



Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

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SEP 28 2009

PUBLIC SERVICE
COMMISSION

E.ON U.S. LLC
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

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

September 28, 2009

**RE: THE JOINT APPLICATION OF KENTUCKY UTILITIES
COMPANY AND LOUISVILLE GAS AND ELECTRIC COMPANY
FOR APPROVAL OF DEPRECIATION RATES FOR TRIMBLE
COUNTY UNIT 2 – Case No. 2009-00329**

Dear Mr. DeRouen:

Enclosed please find an original and seven (7) copies of the Response of Kentucky Utilities Company and Louisville Gas and Electric Company to the First Data Request of the Commission Staff dated September 18, 2009, in the above-referenced proceeding.

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

Sincerely,

Robert M. Conroy

Enclosure

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 Commonwealth, this 23rd day of September, 2009.

Cheryl Ann Rutter (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

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Shannon L. Charnas**, being duly sworn, deposes and says that she is Director – Utility Accounting and Reporting for E.ON U.S. Services, Inc., and 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 25th day of September 2009.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF KENTUCKY)	
UTILITIES COMPANY AND LOUISVILLE GAS)	
AND ELECTRIC COMPANY FOR APPROVAL)	CASE NO. 2009-00329
OF DEPRECIATION RATES FOR TRIMBLE)	
COUNTY UNIT 2)	

RESPONSE OF
KENTUCKY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
FIRST DATA REQUEST OF COMMISSION STAFF
DATED SEPTEMBER 18, 2009

FILED: September 28, 2009

**KENTUCKY UTILITIES COMPANY
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to First Data Request of Commission Staff
Dated September 18, 2009**

Case No. 2009-00329

Question No. 1

Witness: Lonnie E. Bellar

Q-1. Refer to paragraph 7 of the application, which indicates that, as of the date the application was prepared, unit testing was expected to begin in December of 2009. Explain whether unit testing is still expected to begin in December 2009.

A-1. Yes. LG&E and KU clarify that “testing” reference in paragraphs 7 and 9 of the application is intended to specifically convey “commissioning” of the unit for operational purposes. Typically in the industry, “testing” is classified as the full load performance testing. Such testing is expected to occur in June 2010 prior to commercial in-service, which is planned for the same month. Any up-front operations that lead up to the final phase of full load generation are classified as “commissioning.” These commissioning activities are planned to begin in December of this year. The current projected start-up is expected to begin with the first fire on oil in early January, 2010.

The Companies will be transferring the joint assets from LG&E to KU in December with the beginning of commissioning activities. This transfer is what gives rise to the need to begin book depreciation related to TC2. Unless the Commission has approved rates for depreciating the Companies’ TC2-related assets before that commissioning begins, the Companies will have to use the most recently approved depreciation rates for their generating units (Trimble County Unit 1 for LG&E and Ghent Unit 4 for KU).

**KENTUCKY UTILITIES COMPANY
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to First Data Request of Commission Staff
Dated September 18, 2009**

Case No. 2009-00329

Question No. 2

Witness: John J. Spanos

- Q-2. Refer to paragraphs 8 and 9 of the application. Given the differences between the depreciation rates for Ghent and Trimble County Generating Unit 1 (“TC1”) and those proposed for Trimble County Generating Unit 2 (“TC2”), explain how the depreciation rates provided by Mr. John Spanos for TC2 are consistent with “the service lives the Commission approved in the Companies’ most recent base rate and depreciation study proceedings.”
- A-2. The statement was meant to indicate that the underlying assumptions used to develop the depreciation rates for TC2 are consistent with those used to develop the service lives the Commission approved. The proposed depreciation rates set forth by Mr. Spanos for Trimble County Unit 2 were based on a combination of interim survivor curve, net salvage percent and life span periods used for Ghent and Trimble County Unit 1. These parameters are shown on Application Exhibit 1, page 2.

Actual depreciation rates are also based on plant balances by vintage, plant to reserve ratio and remaining life to retirement date. In the case of Trimble County Unit 2, there is a completely new investment with no historical recovery in place.

**KENTUCKY UTILITIES COMPANY
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to First Data Request of Commission Staff
Dated September 18, 2009**

Case No. 2009-00329

Question No. 3

Witness: Shannon L. Charnas

- Q-3. The second sentence in paragraph 9 reads “Unless the Commission has approved rates for depreciating the Companies’ TC2-related assets before that testing begins, the Companies will have to use the most recently approved depreciation rates for their generating units.”
- a. The companies request that an Order be issued by December 1, 2009, presumably, because of the need to be able to record depreciation on TC2 in December, when unit testing is expected to begin. Provide the date that the companies will close their books of account for December 2009.
 - b. Based on the response provided to part 3. a. of this request, provide the latest date by which an Order can be issued that will allow the companies to use the approved rates to calculate depreciation on TC2 for December 2009.
- A-3. a. Please see the response to PSC Data Request No. 1. LG&E and KU will close their books for the year ended December 31, 2009, on January 8, 2010. All transactions that impact fixed asset accounting for the year ending December 31, 2009 financial statements will need to be recorded by January 6, 2009 to allow adequate time to process the depreciation calculations, analyze pre-tax results, make the final tax calculation and still close the books on January 8, 2010.
- b. Once an Order is received, the Companies will need to update the rates in the fixed asset system and verify that transactions are being processed correctly. Receipt of an Order by December 28, 2009, would allow adequate time for these activities prior to year-end close.

**KENTUCKY UTILITIES COMPANY
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to First Data Request of Commission Staff
Dated September 18, 2009**

Case No. 2009-00329

Question No. 4

Witness: John J. Spanos

- Q-4. Refer to Exhibit 1 attached to the application.
- a. Provide a definition for an “interim survivor curve” and explain how it differs from a typical survivor curve.
 - b. Provide the depreciation studies, analyses, work papers, etc. relied upon by Mr. Spanos. Include a narrative description of the data provided in response to this request item and an explanation of how it was used by Mr. Spanos.
- A-4.
- a. Interim survivor curves and typical survivor curves are basically the same; however, interim survivor curves are utilized for asset classes, such as Generation Plant, when the life span procedure is utilized. Therefore, interim survivor curves are typical survivor curves that are truncated at the retirement date. Typical survivor curves are used for all mass accounts which do not include generation plant.
 - b. Mr. Spanos utilized the analysis for all the other Louisville Gas and Electric Company and Kentucky Utilities Company steam units to determine the life and salvage parameters for Trimble County Unit 2. The depreciation studies, analysis and workpapers were provided in Case Nos. 2007-00564 (LG&E) and 2007-00565 (KU).

**KENTUCKY UTILITIES COMPANY
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to First Data Request of Commission Staff
Dated September 18, 2009**

Case No. 2009-00329

Question No. 5

Witness: John J. Spanos

- Q-5. Provide a side-by-side comparison of the survivor curves, life spans, and net salvage percentages for Ghent, TC1, and TC2.
- A-5. The attached schedule sets forth the interim survivor curve, net salvage percents and life spans for Ghent, Trimble County Unit 1 and the proposed parameters for Trimble County Unit 2.

E.ON U.S. SERVICES

ACCOUNT	LOCATION	SURVIVOR CURVE	NET SALVAGE	LIFE SPAN
311	GHENT UNIT 1	100-S1.5	(5)	52
	GHENT UNIT 2	100-S1.5	(5)	50
	GHENT UNIT 3	100-S1.5	(5)	55
	GHENT UNIT 4	100-S1.5	(5)	52
	TRIMBLE COUNTY UNIT 1	100-S1.5	(10)	46
	TRIMBLE COUNTY UNIT 2	100-S1.5	(10)	55
312	GHENT UNIT 1	65-R2	(20)	52
	GHENT UNIT 2	65-R2	(20)	50
	GHENT UNIT 3	65-R2	(20)	55
	GHENT UNIT 4	65-R2	(20)	52
	TRIMBLE COUNTY UNIT 1	45-R1.5	(30)	46
	TRIMBLE COUNTY UNIT 2	60-R1.5	(30)	55
314	GHENT UNIT 1	55-R2.5	(15)	52
	GHENT UNIT 2	55-R2.5	(15)	50
	GHENT UNIT 3	55-R2.5	(15)	55
	GHENT UNIT 4	55-R2.5	(15)	52
	TRIMBLE COUNTY UNIT 1	50-S1.5	(10)	46
	TRIMBLE COUNTY UNIT 2	50-S1.5	(10)	55
315	GHENT UNIT 1	70-S3	(5)	52
	GHENT UNIT 2	70-S3	(5)	50
	GHENT UNIT 3	70-S3	(5)	55
	GHENT UNIT 4	70-S3	(5)	52
	TRIMBLE COUNTY UNIT 1	50-S2	(5)	46
	TRIMBLE COUNTY UNIT 2	50-S2	(5)	55
316	GHENT UNIT 1	70-R1.5	0	52
	GHENT UNIT 2	70-R1.5	0	50
	GHENT UNIT 3	70-R1.5	0	55
	GHENT UNIT 4	70-R1.5	0	52
	TRIMBLE COUNTY UNIT 1	40-S2	(5)	46
	TRIMBLE COUNTY UNIT 2	40-S2	(5)	55

**KENTUCKY UTILITIES COMPANY
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to First Data Request of Commission Staff
Dated September 18, 2009**

Case No. 2009-00329

Question No. 6

Witness: Lonnie E. Bellar / John J. Spanos

- Q-6. Refer to Exhibit 1 attached to the application and paragraph 5 of the application. Exhibit 1 indicates that TC2 will be a 750 MW unit, while paragraph 5 of the application indicates that TC2 is now an 838 MW unit.
- a. Explain the discrepancy between the two documents regarding the generating capacity of TC2.
 - b. Assuming TC2 is an 838 MW unit, as indicated in the application, does that impact Mr. Spanos' proposed depreciation accrual rates proposed in Exhibit 1? If yes, provide updated depreciation accrual rates.
- A-6.
- a. The two numbers represent different ways of specifying the rating for the unit. The 750 MW reference for the capacity of Trimble County Unit 2 is a *Net Nominal Rating (at 59°F)* for the net unit output as specified in the Certificate of Public Convenience and Necessity application for the unit. The 838 MW reference is a *Gross Generator Name Plate Rating* for the actual generator incorporated into Trimble County Unit 2.
 - b. The difference between an 838MW and 750MW unit does not impact Mr. Spanos's proposed depreciation accruals. The proposed rates are developed with the focus on the type of unit such as a supercritical coal unit.