 90.00	2,160	$ 230.00	$ 5,520
		MCF	per Mcf			
Distribution Charge		2,046,613.2	$ 0.3200	654,916	$ 0.3200	654,916
Total Special Contract				$ 661,396		$ 667,036
Correction Factor			1.008446		1.008446	
				655,857		661,450
Minimum Bill				163,850		163,850
Subtotal Special Contract after application of Correction Factor				$ 819,707		$ 825,300
Value Delivery Surcredit				(3,375)		(3,375)
VDT Amorization & Surcredit Adjustment				$ -		-
Temperture Normanlization Adjustment		68,456.3	0.3200	$ 21,906		21,906
Total Rate Special Contract		2,115,069.5		$ 838,238		$ 843,831
Proposed Increase in Revenue						5,593
						0.67%

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 13

Responding Witness: William Steven Seelye

Q-13. Refer to LG&E's response to Item 54(c) of Staff's Second Request. Explain why the revised runs of Seelye Exhibits 18 and 19, which were based on fewer variables than the original run contained in the exhibits, resulted in larger kWh adjustments than the adjustment in the exhibits.

A-13. Reducing the number of variables in regression models will generally change the value of the coefficients of the remaining variables. The predictive quality of the original models (as indicated by the R-square of the model) is greater than or equal to the predictive quality of the revised models. For each of the months and classes where larger kWh differences occurred, the predictive quality of the original model was notably higher than the predictive quality of the revised model. Limiting the number of weather variables will not always result in a higher kWh adjustment. However, in these instances, the change in model specification caused a greater amount of the variability in daily energy to be associated with changes in weather.

Compared to the original kWh adjustment, the revised run for HDD-65 and CDD-65 resulted in a kWh adjustment that was 9.5% or 23,778,000 kWh higher; the revised run for HDD-60 and CDD-70 resulted in a kWh adjustment that was 2.7% or 6,522,000 kWh higher. For each of the revised runs, the difference is explained primarily by the residential class (class 1); in particular, the kWh adjustment for August and September was notably higher in the revised runs.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 14

Responding Witness: William Steven Seelye

Q-14. Refer to LG&E's response to Item 54 of Staff's Second Request, pages 33 to 37 of the Direct Testimony of William Steven Seelye, and Seelye Exhibits 15, 18, and 19.

a. Describe in detail the reasons for developing the proposed electric temperature normalization adjustment based on degree day variations for individual months as opposed to degree day variations for a complete season, i.e., the cooling season or the heating season.

b. Provide a revised run of Seelye Exhibits 18 and 19 based on total degree day variations for the heating season and cooling season based on the same bandwidth of two standard deviations centered on the mean used in LG&E's proposed electric temperature normalization adjustment.

A-14. a. The Company's proposed electric temperature normalization adjustment was based on degree day variations for individual months because of quantitative differences in temperature sensitivity from one month to another, especially during shoulder months. The impact of temperature on kWh sales during shoulder months differs significantly than the impact during non-shoulder months. The sales response to changes in temperature will be different when daily mean temperatures are in a range of 55° F to 75° F (which often occurs during shoulder months) compared to when daily mean temperatures are outside of this range (which often occurs during non-shoulder months).

b. Attached is the requested analysis. This model would result in a revenue adjustment of -\$14,288,388 and an expense adjustment of -\$4,825,077, as compared to a revenue adjustment of -\$14,374,348 and expense adjustment of -\$4,751,178 proposed by the Company. The difference in the net adjustment resulting from the two methodologies is \$159,859.

The heating season was defined as the months of October through April, and the cooling season was defined as the months of May through

September. In both the heating season model and cooling season model, the dependent variables were daily kWh sales for each rate class. The following independent variables were used in both models: (a) HDD65, (b) CDD65, (c) WEEKEND, and (d) HOLIDAY. The dichotomous indicator variable XMAS_WEEK was also used in the heating season model.

LOUISVILLE GAS AND ELECTRIC COMPANY
Adjustment to Reflect Weather Normalized Electric Sales Margins
12 Months Ended April 30, 2008

HEATING AND COOLING SEASONAL ADJUSTMENTS
HDD65 AND CDD65

	(1) kiloWatt-Hour Adjustment to Usage	(2) Energy Rate		(3) Revenue Adjustment		(4) Revenue Adjustment
				(2)*(1)		(3)
Residential Rate R	(174.216.000)	0 06404	$	(11.156.792 64)	$	(11.156.793)
General Service Rate GS	(25.056.000)		$	(1.865.158 64)	$	(1.865.159)
Single Phase	(9.254.000)		$	(688.904 10)		
Apr-2007	0	0 06849	$	-		
May-2007	-580.000	0 06849	$	(39.724 20)		
Jun-2007	-611.000	0 07621		(46.564 31)		
Jul-2007	0	0 07621		-		
Aug-2007	-4.141.000	0 07621		(315.585 61)		
Sep-2007	-2.385.000	0.07621		(181.760 85)		
Oct-2007	-1.537.000	0 06849		(105.269 13)		
Nov-2007	0	0 06849		-		
Dec-2007	0	0 06849		-		
Jan-2008	0	0 06849		-		
Feb-2008	0	0 06849		-		
Mar-2008	0	0 06849		-		
Apr-2008	0	0 06849		-		
Three Phase	(15.802.000)		$	(1.176.254 54)		
Apr-2007	0	0 06849	$	-		
May-2007	-938.000	0 06849	$	(64.243 62)		
Jun-2007	-1.050.000	0 07621		(80 020 50)		
Jul-2007	0	0 07621		-		
Aug-2007	-7.109.000	0 07621		(541.776 89)		
Sep-2007	-4.014.000	0 07621		(305.906 94)		
Oct-2007	-2.691.000	0 06849		(184.306 59)		
Nov-2007	0	0.06849		-		
Dec-2007	0	0 06849		-		
Jan-2008	0	0 06849		-		
Feb-2008	0	0 06849		-		
Mar-2008	0	0 06849		-		
Apr-2008	0	0 06849		-		
Large Commercial Rate LC	(33.206.000)		$	(905.913 72)	$	(905.914)
Secondary	(29.622.000)	0 02702	$	(800.386 44)		
Primary	(2.104.000)	0.02702	$	(56.850.08)		
Secondary Small Time of Day	(1.278.000)	0 03289	$	(42.033.42)		
Primary Small Time of Day	(202.000)	0 03289	$	(6.643 78)		
Large Commercial Rate LCTOD	(6.484.000)		$	(175.457 04)	$	(175.457)
Secondary	(3.464.000)	0 02706	$	(93.735 84)		
Primary	(3.020.000)	0.02706	$	(81.721 20)		
Industrial Power Rate LP	(5.858.000)		$	(138.073 06)	$	(138.073)
Secondary	(5.014.000)	0 02357	$	(118.179 98)		
Primary	(844.000)	0 02357	$	(19.893 08)		
Industrial Power Rate LPTOD	-		$	-	$	-
Secondary	-	0 02362	$	-		
Primary	-	0 02362	$	-		
Special Contracts	(1.987 000)		$	(46.992 55)	$	(46.993)
Fort Knox	(1.987.000)	0 02365	$	(46.992 55)		
DuPont	-	0 02379	$	-		
Louisville Water Company	-	0 02364	$	-		
Street Lighting Energy Rate SLE	-	-		-		
Traffic Lighting Rate TLE	-	-		-		
	Lights	*Lights*				
Public Street Lighting Rate PSL	-	-		-		
Outdoor Lighting Rate OL	-	-		-		
Total	(246.807,000)		$	(14.288.387 65)	$	(14.288.388)
Expenses (variable only)	(246.807.000)	0 01955	$	(4.825.076 85)	$	(4.825.077)
ADJUSTMENT TO NET OPERATING INCOME BEFORE TAXES					$	(9.463.311)

Louisville Gas & Electric Company
Seasonal Electric Temperature Normalization Based on Subset of Weather Variables (HDD65 & CDD65)

Index	Year	Month	Company	HDD60	HDD65	CDD65	CDD70	MinTemp	MaxTemp	Open	Open	*Total* Adjustment	Class Descr
1	2007	4	LGE	0	0	0	0	0	0	0	0	0	RS Sec
1	2007	5	LGE	0	-274.73	-11081.9	0	0	0	0	0	-11356.64	RS Sec
1	2007	6	LGE	0	0	-11609.6	0	0	0	0	0	-11609.62	RS Sec
1	2007	7	LGE	0	0	0	0	0	0	0	0	0	RS Sec
1	2007	8	LGE	0	0	-78628.8	0	0	0	0	0	-78628.79	RS Sec
1	2007	9	LGE	0	-384.622	-45383.1	0	0	0	0	0	-45767.682	RS Sec
1	2007	10	LGE	0	5887.068	-32740	0	0	0	0	0	-26852.908	RS Sec
1	2007	11	LGE	0	0	0	0	0	0	0	0	0	RS Sec
1	2007	12	LGE	0	0	0	0	0	0	0	0	0	RS Sec
1	2008	1	LGE	0	0	0	0	0	0	0	0	0	RS Sec
1	2008	2	LGE	0	0	0	0	0	0	0	0	0	RS Sec
1	2008	3	LGE	0	0	0	0	0	0	0	0	0	RS Sec
1	2008	4	LGE	0	0	0	0	0	0	0	0	0	RS Sec
2	2007	4	LGE	0	0	0	0	0	0	0	0	0	C/I GS Sec 1 ph
2	2007	5	LGE	0	3.575	-583.569	0	0	0	0	0	-579.994	C/I GS Sec 1 ph
2	2007	6	LGE	0	0	-611.358	0	0	0	0	0	-611.358	C/I GS Sec 1 ph
2	2007	7	LGE	0	0	0	0	0	0	0	0	0	C/I GS Sec 1 ph
2	2007	8	LGE	0	0	-4140.56	0	0	0	0	0	-4140.561	C/I GS Sec 1 ph
2	2007	9	LGE	0	5.005	-2389.85	0	0	0	0	0	-2384.849	C/I GS Sec 1 ph
2	2007	10	LGE	0	214.94	-1752.26	0	0	0	0	0	-1537.318	C/I GS Sec 1 ph
2	2007	11	LGE	0	0	0	0	0	0	0	0	0	C/I GS Sec 1 ph
2	2007	12	LGE	0	0	0	0	0	0	0	0	0	C/I GS Sec 1 ph
2	2008	1	LGE	0	0	0	0	0	0	0	0	0	C/I GS Sec 1 ph
2	2008	2	LGE	0	0	0	0	0	0	0	0	0	C/I GS Sec 1 ph
2	2008	3	LGE	0	0	0	0	0	0	0	0	0	C/I GS Sec 1 ph
2	2008	4	LGE	0	0	0	0	0	0	0	0	0	C/I GS Sec 1 ph
3	2007	4	LGE	0	0	0	0	0	0	0	0	0	C/I GS Sec 3 ph
3	2007	5	LGE	0	63.695	-1001.95	0	0	0	0	0	-938.257	C/I GS Sec 3 ph
3	2007	6	LGE	0	0	-1049.66	0	0	0	0	0	-1049.664	C/I GS Sec 3 ph
3	2007	7	LGE	0	0	0	0	0	0	0	0	0	C/I GS Sec 3 ph
3	2007	8	LGE	0	0	-7109.09	0	0	0	0	0	-7109.088	C/I GS Sec 3 ph
3	2007	9	LGE	0	89.173	-4103.23	0	0	0	0	0	-4014.059	C/I GS Sec 3 ph
3	2007	10	LGE	0	408.144	-3098.7	0	0	0	0	0	-2690.554	C/I GS Sec 3 ph
3	2007	11	LGE	0	0	0	0	0	0	0	0	0	C/I GS Sec 3 ph
3	2007	12	LGE	0	0	0	0	0	0	0	0	0	C/I GS Sec 3 ph
3	2008	1	LGE	0	0	0	0	0	0	0	0	0	C/I GS Sec 3 ph
3	2008	2	LGE	0	0	0	0	0	0	0	0	0	C/I GS Sec 3 ph
3	2008	3	LGE	0	0	0	0	0	0	0	0	0	C/I GS Sec 3 ph
3	2008	4	LGE	0	0	0	0	0	0	0	0	0	C/I GS Sec 3 ph

Louisville Gas & Electric Company

Seasonal Electric Temperature Normalization Based on Subset of Weather Variables (HDD65 & CDD65)

Index	Year	Month	Company	HDD60	HDD65	CDD65	CDD70	MinTemp	MaxTemp	Open	Open	Total Adjustment	Class Descr
6	2007	4	LGE	0	0	0	0	0	0	0	0	0	C/I LC STOD Sec
6	2007	5	LGE	0	-5.2	-72.24	0	0	0	0	0	-77.44	C/I LC STOD Sec
6	2007	6	LGE	0	0	-75.68	0	0	0	0	0	-75.68	C/I LC STOD Sec
6	2007	7	LGE	0	0	0	0	0	0	0	0	0	C/I LC STOD Sec
6	2007	8	LGE	0	0	-512.56	0	0	0	0	0	-512.56	C/I LC STOD Sec
6	2007	9	LGE	0	-7.28	-295.84	0	0	0	0	0	-303.12	C/I LC STOD Sec
6	2007	10	LGE	0	-15.312	-293.888	0	0	0	0	0	-309.2	C/I LC STOD Sec
6	2007	11	LGE	0	0	0	0	0	0	0	0	0	C/I LC STOD Sec
6	2007	12	LGE	0	0	0	0	0	0	0	0	0	C/I LC STOD Sec
6	2008	1	LGE	0	0	0	0	0	0	0	0	0	C/I LC STOD Sec
6	2008	2	LGE	0	0	0	0	0	0	0	0	0	C/I LC STOD Sec
6	2008	3	LGE	0	0	0	0	0	0	0	0	0	C/I LC STOD Sec
6	2008	4	LGE	0	0	0	0	0	0	0	0	0	C/I LC STOD Sec
7	2007	4	LGE	0	0	0	0	0	0	0	0	0	C/I LC STOD Pri
7	2007	5	LGE	0	-1.225	-11.634	0	0	0	0	0	-12.859	C/I LC STOD Pri
7	2007	6	LGE	0	0	-12.188	0	0	0	0	0	-12.188	C/I LC STOD Pri
7	2007	7	LGE	0	0	0	0	0	0	0	0	0	C/I LC STOD Pri
7	2007	8	LGE	0	0	-82.546	0	0	0	0	0	-82.546	C/I LC STOD Pri
7	2007	9	LGE	0	-1.715	-47.644	0	0	0	0	0	-49.359	C/I LC STOD Pri
7	2007	10	LGE	0	-3.564	-41.492	0	0	0	0	0	-45.056	C/I LC STOD Pri
7	2007	11	LGE	0	0	0	0	0	0	0	0	0	C/I LC STOD Pri
7	2007	12	LGE	0	0	0	0	0	0	0	0	0	C/I LC STOD Pri
7	2008	1	LGE	0	0	0	0	0	0	0	0	0	C/I LC STOD Pri
7	2008	2	LGE	0	0	0	0	0	0	0	0	0	C/I LC STOD Pri
7	2008	3	LGE	0	0	0	0	0	0	0	0	0	C/I LC STOD Pri
7	2008	4	LGE	0	0	0	0	0	0	0	0	0	C/I LC STOD Pri
8	2007	4	LGE	0	0	0	0	0	0	0	0	0	C/I LC Sec
8	2007	5	LGE	0	-39.23	-1730.46	0	0	0	0	0	-1769.693	C/I LC Sec
8	2007	6	LGE	0	0	-1812.87	0	0	0	0	0	-1812.866	C/I LC Sec
8	2007	7	LGE	0	0	0	0	0	0	0	0	0	C/I LC Sec
8	2007	8	LGE	0	0	-12278	0	0	0	0	0	-12278.047	C/I LC Sec
8	2007	9	LGE	0	-54.922	-7086.66	0	0	0	0	0	-7141.58	C/I LC Sec
8	2007	10	LGE	0	452.496	-7071.84	0	0	0	0	0	-6619.348	C/I LC Sec
8	2007	11	LGE	0	0	0	0	0	0	0	0	0	C/I LC Sec
8	2007	12	LGE	0	0	0	0	0	0	0	0	0	C/I LC Sec
8	2008	1	LGE	0	0	0	0	0	0	0	0	0	C/I LC Sec
8	2008	2	LGE	0	0	0	0	0	0	0	0	0	C/I LC Sec
8	2008	3	LGE	0	0	0	0	0	0	0	0	0	C/I LC Sec
8	2008	4	LGE	0	0	0	0	0	0	0	0	0	C/I LC Sec

Louisville Gas & Electric Company
Seasonal Electric Temperature Normalization Based on Subset of Weather Variables (HDD65 & CDD65)

Index	Year	Month	Company	HDD60	HDD65	CDD65	CDD70	MinTemp	MaxTemp	Open	Open	Total Adjustment	Class Descr
9	2007	4	LGE	0	0	0	0	0	0	0	0	0	C/I LC Pri
9	2007	5	LGE	0	-12.555	-127.449	0	0	0	0	0	-140.004	C/I LC Pri
9	2007	6	LGE	0	0	-133.518	0	0	0	0	0	-133.518	C/I LC Pri
9	2007	7	LGE	0	0	0	0	0	0	0	0	0	C/I LC Pri
9	2007	8	LGE	0	0	-904.281	0	0	0	0	0	-904.281	C/I LC Pri
9	2007	9	LGE	0	-17.577	-521.934	0	0	0	0	0	-539.511	C/I LC Pri
9	2007	10	LGE	0	6.952	-393.6	0	0	0	0	0	-386.648	C/I LC Pri
9	2007	11	LGE	0	0	0	0	0	0	0	0	0	C/I LC Pri
9	2007	12	LGE	0	0	0	0	0	0	0	0	0	C/I LC Pri
9	2008	1	LGE	0	0	0	0	0	0	0	0	0	C/I LC Pri
9	2008	2	LGE	0	0	0	0	0	0	0	0	0	C/I LC Pri
9	2008	3	LGE	0	0	0	0	0	0	0	0	0	C/I LC Pri
9	2008	4	LGE	0	0	0	0	0	0	0	0	0	C/I LC Pri
10	2007	4	LGE	0	0	0	0	0	0	0	0	0	C/I LC Sec TOD
10	2007	5	LGE	0	-14.645	-210.693	0	0	0	0	0	-225.338	C/I LC Sec TOD
10	2007	6	LGE	0	0	-220.726	0	0	0	0	0	-220.726	C/I LC Sec TOD
10	2007	7	LGE	0	0	0	0	0	0	0	0	0	C/I LC Sec TOD
10	2007	8	LGE	0	0	-1494.92	0	0	0	0	0	-1494.917	C/I LC Sec TOD
10	2007	9	LGE	0	-20.503	-862.838	0	0	0	0	0	-883.341	C/I LC Sec TOD
10	2007	10	LGE	0	68.816	-708.398	0	0	0	0	0	-639.582	C/I LC Sec TOD
10	2007	11	LGE	0	0	0	0	0	0	0	0	0	C/I LC Sec TOD
10	2007	12	LGE	0	0	0	0	0	0	0	0	0	C/I LC Sec TOD
10	2008	1	LGE	0	0	0	0	0	0	0	0	0	C/I LC Sec TOD
10	2008	2	LGE	0	0	0	0	0	0	0	0	0	C/I LC Sec TOD
10	2008	3	LGE	0	0	0	0	0	0	0	0	0	C/I LC Sec TOD
10	2008	4	LGE	0	0	0	0	0	0	0	0	0	C/I LC Sec TOD
11	2007	4	LGE	0	0	0	0	0	0	0	0	0	C/I LC Pri TOD
11	2007	5	LGE	0	9.465	-173.775	0	0	0	0	0	-164.31	C/I LC Pri TOD
11	2007	6	LGE	0	0	-182.05	0	0	0	0	0	-182.05	C/I LC Pri TOD
11	2007	7	LGE	0	0	0	0	0	0	0	0	0	C/I LC Pri TOD
11	2007	8	LGE	0	0	-1232.98	0	0	0	0	0	-1232.975	C/I LC Pri TOD
11	2007	9	LGE	0	13.251	-711.65	0	0	0	0	0	-698.399	C/I LC Pri TOD
11	2007	10	LGE	0	-52.184	-689.866	0	0	0	0	0	-742.05	C/I LC Pri TOD
11	2007	11	LGE	0	0	0	0	0	0	0	0	0	C/I LC Pri TOD
11	2007	12	LGE	0	0	0	0	0	0	0	0	0	C/I LC Pri TOD
11	2008	1	LGE	0	0	0	0	0	0	0	0	0	C/I LC Pri TOD
11	2008	2	LGE	0	0	0	0	0	0	0	0	0	C/I LC Pri TOD
11	2008	3	LGE	0	0	0	0	0	0	0	0	0	C/I LC Pri TOD
11	2008	4	LGE	0	0	0	0	0	0	0	0	0	C/I LC Pri TOD

Louisville Gas & Electric Company
Seasonal Electric Temperature Normalization Based on Subset of Weather Variables (HDD65 & CDD65)

Index	Year	Month	Company	HDD60	HDD65	CDD65	CDD70	MinTemp	MaxTemp	Open	Open	Total Adjustment	Class Descr
12	2007	4	LGE	0	0	0	0	0	0	0	0	0	C/I LC Special
12	2007	5	LGE	0	7.59	-123.606	0	0	0	0	0	-116.016	C/I LC Special
12	2007	6	LGE	0	0	-129.492	0	0	0	0	0	-129.492	C/I LC Special
12	2007	7	LGE	0	0	0	0	0	0	0	0	0	C/I LC Special
12	2007	8	LGE	0	0	-877.014	0	0	0	0	0	-877.014	C/I LC Special
12	2007	9	LGE	0	10.626	-506.196	0	0	0	0	0	-495.57	C/I LC Special
12	2007	10	LGE	0	-16.852	-351.944	0	0	0	0	0	-368.796	C/I LC Special
12	2007	11	LGE	0	0	0	0	0	0	0	0	0	C/I LC Special
12	2007	12	LGE	0	0	0	0	0	0	0	0	0	C/I LC Special
12	2008	1	LGE	0	0	0	0	0	0	0	0	0	C/I LC Special
12	2008	2	LGE	0	0	0	0	0	0	0	0	0	C/I LC Special
12	2008	3	LGE	0	0	0	0	0	0	0	0	0	C/I LC Special
12	2008	4	LGE	0	0	0	0	0	0	0	0	0	C/I LC Special
13	2007	4	LGE	0	0	0	0	0	0	0	0	0	C/I LP Sec
13	2007	5	LGE	0	24.11	-281.064	0	0	0	0	0	-256.954	C/I LP Sec
13	2007	6	LGE	0	0	-294.448	0	0	0	0	0	-294.448	C/I LP Sec
13	2007	7	LGE	0	0	0	0	0	0	0	0	0	C/I LP Sec
13	2007	8	LGE	0	0	-1994.22	0	0	0	0	0	-1994.216	C/I LP Sec
13	2007	9	LGE	0	33.754	-1151.02	0	0	0	0	0	-1117.27	C/I LP Sec
13	2007	10	LGE	0	6.996	-1358.33	0	0	0	0	0	-1351.334	C/I LP Sec
13	2007	11	LGE	0	0	0	0	0	0	0	0	0	C/I LP Sec
13	2007	12	LGE	0	0	0	0	0	0	0	0	0	C/I LP Sec
13	2008	1	LGE	0	0	0	0	0	0	0	0	0	C/I LP Sec
13	2008	2	LGE	0	0	0	0	0	0	0	0	0	C/I LP Sec
13	2008	3	LGE	0	0	0	0	0	0	0	0	0	C/I LP Sec
13	2008	4	LGE	0	0	0	0	0	0	0	0	0	C/I LP Sec
14	2007	4	LGE	0	0	0	0	0	0	0	0	0	C/I LP Pri
14	2007	5	LGE	0	4.43	-45.906	0	0	0	0	0	-41.476	C/I LP Pri
14	2007	6	LGE	0	0	-48.092	0	0	0	0	0	-48.092	C/I LP Pri
14	2007	7	LGE	0	0	0	0	0	0	0	0	0	C/I LP Pri
14	2007	8	LGE	0	0	-325.714	0	0	0	0	0	-325.714	C/I LP Pri
14	2007	9	LGE	0	6.202	-187.996	0	0	0	0	0	-181.794	C/I LP Pri
14	2007	10	LGE	0	8.888	-255.84	0	0	0	0	0	-246.952	C/I LP Pri
14	2007	11	LGE	0	0	0	0	0	0	0	0	0	C/I LP Pri
14	2007	12	LGE	0	0	0	0	0	0	0	0	0	C/I LP Pri
14	2008	1	LGE	0	0	0	0	0	0	0	0	0	C/I LP Pri
14	2008	2	LGE	0	0	0	0	0	0	0	0	0	C/I LP Pri
14	2008	3	LGE	0	0	0	0	0	0	0	0	0	C/I LP Pri
14	2008	4	LGE	0	0	0	0	0	0	0	0	0	C/I LP Pri

Louisville Gas & Electric Company
Normals and Standard Deviations

Lookup	Index	Calendar Month	Variable	Month	Actual	Normal	Stdev	Normal +/- Stdev	20-Year Normal	20-Year Stdev
2008_1_1	1	1/1/2008	HDD60	1	786	809	171	786	743	150
2008_2_1	1	2/1/2008	HDD60	2	646	638	144	646	598	117
2008_3_1	1	3/1/2008	HDD60	3	417	426	94	417	411	92
2007_4_1	1	4/1/2007	HDD60	4	236	163	59	222	154	53
2007_5_1	1	5/1/2007	HDD60	5	4	29	24	5	26	23
2007_6_1	1	6/1/2007	HDD60	6	0	0	0	0	0	0
2007_7_1	1	7/1/2007	HDD60	7	0	0	0	0	0	0
2007_8_1	1	8/1/2007	HDD60	8	0	0	0	0	0	0
2007_9_1	1	9/1/2007	HDD60	9	0	10	11	0	10	10
2007_10_1	1	10/1/2007	HDD60	10	48	127	55	72	123	54
2007_11_1	1	11/1/2007	HDD60	11	348	370	94	348	370	105
2007_12_1	1	12/1/2007	HDD60	12	557	689	155	557	686	151
2008_4_1	1	4/1/2008	HDD60	4	144	163	59	144	154	53
2008_1_2	2	1/1/2008	HDD65	1	935	963	171	935	896	150
2008_2_2	2	2/1/2008	HDD65	2	787	778	145	787	738	118
2008_3_2	2	3/1/2008	HDD65	3	569	567	103	569	552	102
2007_4_2	2	4/1/2007	HDD65	4	329	265	74	329	253	64
2007_5_2	2	5/1/2007	HDD65	5	27	78	46	32	73	45
2007_6_2	2	6/1/2007	HDD65	6	0	5	6	0	6	7
2007_7_2	2	7/1/2007	HDD65	7	0	0	0	0	0	0
2007_8_2	2	8/1/2007	HDD65	8	0	0	0	0	0	0
2007_9_2	2	9/1/2007	HDD65	9	3	33	23	10	31	21
2007_10_2	2	10/1/2007	HDD65	10	114	230	72	158	223	67
2007_11_2	2	11/1/2007	HDD65	11	484	509	100	484	508	110
2007_12_2	2	12/1/2007	HDD65	12	712	841	157	712	640	152
2008_4_2	2	4/1/2008	HDD65	4	240	265	74	240	253	64
2008_1_3	3	1/1/2008	CDD65	1	0	0	0	0	0	0
2008_2_3	3	2/1/2008	CDD65	2	0	0	0	0	0	0
2008_3_3	3	3/1/2008	CDD65	3	0	0	0	0	0	0
2007_4_3	3	4/1/2007	CDD65	4	51	29	24	51	32	25
2007_5_3	3	5/1/2007	CDD65	5	202	120	61	181	124	64
2007_6_3	3	6/1/2007	CDD65	6	382	299	61	360	306	57
2007_7_3	3	7/1/2007	CDD65	7	397	429	60	397	435	57
2007_8_3	3	8/1/2007	CDD65	8	629	399	81	480	414	85
2007_9_3	3	9/1/2007	CDD65	9	350	198	66	264	199	72
2007_10_3	3	10/1/2007	CDD65	10	149	37	30	67	39	33
2007_11_3	3	11/1/2007	CDD65	11	0	0	0	0	0	0
2007_12_3	3	12/1/2007	CDD65	12	0	0	0	0	0	0
2008_4_3	3	4/1/2008	CDD65	4	30	29	24	30	32	25

Louisville Gas & Electric Company
Normals and Standard Deviations

Lookup	Index	Calendar Month	Variable	Month	Actual	Normal	Stdev	Normal +/- Stdev	20-Year Normal	20-Year Stdev
2008_1_4	4	1/1/2008	CDD70	1	0	0	0	0	0	0
2008_2_4	4	2/1/2008	CDD70	2	0	0	0	0	0	0
2008_3_4	4	3/1/2008	CDD70	3	0	0	0	0	0	0
2007_4_4	4	4/1/2007	CDD70	4	11	7	11	11	9	12
2007_5_4	4	5/1/2007	CDD70	5	96	47	37	84	51	40
2007_6_4	4	6/1/2007	CDD70	6	232	167	50	217	174	48
2007_7_4	4	7/1/2007	CDD70	7	242	276	59	242	281	57
2007_8_4	4	8/1/2007	CDD70	8	474	249	81	330	263	80
2007_9_4	4	9/1/2007	CDD70	9	212	98	49	147	99	53
2007_10_4	4	10/1/2007	CDD70	10	78	11	15	26	12	18
2007_11_4	4	11/1/2007	CDD70	11	0	0	0	0	0	0
2007_12_4	4	12/1/2007	CDD70	12	0	0	0	0	0	0
2008_4_4	4	4/1/2008	CDD70	4	6	7	11	6	9	12
2008_1_5	5	1/1/2008	MinTemp	1	827	806	167.4	827	871.1	158.1
2008_2_5	5	2/1/2008	MinTemp	2	878	807.95	141.25	878	847.5	115.825
2008_3_5	5	3/1/2008	MinTemp	3	1147	1147	99.2	1147	1165.6	102.3
2007_4_5	5	4/1/2007	MinTemp	4	1380	1395	90	1380	1410	87
2007_5_5	5	5/1/2007	MinTemp	5	1860	1745.3	102.3	1847.6	1760.8	108.5
2007_6_5	5	6/1/2007	MinTemp	6	2040	1953	66	2019	1965	60
2007_7_5	5	7/1/2007	MinTemp	7	2108	2154.5	55.8	2108	2163.8	52.7
2007_8_5	5	8/1/2007	MinTemp	8	2294	2114.2	80.6	2194.8	2126.6	80.6
2007_9_5	5	9/1/2007	MinTemp	9	1950	1806	75	1881	1812	75
2007_10_5	5	10/1/2007	MinTemp	10	1736	1494.2	111.6	1605.8	1506.6	96.1
2007_11_5	5	11/1/2007	MinTemp	11	1170	1173	96	1170	1173	96
2007_12_5	5	12/1/2007	MinTemp	12	1054	930	158.1	1054	936.2	155
2008_4_5	5	4/1/2008	MinTemp	4	1417	1395	90	1417	1410	87
2008_1_6	6	1/1/2008	MaxTemp	1	1325	1298.9	179.8	1325	1376.4	158.1
2008_2_6	6	2/1/2008	MaxTemp	2	1305	1307.975	155.375	1305	1347.525	127.125
2008_3_6	6	3/1/2008	MaxTemp	3	1735	1760.8	124	1735	1776.3	124
2007_4_6	6	4/1/2007	MaxTemp	4	1950	2031	99	1950	2046	81
2007_5_6	6	5/1/2007	MaxTemp	5	2511	2368.4	105.4	2473.8	2371.5	99.2
2007_6_6	6	6/1/2007	MaxTemp	6	2610	2532	81	2610	2535	84
2007_7_6	6	7/1/2007	MaxTemp	7	2728	2734.2	74.4	2728	2737.3	71.3
2007_8_6	6	8/1/2007	MaxTemp	8	2976	2712.5	102.3	2814.8	2728	99.2
2007_9_6	6	9/1/2007	MaxTemp	9	2640	2424	99	2523	2424	108
2007_10_6	6	10/1/2007	MaxTemp	10	2325	2148.3	80.6	2228.9	2157.6	86.8
2007_11_6	6	11/1/2007	MaxTemp	11	1740	1713	123	1740	1713	138
2007_12_6	6	12/1/2007	MaxTemp	12	1550	1416.7	164.3	1550	1413.6	158.1
2008_4_6	6	4/1/2008	MaxTemp	4	2050	2031	99	2050	2046	81

Louisville Gas & Electric Company
Normals and Standard Deviations

Lookup	Index	Calendar Month	Variable	Month	Actual	Normal	Stdev	Normal +/- Stdev	20-Year Normal	20-Year Stdev
2008_1_7	7	1/1/2008	Open	1	0	0	0	0	0	0
2008_2_7	7	2/1/2008	Open	2	0	0	0	0	0	0
2008_3_7	7	3/1/2008	Open	3	0	0	0	0	0	0
2007_4_7	7	4/1/2007	Open	4	0	0	0	0	0	0
2007_5_7	7	5/1/2007	Open	5	0	0	0	0	0	0
2007_6_7	7	6/1/2007	Open	6	0	0	0	0	0	0
2007_7_7	7	7/1/2007	Open	7	0	0	0	0	0	0
2007_8_7	7	8/1/2007	Open	8	0	0	0	0	0	0
2007_9_7	7	9/1/2007	Open	9	0	0	0	0	0	0
2007_10_7	7	10/1/2007	Open	10	0	0	0	0	0	0
2007_11_7	7	11/1/2007	Open	11	0	0	0	0	0	0
2007_12_7	7	12/1/2007	Open	12	0	0	0	0	0	0
2008_4_7	7	4/1/2008	Open	4	0	0	0	0	0	0
2008_1_8	8	1/1/2008	Open	1	0	0	0	0	0	0
2008_2_8	8	2/1/2008	Open	2	0	0	0	0	0	0
2008_3_8	8	3/1/2008	Open	3	0	0	0	0	0	0
2007_4_8	8	4/1/2007	Open	4	0	0	0	0	0	0
2007_5_8	8	5/1/2007	Open	5	0	0	0	0	0	0
2007_6_8	8	6/1/2007	Open	6	0	0	0	0	0	0
2007_7_8	8	7/1/2007	Open	7	0	0	0	0	0	0
2007_8_8	8	8/1/2007	Open	8	0	0	0	0	0	0
2007_9_8	8	9/1/2007	Open	9	0	0	0	0	0	0
2007_10_8	8	10/1/2007	Open	10	0	0	0	0	0	0
2007_11_8	8	11/1/2007	Open	11	0	0	0	0	0	0
2007_12_8	8	12/1/2007	Open	12	0	0	0	0	0	0
2008_4_8	8	4/1/2008	Open	4	0	0	0	0	0	0

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 15

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

Q-15. Refer to LG&E's response to Item 63(a) of Staff's Second Request.

a. For the 12-month periods ended April 30, 2004, 2005, and 2006, provide the amount of expense recorded in Account 512, Maintenance of Boiler Plant.

b. For each of the 12-month periods ended April 30, 2004, 2005, 2006, and 2007, identify the generating units which had a scheduled maintenance outage or major turbine overhaul similar to those that occurred during the test year at Trimble County Unit 1 and Cane Run Unit 5.

c. For each of the calendar years 2009, 2010, and 2011, identify which LG&E generating units are planned to have a scheduled maintenance outage or major turbine overhaul similar to those that occurred during the test year at Trimble County Unit 1 and Cane Run Unit 5.

A-15. a. Expense recorded in Account 512, Maintenance of Boiler Plant for the 12-month periods ended April 30, 2004, 2005, and 2006 were:

2004	$24,678,867
2005	$26,333,419
2006	$25,219,875

b. The Trimble County 1 outage in the test year was an annual outage and the Cane Run 5 outage in the test year was a major overhaul. The list below contains all of the planned outages (major and annual) in the 12-month periods requested.

May 1, 2003 – April 30, 2004:	Cane Run 4	Annual Outage
	Cane Run 5**	Pulverizer Mills
	Cane Run 6	Annual Outage
	Mill Creek 2*	Major Overhaul
	Mill Creek 2	Annual Outage
	Mill Creek 3**	Major Overhaul

	Mill Creek 4	Annual Outage
	Mill Creek 4	Chemical Cleaning
	Trimble County 1*	Major Overhaul

May 1, 2004 – April 30, 2005:	Cane Run 4	Major Overhaul
	Cane Run 5*	Pulverizer Mills
	Cane Run 5	Annual Outage
	Cane Run 6	Steam Turbine Bearings
	Cane Run 6	Annual Outage
	Mill Creek 1	Annual Outage
	Mill Creek 2**	Annual Outage
	Mill Creek 3*	Major Overhaul
	Mill Creek 4	Annual Outage

May 1, 2005 – April 30, 2006:	Cane Run 4	Annual Outage
	Cane Run 5	Annual Outage
	Cane Run 6**	Annual Outage
	Mill Creek 1	Annual Outage
	Mill Creek 2*	Annual Outage
	Mill Creek 3	Annual Outage
	Mill Creek 4	Major Overhaul
	Trimble County 1	Annual Outage

May 1, 2006 – April 30, 2007:	Cane Run 4	Annual Outage
	Cane Run 5	Annual Outage
	Cane Run 6*	Annual Outage
	Mill Creek 1	Annual Outage
	Mill Creek 2	Annual Outage
	Mill Creek 3	Annual Outage
	Mill Creek 4	Annual Outage

* - continued from previous 12-month period
** - continues into next 12-month period

c. The Trimble County 1 outage in the test year was an annual outage and the Cane Run 5 outage in the test year was a major overhaul. The list below contains all of the planned outages (major and annual) in the years requested.

January 1, 2009 – December 31, 2009:	Cane Run 4	Annual Outage
	Cane Run 5	Annual Outage
	Cane Run 6	Major Overhaul
	Mill Creek 1	Annual Outage
	Mill Creek 2	Annual Outage
	Mill Creek 3	Annual Outage

	Mill Creek 4	Annual Outage
	Trimble County 1	Major Overhaul

January 1, 2010 – December 31, 2010:	Cane Run 4	Annual Outage
	Cane Run 5	Annual Outage
	Cane Run 6	Annual Outage
	Mill Creek 1	Major Overhaul
	Mill Creek 2	Annual Outage
	Mill Creek 3	Annual Outage
	Mill Creek 4	Annual Outage
	Trimble County 2	Annual Outage

January 1, 2011 – December 31, 2011:	Cane Run 4	Major Overhaul
	Cane Run 5	Annual Outage
	Cane Run 6	Annual Outage
	Mill Creek 1	Annual Outage
	Mill Creek 2	Major Overhaul
	Mill Creek 3	Major Overhaul
	Mill Creek 4	Annual Outage
	Trimble County 1	Annual Outage
	Trimble County 2	Annual Outage

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 16

Responding Witness: Paul W. Thompson

Q-16. Refer to LG&E's response to Item 63(b) of Staff's Second Request. Clarify the meaning of Trimble County Unit l's "combustion turbine" outage work.

A-16. The response to Item 63(b) provided in Staff's Second Request was incorrect. The correct explanation for the increase was outage work performed on Brown Station Combustion Turbine Unit Number 6 during the fall of 2007.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 17

Responding Witness: Chris Hermann

Q-17. Refer to LG&E's responses to Item 64(a) of Staff's Second Request and Item 78 of the Attorney General's August 28, 2008 data request. Explain what is meant by "regulatory work in the areas of pipeline integrity and corrosion."

A-17. As a result of the Pipeline Safety Improvement Act of 2002, the Department of Transportation issued new regulations requiring operators of natural gas transmission pipelines to implement pipeline integrity management programs. The regulations required operators to have a written plan in place by December 17, 2004, and required operators to complete an initial baseline integrity assessment of covered transmission lines by December 2012. Recurring integrity assessments are required after 2012 on an ongoing basis. LG&E has increased staffing and field activities to meet these new regulatory requirements.

LG&E has also increased staffing and field activities focused on preventing corrosion on the gas transmission and distribution systems. This has included staff focused on analyzing corrosion related data on our system, developing related operating standards, and managing field activities. Increased volumes of anode installations and other corrosion prevention activities have been completed in the field to prevent corrosion of gas facilities. Such work will be ongoing.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 18

Responding Witness: Chris Hermann

Q-18. Refer to LG&E's response to Item 64(c) of Staff's Second Request.

a. Explain why the inspections of mains required by the Metropolitan Sewer District ("MSD") differed between the 12 months immediately preceding the test year and the test year.

b. Explain whether MSD requires a consistent number of inspections of mains by LG&E on a yearly basis and provide the number of inspections, number of mains inspected, and feet of mains inspected that MSD required of LG&E annually for the years 2003 through 2007.

A-18. a. During 2006, MSD made LG&E aware that, as a result of certain of LG&E's gas main replacement activities, LG&E's gas facilities had become invasive of certain MSD facilities. In order to determine the scope of this problem, LG&E began, on its own initiative, a proactive inspection process to resolve and correct all such potential facility invasions to ensure the safe operation of the gas system. The inspection plan was developed in 2006 with inspections taking place in 2007 and 2008. The previous response by LG&E was incorrect in that MSD did not require these facility inspections by LG&E.

b. MSD does not require facility inspections by LG&E. As explained above, these inspections were a corrective initiative by LG&E.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 19

Responding Witness: Shannon L. Charnas / William Steven Seelye

Q-19. Refer to LG&E's responses to Items 72 and 83 of Staff's Second Data Request. In the first response, LG&E states that it did not accrue any "unbilled expenses" concurrently with the recording of unbilled revenue. In the second response, LG&E states that accrued expenses were not removed because there were no accrued expenses associated with the accrued revenues listed.

a. Explain how recording unbilled revenue without associated expenses satisfies the "matching principle" as dictated by generally accepted accounting principles.

b. LG&E has proposed adjustments for unbilled revenues (Rives Reference Schedule 1.0) and accrued revenues (Rives Reference Schedule 1.09). Explain the distinction between unbilled revenues and accrued revenues and state whether accrued revenues are also unbilled.

A-19. a. The Company follows the matching principle for accounting purposes, as dictated by GAAP, by recording unbilled revenues and accrued expenses to match revenues earned in the month with actual expenses incurred in the same month.

For ratemaking purposes, the Company develops normalized test year operating results using expenses, revenues and billing determinants that are representative of operations on a going forward basis. Because the revenues, expenses and billing determinants have been fully normalized in this proceeding all three have been fully synchronized.

The Company has historically removed unbilled revenues in the calculation of rates as approved in KU's last base rate case, Case No. 2003-00434, and LG&E's last base rate case, Case No. 2003-00433, as well as LG&E's Case No. 2000-080 and Case No. 90-158. Accrued expenses were not removed in any of these cases.

In its Order in Case No. 2003-00433, the Commission recognized that "the revenues eliminated by LG&E's adjustment included the recovery of environmental surcharge, fuel clause and demand-side management costs that are removed from test-year operating results through various other adjustments". In that case, as in this one, the Company proposed adjustments for those and other factors that impact the calculation of unbilled revenues, such as changes in the number of customers, to properly normalize for those factors. In its Order, the Commission indicated that any mismatch "is adequately mitigated by the various normalization adjustments included in its rate application". Since the Company made similar adjustments in this case and such adjustments were agreed to by the Commission in the last case, the Company did not propose to remove "unbilled expenses" from test year operations following the removal of the unbilled revenues.

b. The Company's revenue is categorized based on the balance sheet classification of the revenue transaction. ***Billed revenue*** represents transactions billed through the Company's CIS and is posted as a receivable to FERC Account 142. ***Unbilled revenue*** represents the dollar amount of the energy delivered, but not yet billed during a given month as a result of the timing of the cycle billings, and is posted as a receivable to FERC Account 173. The Company defines ***accrued revenues*** as accruals to eliminate the regulatory lag and over or under recovery of the various regulatory mechanisms (FAC, ECR, etc.). These accrued revenues are recorded as miscellaneous deferred debits in FERC Account 186. Based on the Company's classification, unbilled revenues are separate and distinct from accrued revenues.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 20

Responding Witness: John J. Spanos

Q-20. Refer to LG&E's response to Item 74(d) of Staff's Second Request.

a. The order of the Pennsylvania Public Utility Commission does not identify that the equal life group ("ELG") method was proposed. Provide the relevant section of the testimony of John Spanos in the Pennsylvania case which reflects that the depreciation proposal of the utility was based on the ELG method.

b. In the order of the Indiana Commission, identify whether there is any support for the decision to adopt ELG other than the first full paragraph on page 55 of the order which states that the Commission had "on numerous occasions accepted the use of the ELG methodology."

A-20. a. The order of the Pennsylvania Public Utility Commission did not specifically identify the utilization of the ELG procedure because this procedure is utilized by almost all studies proposed in the state. Nonetheless, the attached section of Mr. Spanos' testimony sets forth his proposal of the ELG procedure.

b. There is support for the decision. The order of the Indiana Commission accepts Mr. Spanos' proposal of depreciation rates which were developed using the ELG procedure. Attached is the section of Mr. Spanos' testimony which sets forth his proposal of the ELG procedure.

PSW Statement No. 6

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DIRECT TESTIMONY OF
JOHN J. SPANOS

ON BEHALF OF
PENNSYLVANIA SUBURBAN WATER COMPANY

CONCERNING DEPRECIATION

DOCKET NO. R-00038805

NOVEMBER 2003

Exhibit No. 6-A, Part II, titled "Depreciation Study - Calculated Annual Depreciation Accruals Related to Utility Plant in Service at June 30, 2004," includes the results of the depreciation study as related to the estimated original cost at June 30, 2004. The report also includes explanatory text, statistics related to the estimation of service life, and the detailed depreciation calculations.

Q. *What was the purpose of your depreciation study?*

A. The purpose of the depreciation study was to estimate the annual depreciation accruals related to utility plant in service for ratemaking purposes and, using Commission-approved procedures, to estimate the Company's book reserve at June 30, 2004.

Q. Is the Company's claim for annual depreciation in the current proceeding based on the same methods of depreciation as were used in its most recent water rate proceeding in Docket No. R-00016750?

A. Yes, it is. For most plant accounts, the current claim for annual depreciation is based on the straight line remaining life method of depreciation, which has been used for over fifteen years. For Accounts 340, 341.2, 342, 343, 346 and 347, the claim is based on the straight line remaining life method of amortization. The annual amortization is based on amortization accounting which distributes the unrecovered cost of fixed capital assets over the remaining amortization period selected for each account.

Q. What group procedure is being used in this proceeding for depreciable accounts?

A. The equal life group procedure is used in the current proceeding for all depreciable accounts and installation years. The equal life group procedure also was used in this same manner in the Company's last rate proceeding.

Q. Is the Company's claim for accrued depreciation in the current proceeding made on the same basis as has been used for over seventeen years?

A. Yes. The current claim for accrued depreciation is the book reserve brought forward from the book reserves approved by the Commission at Docket No. R-850174.

Q. How was the book reserve used in the calculation of annual depreciation?

A. The book reserve by account was allocated to vintages to determine original cost less accrued depreciation by vintage. The total annual accrual is the sum of the results of dividing the original costs less accrued depreciation by the vintage composite remaining lives.

Q. How was the book reserve at June 30, 2004 estimated?

A. The book reserve at June 30, 2004, by account, was projected by adding estimated accruals, salvage and the amortization of net salvage, and subtracting estimated retirements and cost of removal from the book reserve at June 30, 2003. Annual accruals were estimated using the annual accruals calculated as of June 30, 2003. For most accounts, salvage and cost of removal were estimated by (1) expressing actual salvage and cost of removal as a percent of retirements by account, for the most recent five-year period, and (2) applying those percents to the projected retirements by account. For mains and services, the historical percents derived in the manner described above

PETITIONER'S EXHIBIT T (JJS)

TESTIMONY OF JOHN J. SPANOS
VICE PRESIDENT OF GANNETT FLEMING
ON BEHALF OF
PSI ENERGY, INC.
CAUSE NO. 42359 BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is John J. Spanos. My business address is 207 Senate Avenue, Camp Hill, Pennsylvania, 17011.

Q. ARE YOU ASSOCIATED WITH ANY FIRM?

A. Yes. I am associated with the firm of Gannett Fleming, Inc.

Q. HOW LONG HAVE YOU BEEN ASSOCIATED WITH GANNETT FLEMING, INC.?

A. I have been associated with the firm since college graduation in June, 1986.

Q. WHAT IS YOUR POSITION WITH THE FIRM?

A. I am Vice President of its Valuation and Rate Division.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I have Bachelor of Science degrees in Industrial Management and Mathematics from Carnegie-Mellon University and a Master of Business Administration from York College.

Q. DO YOU BELONG TO ANY PROFESSIONAL SOCIETIES?

A. Yes. I am a member of the Society of Depreciation Professionals and the American Gas Association/Edison Electric Institute Industry Accounting Committee.

A. I estimated the net salvage percentages by incorporating the historical data for the period 1989 through 2001 and considered estimates for other electric companies. I also used the Demolition Cost Estimates prepared by Sargent & Lundy, Petitioner's Exhibit U-1 (AWW-1) through Petitioner's Exhibit U-6 (AWW-6) for steam production accounts.

Q. PLEASE DESCRIBE THE SECOND PHASE OF THE PROCESS THAT YOU USED IN THE DEPRECIATION STUDY IN WHICH YOU CALCULATED COMPOSITE REMAINING LIVES AND ANNUAL DEPRECIATION ACCRUAL RATES.

A. After I estimated the service life and net salvage characteristics for each depreciable property group, I calculated the annual depreciation accrual rates for each group based on the straight line remaining life method, using remaining lives weighted consistent with the equal life group procedure. The calculation of annual depreciation accrual rates were developed as of September 30, 2002.

Q. PLEASE DESCRIBE THE STRAIGHT LINE REMAINING LIFE METHOD OF DEPRECIATION.

A. The straight line remaining life method of depreciation allocates the original cost of the property, less accumulated depreciation, less future net salvage, in equal amounts to each year of remaining service life.

Q. PLEASE DESCRIBE THE EQUAL LIFE GROUP PROCEDURE FOR CALCULATING REMAINING LIFE ACCRUAL RATES.

A. In the equal life group procedure, the property group is subdivided according to service life. That is, each equal life group includes that portion of the property which experiences the life of that specific group. The relative size of each equal life group is determined from the property's life dispersion curve. This procedure eliminates the need to base depreciation on average lives, inasmuch as each group is equivalent to a unit having a single life. The full costs of short-lived units are accrued during their lives, leaving no deferral of accruals required to be added to the annual costs associated with long-lived units. The calculated depreciation for the property group is the summation of the calculated depreciation based on the service life of each equal life group.

The equal life group procedure allocates the capital cost of a group property to annual expense in accordance with the consumption of the service value of the group. The more timely return of plant investment accomplished by fully accruing each item's cost during its service life not only reduces the risk of incomplete capital recovery, but also results in less investment-related cost over the life span of a depreciable group. Under the equal life group procedure, the future book accruals (original cost less book reserve) for each vintage are divided by the composite remaining life for the surviving original cost of that vintage. The vintage composite remaining life is derived by summing the original cost less the calculated reserve for each equal life group and dividing by the sum of the whole life annual accruals.

Q. PLEASE DESCRIBE AMORTIZATION ACCOUNTING.

A. Amortization accounting is used for accounts with a large number of units, but small asset values. In amortization accounting, units of property are capitalized in the same manner as they are in depreciation accounting. However, depreciation accounting is difficult for these assets because periodic inventories are required to

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 21

Responding Witness: Shannon L. Charnas

Q-21. Refer to LG&E's response to Item 75 of Staff's Second Request.

a. Pages 2-10 of the attachment include a comparison of depreciation under "Current rates ASL" and "2006 New ELG" rates. The Direct Testimony of Shannon L. Charnas in Case No. 2007-00564 indicates that John Spanos "studied the Average Service Life ("ASL") and Equal Life Group ("ELG") methodologies for determining depreciation rates . . . " Clarify that the "Current rates ASL" shown in the attachment are not rates developed by Mr. Spanos in conjunction with his 2006 depreciation study, which LG&E submitted in Case No. 2007-00564.

b. If the response to (a) above indicates that the "Current rates ASL" were not developed by Mr. Spanos in conjunction with Case No. 2007-00564, provide, in the format used on pages 2-10 of the attachment, a comparison of depreciation under the ASL rates developed by Mr. Spanos in conjunction with his 2006 depreciation study and the ELG rates he has recommended for LG&E.

c. Describe all favorable and unfavorable consequences to LG&E if the Commission were to require reclassification of LG&E's asset removal costs from accumulated depreciation to a regulatory liability account for regulatory reporting purposes.

A-21. a. "Current rates ASL" shown in the attachment are the rates approved by the Commission in Case No. 2001-00141.

b. See attached.

c. If the Commission were to require the reclassification of LG&E's costs of removal from accumulated depreciation to a regulatory liability account for regulatory reporting purposes, a favorable consequence would be that it would create consistency between GAAP reporting and regulatory reporting. An unfavorable consequence would be the inconsistency that would be created with prior years' regulatory reporting. There should be no impact on the ratemaking treatment of the costs of removal, regardless of where they are recorded, since a basic concept behind including cost of removal as a component of deprecation rates is to prevent generational inequities. No other consequences have been identified by LG&E.

Louisville Gas and Electric Company
Annualized Depreciation
Depreciation adjustment under 2006 ASL rates vs. proposed 2006 ELG rates

		DEPRECIABLE PLANT 4/30/08	2006 ASL Rates	Depreciation Under 2006 ASL Rates	2006 ELG Rates	Depreciation Under 2006 ELG Rates
ELECTRIC PLANT						
Intangible Plant		2,340	0 00%	-	0 00%	-
Steam Production Plant						
310 20	Land	6,302,990	0 00%	-	0 00%	-
311 00	Structures and Improvements					
	0112 Cane Run Unit 1	4,233,982	0 00%	-	0 00%	-
	0121 Cane Run Unit 2	2,102,942	0 00%	-	0 00%	-
	0131 Cane Run Unit 3	3,532,141	0 00%	-	0 00%	-
	0141 Cane Run Unit 4	3,819,018	1 14%	43,537	1 26%	48,120
	0142 Cane Run Unit 4 Scrubber	760,360	0 95%	7,223	1 11%	8,440
	0151 Cane Run Unit 5	6,165,918	1 92%	118,386	2 00%	123,318
	0152 Cane Run Unit 5 Scrubber	1,696,435	1 56%	26,464	1 66%	28,161
	0161 Cane Run Unit 6	19,461,771	2 13%	414,536	2 22%	432,051
	0162 Cane Run Unit 6 Scrubber	1,894,851	2 04%	38,655	2 13%	40,360
	0211 Mill Creek Unit 1	19,171,039	1 64%	314,405	1 71%	327,825
	0212 Mill Creek Unit 1 Scrubber	1,716,996	1 65%	28,330	1 74%	29,876
	0221 Mill Creek Unit 2	10,816,688	1 42%	153,597	1 50%	162,250
	0222 Mill Creek Unit 2 Scrubber	1,393,404	1 81%	25,221	1 89%	26,335
	0231 Mill Creek Unit 3	24,851,259	1 51%	375,254	1 58%	392,650
	0232 Mill Creel Unit 3 Scrubber	362,867	1 47%	5,334	1 53%	5,552
	0241 Mill Creek Unit 4	60,488,020	1 85%	1,119,028	1 92%	1,161,370
	0242 Mill Creek Unit 4 Scrubber	5,330,552	1 76%	93,818	1 82%	97,016
	0311 Trimble County Unit 1	160,530,135	2 08%	3,339,027	2 15%	3,451,398
	0312 TC Unit 1 Cooling Tower PHFU 105	117,601	2 08%	2,446	2 15%	2,528
	0312 Trimble County Unit 1 Scrubber	511,309	2 28%	11,658	2 35%	12,016
		328,957,286		6,116,919		6,349,266
311 10	Capital Leased Property					
	0161 Cane Run Unit 6	1,236,508	2 13%	26,338	2 22%	27,450
	0241 Mill Creek Unit 4	1,640,450	1 85%	30,348	1 92%	31,497
		2,876,958		56,686		58,947
312 00	Boiler Plant Equipment					
	0103 Cane Run Locomotive	51,549	2 67%	1,376	4 79%	2,469
	0104 Cane Run Rail Cars	1,501,773	3 14%	47,156	3 59%	53,914
	0112 Cane Run Unit 1	1,053,743	0 00%	-	0 00%	-
	0121 Cane Run Unit 2	132,837	0 00%	-	0 00%	-
	0131 Cane Run Unit 3	711,483	0 00%	-	0 00%	-
	0141 Cane Run Unit 4	30,339,036	5 88%	1,783,935	6 66%	2,020,580
	0142 Cane Run Unit 4 Scrubber	17,076,590	4 93%	841,876	5 74%	980,196
	0151 Cane Run Unit 5	36,914,000	6 11%	2,255,445	6 71%	2,476,929
	0152 Cane Run Unit 5 Scrubber	28,412,993	4 07%	1,156,409	4 62%	1,312,680
	0161 Cane Run Unit 6	48,163,545	5 19%	2,499,688	5 78%	2,783,853
	0162 Cane Run Unit 6 Scrubber	32,098,669	4 46%	1,431,601	4 97%	1,595,304
	0203 Mill Creek Locomotive	613,424	2 90%	17,789	4 04%	24,782
	0204 Mill Creek Rail Cars	3,593,112	3 13%	112,464	3 58%	128,633
	0211 Mill Creek Unit 1	49,106,781	4 24%	2,082,128	4 72%	2,317,840
	0212 Mill Creek Unit 1 Scrubber	42,569,898	4 50%	1,915,645	4 96%	2,111,467
	0221 Mill Creek Unit 2	47,542,433	4 70%	2,234,494	5 22%	2,481,715
	0222 Mill Creek Unit 2 Scrubber	34,482,173	4 28%	1,475,837	4 71%	1,624,110
	0231 Mill Creek Unit 3	140,162,816	3 87%	5,424,301	4 48%	6,279,294
	0232 Mill Creel Unit 3 Scrubber	63,198,506	3 85%	2,433,142	4 38%	2,768,095
	0241 Mill Creek Unit 4	237,317,538	3 85%	9,136,725	4 45%	10,560,630
	0242 Mill Creek Unit 4 Scrubber	114,320,483	3 71%	4,241,290	4 14%	4,732,868
	0311 Trimble County Unit 1	247,714,970	3 62%	8,967,282	4 04%	10,007,685
	0312 TC Unit 1 Cooling Tower PHFU 105	15,510	3 62%	561	4 04%	627
	0312 Trimble County Unit 1 Scrubber	64,095,503	3 62%	2,320,257	4 10%	2,627,916
		1,241,189,365		50,379,403		56,891,588

Louisville Gas and Electric Company
Annualized Depreciation
Depreciation adjustment under 2006 ASL rates vs. proposed 2006 ELG rates

		DEPRECIABLE PLANT 4/30/08	2006 ASL Rates	Depreciation Under 2006 ASL Rates	2006 ELG Rates	Depreciation Under 2006 ELG Rates
314 00	Turbogenerator Units					
	0112 Cane Run Unit 1	106.009	0 00%	-	0 00%	-
	0121 Cane Run Unit 2	19.999	0 00%	-	0 00%	-
	0131 Cane Run Unit 3	581.178	0 00%	-	0 00%	-
	0141 Cane Run Unit 4	9.122.982	3 09%	281.900	3 40%	310.181
	0151 Cane Run Unit 5	7.375.366	2 22%	163.733	2 42%	178,484
	0161 Cane Run Unit 6	15.385.129	3 29%	506.171	3 47%	533.864
	0211 Mill Creek Unit 1	14.510.858	2 15%	311.983	2 30%	333.750
	0221 Mill Creek Unit 2	16.626.880	2 46%	409,021	2 62%	435,624
	0231 Mill Creek Unit 3	27,124.236	2 15%	583,171	2 28%	618.433
	0241 Mill Creek Unit 4	42.098.157	2 29%	964,048	2 45%	1,031.405
	0312 TC Unit 1 Cooling Tower PHFU 105	21.816,938	2 48%	541.060	2 68%	584,694
	0311 Trimble County Unit 1	59,415,222	2 48%	1,473,497	2 68%	1,592,328
		214.182,953		5,234.585		5.618,763
315 00	Accessory Electric Equipment					
	0112 Cane Run Unit 1	1.891,013	0 00%	-	0 00%	-
	0121 Cane Run Unit 2	1.277.223	0 00%	-	0 00%	-
	0131 Cane Run Unit 3	767.324	0 00%	-	0 00%	-
	0141 Cane Run Unit 4	5.532.270	3 18%	175.926	3 40%	188.097
	0142 Cane Run Unit 4 Scrubber	987.949	0 82%	8.101	1 12%	11.065
	0151 Cane Run Unit 5	6.892,343	2 97%	204.703	3 12%	215,041
	0152 Cane Run Unit 5 Scrubber	2.221.029	1 49%	33,093	1 67%	37.091
	0161 Cane Run Unit 6	8.518.498	2 80%	238,518	2 93%	249.592
	0162 Cane Run Unit 6 Scrubber	2.124,667	1 44%	30.595	1 61%	34,207
	0211 Mill Creek Unit 1	14.425.286	2 75%	396,695	2 84%	409.678
	0212 Mill Creek Unit 1 Scrubber	5.541.695	1 67%	92,546	1 80%	99.751
	0221 Mill Creek Unit 2	6.428.715	2 03%	130,503	2 13%	136.932
	0222 Mill Creek Unit 2 Scrubber	4.505,053	1 69%	76,135	1 83%	82.442
	0231 Mill Creek Unit 3	13.487.584	1 58%	213,104	1 64%	221.196
	0232 Mill Creel Unit 3 Scrubber	2.531.773	1 56%	39.496	1 62%	41,015
	0241 Mill Creek Unit 4	20.753.935	1 75%	363.194	1 85%	383.948
	0242 Mill Creek Unit 4 Scrubber	5.864.979	1 71%	100,291	1 81%	106.156
	0311 Trimble County Unit 1	56.226,923	2 13%	1,197,633	2 28%	1.281,974
	0312 TC Unit 1 Cooling Tower PHFU 105	63.422	2 13%	1,351	2 28%	1,446
	0312 Trimble County Unit 1 Scrubber	2,736,920	2 12%	58,023	2 28%	62,402
		162.778.602		3,359,908		3,562,033
316 00	Miscellaneous Plant Equipment					
	0112 Cane Run Unit 1	38.746	0 00%	-	0 00%	-
	0131 Cane Run Unit 3	11.664	0 00%	-	0 00%	-
	0141 Cane Run Unit 4	71.143	6 30%	4.482	6 50%	4.624
	0142 Cane Run Unit 4 Scrubber	6.464	2 83%	183	3 16%	204
	0151 Cane Run Unit 5	80,866	5 40%	4.367	5 53%	4.472
	0152 Cane Run Unit 5 Scrubber	47.299	2 85%	1.348	3 12%	1.476
	0161 Cane Run Unit 6	2.753.924	4 32%	118.970	4 51%	124.202
	0162 Cane Run Unit 6 Scrubber	31.569	2 75%	868	2 98%	941
	0211 Mill Creek Unit 1	696.199	3 22%	22.418	3 37%	23.462
	0221 Mill Creek Unit 2	115,871	2 90%	3.360	3 10%	3.592
	0231 Mill Creek Unit 3	318,625	2 59%	8.252	2 79%	8.890
	0241 Mill Creek Unit 4	5,393,692	3 04%	163.968	3 28%	176.913
	0242 Mill Creek Unit 4 Scrubber	53.007	2 83%	1,500	3 02%	1.601
	0311 Trimble County Unit 1	2,713,060	2 89%	78,407	3 16%	85,733
		12.332.130		408.123		436.109
317 00	Asset Retirement Obligations - Steam*	5,697,179				
	Total Steam	1,974,317,463		65,555,625		72,916,706

Louisville Gas and Electric Company
Annualized Depreciation
Depreciation adjustment under 2006 ASL rates vs proposed 2006 ELG rates

	DEPRECIABLE PLANT 4/30/08	2006 ASL Rates	Depreciation Under 2006 ASL Rates	2006 ELG Rates	Depreciation Under 2006 ELG Rates
Hydraulic Production Plant - Project 289					
0451 - Ohio Falls Project 289					
330 20 Land	6	0 00%	-	0 00%	-
331 00 Structures and Improvements	4,550,757	0 08%	3,641	0 08%	3,641
332 00 Reservoirs, Dams & Waterways	9,352,023	3 30%	308,617	3 30%	308,617
333 00 Water Wheels, Turbines and Generators	10,895,237	0 25%	27,238	0 25%	27,238
334 00 Accessory Electric Equipment	4,581,251	2 94%	134,689	2 95%	135,147
335 00 Misc Power Plant Equipment	*224,504*	*2 29%*	*5,141*	*2 31%*	*5,186*
336 00 Roads, Railroads and Bridges	28,797	0 00%	-	0 00%	-
	29,632,574		479,325		479,828
Hydraulic Production Plant - Other Than Project 289					
0450 - Ohio Falls Other Than Project 289					
330 20 Land	1	0 00%	-	0 00%	-
331 00 Structures and Improvements	65,796	0 53%	349	0 55%	362
335 00 Misc Power Plant Equipment	7,814	1 61%	126	1 68%	131
336 00 Roads, Railroads and Bridges	*1,134*	*0 00%*	-	0 00%	-
337 00 Aset Retirement Obligations - Hydro *	31,163				
	105,907		475		493
Total Hydraulic Plant	29,738,482		479,800		480,322
Other Production Plant					
340 20 Land	49,259	0 00%	-	0 00%	-
341 00 Structures and Improvements					
0171 Cane Run GT 11	68,932	1 34%	924	2 33%	1,606
0410 Zorn and River Road Gas Turbine	8,241	0 61%	50	1 59%	131
0431 Paddys Run Generator 12	42,865	0 60%	257	1 58%	677
0432 Paddys Run Generator 13	2,158,698	3 05%	65,840	3 15%	67,999
0459 Brown CT 5	858,539	3 05%	26,185	3 15%	27,044
0460 Brown CT 6	105,978	3 17%	3,359	3 29%	3,487
0461 Brown CT 7	144,356	3 12%	4,504	3 23%	4,663
0470 Trimble County CT 5	*1,555,655*	*3 16%*	*49,159*	*3 27%*	*50,870*
0471 Trimble County CT 6	1,467,924	3 14%	46,093	3 25%	47,708
0474 Trimble County CT 7	2,083,698	3 34%	69,596	3 45%	71,888
0475 Trimble County CT 8	2,075,527	3 34%	69,323	3 45%	71,606
0476 Trimble County CT 9	2,137,402	3 34%	71,389	3 45%	73,740
0477 Trimble County CT 10	2,132,790	3 34%	71,235	3 45%	73,581
	14,840,604		477,914		494,999
342 00 Fuel Holders, Producers and Accessories					
0171 Cane Run GT 11	118,874	3 85%	4,577	4 89%	5,813
0410 Zorn and River Road Gas Turbine	12,802	0 59%	76	1 69%	216
0430 Paddys Run Generator 11	9,238	0 58%	54	1 69%	156
0431 Paddys Run Generator 12	12,197	0 85%	104	1 96%	239
0432 Paddys Run Generator 13	2,255,338 17	3 08%	69,464	3 21%	72,396
0459 Brown CT 5	822,581	3 07%	25,253	3 20%	26,323
0460 Brown CT 6	363,762	2 99%	10,876	3 11%	11,313
0461 Brown CT 7	102,065	2 99%	3,052	3 11%	3,174
0470 Trimble County CT 5	97,997	3 17%	3,107	3 29%	3,224
0471 Trimble County CT 6	97,862	3 17%	3,102	3 29%	3,220
0473 Trimble County CT Pipeline	1,998,391	3 19%	63,749	3 32%	66,347
0474 Trimble County CT 7	338,423	3 36%	11,371	3 50%	11,845
0475 Trimble County CT 8	337,096	3 36%	11,326	3 50%	11,798
0476 Trimble County CT 9	347,147	3 36%	11,664	3 50%	12,150
0477 Trimble County CT 10	361,860	3 36%	12,158	3 50%	12,665
	7,275,631		229,933		240,879

Louisville Gas and Electric Company
Annualized Depreciation
Depreciation adjustment under 2006 ASL rates vs. proposed 2006 ELG rates

		DEPRECIABLE PLANT 4/30/08	2006 ASL Rates	Depreciation Under 2006 ASL Rates	2006 ELG Rates	Depreciation Under 2006 ELG Rates
343 00	Prime Movers					
	0432 Paddys Run Generator 13	19,711,932	3 84%	756,938	4 60%	906,749
	0459 Brown CT 5	14,329,963	3 84%	550,271	4 61%	660,611
	0460 Brown CT 6	19,135,984	3 85%	736,735	4 68%	895,564
	0461 Brown CT 7	19,416,144	3 81%	739,755	4 60%	893,143
	0470 Trimble County CT 5	12,535,260	3 88%	486,368	4 67%	585,397
	0471 Trimble County CT 6	12,417,684	3 88%	481,806	4 67%	579,906
	0474 Trimble County CT 7	13,328,878	3 99%	531,822	4 88%	650,449
	0475 Trimble County CT 8	13,203,913	3 99%	526,836	4 88%	644,351
	0476 Trimble County CT 9	13,094,542	3 99%	522,472	4 88%	639,014
	0477 Trimble County CT 10	13,060,778	3 99%	521,125	4 88%	637,366
		150,235,077		5,854,129		7,092,549
344 00	Generators					
	0171 Cane Run GT 11	2,492,496	5 73%	142,820	5 73%	142,820
	0410 Zorn and River Road Gas Turbine	1,827,581	2 70%	49,345	2 70%	49,345
	0430 Paddys Run Generator 11	1,523,116	2 74%	41,733	2 74%	41,733
	0431 Paddys Run Generator 12	2,991,746	2 63%	78,683	2 63%	78,683
	0432 Paddys Run Generator 13	5,859,858	3 00%	175,796	3 00%	175,796
	0459 Brown CT 5	3,219,205	3 00%	96,576	3 00%	96,576
	0460 Brown CT 6	2,417,995	2 91%	70,364	2 93%	70,847
	0461 Brown CT 7	2,421,079	2 91%	70,453	2 93%	70,938
	0470 Trimble County CT 5	1,539,295	3 09%	47,564	3 09%	47,564
	0471 Trimble County CT 6	1,537,168	3 09%	47,498	3 09%	47,498
	0474 Trimble County CT 7	1,726,824	3 28%	56,640	3 29%	56,813
	0475 Trimble County CT 8	1,717,277	3 28%	56,327	3 29%	56,498
	0476 Trimble County CT 9	1,728,008	3 28%	56,679	3 29%	56,851
	0477 Trimble County CT 10	1,722,674	3 28%	56,504	3 29%	56,676
		32,724,322		1,046,982		1,048,639
345 00	Accessory Electric Equipment					
	0171 Cane Run GT 11	116,627	2 40%	2,799	4 60%	5,365
	0410 Zorn and River Road Gas Turbine	40,936	2 31%	946	4 50%	1,842
	0430 Paddys Run Generator 11	68,109	4 27%	2,908	6 33%	4,311
	0431 Paddys Run Generator 12	114,338	3 82%	4,368	5 93%	6,780
	0432 Paddys Run Generator 13	2,778,993	3 32%	92,263	3 72%	103,379
	0459 Brown CT 5	2,575,301	3 32%	85,500	3 72%	95,801
	0460 Brown CT 6	942,589	3 26%	30,728	3 67%	34,593
	0461 Brown CT 7	943,792	3 26%	30,768	3 67%	34,637
	0470 Trimble County CT 5	685,979	3 38%	23,186	3 78%	25,930
	0471 Trimble County CT 6	685,031	3 38%	23,154	3 78%	25,894
	0474 Trimble County CT 7	1,841,955	3 52%	64,837	3 89%	71,652
	0475 Trimble County CT 8	1,834,732	3 52%	64,583	3 89%	71,371
	0476 Trimble County CT 9	1,889,431	3 52%	66,508	3 89%	73,499
	0477 Trimble County CT 10	1,885,354	3 52%	66,364	3 89%	73,340
		16,403,167		558,911		628,395
346.00	Miscellaneous Plant Equipment					
	0410 Zorn and River Road Gas Turbine	9,488	0 00%	-	0 00%	-
	0430 Paddys Run Generator 11	9,494	0 00%	-	0 00%	-
	0431 Paddys Run Generator 12	1,141	0 00%	-	0 00%	-
	0432 Paddys Run Generator 13	1,274,483	2 81%	35,813	2 83%	36,068
	0459 Brown CT 5	2,395,225	2 81%	67,306	2 83%	67,785
	0460 Brown CT 6	22,456	2 86%	642	2 88%	647
	0461 Brown CT 7	23,048	2 86%	659	2 89%	666
	0470 Trimble County CT 5	14,529	3 22%	468	3 24%	471
	0474 Trimble County CT 7	5,205	3 11%	162	3 13%	163

Louisville Gas and Electric Company
Annualized Depreciation
Depreciation adjustment under 2006 ASL rates vs. proposed 2006 ELG rates

	DEPRECIABLE PLANT 4/30/08	2006 ASL Rates	Depreciation Under 2006 ASL Rates	2006 ELG Rates	Depreciation Under 2006 ELG Rates
0475 Trimble County CT 8	5,183	3 11%	161	3 13%	162
0476 Trimble County CT 9	5,328	3 12%	166	3 12%	166
0477 Trimble County CT 10	5,316	3 10%	165	3 12%	166
	3,770,896		105,542		106,294
347 00 Asset Retirement Obligations - Other Prod *	297,215				
Total Other Production	225,596,172		8,273,411		9,611,755
Transmission Plant					
350 2 Transmission Lines Land	885,061	0 00%	-	0 00%	-
350 1 Land Rights	7,781,411	3 92%	305,031	4 30%	334,601
352 1 Structures & Improvements	3,443,349	1 17%	40,287	1 42%	48,896
353 1 Station Equipment - Project 289	1,108,850	1 32%	14,637	1 59%	17,631
353 1 Station Equipment	133,193,694	1 32%	1,758,157	1 59%	2,117,780
354 Towers & Fixtures	24,705,992	1 38%	340,943	1 58%	390,355
355 Poles & Fixtures	38,253,365	2 95%	1,128,474	3 69%	1,411,549
356 1 Overhead Conductors & Devices - Project 289	16,390	2 52%	413	3 14%	515
356 Overhead Conductors & Devices	38,514,217	2 52%	970,558	3 14%	1,209,346
357 Underground Conduit	1,880,752	1 85%	34,794	2 13%	40,060
358 Underground Conductors & Devices	5,303,989	3 65%	193,596	4 21%	223,298
359 Transmission ARO's *	4,000				
TOTAL TRANSMISSION PLANT	255,091,069		4,786,890		5,794,030
Distribution Plant					
360 2 Substation Land	1,981,707	0 00%	-	0 00%	-
360 2 Substation Land Class A (Plant Held for Future I	637,632	0 00%	-	0 00%	-
361 Substation Structures	6,130,215	1 01%	61,915	1 16%	71,110
362 1 Substation Equipment	86,733,151	1 01%	876,005	1 91%	1,656,603
362 1 Substation Equipment - Class A (Plant Held for I	11,382	0 00%	-	0 00%	-
364 Poles Towers & Fixtures	106,709,095	3 00%	3,201,273	3 59%	3,830,856
365 Overhead Conductors &Devices	182,141,013	2 90%	5,282,089	3 92%	7,139,928
366 Underground Conduit	62,534,874	1 25%	781,686	1 34%	837,967
367 Underground Conductors & Devices	95,365,944	1 76%	1,678,441	2 24%	2,136,197
368 1 Line Transformers	97,370,472	2 18%	2,122,676	2 90%	2,823,744
368 2 Line Transformer Installations	11,107,541	2 18%	242,144	2 90%	322,119
369 1 Underground Services	3,521,786	2 45%	86,284	3 29%	115,867
369 2 Overhead Services	21,039,201	4 99%	1,049,856	5 99%	1,260,248
370 1 Meters	25,560,632	3 79%	968,748	4 73%	1,209,018
370 2 Meter Installations	8,828,416	3 79%	334,597	4 73%	417,584
373 1 Overhead Street Lighting	24,651,434	2 77%	682,845	3 84%	946,615
373 2 Underground Streetlighting	42,382,522	2 95%	1,250,284	3 94%	1,669,871
373 4 Street lighting Trandformers	87,546	0 00%	-	0 00%	-
374 ARO Distribution *	37,674				
TOTAL DISTRIBUTION PLANT	776,832,239		18,618,843		24,437,728
General Plant					
392 1 Transportation Equip Cars & Trucks	9,070,918	20 00%	1,814,184	20 00%	1,814,184
392 2 Transportation Equip Trailers	557,110	3 62%	20,167	3 84%	21,393
394 Tools, Shop, and Garage Equipment	3,194,244	4 39%	140,227	4 39%	140,227
395 Laboratory Equipment	1,496,151	30 32%	453,633	30 32%	453,633
396 1 Power Operated Equip Hourly Rated	2,285,136	20 00%	457,027	20 00%	457,027
396 2 Power operated Equipment Other	51,068	3 17%	1,619	3 83%	1,956
TOTAL GENERAL PLANT	16,654,627		2,886,857		2,888,420
TOTAL ELECTRIC PLANT	3,278,232,391		100,601,426		116,128,960
GAS PLANT					
INTANGIBLE PLANT	1,187	0 00%	-	0 00%	-
UNDERGROUND STORAGE					
350 1 Land	32,864	0 00%	-	0 00%	-

Louisville Gas and Electric Company
Annualized Depreciation
Depreciation adjustment under 2006 ASL rates vs. proposed 2006 ELG rates

	DEPRECIABLE PLANT 4/30/08	2006 ASL Rates	Depreciation Under 2006 ASL Rates	2006 ELG Rates	Depreciation Under 2006 ELG Rates
350 2 Rights of Way	63,678	0 00%	-	0 00%	-
351 2 Compressor Station Structures	1,704,039	1 36%	23,175	1 68%	28,628
351 3 Reg Station Structures	10,880	0 00%	-	0 00%	-
351 4 Other Structures	1,317,477	0 92%	12,121	1 07%	14,097
352 40 Well Drilling	2,622,898	0 36%	9,442	0 44%	11,541
352 50 Well Equipment	6,142,763	3 46%	212,540	4 05%	248,782
352 1 Storage Leaseholds & Rights	548,241	0 00%	-	0 00%	-
352 2 Reservoirs	400,511	0 00%	-	0 00%	-
352 3 Nonrecoverable Natural Gas	9,648,855	0 92%	88,769	0 92%	88,769
Gas Stored Underground Non-Current	2,139,990	0 00%	-	0 00%	-
353 Lines	12,768,805	1 68%	214,516	2 12%	270,699
354 Compressor Station Equipment	15,120,619	1 28%	193,544	1 47%	222,273
355 Measuring & Regulating Equipment	387,809	1 22%	4,731	1 72%	6,670
356 Purification Equipment	9,933,661	1 92%	190,726	2 44%	242,381
357 Other Equipment	1,067,350	2 18%	23,268	2 81%	29,993
358 ARO Storage *	541,132				
TOTAL UNDERGROUND STORAGE	64,451,571		972,833		1,163,833
TRANSMISSION PLANT					
365 2 Rights of Way	220,659	0 27%	596	0 30%	662
367 Mains	12,681,249	0 37%	46,921	0 44%	55,797
TOTAL TRANSMISSION PLANT Excl ARO Assets	12,901,908		47,516		56,459
DISTRIBUTION PLANT					
374 Land	59,725	0 00%	-	0 00%	-
374 2 Land Rights	74,018	0 04%	30	0 04%	30
375 1 City Gate Structures	224,019	1 06%	2,375	1 23%	2,755
375 2 Other Distribution Structures	505,355	8 35%	42,197	7 71%	38,963
376 Mains	279,586,446	1 76%	4,920,721	2 16%	6,039,067
378 Measuring and Reg Equipment	8,254,321	2 53%	208,834	3 68%	303,759
379 Meas & Reg Equipment - City Gate	3,864,491	2 33%	90,043	2 96%	114,389
380 Services	137,878,756	3 60%	4,963,635	5 03%	6,935,301
381 Meters	22,084,789	3 99%	881,183	5 21%	1,150,618
382 Meter Installations	9,381,447	7 09%	665,145	11 17%	1,047,908
383 House Regulators	4,941,391	2 22%	109,699	2 59%	127,982
384 House Regulator Installations	5,298,054	2 23%	118,147	3 17%	167,948
385 Industrial Meas & Reg Station Equip	159,362	0 94%	1,498	1 07%	1,705
386 Other Equipment	51,112	3 48%	1,779	3 99%	2,039
388 ARO Distribution *	30,769				
TOTAL DISTRIBUTION PLANT	472,394,054		12,005,285		15,932,465
GENERAL PLANT					
392 1 Cars & Trucks	1,932,498	20 00%	386,500	20 00%	386,500
392 2 Trailers	451,395	4 76%	21,486	6 56%	29,612
394 Other Equipment	3,750,330	4 68%	175,515	4 68%	175,515
395 Laboratory Equipment	436,783	36 02%	157,329	36 02%	157,329
396 1 Power Operated Equipment Hourly rated	2,415,942	20 00%	483,188	20 00%	483,188
396.2 Power Operated Equipment Other	51,525	2 69%	1,386	3 25%	1,675
TOTAL GENERAL PLANT	9,038,473		1,225,405		1,233,819
TOTAL GAS PLANT	558,787,193		14,251,039		18,386,576

Louisville Gas and Electric Company
Annualized Depreciation
Depreciation adjustment under 2006 ASL rates vs. proposed 2006 ELG rates

	DEPRECIABLE PLANT 4/30/08	2006 ASL Rates	Depreciation Under 2006 ASL Rates	2006 ELG Rates	Depreciation Under 2006 ELG Rates
COMMON UTILITY PLANT					
INTANGIBLE PLANT					
301 Organization	83.782	0 00%	-	0 00%	-
302 Franchises and Consents	4.200	0 00%	-	0 00%	-
303 Software	29.259.188	20 00%	5.851.838	20 00%	5.851.838
TOTAL INTANGIBLE PLANT	29.347.170		5.851.838		5.851.838
GENERAL PLANT					
389 1 Land	1.691.944	0 00%	-	0.00%	-
389 2 Land Rights	202.095	2 95%	5.962	2 95%	5.962
390 10 Structures and Improvements - BOC	18,239,781	3 30%	601.913	4 01%	731,415
390 10 Structures and Improvements - LG&E Building	1.482,088	3 30%	48,909	4 01%	59,432
390 10 Structures and Improvements - BOC (Actors)	493.943	3 30%	16,300	4 01%	19.807
390 10 Structures and Improvements	28,701,014	3 30%	947,133	4 01%	1.150.911
390 20 Structures and Improvements - Transportation	431,574	25 92%	111.864	29 19%	125,976
390 30 Structures and Improvements - Stores	10.918.821	1 51%	164.874	1 72%	187,804
390 40 Structures and Improvements - Shops	529.682	1 37%	7.257	1 46%	7,733
390 60 Structures and Improvements - Microwave	855.653	2 31%	19.766	2 67%	22,846
391 10 Office Furniture	12.943.068	6 01%	777.878	6 06%	784,350
391 20 Office Equipment	3.388.007	8 78%	297.467	8 89%	301,194
391 30 Computer Equipment - Non PC	18.405.419	21 96%	4.041.830	22 05%	4.058,395
391 31 Personal Computers	1,870.245	20 68%	386,767	26 19%	489.817
391 40 Security Equipment	2.601.715	6 93%	180.299	6 99%	181.860
392 1 Cars & Trucks	84.479	20 00%	16.896	20 00%	16,896
392 2 Trailers	63.404	2 63%	1,668	3 50%	2.219
393 Stores Equipment	1,208.453	5 60%	67.673	5 60%	67.673
394 Other Equipment	3.636,099	5 17%	187.986	5 17%	187.986
395 Laboratory Equipment	22.282	61 24%	13.645	61 24%	13.645
396 1 Power Operated Equipment Hourly	258,314	20 00%	51.663	20 00%	51,663
396 2 Power Operated Equipment Other	14.147	4 01%	567	4.64%	656
397 Communications Equipment	35.656.730	12 00%	4.278.808	12 00%	4.278,808
397 10 Comm Equip - Computer	6.342,423	0 90%	57.082	0 90%	57.082
398 00 Miscellaneous Equipment	*594.390*	*34 63%*	*205.837*	*34 63%*	*205,837*
399 10 ARO Common *	3,735				
TOTAL GENERAL PLANT	150,639.505		12,490.043		13.009.967
TOTAL COMMON UTILITY PLANT	179,986,675		18,341,881		18,861,805
TOTAL PLANT IN SERVICE	4,017,006,260				
Total Annual Depreciation excluding ARO amounts			133,194,346		153,377,340

Louisville Gas and Electric Company
Annualized Depreciation
Depreciation adjustment under 2006 ASL rates vs. proposed 2006 ELG rates

	DEPRECIABLE PLANT 4/30/08	2006 ASL Rates	Depreciation Under 2006 ASL Rates	2006 ELG Rates	Depreciation Under 2006 ELG Rates
Less Amounts not included in Income Statement Depreciation					
Electric					
CANE RUN LOCOMOTIVE			1,376		2,469
CANE RUN RAIL CARS			47,156		53,914
MILL CREEK LOCOMOTIVE			17,789		24,782
MILL CREEK RAIL CARS			112,464		128,633
OTHER PRODUCTION-TRIMBLE County PIPELINE			63,749		66,347
392 1 Cars & Trucks			1,814,184		1,814,184
396 1 Power Operated Equipment Hourly			457,027		457,027
Total Electric			2,513,745		2,547,356
Gas					
392 1 Cars & Trucks			386,500		386,500
396 1 Power Operated Equipment Hourly			483,188		483,188
Total Gas			869,688		869,688
Common					
392 1 Cars & Trucks			16,896		16,896
396 1 Power Operated Equipment Hourly			51,663		51,663
Total Common			68,559		68,559
Subtotal Amounts Not Included in Income Statement Depreciation			3,451,992		3,485,602
Total Annualized Depr. less ARO and Amts not in Inc. St. Depr.			129,742,355		149,891,738
Less ECR Depreciation			9,406,243		10,803,374
Total Annualized Depreciation excluding ECR and ARO			120,336,111		139,088,364

* Represents list of ARO assets Please note these amounts are not included in the calculation

Louisville Gas and Electric Company
Annualized Depreciation
Depreciation adjustment under 2006 ASL rates vs. proposed 2006 ELG rates

	DEPRECIABLE PLANT 4/30/08	2006 ASL Rates	Depreciation Under 2006 ASL Rates	2006 ELG Rates	Depreciation Under 2006 ELG Rates
Depreciation Totals Recap by Method					
			74% Electric	26% Gas	Total
Total Annualized Depreciation - Electric and Gas Split - New Rates ASL					
Total Plant Depr excl ARO			100,601,426	14,251,039	114,852,465
Total Common Plant %			13,572,992	4,768,889	18,341,881
Less Amts not inc in Income Statement Depr			(2,513,745)	(869,688)	(3,383,433)
Less Amts not inc in Income Statement Depr - Common			(50,733)	(17,825)	(68,559)
Less Annualized ECR Depreciation			(9,406,243)	-	(9,406,243)
Annualized Depreciation under current rates			102,203,696	18,132,415	120,336,111
Total Annualized Depreciation - Electric and Gas Split - New Rates ELG					
Total Plant Depr excl ARO			116,128,960	18,386,576	134,515,535
Total Common Plant %			13,957,736	4,904,069	18,861,805
Less Amts not inc in Income Statement Depr			(2,547,356)	(869,688)	(3,417,044)
Less Amts not inc in Income Statement Depr - Common			(50,733)	(17,825)	(68,559)
Less Annualized ECR Depreciation			(10,803,374)	-	(10,803,374)
Annualized Depreciation under current rates			116,685,232	22,403,132	139,088,364

Louisville Gas and Electric Company - ECR April 2008

		2006 ASL Rates	Depreciation Under 2006 ASL Rates	2006 Proposed ELG Rates	Depreciation Under 2006 ELG Rates
2001 Plan					
Project 6 – NOx all plants					
Trimble County 1 SCR	6/1/2002				
Investments	34,910,939	3 62%	1,263,776	4 04%	1,410,402
Retirements, Original Cost	(184,425)		(4,440)		(4,440)
Trimble County 1 Catalyst	5/1/2005				
Investments	1,444,358	3 62%	52,286	4 04%	58,352
Mill Creek 3	12/1/2003				
Investments	19.730,477	3 87%	763,569	4 48%	883.925
Mill Creek 4	12/1/2003				
Investments	21,669,172	3 85%	834.263	4 45%	964,278
Cane Run 6					
Investments	398,347	5 19%	20,674	5 78%	23,024
Trimble County 1 Investments	12/1/2002				
Investments	3,200,663	3 62%	115,864	4 04%	129,307
Retirements. Original Cost	(300,000)		(7.230)		(7,230)
Cane Run 5	4/1/2003				
Investments	3,150,880	6 11%	192,519	6 71%	211,424
Retirements, Original Cost	(22,747)		(648)		(648)
Cane Run 4	10/1/2003				
Investments	1,963,177	5 88%	115,435	6 66%	130,748
Retirements. Original Cost	(44,432)		(1.308)		(1.308)
Mill Creek 4	12/1/2003				
Investments	43,947,781	3 85%	1,691,990	4 45%	1,955,676
Retirements. Original Cost	(993,467)		(28.020)		(28.020)
Mill Creek 2	3/1/2004				
Investments	550,661	4 70%	25,881	5 22%	28,745
Mill Creek 1	4/1/2004				
Investments	598,446	4 24%	25.374	4 72%	28,247
Retirements, Original Cost	(222,092)		(5,308)		(5,308)
Mill Creek 3	5/1/2004				
Investments	49,365,169	3.87%	1.910.432	4 48%	2.211.560
Retirements, Original Cost	(701,158)		(21,245)		(21,245)
Mill Creek Substation	9/1/2001				
Investments	2,525,302	1 32%	33.334	1 59%	40,152
Retirements, Original Cost	(521,706)		(10,956)		(10,956)
Mill Creek 4 SCR - May 2006 Addition	5/31/2006				
Investments	1,724,257	3 85%	66.384	4 45%	76.729
TC Air Heater Baskets - Dec 2005 Addition	12/1/2005				
Investments	463,939	3 62%	16,795	4 04%	18,743
Retirements. Original Cost	(344,487)		(8,304)		(8,304)

Louisville Gas and Electric Company - ECR April 2008

		2006 ASL Rates	Depreciation Under 2006 ASL Rates	2006 Proposed ELG Rates	Depreciation Under 2006 ELG Rates
LG&E NOX - April 2006 Addition	4/1/2006				
Investments	5,373,292	3 85%	206,872	4 45%	239,111
Retirements, Original Cost	(2,516,451)		(70,968)		(70,968)
MC3 - SCR Catalyst Replacement	7/1/2007				
Investments	1,843,984	3 87%	71,362	4 48%	82.611
2001 Plan Additions	192.860,844				
2001 Plan Retirements	(5,850,967)				
2003 Plan					
Project 7 -- Mill Creek FGD Scrubber Conversion					
Mill Creek FGD Scrubber Conversion Unit 1	1/1/2003				
Investments	6,780,427	4 50%	305,119	4 96%	336,309
Retirements, Original Cost	(256,099)		(9,984)		(9,984)
Mill Creek 1 FGD Rapid Amortization	1/1/2005				
Investments	(7,575)	4 50%	(341)	4 96%	(376)
Mill Creek FGD Scrubber Conversion Unit 2	1-Aug-2002				
Investments	5,496.522	4 28%	235.251	4 71%	258.886
Retirements, Original Cost	(593,300)		(23,676)		(23,676)
Mill Creek FGD 2 Rapid Amortization	1-Jan-2005				
Investments	203,537	4 28%	8.711	4 71%	9.587
Mill Creek FGD Scrubber Conversion Unit 3	5/1/2004				
Investments	6.192,799	3 85%	238,423	4 38%	271,245
Retirements -- Original Cost	(501,511)		(22,769)		(22,769)
Mill Creek FGD Scrubber Conversion Unit 3	5/1/2004				
Investments	5.685,853	3 85%	218,905	4 38%	249,040
Retirements -- Original Cost	(4,221,527)		(191.652)		(191,652)
Mill Creek FGD 3 Rapid Amortization	1-Jan-2005				
Investments	19,187	3 85%	739	4 38%	840
Mill Creek FGD Scrubber Conversion Unit 4	6/1/2003				
Investments	6,490,936	3 71%	240,814	4 14%	268,725
Retirements -- Original Cost	(365,346)		(19,656)		(19,656)
Project 8 -- Precipitators					
Mill Creek 2 -- Include in Rate Base Feb 2003	10/1/2001				
Investments	2,076,199	4 70%	97,581	5 22%	108,378
Retirements -- Original Cost	(101.069)		(2,316)		(2,316)
Mill Creek 3 -- Include in Rate Base Feb 2003	6/1/2001				
Investments	3,484,535	3 87%	134,852	4 48%	156,107
Retirements -- Original Cost	(284,031)		(8,604)		(8,604)
Mill Creek 3	5/1/2004				
Investments	2,144,386	3 87%	82,988	4 48%	96,068
Retirements -- Original Cost	(1.195,718)		(36,228)		(36,228)
Cane Run 5	6/1/2004				
Investments	4,224,013	6 11%	258,087	6 71%	283,431
Retirements -- Original Cost	(264,918)		(7,608)		(7.608)
Project 9 -- Clearwell Water System	6/1/2003				
Investments	1,197,310	3 71%	44,420	4 14%	49,569
Retirements -- Original Cost	(56,001)		(3,013)		(3.013)

Louisville Gas and Electric Company - ECR April 2008

		2006 ASL Rates	Depreciation Under 2006 ASL Rates	2006 Proposed ELG Rates	Depreciation Under 2006 ELG Rates
Project 10 – Absorber Trays					
Mill Creek 3 Include in Rate Base Feb 2003	5/1/2001				
Investments	1,367,310	3 85%	52,641	4 38%	59,888
Mill Creek 4 Include in Rate Base Feb 2003	5/1/2001				
Investments	1,367,310	3 71%	50,727	4 14%	56,607
2003 Plan Additions	46,722,749				
2003 Plan Retirements	(7,839,520)				
2005 Plan					
Project 11 – Special Waste Landfill Expansion					
Mill Creek	8/1/2005				
Investments	2,188,050	3 85%	84,240	4 45%	97,368
Mill Creek	11/1/2005				
Investments	94,931	3 71%	3,522	4 14%	3,930
Retirements – Original Cost	(83,141)		(4,476)		(4,476)
Project 12 – Special Waste Landfill Expansion					
Cane Run	12/1/2006				
Investments	2,323,293	3 85%	89,447	4 45%	103,387
Project 12 – Special Waste Landfill Expansion - December 2007 Addition					
Cane Run	12/1/2007				
Investments	664,844	3 85%	25,596	4 45%	29,586
Project 13 – Scrubber Refurbishment					
Trimble Co 1	12/1/2007				
Investments	855,968	3 62%	30,986	4 10%	35,095
Project 14 – CR6 SDRS Tank RPLC					
Cane Run 6	1/1/2006				
Investments	154,841	4 46%	6,906	4 97%	7,696
Retirements – Original Cost	(72,799)		(1,584)		(1,584)
Project 14 – CR6 Module Mist Elim Rplc					
Cane Run 6	5/1/2006				
Investments	127,294	4 46%	5,677	4 97%	6,326
Retirements – Original Cost	(89,971)		(1,956)		(1,956)
Project 14 – CR6 Expansion Joint Replacement					
Cane Run 6	12/1/2007				
Investments	26,373	4 46%	1,176	4 97%	1,311
Retirements – Original Cost	(21,578)		(288)		(288)
Project 16 – Scrubber Improvements					
Trimble Co 1	10/1/2005				
Investments	4,281,077	3 62%	154,975	4 10%	175,524
Project 16 – Scrubber Improvements - Sept 2006 Addition					
Trimble Co 1	9/1/2006				
Investments	3,080,000	3 62%	111,496	4 10%	126,280
Retirements – Original Cost	(404,979)		(14,052)		(14,052)
2005 Plan Additions	13,796,671				
2005 Plan Retirements	(672,468)				

Louisville Gas and Electric Company - ECR April 2008

		2006 ASL Rates	Depreciation Under 2006 ASL Rates	2006 Proposed ELG Rates	Depreciation Under 2006 ELG Rates
2006 Plan					
Project 20 – Mercury Monitors					
Cane Run 6 - Data Loggers	12/1/2006				
Investments	27.584	5.19%	1,432	5.78%	1,594
Mill Creek 4 - Data Loggers	12/1/2006				
Investments	38,545	3.85%	1.484	4.45%	1,715
Trimble County 1 - Data Loggers	12/1/2006				
Investments	20,073	3.62%	727	4.04%	811
CEMS Stackvision EDR Upgrade	10/1/2007				
Investments	77,639	3.62%	2,811	4.04%	3.137
Project 21 – Particulate Monitors					
Mill Creek 1	4/1/2006				
Investments	72,995	4.24%	3,095	4.72%	3,445
Mill Creek 2	4/1/2006				
Investments	86,735	4.70%	4,077	5.22%	4.528
Mill Creek 3	3/1/2006				
Investments	87,743	3.87%	3.396	4.48%	3,931
Mill Creek 4	1/1/2005				
Investments	149,675	3.85%	5,762	4.45%	6,661
2006 Plan Additions	560.989				
Total Additions	253,941,254				
Total Retirements	(14,362,955)				
Total	239,578,299		$ 9,406,243		$ 10,803,374

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 22

Responding Witness: S. Bradford Rives

Q-22. Refer to LG&E's response to Item 77 of Staff's Second Request and the attached KU response to Item 94 of Staff's Second Request in Case No. 2008-00252.

a. Is it LG&E's contention that the ARO assets recorded on its books of account are not supported by the capital recorded on its books? If yes, explain the response.

b. Provide the amounts of the "net ARO asset" and offsetting "higher accumulated depreciation" referenced in the last sentence of the response to Item 77.

c. Using the same methodology as was used by the Commission in LG&E's last rate case, Case No. 2003-00433, provide the amount of the adjustment that would be made to LG&E's capitalization to correspond to its ARO-related adjustment to rate base.

A22. a. Yes. No capital has been expended to support the ARO assets. SFAS No. 143 is the accounting standard that originally required the recording of Asset Retirement Obligations ("ARO"). Conceptually, the standard required companies to book a liability equal to the present value of expected future legally required retirement costs. The standard did not contemplate expensing the costs of this liability immediately, but instead required the recording of an equal ARO asset. Thus, an asset and liability of equal value were recorded on the Companies' books and records. The asset and liability offset and had no effect on the Companies' capital balances and therefore no capital adjustment is required or proper.

The asset is amortized and the liability accretes as the timing of payment of the projected liability moves closer. The amortization costs and the accretion costs do not impact the income statement, but are rather captured in another asset account (Regulatory assets-ARO). As a result of this accounting, capital accounts are not impacted and once again the conclusion is that no adjustment to capital is required or proper.

To the extent some costs of removal are incurred before the anticipated retirement date, the capital accounts are impacted by the funding required for such retirement costs, but this treatment of capital is no different than it would have been before ARO accounting. Since the capital accounts are treated in the same manner with and without ARO accounting, no adjustment is required or proper.

The attachment (also provided in electronic format on CD) to this response illustrates the accounting described above. As can be seen in the attachment, the capital accounts (debt and equity) are the same with and without ARO accounting, proving that no capital adjustments are either required or proper. (Lines 10 and 11 on page 2 equal lines 17 and 18 on page 3)

b. See the following table for a breakout of the net ARO assets:

($000s)	Electric	Gas
Asset Retirement Obligation Cost	$ 6,072	$ 573
Asset Retirement Obligation Accumulated Depreciation	(2,423)	(424)
Net ARO Asset	$ 3,649	$ 149

Accumulated depreciation is separately recorded for the ARO assets and the underlying physical assets. After adopting SFAS No. 143, removal costs for physical assets that have an ARO are no longer recorded in accumulated depreciation, but rather are charged to the ARO liabilities. Accumulated depreciation on the physical assets is, therefore, higher by $1,303,284 (for the cash outlay for the removal cost shown in PSC-2 Question No. 77), than it would have been prior to the implementation of SFAS No. 143. Please note that the information as requested only summarizes the "net ARO asset" and does not provide the other aspects of ARO accounting which were included in the response to PSC-2 Question No. 77.

c. For the reasons stated above, LG&E believes the adjustment made by the Commission in Case No. 2003-00433 was incorrect. The amount as of the end of the test year that corresponds to the Commission's adjustment in the prior case is the amount shown in part (b) above.

Due to the complexity of the accounting for AROs, the Company has provided its example in electronic format and is available to meet with the Commission Staff and the intervenors in this case should they wish to hold a technical conference on this topic.

Financial Statement Example
ARO Accounting

Row Number						
1	ASSUMPTIONS					
2	Intital plant investment		$ 1,000 00			
3	Depreciation rate (inc Cost of		3 25%			
4	Removal component of 25%)					
5	Tax depreciation-20 Year MACRS			**Year 1**	**Year 2**	**Year 3**
6		Rate		3 75%	7 22%	6 68%
7		Tax Depr		$ 37 50	$ 72 20	$ 66 80
8	Tax Rate		40 00%			
9	Actual Cost of Removal in Year 3		10	(Original Plant value of $50)		
10	Equity Component of Capital		52 00%			
11	ROE		11 25%			
12	Debt Cost		6 00%			
13	Cost of Capital (at NOI level)		8 73%			
14	Original ARO Asset/Liability		17 4	($100 in Year 30 discounted at 6%)		

Row Number					
1	**FINANCIAL STATEMENTS WITHOUT ARO ACCOUNTING**				
2	**BALANCE SHEET**	**Asset Purchase**	**Year 1**	**Year 2**	**Year 3**
3	ASSETS				
4	Plant in Service	$ 1,000.00	$ 1,000.00	$ 1,000.00	$ 950.00
5	Accumulated Depreciation	-	(32.50)	(65.00)	(37.50)
6	Net Plant	1,000.00	967.50	935.00	912.50
7	TOTAL ASSETS	$ 1,000.00	$ 967.50	$ 935.00	$ 912.50
8	LIABILITIES AND EQUITY				
9	Deferred taxes	$ -	$ 2.00	$ 17.88	$ 31.60
10	Debt	480.00	463.44	440.22	422.83
11	Equity	520.00	502.06	476.90	458.07
12	TOTAL LIABILITIES AND EQUITY	$ 1,000.00	$ 967.50	$ 935.00	$ 912.50

13	**INCOME STATEMENT**	**Year 1**	**Year 2**	**Year 3**
14	Revenue	$ 158.80	$ 154.44	$ 148.33
15	Depreciation	32.50	32.50	32.50
16	Deferred taxes	2.00	15.88	13.72
17	Current taxes	37.00	21.77	22.05
18	Net Operating Income	87.30	84.29	80.06
19	Interest Expense	28.80	27.81	26.41
20	Net Income	$ 58.50	$ 56.48	$ 53.65
21	ROE (beginning of year Equity)	11.25%	11.25%	11.25%

22	**CASH FLOW STATEMENT**	**Year 1**	**Year 2**	**Year 3**
23	Net Income	$ 58.50	$ 56.48	$ 53.65
24	Add: Depreciation	32.50	32.50	32.50
25	Add: Deferred Taxes	2.00	15.88	13.72
26	Cost of Removal	-	-	(10.00)
27	Total Cash Available	$ 93.00	$ 104.86	$ 89.87
28	Debt Repayment	$ (16.56)	$ (23.22)	$ (17.39)
29	Dividends/Return of Capital	$ (76.44)	$ (81.64)	$ (72.49)

Row Number					
1	**FINANCIAL STATEMENTS ASSUMING ARO ACCOUNTING**				
2	**BALANCE SHEET**	**Asset Purchase**	**Year 1**	**Year 2**	**Year 3**
3	ASSETS				
4	Plant in Service	$ 1,000.00	$ 1,000.00	$ 1,000.00	$ 950.00
5	Accumulated Depreciation	-	(30.00)	(60.00)	(40.00)
6		1,000.00	970.00	940.00	910.00
7	ARO Asset	17.40	17.40	17.40	17.40
8	Accumulated Depreciation ARO	-	(0.52)	(1.04)	(1.56)
9		17.40	16.88	16.36	15.84
10	Net Plant	1,017.40	986.88	956.36	925.84
11	Regulatory Asset	-	1.58	3.20	4.90
12	TOTAL ASSETS	$ 1,017.40	$ 988.46	$ 959.56	$ 930.74
13	LIABILITIES AND EQUITY				
14	ARO liability	$17.40	$ 18.46	$19.56	$ 10.74
15	Regulatory Liability (Parent COR)	-	2.50	5.00	7.50
16	Deferred taxes	-	2.00	17.88	31.60
17	Debt	480.00	463.44	440.22	422.83
18	Equity	520.00	502.06	476.90	458.07
19	TOTAL LIABILITIES AND EQUITY	$ 1,017.40	$ 988.46	$ 959.56	$ 930.74

20	**INCOME STATEMENT**	Year 1	Year 2	Year 3
21	Revenue	$ 158.80	$ 154.44	$ 148.33
22	Depreciation	32.50	32.50	32.50
23	Deferred taxes	2.00	15.88	13.72
24	Current taxes	37.00	21.77	22.05
25	Net Operating Income	87.30	84.29	80.06
26	Interest Expense	28.80	27.81	26.41
27	Net Income	$ 58.50	$ 56.48	$ 53.65

28	**CASH FLOW STATEMENT**	**Year 1**	**Year 2**	**Year 3**
29	Net Income	$ 58.50	$ 56.48	$ 53.65
30	Add: Depreciation	32.50	32.50	32.50
31	Add: Deferred Taxes	2.00	15.88	13.72
32	Cost of Removal	-	-	(10.00)
33	Total Cash Available	$ 93.00	$ 104.86	$ 89.87
34	Debt Repayment	$ (16.56)	$ (23.22)	$ (17.39)
35	Dividends/Return of Capital	$ (76.44)	$ (81.64)	$ (72.49)

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 23

Responding Witness: Valerie L. Scott / Counsel

Q-23. Refer to LG&E's responses to Items 80(b) and 105 of Staff's Second Request and Item 26(a)(8) of Staff's initial data request. The responses indicate, among other things, that E.ON U.S. Investments Corp. files consolidated federal and state income tax returns. The responses also indicate that federal and state income tax returns are filed for LG&E.

a. Is LG&E aware that the Commission has previously approved the use of an effective income tax rate based on the filing by the utility and its affiliates of consolidated income tax returns (see the Commission's January 31, 2002 Order in Case No. 2001-00092 and its February 28, 2005 Order in Case No. 2004-00103).

b. State LG&E's position on the use of an effective tax rate in determining its revenue requirements in this case.

A-23. a. The Company is aware of the two cases. The Commission first addressed the issue in its January 31, 2002 Order in *In the Matter of: Adjustment of Gas Rates of the Union Light, Heat and Power Company.*[1] In that case, the applicant filed its tax returns as part of a consolidated group and calculated its *effective* Kentucky income tax rate at 3.03% and sought recovery at that rate rather than the statutory rate of 7%. The Commission allowed ULH&P to use the 3.03% effective rate, but stated that it had "some concerns about using this approach, especially since the effective rate changed from 5.15 to 3.03 percent between two tax years."[2] Because of that concern, the Commission stated that use of the effective rate would only be on a "trial basis." It then directed ULH&P to provide an analysis in its next rate case showing the effective Kentucky income tax rate for the years between 2000 and the tax year applicable to the next rate case.[3]

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[1] Case No. 2001-00092.
[2] Case No. 2001-00092, January 31, 2002 Order, p. 59.
[3] *Id.*, p. 60.

The Commission next addressed the issue in its February 28, 2005 Order in *In the Matter of: Adjustment of the Rates of Kentucky-American Water Company*.[4] In that case, KAW sought recovery of its income tax expense based on the federal statutory rate of 35% of its taxable income. The AG retained Andrea Crane as an expert witness and she proposed a Consolidated Income Tax Adjustment ("CTA") based on the fact that KAW files its federal taxes as part of a consolidated group. The Commission held that the CTA should be approved and reduced KAW's federal income tax expense. However, the Order is clear that it did so *not* because it generally favors or agrees with the CTA concept. Instead, the lynchpin of the holding was that the PSC believed that KAW had committed in an earlier case that it would realize tax savings by virtue of being a member of a consolidated tax filing group.[5]

The Commission most recently addressed the issue in the rehearing phase of LG&E's 2003 rate case. In its March 31, 2006 Order on Rehearing in *In the Matter of: An Adjustment of the Electric Rates, Terms and Conditions of Louisville Gas and Electric Company*,[6] the Commission rejected the use of a consolidated group driven "effective" tax rate in computing Kentucky income tax expense.[7]

In the case, LG&E argued that Kentucky's statutory rate should be used to calculate Kentucky income tax expense. The AG argued in favor of using an effective tax rate that resulted from LG&E's participation in a consolidated tax filing group. The AG cited the ULH&P and KAW cases discussed above as "precedent" for use of an effective tax rate. The Commission rejected the AG's argument. It stated that the ULH&P decision allowed use of an effective rate only on a trial basis until ULH&P's next rate case which had been filed[8] by the time the Commission addressed the issue in LG&E's case. In ULH&P's next rate case, ULH&P took the position that an effective tax rate should not be used because of the substantial variance in the rate from year to year. Instead, ULH&P argued that the statutory rate is "known, easily verifiable and not distorted by non-recurring items or apportionment adjustments attributable to other entities participating in the filing of a consolidated tax return."[9] The Commission noted that the AG did not object to ULH&P's use of the statutory rate. As for the KAW case, the Commission

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[4] Case No. 2004-00103.
[5] Case No. 2004-00103, February 28, 2005 Order, p. 66 ("Moreover, Kentucky-American and its corporate parents having previously touted TWUS's filing of consolidated tax returns as a benefit to obtain approval of the merger transaction, have no cause to object now if we act upon their representation.")
[6] Case No. 2003-00433.
[7] The Commission reached a similar result in its Final Order issued March 31, 2006 in Case No. 2003-00434, In the Matter of, *An Adjustment of the Rates, Terms and Conditions of Kentucky Utilities Company*.
[8] Case No. 2005-00042.
[9] Case No. 2003-00433, March 31, 2006 Order, p. 6. (quoting Case No. 2005-00042, *An Adjustment of the Gas Rates of the Union Light Heat and Power Company*, Direct Testimony of Alexander J. Torok, at 7)

again noted that Commission accepted the AG's federal consolidated tax adjustment based on a voluntary commitment, previously made by KAW in conjunction with its acquisition by RWE, that it would be able to file consolidated tax returns and achieve tax savings by doing so.[10]

The Commission reached the correct decision in the LG&E case in rejecting use of an effective tax rate. It held:

> By having to recognize tax losses and other tax credits related to these non-regulated activities to derive an effective Kentucky income tax rate could well be viewed as forcing the utility to use these non-regulated activities to subsidize the regulated utility operations.[11]

b. LG&E agrees with this determination of the Commission in Case No. 2003-00433.

The Commission's decision in the 2003 LG&E rate case is also consistent with the Commission's approval of the *Corporate Policies and Guidelines for LG&E and KU* in Case No. 97-300 and the Commission's approval of similar guidelines in connection with the establishment of LG&E's and KU's respective holding companies in Case Nos. 98-374 and 10296. Those guidelines contain a section on "stand alone" method for allocating the income tax liabilities for each entity. LG&E's Tax Allocation agreement also specifically states how tax payments and benefits will be handled. This agreement was provided to the Commission. The stand alone method is required by subsection four, third paragraph of the attached *Corporate Policies and Guidelines for Intercompany Transactions* and has been used by LG&E for many years.

LG&E is opposed to the use of the effective consolidated income tax rate in determining revenue rate requirements in this case. LG&E has not charged its customers for expenses incurred at its affiliated companies and has no plans to do so in the future. Because LG&E's customers have not paid for the losses of affiliated companies, or assumed any of the risks associated with the non-regulated companies, the customers should not bear the risk or receive the benefits of affiliates' taxable income or losses. As the Commission correctly stated in LG&E's last rate case, "By having to recognize tax losses and other credits related to these non-regulated activities to derive an effective Kentucky income tax rate could well be viewed as forcing the utility to use these non-regulated activities to subsidize the regulated utility operations."[12]

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[10] *Id.*, p. 7. (Citing Case No. 2004-00103, February 28, 2005 Order at 65-66)
[11] *Id.*, p. 8.
[12] *Id.*, p. 8

Corporate Policies and Guidelines for Intercompany Transactions
Responding Witness – Valerie L. Scott

Corporate Policies and Guidelines
for Intercompany Transactions

These Policies and Guidelines have been established to set forth business practices to be observed in transactions between Louisville Gas and Electric Company ("LG&E"), Kentucky Utilities Company ("KU"), their Holding Company, LG&E Energy Corp. ("LG&E Energy") and any non-utility subsidiary created by LG&E Energy. As nonutility subsidiaries are created by LG&E Energy, these policies and guidelines will be revised and expanded to ensure that the non-regulated activities are not subsidized by LG&E's or KU's ratepayers. Updated policies and guidelines will be filed with the Public Service Commission on an annual basis.

Policies and Guidelines

1. Separation of costs between utility and non-utility activities will be maintained.

Distinct and separate accounting and financial records will be maintained and fully documented for each entity. All costs, which can be specifically identified and associated with an activity, will be directly assigned to that activity. Indirect costs, which provide a benefit to more than one activity, will be allocated to the activities that receive a benefit.

Although initially there will be a sharing of resources between LG&E, KU and LG&E Energy, to the extent practicable, each subsidiary of LG&E Energy will acquire and maintain its own facilities, equipment, staff and financing.

2. <u>Intercompany transactions shall be structured to ensure that non-regulated activities are not subsidized by the regulated utility</u>.

Separate accounting and financial records will be maintained to ensure that intercompany transactions related to non-utility activities will not have an adverse impact on the utilities or their customers.

Transfers or sales of assets will be priced at the greater of cost or fair market value for transfers or sales from LG&E or KU to LG&E Energy or other subsidiaries and at the lower of cost or fair market value for transfers or sales made to LG&E or KU from LG&E Energy or any of LG&E Energy's non-utility subsidiaries. Transfers or sales of assets between LG&E and KU will be priced at cost. Settlement or transfer of liabilities will be accounted for in the same manner. Through this policy, the utilities will receive the full benefit from intercompany transfers or sales.

LG&E or KU shall furnish a report to the PSC annually of each transfer of utility assets between themselves or between LG&E or KU and LG&E Energy or any of its non-utility subsidiaries, which has a value of $250,000 or more. Transfers having a value of less than $250,000 will be grouped and reported by specific categories, such as transportation equipment, power operated equipment, etc.

Transfers or sales of nonutility assets, payment of dividends and normal recurring transactions are expressly excluded from this reporting requirement.

All goods or services provided by LG&E or KU to LG&E Energy or any of its non-utility subsidiaries will be billed at cost, including the proper assignment of all indirect costs.

LG&E and KU will utilize their automated responsibility accounting system to accumulate and allocate costs among the various companies. To the extent possible, specific activities or projects will be directly recorded in the accounting and financial records of the appropriate company. Transactions affecting more than one entity will be allocated among the affected companies by reference to some reasonable, objective standard related to the facts and circumstances of the transaction (i.e., number of employees, number of transactions, etc.)

Billings for intercompany transactions shall be issued on a timely basis with documentation sufficient to provide for subsequent audit or regulatory review. Payments for intercompany transactions shall be made within thirty (30) days of receipt of the invoice. If payment is not made by the due date, late charges will be assessed by the billing company.

3. <u>Strict internal controls will be maintained to provide reasonable assurance that intercompany transactions are</u>

<u>accounted for in accordance with management's policies and guidelines</u>.

Accounting policies and procedures for intercompany transactions will be fully documented and provided to all entities. Intercompany transactions will be fully documented in sufficient detail to enable verification of the relevant information. Periodic audits will be made of intercompany transactions and transfer prices to ensure that these policies and guidelines are being observed. Any detected deviations from these policies and guidelines shall be reported to management and such deviations shall be corrected in a timely manner.

4. <u>Financial Reporting</u>.

LG&E Energy and all subsidiaries shall prepare and have available monthly and annual financial information required to compile financial statements and to comply with other reporting requirements. The financial information shall be accumulated and prepared in accordance with Generally Accepted Accounting Principles. In addition, the accounting information prepared and maintained by LG&E and KU shall conform to the requirements of the Public Service Commission of Kentucky and the Federal Energy Regulatory Commission's uniform system of accounts.

All intercompany transactions shall be reported and the nature and terms of the transactions should be fully described and explained.

LG&E Energy will file consolidated Federal and State income tax returns which will include LG&E's, KU's and any other subsidiaries' taxable income. The "stand alone" method will be used to allocate the income tax liabilities of each entity. Payment transfers for tax liabilities or tax benefits will be made on the dates established for the payment of Federal estimated income taxes.

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LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 24

Responding Witness: William Steven Seelye

Q-24. Refer to LG&E's response to Item 86 of Staff's Second Request, specifically page 2 of 2 of the attachment, which pertains to the proposed electric year-end customer adjustment.

a. The number of GS customers ranged between 41,772 and 42,573 during the test year, except for December 2007, when it was only 39,544. Explain why the number of customers in December is fewer than the number of customers during the rest of the test year.

b. The number of LP customers served at secondary voltage was 324 at the end of the test year, the lowest level of the test year (which was the same as in December 2007). Explain why the number of customers in those months declined as compared to the other months of the test year.

c. The number of TLE customers ranged between 872 and 914 during the test year except for the first-of-the-year level of 753 and the year-end level of 720. Explain why the number of customers was fewer at those points in time compared to the other months of the test year.

d. The number of PSL customers ranged between 39,230 and 40,371 during the test year except for the last three months when the numbers were 37,917, 43,432, and 37,725. Explain why the number of customers fluctuated in this manner for the months of February, March, and April of 2008.

e. The number of OL customers was 53,971 at the beginning of the test year and ranged between 44,609 and 47,490 thereafter, until the last month of the test year, when it increased to 48,971. Explain why the number of customers changed in this manner over the course of the test year.

A-24. a. – e.

LG&E does not track the reasons that customers enter or leave its service territory. Changes in the number of customers from month to month can be the result of a number of factors, including but not limited to the examples provided below. Fluctuations in customer counts can result from customer movement out of the territory and receiving a final bill in the following month, and customers entering the service territory and receiving an initial bill in the same calendar month. Additionally, fluctuations can occur by the closing and opening of businesses or residential customers' buying and selling homes within the Company's service territory. Furthermore, fluctuations also occur because of seasonal customers' terminating service during periods when service is not needed and reconnecting when service is again needed. Fluctuations in customer counts can also result from billing adjustments made in a current month for activity in previous months.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 25

Responding Witness: Paula H. Pottinger, Ph.D. / Valerie L. Scott

Q-25. Refer to LG&E's response to Item 89 of Staff's Second Request and Rives Exhibit 1, Reference Schedule 1.15, of LG&E's application.

a. Explain whether the amounts included in the calculation of *pro forma* payroll include a provision for compensated absences. If yes, provide a schedule which shows the compensated absences included in the "Grand Total" *pro forma* payroll for each account shown on Item 89(a).

b. State the amount of leave time an employee is allowed to carry forward.

c. Describe how LG&E estimates the increase or decrease in employee leave time carry-forward balances when calculating *pro forma* payroll costs.

d. Identify all employee positions that were vacant as of April 30, 2008, and state whether or not each position is currently vacant.

e. For all employee positions identified in (d) above, state when LG&E expects to fill the position.

A-25. a. A provision for compensated absences is not included in the calculation of *pro forma* payroll costs. The adjustment at Reference Schedule 1.15, page 2 is to adjust test year labor to reflect annualized base labor at April 30, 2008.

b. Non-bargaining unit employees are allowed to carry forward one week of vacation time. Bargaining unit employees are not allowed to carry forward any vacation time.

c. Carry-forward balances are not considered when calculating the *pro forma* payroll costs. The adjustment at Reference Schedule 1.15, page 2 is to adjust test year labor to reflect annualized base labor at April 30, 2008.

d. No vacant employee positions were included in the labor costs. Labor costs were based on actual employee counts.

e. No vacant employee positions were identified in (d) above.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 26

Responding Witness: Paula H. Pottinger, Ph.D.

Q-26. Refer to LG&E's response to Item 91 of Staff's Second Request. For each amount of other compensation listed for each executive employee, describe how the level of compensation was determined.

A-26. The Company is not seeking recovery in rates for the cost associated with "other compensation". Target short-term and long-term awards are communicated as a percent of salary based on respective external market data. Actual short-term and long-term payments are based on performance against pre-determined goals.

An example of a short-term and long-term incentive calculation is attached.

Short-Term Incentive
Per the attached plan, pre-determined goals for the short-term incentive plan include annual financial and individual objectives. Financial and individual objectives are weighted accordingly based on job level and responsibilities.

Long-Term Incentive
Per the attached plan, target awards are made annually for a three year performance cycle. In the case of the LG&E Energy Corp. Performance Unit Plan, performance is based on annual pre-determined Value-Added objectives. At the end of the three year performance cycle, long-term incentive payments are calculated based on the average Value-Added performance results for the three year period.

Perquisites
Perquisites were determined in accordance with market practice and vary based on job level. The attached summary provides the perquisites available by job level. Payment varies based on actual usage of the various perquisites offered.

Example of Short-Term and Long-Term Incentive Calculations
Responding Witness – Paula H. Pottinger, Ph.D.

Short-Term Incentive Award Example

Name	Base Salary	Target Incentive %	Total Target	From	To	# of Days	Performance Period Percent	Target Payout		E.ON U.S. Adjusted EBIT	Management Effectiveness
									Measure Weighting %	40%	60%
Employee Name	$ 125,000	25.0%	$ 31,250	1/1/2007	12/31/2007	365	100%	$ 31,250	Target Payout $	12,500.00	18,750.00
									Payout %	105.00%	100.0%
						365		$ 31,250	Earned Payout $	$ 13,125.00	$ 18,750.00
							Total Target	**$ 31,250**		**$ 31,875**	**Payout**

Long-Term Incentive Award Example - LG&E Energy Corp. Performance Unit Plan

2005 Grant $	$37,500	A

Payout Calculation Example		
Year	Sample Performance Payout %	
2005	100.0%	Current Measure for Performance Units is E.ON U.S. Value-Added
2006	104.9%	
2007	108.3%	
Average Performance Payout % 2005 - 2007	104.40%	B

Sample Payout (March 2008)	$39,150	A X B

E.ON Short-Term Incentive System for Top Executive Group
Responding Witness – Paula H. Pottinger, Ph.D.

E.ON Short-Term Incentive System for the Top Executive Group (TEG)

Contents

1. Preliminary Remarks

E.ON is one of the largest and most successful energy companies.

Our overriding objective is to shift the focus from striving for size to striving for more efficiency in order to achieve continuous improvement and deliver the potential we have in the Group.

In this way, we want to rise to become the undisputed market leader in our industry and create value for our investors.

The goal that guides us in our efforts is to make E.ON the world's leading power and gas company.

The business contribution of the executives who belong to the Top Executive Group (TEG) is the key to our ability to achieve our strategic objectives. The new compensation philosophy for the Top Executive Group is designed to reward this contribution.

The new Short-Term Incentive (STI) System will ensure that the annual variable compensation (referred to as "bonus" below) of all the members of the Top Executive Group will in future be linked even more closely both to the performance of the E.ON Group and to the individual's performance.

2. E.ON Compensation Philosophy for the Top Executive Group

An up-to-date and consistent compensation philosophy helps to position a company as an employer of choice in an international environment. E.ON's compensation systems are based on a Group-wide compensation philosophy and its consistent implementation within the E.ON Group.

The Group-wide harmonization of the compensation systems for the Top Executive Group supports the guiding principles of "OneE.ON". A consistent structure (e.g. short-term and long-term incentives) of executive compensation systems as well as their link to consistent performance indicators guarantee that executives will make the best possible contribution to the implementation of our Group strategy.

3. Overview

Eligibility

The new E.ON STI plan will apply to all members of the Top Executive Group (TEG) from January 1, 2005. Where executives have differing legal or contractual bonus agreements, these will be brought into line with the new bonus system.

Line Manager

The line manager is the executive to whom an individual reports at the next higher hierarchy level or, in the case of board functions, the Chairman of the respective Supervisory Board.

Executive

The term "executive" means the individual eligible to receive a bonus.

Bonus

The term "bonus" means the annual variable compensation that may be paid out under E.ON's Short-Term Incentive Plan (STI).

Target-setting agreement

The target-setting agreement will be used as a key management tool in the framework of the new bonus system. The target-setting agreement is a written agreement in which both the business performance targets that are relevant for a given executive and the personal performance targets agreed between the executive and his or her line manager are recorded for a given financial year (defined as running from 1. Jan – 31. Dec).

The level of the bonus will vary with the degree to which these targets are achieved.

Target bonus

The term "target bonus" means the amount of compensation for a given financial year that will be paid out if all the targets are fully achieved. The amount of the target bonus will be determined in advance.

Targets: Business performance

The planned business performance will be documented in the target-setting agreement and used as one element for the determination of the bonus.

The percentage split between business and personal targets will depend on where the employing company is positioned within the organization (Corporate Center, Market Unit, Business Unit) and on whether, or not, an executive holds a board position.

The business performance targets (usually "adjusted EBIT") are set at the beginning of a financial year in cooperation with the Corporate Controlling Department and the relevant controlling / finance departments in the Market Units.

Targets: Personal targets

The target-setting agreements will also specify personal targets as a criterion to determine the executive's bonus. A minimum of 3 and a maximum of 5 personal targets should be agreed between the executive and his or her line manager and recorded in the target-setting agreement.

Quality of wording of personal targets

The wording of the personal targets must be precise. The targets defined must be ambitious, and the criteria applied to measure the degree of target achievement must be comprehensible. Depending on their importance, personal targets may be weighted differently.

Degree of target achievement: business performance targets

Business performance is usually measured in terms of the company's "adjusted EBIT". Adjusted EBIT will be measured as a percentage of actual versus previously budgeted adjusted EBIT. As a general rule, the degree of target achievement can vary between

- a minimum of 0 % (if 70 % or less of the budgeted adjusted EBIT is achieved) and
- a maximum of 200 % (if 130 % or more of the budgeted adjusted EBIT is achieved).

Degree of target achievement: personal performance targets

There will be five grades to rate the level of personal target achievement:
from "target not achieved" (0 %) up to "target greatly exceeded" (200 %). The review, where appropriate, may also cover values between the specified percentages (e.g. 125 %).

Overall managerial performance

An executive's general managerial performance may, for many reasons, differ from the actual degree of target achievement and the line manager may want to appraise overall performance rather than performance against agreed objectives. Overall management performance may be better or worse than the performance calculated against actual target achievement. The proposed bonuses will be subject to approval by the Board of Management of E.ON AG. This will ensure a consistent application of the system across all Market Units.

Minimum / maximum bonus

Under the STI plan, there is no guaranteed minimum bonus payment. If overall an executive accomplishes less than 50 % (cut-off) of the agreed personal targets, there will be no bonus payment made irrespective of business target achievement.

The maximum payment that an executive can achieve is double (200%) of the target bonus.

Contractual agreements

The new bonus rules will not affect any contractually agreed minimum bonuses.

Performance review with executive

The line manager to whom an executive reports will be responsible for agreeing targets and assessing the degree of their achievement during a personal meeting with the executive. These meetings should take place at the end of each financial year.

Approval by the Board of Management of E.ON AG

The E.ON AG Board will review and approve the bonuses proposed for all executives in the Top Executive Group.

4. The New Short-Term Incentive Plan: Details and Application

The new E.ON STI is an additive plan. This means that performance is split into a number of individual target elements. Actual performance against these targets are then added together to calculate the final bonus achievement.

Financial targets - usually budgeted adjusted EBIT at Corporate Center, Market Unit and Business Unit level - as well as the executive's personal targets will be agreed in advance for one financial year.

Target categories

The business performance targets and personal targets will be weighted in accordance with the matrix below. The matrix below shows the percentage split between personal targets and business performance targets in the overall target bonus.

The weighting of the various parts of the bonus will depend on where the employing company is positioned within the organization (Corporate Center, Market Unit, Business Unit) and on whether, or not, an executive has a board role.

	Group (Adj. EBIT)	Market Unit (Adj. EBIT)	Business Unit (Adj. EBIT)	Personal Targets
CC Executive	40 %			60 %
MU Board	20 %	40 %		40 %
Dual Role *	20 %	20 %	20 %	40 %
MU Executive	20 %	20 %		60 %
BU Board	10 %	10 %	30 %	50 %
BU Executive	10 %	10 %	20 %	60 %
Dual BU Role **	10 %	25 %***	25 %****	40 %

* Functions with board responsibility and business unit responsibility

** Functions with board responsibility at business unit level and operative responsibility at the level below

*** Counts as business unit level in this case

**** Counts as level below business unit in this case

Business performance: Adjusted EBIT

E.ON's key internal earnings figure is adjusted EBIT (Earnings Before Interest and Taxes), which is used as an indicator of the sustainable profitability of a business. The adjusted EBIT is not influenced by any fiscal or financial factors. Certain one-off or rare effects are also eliminated from the adjusted EBIT. This includes in particular book gains and restructuring expenses. The adjusted EBIT therefore covers the company's sustainable performance from the current sales process as well as the sustainable income from investments. For more information, please consult the E.ON Planning and Controlling Handbook.

The adjusted EBIT targets are identical to the budget targets set as a result of the annual planning process. These targets are adjusted in the event that the capital employed differs from the budget targets and if there are major unplanned portfolio changes.

Personal targets

An executive's personal targets will invariably be derived from Group, Market Unit and Business Unit targets, and at the same time, they must be related to the executive's functional area and scope of responsibilities.

Both strategic and operational targets can be specified in the target-setting agreement. Personal targets may be linked to key business performance figures or they may be aimed at personal managerial objectives. It is also possible to define team targets, which may be appropriate when there are projects to modify or improve joint processes and operations.

A minimum of 3 and a maximum of 5 personal targets should be agreed between the executive and his or her line manager in the target-setting process and recorded in the target-setting agreement. Depending on their importance, personal targets can be weighted differently.

At least one personal target may be derived from the "OneE.ON Performance Measurement" work. Targets can be chosen from the following categories:

- Customer satisfaction
- Brand value
- Commitment of employees and attractiveness as an employer
- Safety
- Sustainable development
- Security of supply

In addition, it is recommended that one of the personal targets, for executives with corporate roles (Corporate Center and Market Unit levels), should be a budget target.

Quality of Personal Targets

Targets must meet high standards in terms of the way they are worded because:

- the clearer the target, the stronger its effect as a management tool
- the clearer and the more comprehensible the criteria applied to assess the target achievement, the simpler the appraisal of the target achievement and the greater the acceptance of the process and its results

It is particularly important to agree on suitable measures for the assessment of the target achievement because the degree of target achievement ultimately determines the amount of the bonus paid out to an executive.

When describing a target, attention should be paid to the following points:

- Completeness: target content (what?), scope of the target (how much?) and time horizon (by when?)
- Consistency
- Result orientation: "The target will be achieved if ..."
- Where the achievement of targets can be measured quantitatively: it may be necessary to define target corridors (from ... to)
- Agreement on suitable assessment criteria to determine the degree of target achievement; it must also be possible to rate the degree of target achievement of executives who surpass their targets.

The availability of the data needed to determine the degree of target achievement must be guaranteed. The method to be used to measure the degree of target achievement must be agreed at the time when the target-setting agreement is concluded. Targets whose measurement or appraisal involves uncertainties should be avoided.

After the conclusion of a target-setting agreement with an executive's line manager, the agreement must be transmitted to the E.ON Corporate Executive HR Department in E.ON's Corporate Center via the relevant department in the Market Unit with responsibility for executives.

Examples of personal targets

- Execution of the "best-practice" program through implementation of the project "xy" by .... (month / year)
- Presentation of a retail strategy capable of being implemented with the objective of sustainably increasing the number of customers by ... % by ... (month / year)
- Completion of the integration of new company X into the controlling system of the E.ON Group by ...
- Identifying and implementing measures designed to reduce the budgeted administrative expenses by X % by ... (month / year) relative to the actual budget for the year ...

Target adjustments in the course of a year

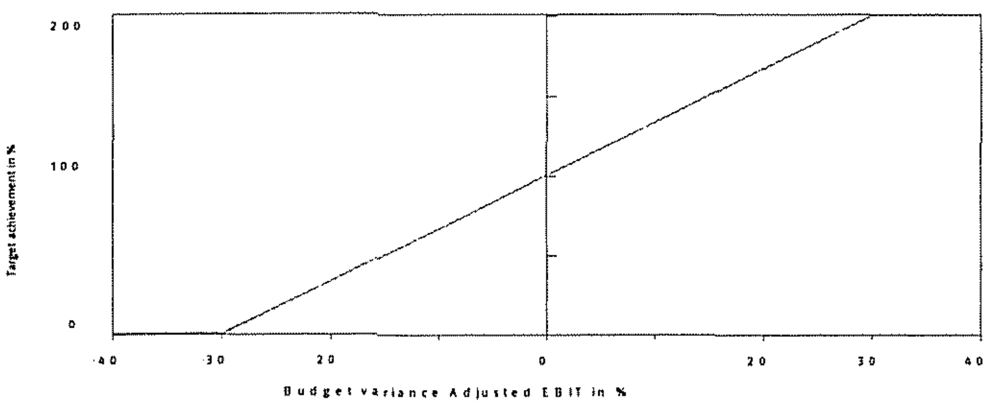
It is recognised that personal targets may change in the course of a year (additions, modifications, deletions). Such changes must be agreed with the line manager. The Corporate Executive HR Department in E.ON's Corporate Center must be informed about such changes at the time when they are agreed.

Measurement / Appraisal of target achievement: business performance targets

The degree of achievement of the business performance target is usually rated as follows in terms of the adjusted EBIT:

Degree of target achievement: Actual relative to budgeted adjusted EBIT	%age of variable target bonus achieved based on corporate performance
70%	0%
85%	50%
100%	100%
115%	150%
130%	200%

The diagram below shows the linear bonus payout range which is used for each element of the STI Plan:



A target achievement of 100 % means that the business target has been fully achieved based upon the adjusted EBIT budgeted for a given financial year and relative to a agreed amount of capital employed.

For target achievement levels ranging between 70 and 130 %, the target bonus achieved will be determined on a straight line basis (linear interpolation).

The overall target achievement based on the business performance is calculated by adding all weighted target achievements (Group, Market Unit and Business Unit levels; see matrix on page 6).
The degree of target achievement at Market Unit or Business Unit levels will be agreed between E.ON's Corporate Center (Corporate Controlling, Corporate Executive HR) and the relevant departments (Controlling, Executive HR) in the Market Units

Evaluation of target achievement: personal targets

The evaluation of personal target achievement will be broken down into five categories:

Degree of target achievement	**%age of variable target bonus achieved based on personal performance**
Target not achieved	0%
Target partially achieved (50%)	50%
Target achieved (100%)	100%
Target exceeded by a wide margin (150%)	150%
Target greatly exceeded (200%)	200%

A target achievement of 100 % means that the target has been fully achieved. Any variation from this level must be explained and documented. An executive's performance will be evaluated for each personal target. The degree of achievement of all personal targets will be calculated by adding up the (possibly weighted) degrees of achievement of each specific target.

It is not acceptable to compensate for a missed target by giving excessively positive achievement levels for other targets.

The performance achievement may also cover values between the specified percentages (e.g. 125 %).

Overall target achievement

An executive's overall target achievement will be calculated by adding both corporate performance achievement and personal performance achievement. The results documented will be rounded to two decimal places in accordance with commercial custom.

Example illustrating the calculation of the Short-Term Incentive

The ratio of business targets to personal targets will be fixed in advance, depending on where a given position is located within the organizational structure (Corporate Center, Market Unit, Business Unit) and on the level of responsibility (eg board responsibility, see matrix on page 6).

Depending on their relative importance, the percentage weight of personal targets may either be identical or different.

This can be illustrated by means of the following example:

In the case of a Market Unit executive, for instance, the predetermined weighting between corporate targets and personal targets would be as follows in accordance with the matrix on page 6:

20% : 20% : 60%
(adj. Group EBIT : adj. Market Unit EBIT : Personal)

The 60% share of the agreed personal targets would be divided up between the number of targets (from minimum of three to a maximum of five), with the weighting being either different or identical for each target. In this example, there are three personal targets, which are weighted 0.5 : 0.25 : 0.25.

The degree of achievement (between 0 and 200 %) of each of the corporate and personal targets will be determined and weighted in accordance with the predetermined %age weights.

In this example, the targets have been accomplished as follows:

Achievement of the corporate performance target for the E.ON Group:
7.5 % above budgeted adjusted EBIT ➡ Target achievement: **125 %**

Achievement of the corporate performance target for the Market Unit:
10 % above budgeted adjusted EBIT ➡ Target achievement: **133.3%**

Achievement of personal targets:

Target 1	120 %	(weighted at 0.5)
Target 2	80 %	(weighted at 0.25)
Target 3	150 %	(weighted at 0.25)

The sum total for the personal targets amounts to:
(120% x 0.5)+ (80% x 0.25) + (150 x 0.25) = 60 % + 20% + 37.5% = **117.5%**

The executive's overall target achievement can now be calculated as follows:

(adj. Group EBIT) x 20% + (adj. Market Unit EBIT) x 20% + (Personal) x 60%

= (125%) x 20% + (133.3%) x 20% + (117.5%) x 60%
= 25% + 26.7% + 70.5%
= **122.2%**

5. Annex / Forms

Bonus and target-setting process

The conclusion of the target-setting agreement is the start of the annual bonus process and the final calculation of the target achievement completes the process.

Timetable

December	Preliminary meeting between the executive and his or her line manager to define targets for the following fiscal year (Y2)
January	For the personal targets: The executive's target achievement will be determined and his or her performance will be appraised by the line manager for the previous fiscal year (Y1), based on the executive's self-assessment
February	Personal meetings between executives and their line managers to discuss • the target achievement in terms of the *corporate performance* and the *executive's personal performance* during the past fiscal year (Y1) • the finalization of the *personal* targets agreed for the current year (Y2) *Corporate performance* targets will be defined for the current year (Y2) at Group, Market Unit and Business Unit levels and approved by the Board of Management of E.ON AG. The targets will be agreed in advance among Corporate Controlling, Corporate Executive HR and the relevant departments of the Market Units. Results of the Top Executive Group's target-setting and target achievement appraisal meetings will be transmitted to the HR department in charge of an executive's contract or the Executive HR unit of the Market Unit concerned and to Corporate Executive HR in E.ON's Corporate Center.
March	The proposed bonuses will be examined and approved by the Board of Management of E.ON AG.
April	As a rule, bonuses will be paid out after the Annual Shareholders Meeting of E.ON AG.

LG&E Energy Corp. Long-Term Performance Unit Plan
Responding Witness – Paula H. Pottinger, Ph.D.

LG&E ENERGY CORP. LONG-TERM PERFORMANCE UNIT PLAN

Effective January 1, 2003

ARTICLE 1. ESTABLISHMENT, PURPOSE, AND DURATION

1.1. Establishment of the Plan.

LG&E Energy Corp, (hereinafter referred to as the "Company") establishes as of the date set forth above the "LG&E Energy Corp. Long-Term Performance Unit Plan" (hereinafter referred to as the "Plan"), which permits the grant of Performance Units, as hereinafter defined, to employees of LG&E Energy Corp. and its Subsidiaries. The Plan was approved by the Board of Directors of the Company in a consent resolution dated April 25, 2003.

1.2. Purpose of the Plan.

The purpose of the Plan is to promote the success of the Company and its Subsidiaries by providing incentives to Key Employees that will link their personal interests to the long-term financial success of the Company and its Subsidiaries and to growth in Parent shareholder value. The Plan is designed to provide flexibility to the Company and its Subsidiaries in their ability to motivate, attract, and retain the services of Key Employees upon whose judgment, interest, and special effort the successful conduct of their operations is largely dependent. Grants under the Plan may be made in conjunction with grants of phantom options under the E.ON Phantom Option Plan in the case of certain Key Employees.

1.3. Duration of the Plan.

The Plan is effective as of January 1, 2003. The Plan shall remain in effect, subject to the right of the Board of Directors to terminate the Plan at any time pursuant to Article 9 herein.

ARTICLE 2. DEFINITIONS AND CONSTRUCTION

2.1. Definitions.

Whenever used in the Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

(a) "Award" means a grant under this Plan of Performance Units.

(b) "Beneficial Ownership" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

(c) "Board" or "Board of Directors" means the Board of Directors of the Company.

(d) "Cause" shall mean the occurrence of any one of the following:

(i) The willful and continued failure by a Participant to substantially perform his/her duties (other than any such failure resulting from the Participant's disability), after a written demand for substantial performance is delivered to the Participant that specifically identifies the manner in which the Company or any of its Subsidiaries, as the case may be, believes that the Participant has not substantially performed his/her duties, and the Participant has failed to remedy the situation within ten (10) business days of receiving such notice; or

(ii) the Participant's conviction for committing a felony in connection with the employment relationship; or

(iii) the willful engaging by the Participant in gross misconduct materially and demonstrably injurious to the Company or any of its Subsidiaries. However, no act, or failure to act, on the Participant's part shall be considered "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his/her action or omission was in the best interest of the Company or any of its Subsidiaries.

(e) "Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(i) Parent is notified by a third party that it has acquired 25 percent or more of the voting rights of Parent in accordance with § 21 of the German Securities Trading Act (WpHG), or

(ii) a third party on its own or together with voting rights attributable to him in accordance with § 22 German Securities Trading Act (WpHG) has acquired a share in voting rights which, at Parent's Annual Shareholders' Meeting, would represent or which, at Parent's last Annual Shareholders' Meeting, would have represented the majority of the voting rights present at such a Meeting, or

(iii) an affiliation agreement is concluded with Parent as controlled company in accordance with §§ 291 ff. of the German Stock

Corporation Act (AktG), or

(iv) Parent is being integrated in accordance with §§ 319 ff. of the German Stock Corporation Act (AktG), or

(v) Parent changes its legal status in accordance with §§ 190 ff. of the German Conversion Law (UmwG), or

(vi) Parent is being merged with another legal entity, provided that the enterprise value of such legal entity is more than 20 percent of the enterprise value of Parent at the time of adopting the resolution by Parent. The methods of valuation acknowledged by the professional association of qualified auditors (Stellungnahme des Hauptfachausschusses des Instituts der Wirtschaftsprüfer HF 2/1983 = Grundsätze zur Durchführung von Untemehmensbewertungen sowie die neueren Verlautbarungen des Berufsstandes) shall be used to determine the value of both entities, to the extent that both enterprise values will be determined according to said methods in connection with the merger. Otherwise, the market capitalization of both legal entities at the time the resolution is adopted by Parent will be deemed as their respective enterprise values. If a market capitalization cannot be determined, the enterprise values agreed upon by both legal entities will be deemed as their respective values.

(vii) Company ceases to be an affiliated company of Parent as defined in § 15 of the German Stock Corporation Act or where the following apply:

(a) A complete liquidation or dissolution of the Company unless, the Parent continues to own directly or indirectly all or substantially all of the Company's assets;

(b) An agreement for the sale or other disposition of all or substantially all of the assets of the Company to any person or entity (other than a subsidiary of the Parent);

(c) A merger or other combination involving the Company as a result of which Parent ceases to beneficially own more that 50% of the outstanding Voting Stock, of the successor to the Company, unless the Parent or its subsidiary continues to own directly or indirectly all or substantially all of the Company's assets; or

(d) Any person or entity acquires Beneficial Ownership of a greater percentage of the Voting Stock of the Company than the percentage or such Voting Stock then held, directly or indirectly by Parent.

(f) "Committee" means the Senior Vice President, Group Corporate Officer Resources - of the Parent and any other person, if any, designated by the Chairman and Chief Executive Officer of the Parent to administer the Plan pursuant to Article 3 herein.

(g) "Company" means LG&E Energy Corp., a Kentucky corporation, or any successor thereto as provided in Article 11 herein.

(h) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

(i) "Key Employee" means (i) an employee of the Company or any of its Subsidiaries, including an employee who is an officer or a director of the Company or any of its Subsidiaries, who, in the opinion of the Committee, can contribute significantly to the growth and profitability of the Company and its Subsidiaries, (ii) may include employees who are members of the Board who are employees, or (iii) any other employee, identified by the Committee, in special situations involving extraordinary performance, promotion, retention, or recruitment. The granting of an Award under this Plan shall be deemed a determination by the Committee that such employee is a Key Employee, but shall not create a right to remain a Key Employee.

(j) "Parent" means E.ON AG, an anktiengesellschaft formed under the Federal Republic of Germany, or any successor thereto as provided in Article 11 herein.

(k) "Participant" means a Key Employee who has been granted an Award under the Plan.

(l) "Performance Unit" means an Award, designated as a performance unit, granted to a Participant pursuant to Article 5 herein.

(m) "Person" shall have the meaning ascribed to such term in Section 3(a) (9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.

(n) "Plan" means this LG&E Energy Corp. Long-Term Performance Unit Plan, as herein described and as hereafter from time to time amended.

(o) "Subsidiary" shall mean any corporation of which more than 50% (by number of votes) of the Voting Stock at the time outstanding is owned, directly or indirectly, by the Company.

(p) "Voting Stock" shall mean securities of any class or classes of stock of a corporation, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors.

2.2. Gender and Number.

Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

2.3. Severability.

In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

ARTICLE 3. ADMINISTRATION

3.1. The Committee.

The Plan shall be administered by the Committee as permitted by law and Article 3.5.

3.2. Authority of the Committee.

Subject to the provisions of the Plan, the Committee shall have full power to construe and interpret the Plan; to establish, amend or waive rules and regulations for its administration; to accelerate the end of a performance period or the termination of any award agreement; and (subject to the provisions of Article 9 herein) to amend the terms and conditions of any outstanding Award to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan. The Committee shall not have authority to resolve disputed claims under the Plan.

3.3. Selection of Participants.

The Committee shall have the authority to grant Awards under the Plan, from time to time, to such Key Employees (including officers and directors who are employees) as may be selected by it. The Committee shall select Participants from among those whom they have identified as being Key Employees.

3.4. Decisions and Appeals.

All determinations and decisions made by Committee pursuant to the provisions of the Plan may be reviewed by the Chairman and Chief Executive Officer of the Parent, upon the written request of either the Committee or a Participant. Any determination made by the

Chairman and Chief Executive Officer of the Parent, pursuant to this section shall be final, conclusive and binding on all persons, including the Company and its Subsidiaries, its shareholders, employees, and Participants and their estates and beneficiaries, and such determinations and decisions shall not be subject to review.

3.5. Delegation of Certain Responsibilities.

The Committee may delegate to an appropriate party any of its responsibilities under the Plan.

3.6. Procedures of the Committee.

To the extent the Committee is comprised of more than one member, all determinations of the Committee or any delegates shall be made by not less than a majority of members present at any meeting (in person or otherwise) at which a quorum is present. A majority of the entire Committee or the number of delegates at a given time shall constitute a quorum for the transaction of business. Any action required or permitted to be taken at a meeting of the Committee or the delegates may be taken without a meeting if a unanimous written consent, which sets forth the action, is signed by each member of the Committee and filed with the minutes for proceedings of the Committee or delegates.

3.7. Award Agreements.

Each Award under the Plan shall be evidenced by an award agreement which shall be signed by an authorized officer of the Company and by the Participant, and shall contain such terms and conditions as may be approved by the Committee. Such terms and conditions need not be the same in all cases.

ARTICLE 4. ELIGIBILITY AND PARTICIPATION

4.1. Eligibility.

Persons eligible to participate in this Plan include all employees of the Company and its Subsidiaries who, in the opinion of the Committee, are Key Employees.

4.2. Actual Participation.

Subject to the provisions of the Plan, the Committee may from time to time select those Key Employees to whom Awards shall be granted and determine the nature and amount of each Award. No employee shall have any right to be granted an Award under this Plan even if previously granted an Award.

ARTICLE 5. PERFORMANCE UNITS

5.1. Grant of Performance Units.

Subject to the terms and provisions of the Plan, Performance Units may be granted to Participants at any time and from time to time as shall be determined by the Committee or any delegate who shall have complete discretion in determining the number of Performance Units granted to each Key Employee.

5.2. Value of Performance Units.

The Committee shall set performance goals over certain periods to be determined in advance by the Committee ("Performance Periods"). The initial value for each Performance Unit shall be one dollar. With regard to each grant of Performance Units, the Committee in consultation with the Senior Vice President Controlling of the Parent shall set the performance goals that will be used to determine the extent to which the Participant receives a payment of the value of the Performance Units awarded for such Performance Period. These goals will be based on the attainment, by the Parent, Company, or its Subsidiaries, of certain objective performance measures. With respect to each such performance measure utilized during a Performance Period, the Committee shall assign percentages to various levels of performance which shall be applied to determine the extent to which the Participant shall receive a payout of the value of Performance Units.

5.3. Payment of Performance Units.

After a Performance Period has ended, the holder of a Performance Unit shall be entitled to receive the value thereof as determined by the Committee. The Committee shall make this determination by first determining the extent to which the performance goals set pursuant to Section 5.2 have been met. It will then determine the applicable percentage (which may be greater or lesser than 100%) to be applied to, and will apply such percentage to, the value of Performance Units to determine the payout to be received by the Participant. In addition, with respect to Performance Units granted to any Key Employee, no payout shall be made hereunder except upon written certification by the Committee that the applicable performance goal or goals have been satisfied to a particular extent.

5.4. Discretion to Adjust Awards.

The Committee shall have the authority to modify, amend, or adjust the terms and conditions of any Performance Unit award, at any time or from time to time, including but not limited to the performance goals.

5.5. Form and Timing of Payment.

The payment described in Section 5.3 herein shall be made in a cash lump sum as soon as administratively practical upon the determination by the Committee provided for in Section 5.3, unless the Participant has previously elected to defer such payment in a manner prescribed by the Committee. If any payment is permitted by the Committee to be made on a deferred basis, the Committee may provide for earnings to be credited on such amount in a manner they determine.

5.6. Termination of Employment Due to Death, Disability, or Retirement.

In the case of death, disability, or retirement (each of disability and retirement as defined under the established rules of the Company or any of its Subsidiaries, as the case may be), the holder of a Performance Unit shall receive a prorated payment based on the Participant's number of full months of service during the Performance Period, further adjusted based on the achievement of the performance goals during the entire Performance Period, as computed by the Committee. Payment shall be made at the time payments are made to Participants who did not terminate service during the Performance Period.

5.7. Termination of Employment for Other Reasons.

In the event that a Participant terminates employment with the Company or any of its Subsidiaries for any reason other than death, disability, or retirement, prior to the end of the Performance Period all Performance Units shall be forfeited; provided however, in the case of any termination not for Cause, the Committee in its sole discretion may waive the automatic forfeiture provisions and make a prorated payment to the holder of a Performance Unit. Payment made pursuant to this Section shall be made at the time payments are made to Participants who did not terminate service during the Performance Period. In the event of a Participant's termination of employment pursuant to this Section after completion of the respective Performance Period of a Performance Unit, but prior to payment pursuant to Section 5.5, the Participant shall be entitled to payment without proration.

5.8. Nontransferability.

No Performance Units granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution until the termination of the applicable performance period. All rights with respect to Performance Units granted to a Participant under the Plan shall be exercisable during his lifetime only by such Participant.

ARTICLE 6. BENEFICIARY DESIGNATION

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively and who may include a trustee under a will or living trust) to whom any benefit under the Plan is to be paid in case of his death before he receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Committee during his lifetime. In the absence of any such designation or if all designated beneficiaries predecease the Participant, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

ARTICLE 7. RIGHTS OF EMPLOYEES

7.1. Employment.

Nothing in the Plan shall interfere with or limit in any way the right of the Company or any of its Subsidiaries to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company or any of its Subsidiaries.

7.2. Participation.

No employee shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant.

7.3. No Implied Rights; Rights on Termination of Service.

Neither the establishment of the Plan nor any amendment thereof shall be construed as giving any Participant, beneficiary, or any other person any legal or equitable right unless such right shall be specifically provided for in the Plan or conferred by specific action of the Committee in accordance with the terms and provisions of the Plan. Except as expressly provided in this Plan, neither the Company nor any of its Subsidiaries shall be required or be liable to make any payment under the Plan.

7.4. No Right to Company Assets.

Neither the Participant nor any other person shall acquire, by reason of the Plan, any right in or title to any assets, funds or property of the Parent, Company or any of its Subsidiaries whatsoever including, without limiting the generality of the foregoing, any specific funds, assets, or other property which the Parent, Company or any of its Subsidiaries, in its sole discretion, may set aside in anticipation of a liability hereunder. Any benefits which become payable hereunder shall be paid from the general assets of the Parent, Company or the applicable subsidiary. The Participant shall have only a contractual right to the amounts, if any, payable hereunder unsecured by any asset of the Company or any of its Subsidiaries. Nothing contained in the Plan constitutes a guarantee by the Company or any of its Subsidiaries that the assets of the Company or the applicable subsidiary shall be sufficient to pay any benefit to any person.

ARTICLE 8. CHANGE IN CONTROL

Notwithstanding any other provisions of the Plan, in the event of a Change in Control, all Performance Unit awards granted under this Plan shall be immediately paid out in cash. The amount of the payout shall be based on the higher of:

(i) the extent, as determined by the Committee, to which performance goals, established for the Performance Period then in progress have been met up through and including the effective date of the Change in Control or

(ii) 100% of the value on the date of grant of the Performance Units.

ARTICLE 9. AMENDMENT, MODIFICATION, AND TERMINATION

9.1. *Amendment, Modification, and Termination*.

At any time and from time to time, the Board, upon recommendation by the Committee, may terminate, amend, or modify the Plan.

9.2. Awards Previously Granted.

No termination, amendment, or modification of the Plan shall in any manner adversely affect any Award theretofore granted under the Plan, without the written consent of the Participant.

ARTICLE 10. TAX WITHHOLDING

The Company and any of its Subsidiaries shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company or any of its Subsidiaries, an amount sufficient to satisfy taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any grant, exercise, or payment made under or as a result of this Plan.

ARTICLE 11. PARENT AND SUCCESSORS

All obligations of the Company under the Plan, with respect to Awards granted hereunder, shall be binding on the Parent and any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business and/or assets of the Company.

ARTICLE 12. REQUIREMENTS AND GOVERNING LAW

12.1. Requirements of Law.

The granting of Awards under this Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

12.2. Governing Law.

The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the Commonwealth of Kentucky.

Perquisites
Responding Witness – Paula H. Pottinger, Ph.D.

Officer Perquisites

Description	CEO	EVP	SVP	VP	VP - Senior Manager
Automobile	Y	Y	Y	Y	N
Country Club	Y	N	N	N	N
Financial Planning and Tax Preparation	Y	Y	Y	Y	N
Life Insurance - Group Term (1)	Y	Y	Y	Y	Y
Life Insurance - Supplemental Executive	Y	Y	Y	Y	N
Luncheon Club	Y	Y	Y	Y	N
Nonqualified Savings Plan	Y	Y	Y	Y	Y
Spousal Air Travel	Y	Y	Y	Y	N
Supplemental Executive Retirement Plan (SERP)	Y	Y	Y	Y	N
Vacation Sellback (2)	Y	Y	Y	Y	Y
Wellfit and Choose Well Health Incentives (1)	Y	Y	Y	Y	Y

(1) Officers are eligible for the same level of benefit as non-officer employees.

(2) Officers may choose to receive pay in lieu of 1 week of vacation. This policy is available to non-officer employees as well.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 27

Responding Witness: Chris Hermann / Shannon L. Charnas

Q-27. Refer to LG&E's response to Item 94(a) of Staff's Second Request. The level of conservation advertising recorded by LG&E in Account 909 increased from roughly $319,000 in 2005 to more than $571,000 in 2007.

a. Explain how LG&E determines the level of conservation advertising it will incur in a given year.

b. Provide the amount of conservation advertising included in LG&E's 2005, 2006, and 2007 operating budgets.

c. Provide the amount of conservation advertising included in LG&E's 2008 operating budget and the amount that has been expended to date in 2008.

A-27. a. The method for determining the level of conservation advertising incurred annually is not formulaic. The Company considers numerous factors, including the recommendations of third-party agencies, availability of funds, prioritization of important topics, surveys or other customer feedback, relevance of other related announcements, and other externalities. This is a dynamic process that changes throughout the year as other energy-efficiency-related topics, news coverage, announcements or initiatives take place locally or nationally.

b. Items included in Account 909 are not limited to conservation advertising. The annual operating budgets are consistent with the accounting practices and are not developed in a way that permits distinction of conservation advertising.

c. As noted above, the annual operating budgets are consistent with the accounting practices and are not developed in a way that permits distinction of conservation advertising. The actual amount of advertising in Account 909 expended January 1 through August 31, 2008 is $48,618. Approximately 51% of that total is for expenses related to encouraging environmental protection and conserving electric energy.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 28

Responding Witness: Shannon L. Charnas

Q-28. Refer to LG&E's response to Item 97 of Staff's Second Request. Provide the monthly average per-gallon cost of fuel for September 2008. Also provide the monthly average per-gallon costs for October and November 2008 as those costs become available.

A-28. The September 2008 cost of fuel is not available at this time. The Company will provide the requested data through the monthly updates.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 29

Responding Witness: Shannon L. Charnas

Q-29. Refer to LG&E's response to Item 99 of Staff's Second Request, specifically, the attachment to the response. Explain in detail why the annual expense incurred by LG&E for contracted labor for maintenance contracts increased from $13.7 million in 2005 to over $24.1 million during the test year.

A-29. Contracted labor for maintenance contracts increased from $13.7 million in 2005 to over $24.1 million during the test year due to the following:

- Bray Electric Services Inc – increased $0.2 million, new consolidated agreement for Transmission project inspection.
- C E Power Solutions LLC – increased $1.5 million, new consolidated contract for sub-station maintenance services.
- Energy Economics Inc – increased $0.2 million, gas regulator and meter replacement work.
- Evans Construction Co Inc – increased $0.2 million, incorporation of light maintenance work at Operations Centers and Business Offices statewide.
- Mechanical Construction Services Inc – increased $0.8 million, scheduled boiler outage repair work.
- Mechanical Dynamics and Analysis LLC – increased $1.0 million, consolidated fleet wide turbine-generator overhaul agreement and scheduled outages.
- Miller Pipeline Corp – increased $1.7 million, gas leak identification and mitigation.
- Moore Security LLC – increased $0.3 million, security at Company locations.
- National Environmental Contracting Inc – increased $0.2 million, Insulation repair and installation, including asbestos abatement.
- PIC Energy Services Inc – increased $1.7 million, scheduled boiler outage repair work.
- PipeEyes LLC – increased $0.6 million, underground facility and infrastructure inspection.

- Stoll Construction and Paving Co Inc – increased $0.1 million, road and sidewalk repair associated with gas main replacement work.
- TransAsh Inc – increased $2.1 million, landfill management work at Cane Run Station.

As all the costs listed above relate to on-going inspection, maintenance, and by-product removal, the costs are considered recurring.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff Dated September 24, 2008

Question No. 30

Responding Witness: J. Clay Murphy

Q-30. Refer to LG&E's response to Item 110 of Staff's Second Request. Provide a detailed description of the unique operating characteristics and other circumstances of LG&E's gas system that cause its transportation tariffs to differ from the transportation tariffs of other Kentucky gas distribution companies.

A-30. LG&E has a number of unique operating characteristics and other circumstances that differentiate it from the other major Kentucky gas distribution companies. The Commission has recognized that these differences can necessitate tariff provisions for transportation and other natural gas services that vary for each local distribution company ("LDC"). Specifically, in its Order in Administrative Case No. 297 dated May 29, 1987, the Commission acknowledged that transportation tariffs could differ on a case-by-case basis when it stated that "[w]hile the Commission is requiring all Class A LDCs and other intrastate transporters of natural gas to file a nondiscriminatory transportation tariff, its precise form and conditions may vary." (at p. 53) In the case of LG&E, its transportation services are designed to facilitate natural gas transportation service on LG&E's gas system while maintaining reliable service for sales customers.

Based on LG&E's review of 2007 figures for the 5 major LDCs in Kentucky, LG&E's load profile is more predominantly residential and commercial sales than the average load profile of the other major LDCs. About two-thirds of LG&E's system throughput is made up of residential and commercial sales as compared to an average of about one-third for the other major LDCs in Kentucky. Because LG&E's loads are predominantly residential and commercial space-heating loads, LG&E's loads are more volatile and temperature-sensitive than the loads of other LDCs in Kentucky. In order to ensure that LG&E can reliably meet these variable loads, it must be able to manage the supplies available to it in order to match those supplies with system demands. As LG&E explained in its Response to PSC-2 Question No. 110, although LG&E will have the continued responsibility for serving increased numbers of customers (particularly space-heating customers) if the eligibility threshold is broadened, it will not be able manage the gas deliveries made by these customers to LG&E. For example, during critical periods, transportation customers may deliver all of, some of, none of, or more than their actual gas consumption. Not being able to manage these supplies means that LG&E's reliability in serving all customers could be diminished.

Similarly, LG&E believes that it is the only LDC in Kentucky that offers natural gas service to electric generators using combustion turbines and other generation facilities. Serving these generation loads further contributes to the hourly and daily variability of system gas loads that must be served and balanced by LG&E. If transportation customers (particularly space-heating customers) deliver volumes of gas to LG&E that do not match their actual hourly and/or daily gas consumption, then supplies and other facilities required to serve highly variable electric generation loads may need to be diverted to serve the requirements (or to otherwise balance the loads) of these transportation customers. As such, system reliability may be diminished.

LG&E is more dependent upon the operation of on-system storage to serve system loads than are the other major LDCs in Kentucky. For example, based on LG&E's review of 2007 figures for the 5 major LDCs in Kentucky, more than one-third of LG&E's annual throughput is served through on-system storage withdrawals as compared to the average of about one-tenth for the other major Kentucky LDCs. Storage is complex to operate, and because LG&E is dependent on storage to meet the primarily space-heating sales requirements of its customers on both an hourly and daily basis, LG&E must maintain a sound operating regime in order to ensure the reliability of the gas services it provides. The complexity of operating LG&E's storage facilities is compounded when transportation customers (particularly space-heating customers) deliver some of, none of, or more than their actual hourly and/or daily gas consumption. Such delivery mismatches make it more difficult to maintain a sound operating regime with respect to LG&E's on-system storage facilities.

Additionally, LG&E's on-system storage operations are mechanically dependent such that LG&E must operate compression to pull gas from its storage during the withdrawal season. Most other storage operators rely upon prevailing field pressures to effectuate withdrawals of gas from storage. This means that LG&E must be able to manage with a high level of certainty the amount of gas being delivered by the interstate pipeline system in order to ensure that the appropriate amounts are deliverable (and actually delivered) from LG&E's on-system storage through the operation of compression. Allowing additional customers to transport (particularly space-heating customers) will make it more difficult for LG&E to manage with a high level of certainty the amount of gas being delivered by the interstate pipeline system. Because these customers are responsible for managing their own supply, they may deliver some of, none of, or more than their actual gas consumption, negatively impacting LG&E's ability to balance its system loads to reliably serve all customers.

LG&E is served by only 2 interstate pipelines whereas most of the other major LDCs are served by several pipelines. On average, the other major LDCs in Kentucky are served by more than 4 interstate pipelines. This means that LG&E does not have as many pipeline supply options available to serve and balance the loads on its system. This adds to LG&E's concern that expanding the eligibility of transportation service (particularly to space-heating customers) may make it more difficult for LG&E to balance the loads on its system. Again, this is because transportation customers may not match their hourly and daily deliveries of natural gas to LG&E with their consumption of natural gas.

There are also a number of other differences that distinguish LG&E from the other major LDCs in Kentucky. For example, LG&E does not have an unregulated marketing company that offers natural gas to retail customers. LG&E is not affiliated with either an interstate or intrastate pipeline. LG&E does not currently purchase native natural gas production or supplies. Varying circumstances such as these may cause LDCs to position themselves differently with respect to their tariff offerings.

Each LDC's tariff has distinguishing features that meet the individual operating characteristics and other circumstances of the particular LDC. LG&E's tariffs are designed to protect the reliability of its gas system and maintain reliable service for all customers. Consequently, LG&E does not support a change to its transportation tariffs that would broaden the eligibility for transportation services by incorporating a minimum annual threshold whether in lieu of, or in addition to, the minimum threshold as currently incorporated therein. Furthermore, given the structure of its transportation services and tariffs in combination with its unique operating characteristics and other circumstances, LG&E would not be adequately compensated for, or protected against, the added risks associated with broadening the eligibility requirements (under Rate TS, for example) to include more space-heating customers (by lowering the annual threshold under that rate schedule to 25,000 Mcf per year, for example).

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 31

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

Q-31. Refer to LG&E's response to Item 72 of the Attorney General's August 28, 2008 data request. The response indicates that total Edison Electric Institute ("EEI") expenses booked by LG&E in the test year were $437,595.55. It also indicates that EEI determined that 16.15 percent of dues paid was spent on lobbying activities in 2007. Provide the amount of LG&E's total EEI expenses in the test year that represent its EEI dues.

A-31. Amount of LG&E's total EEI expenses in the test year, including dues, are as follows:

Activities	Amount	Percentage of Lobbying Per EEI	Lobbying Amount per EEI
EEI Dues:			
Regular Activities	$ 281,385	16.15%	$ 45,444
Industry Issues Separately Funded Activities (SFA)	27,734	35.86%	9,945
Environmental SFA	101,987	15.02%	15,318
Mutual Assistance Program	2,162	0.00%	-
Total Dues	**$ 413,268**		**$ 70,707**
EEI Training	24,328	0.00%	-
Total Paid EEI	**$ 437,596**		**$ 70,707**

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 32

Responding Witness: Chris Hermann / Shannon L. Charnas

Q-32. Refer to LG&E's response to Item 2 of the Attorney General's April 14, 2008 data request in Case No. 2007-00564 and pages 7-8 of the Direct Testimony of Sidney L. "Butch" Cockerill concerning the Customer Care System ("CCS") which is planned to go into service in February of 2009.

a. Provide the amount of any costs associated with the CCS which were recorded as operating expenses by LG&E during the test year and explain why the costs were expensed rather than capitalized.

b. Provide the test year operating expenses incurred in conjunction with the operation and maintenance of all systems whose functions will be performed by the CCS after it goes into service.

c. Provide the estimated annual operating and maintenance expenses for the first 12 months' operation of the CCS.

A-32. a. In the test year, $591,029 was recorded as operating expenses for the Customer Care System. These costs were expensed consistent with the Statement of Position 98-1 issued by the American Institute of Certified Public Accountants (AICPA) regarding accounting for software. These costs include items such as preparation and delivery of end-user communications and trainings, facilities costs and hardware and software maintenance.

b. and c.
The operating expenses included in the test year associated with systems which will be replaced by CCS total $2,040,598. Additionally, $591,029 was incurred in the test year related to CCS project expenses. The total of the test year expenses that will not be incurred once CCS is fully operational is $2,631,627.

An estimate of the on-going annual operating and maintenance expenses of the CCS is $2,793,000. However, in the first 12 months, the Company will incur additional operating expenses of approximately $507,000 for post go-live technical support and licensing.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 33

Responding Witness: Valerie L. Scott

Q-33. Refer to LG&E's response to Item 3 of the Attorney General's Initial Request for Information. Provide the origin of the $1,157,302,781 shown as "Billed revenues from ultimate customers for the twelve months ended 04/30/08."

A-33. LG&E's billed revenues from ultimate customers come from the Company's Customer Information System. This system provides the billed revenue amounts distributed by the different revenue classes such as residential, commercial, public authority, etc. Also, the revenue is separated by revenue components such as customer charges, demand charges, DSM, ECR, etc.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff
Dated September 24, 2008

Question No. 34

Responding Witness: Shannon L. Charnas

Q-34. Refer to LG&E's response to Item 7(a) of the August 27, 2008 data request of the Kentucky Industrial Utility Customers, Inc. Explain why there were no unbilled FAC fuel revenues reported as of April 30, 2007.

A-34. Prior to the fourth quarter of 2007, FAC revenue that was not yet billed through the Company's Customer Information System was included in accrued FAC. In the fourth quarter of 2007, to enhance the analysis of operations, FAC revenue was further differentiated into unbilled FAC, FAC accrued for the regulatory lag, and the accrual for the over or under recovery of FAC. The net effect of this change was that FAC revenue was included in unbilled revenue at April 30, 2008, while FAC revenue was included in accrued revenue at April 30, 2007. Please note, however, that all FAC revenues have been removed from test year operating results in this and previous rate proceedings, consistent with Commission practice.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Response to Third Data Request of Commission Staff Dated September 24, 2008

Question No. 35

Responding Witness: Chris Hermann / Valerie L. Scott / Shannon L. Charnas

Q-35. LG&E and many other utilities have recently been dealing with the issue of storm-related service restoration.

a. Describe, generally, the process used to account for (1) restoration services provided to LG&E by other utilities and (2) restoration services provided by LG&E to other utilities. This description should indicate how, and in which accounts, LG&E records amounts it reimburses other utilities and how, and in which accounts, it records reimbursements it receives from other utilities.

b. Provide the amounts of all restoration costs, reimbursements, etc. recorded by LG&E in the test year for services it received from other utilities as well as services it provided to other utilities.

c. Refer to Rives Exhibit 1, Reference Schedule 1.18

(1) Provide the amount of payroll costs included in the test year storm damage expenses of $5,587,633.

(2) Identify in which account(s) the payroll costs provided in (1) were recorded.

(3) Explain whether the proposed storm damage adjustment results in a portion of LG&E's in-house labor costs being included for recovery in LG&E's overall labor costs as well as the storm damage adjustment. If there are any amounts that are included for recovery in both areas, identify the amounts and describe how LG&E intends to remedy the potential for double-recovery of these amounts.

A-35. a. (1) When other utilities provide assistance to LG&E, they track the costs incurred (labor, materials, etc) and provide LG&E an itemized invoice. When LG&E receives the invoice it is charged to a specific Oracle project and task related to that particular storm. The charges could go to any of the following account numbers:

583001	Operations-Overhead Lines
584001	Operations -Underground Lines
588100	Miscellaneous Distribution Expense
592100	Maintenance-Substation
593002	Maintenance-Conductor/Devices
593004	Tree Trimming
594001	Maintenance-Electric Manholes Etc.
595100	Maintenance-Transformer/Regulators
596100	Maintenance of Street Lighting and Signals
925001	Public Liability

(2) When LG&E is approached to provide restoration services to other utilities, a project and task are created in Oracle to record the costs. The task number is set up with the mutual assistance receivable GL account number (FERC 143024). All costs of the services LG&E provides to the other utility are recorded on this project and task.

When LG&E's work is completed and all charges have been posted to the project, a listing of the costs is prepared by expenditure type (labor, materials, etc.). This list is then used to create an invoice to send to the other utility.

b. LG&E received no restoration services from other utilities and therefore recorded no costs to be reimbursed to other utilities in the test year. LG&E provided assistance to Ameren in St. Louis, MO during the test year. The total amount billed and reimbursed was $85,754. Neither the expenses nor offsetting reimbursement are included in net operating income.

c. (1) The amount of payroll costs included in the test year storm damage expense of $5,587,633 was $1,666,010.

(2) The payroll costs provided in (1) above were recorded in the following accounts:

571100	Maintenance of Overhead Lines	$2,143
580100	Operations Supervision/Engineering	7,040
583001	Operations-Overhead Lines	734,006
588100	Miscellaneous Distribution Expense	220
590100	Maintenance Supervision/Engineering	3,995
593001	Maintenance-Poles and Fixtures	202,758
593002	Maintenance-Conductor/Devices	544,924
593003	Maintenance of Services	114,704
593004	Tree Trimming	16,409
594002	Maintenance-Underground Conductor Etc.	3,818
594003	Maintenance-Underground Electric Services	1,466

595100	Maintenance-Transformers/Regulators	34,527
	Total	$1,666,010

(3) The proposed storm damage adjustment does not result in labor costs being included for recovery in both the storm damage adjustment and LG&E's in–house labor costs. Labor is processed through the VOLTS timekeeping system and requires a project and task specific to the work performed. In the event of a storm, a special project and task is created and used. Time is approved by each employee's supervisor, which ensures that only hours worked are charged to appropriate projects and tasks.