



a PPL company

Mr. Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

RECEIVED

NOV 16 2011

PUBLIC SERVICE  
COMMISSION

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

November 16, 2011

Rick E. Lovekamp  
Manager - Regulatory Affairs  
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**RE: THE APPLICTION OF LOUISVILLE GAS AND  
ELECTRIC COMPANY FOR AN ORDER APPROVING  
THE ESTABLISHMENT OF A REGULATORY ASSET -  
CASE NO. 2011-00380**

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and seven copies of the the Response of Louisville Gas and Electric Company to the Commission Staff's Second Request for Information dated November 4, 2011, in the above-referenced matter.

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

Sincerely,

Rick E. Lovekamp

Enclosures

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**THE APPLICATION OF LOUISVILLE GAS AND )**  
**ELECTRIC COMPANY FOR AN ORDER )**  
**APPROVING THE ESTABLISHMENT OF A ) CASE NO. 2011-00380**  
**REGULATORY ASSET )**  
**)**

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**RESPONSE TO THE COMMISSION STAFF'S  
SECOND INFORMATION REQUEST**

**DATED NOVEMBER 4, 2011**

**FILED: NOVEMBER 16, 2011**

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Chris Hermann**, being duly sworn, deposes and says that he is Senior Vice President, Energy Delivery for Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and 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.

  
\_\_\_\_\_  
Chris Hermann

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 14<sup>th</sup> day of November 2011.

 (SEAL)  
\_\_\_\_\_  
Notary Public

My Commission Expires:

July 21, 2015

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Valerie L. Scott**, being duly sworn, deposes and says that she is Controller for Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, 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.

Valerie L. Scott  
**Valerie L. Scott**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10<sup>th</sup> day of November 2011.

Sean A. Henry (SEAL)  
Notary Public

My Commission Expires:

July 21, 2015



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Second Information Request**

**Dated November 4, 2011**

**Case No. 2011-00380**

**Question No. 1**

**Witness: Chris Hermann / Valerie L. Scott**

Q-1. Refer to Exhibit 1 of the Application and LG&E's response to Item 5 of Commission Staff's First Information Request.

- a. Refer to LG&E's response to Item 5.a. Provide an updated Exhibit 1 based on the most recent information available for estimated and actual costs. Show the date on which the updated costs are based.
- b. Refer to LG&E's response to Item 5.b. Provide an updated detailed breakdown of miscellaneous costs, showing the actual and estimated amounts separately.
- c. Refer to LG&E's response to Item 5.e. Provide a detailed schedule of the calculation of the costs considered to be normal operations in the amount of \$378,651.

A-1.

- a. See attached for the actual costs and revised estimate. The costs have been updated as of November 7, 2011.
- b. See attached.
- c. See below.

PSRT Contractor Calculation:

1. Determined contractors that normally work for LG&E ("resident contractors").
2. Determined an estimated percentage for each resident contractor of O&M and capital based on their most current work assignment from the Operation Center managers.
3. Calculated an estimate for the resident contractors based on average blended rates multiplied by the number of normal hours worked on the storm.
4. Multiplied this dollar amount by the estimated O&M percentage to determine the estimated contractor normal operations costs.

	Blended O&M %	Blended Rate/Hr	Hours	Total
Normal Operations(PSRT)	0.3388	\$46.27	596.5	\$ 9,350

Operations Contractor Calculation:

1. Determined the contractors that normally work for LG&E (“resident contractors”).
2. Determined an estimated percentage for each resident contractor crew of O&M and capital based on their most current work assignment from the Operation Center managers.
3. Calculated an estimate for the resident contractors based on average blended rates multiplied by the number of normal hours worked on the storm.
4. Multiplied this dollar amount by the estimated O&M percentage to determine the estimated contractor normal operations costs.

	Blended O&M %	Blended Rate/Hr	Hours	Total
Normal Operations(Operations)	0.6324	\$62.49	408	\$ 16,123

Call Center Contractor Calculation:

1. Determined contractors that normally work for LG&E (“resident contractors”).
2. Call Center work is all O&M, so no percentage calculation was needed between O&M and capital.
3. Calculated an estimate for the resident contractors based on average blended rates multiplied by the number of hours worked on the storm.

	Blended Rate/Hr	Hours	Total
Normal Operations (Call Center)	\$17.78	580	\$ 10,314

Internal Labor Calculation:

1. The total labor costs were obtained for all employees charging time to the August 13, 2011 storm under the classification of Exempt and Non Exempt Straight Time plus their associated transportation charges. Note: The KU Storm information was needed to calculate the LG&E-KU Services Company employee charges to the KU Storm that would typically be considered as normal operations to LG&E.

Exempt, Non Exempt Straight Time and Transportation	
LG&E Storm	
OPEX Labor Charged to LG&E Storm	\$642,652
Capital Labor Charged to LG&E Storm	237,432
Total Labor Charged to LG&E Storm	<u>\$880,085</u>
KU Storm	
OPEX Labor Charged to KU Storm	\$91,964
Capital Labor Charged to KU Storm	6,747
Total Labor Charged to KU Storm	<u>\$98,711</u>

2. A percentage was calculated for what would normally be charged to OPEX and Capital by department based on actual charges for the second quarter of 2011. The weighted average percent for the departments charging the LG&E Storm was 52% OPEX and 48% Capital. The weighted average percent for the departments charging the KU Storm was 47% OPEX and 53% Capital. The OPEX percentage was applied to the total labor charges to determine what is estimated as normal operations.

Exempt, Non Exempt Straight Time and Transportation	
LG&E Storm	
OPEX Labor Charged to LG&E Storm	\$642,652
Capital Labor Charged to LG&E Storm	237,432
Total Labor Charged to LG&E Storm	<u>\$880,085</u>
OPEX Percentage for Q2 2011	52%
Normal Operations	<u>\$460,533</u>
KU Storm	
OPEX Labor Charged to KU Storm	\$91,964
Capital Labor Charged to KU Storm	6,747
Total Labor Charged to KU Storm	<u>\$98,711</u>
OPEX Percentage for Q2 2011	47%
Normal Operations	<u>\$46,237</u>

3. Since the labor charges include LG&E, KU and LG&E-KU Services Company employees, a determination had to be made as to what company the labor would normally be charged. This was done based on each employee's home department number. For example, if John Doe, a KU employee, worked in Louisville to support LG&E during the storm, his labor was shown in the KU



category under the LG&E Storm in the table below and would not be considered normal operations to LG&E.

LG&E Storm	
LG&E amount	\$256,808
KU amount	46,915
LG&E-KU Services Company amount	156,810
Total Estimated Normal Operations for LG&E Storm	\$460,533

KU Storm	
LG&E amount	\$ -
KU amount	31,407
LG&E-KU Services Company amount	14,830
Total Estimated Normal Operations for KU Storm	\$ 46,237

4. The labor charges for LG&E-KU Services Company employees were further allocated to LG&E and KU. An allocation was calculated by department based on actual charges to LG&E and KU from the LG&E-KU Services Company for the second quarter of 2011. The weighted averages for the departments charging to the LG&E Storm were 50.5% to LG&E and 49.5% to KU. The weighted averages for the departments charging to the KU Storm were 46.2% to LG&E and 53.8% to KU.

5. The percentages in No. 4 were then applied to the LG&E-KU Services Company Normal Operations amount in No. 3 to obtain the total amount charged to the storm that would normally be allocated to LG&E.

LG&E Storm	
LG&E-KU Services Company amount	\$156,810
Percentage to LG&E Q2 2011	50.5%
	\$79,205

KU Storm	
LG&E-KU Services Company amount	\$14,830
Percentage to LG&E Q2 2011	46.2%
	\$ 6,851

Total LG&E-KU Services Co Normal Operations to LG&E	\$ 86,056
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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Second Information Request Dated November 4, 2011**

**Case No. 2011-00380**

**Question No. 2**

**Witness: Valerie L. Scott**

- Q-2. Provide, when available, all October 2011 journal entries adjusting the amounts recorded in September 2011 for the regulatory asset.
- A-2. Below is the journal entry recorded on LG&E's books, including account numbers and account descriptions, for the month of October 2011.

<b>Account #</b>	<b>Account Description</b>	<b>Debit</b>	<b>Credit</b>
182.3	Other Regulatory Assets	\$ 272,828.01	
580	Operation Supervision and Engineering - Electric Distribution		\$ 86,928.34
583	Overhead Line Expenses - Electric Distribution		8,594.44
590	Maintenance Supervision and Engineering - Electric Distribution		17,681.59
593	Maintenance of Overhead Lines - Electric Distribution		160,042.00
598	Maintenance of Misc. Distribution Plant - Electric Distribution	43,102.77	
925	Public Liability		250.00
930	General Public Information		42,434.41
		<u>\$ 315,930.78</u>	<u>\$ 315,930.78</u>

**8/13/2011 Storm Restoration Cost Detail - Distribution**

LG&E Storm Restoration Estimate Detail Summary					
	(Actuals as of 10/31/2011)		Totals	(Estimates as of 11/7/2011)	
	Actuals	Estimated Costs Incurred		Estimated Remaining Costs	Total LG&E Operating Expenses
Internal Labor	1,205,578	-	1,205,578	79	1,205,657
Subtotal Employee Labor	1,205,578	-	1,205,578	79	1,205,657
Lineman Contractors	3,467,719	1,513,490	4,981,209	4,511	4,985,721
Tree Trimming Contractors	700,611	-	700,611	-	700,611
PSRT Contractors	164,723	-	164,723	-	164,723
All Other Contractors	113,922	-	113,922	-	113,922
Subtotal Contractors	4,446,974	1,513,490	5,960,464	4,511	5,964,976
Materials	511,200	-	511,200	-	511,200
Call Center/Business Office	79,689	-	79,689	-	79,689
Hotel/Staging Area	159,580	-	159,580	-	159,580
Miscellaneous	154,619	-	154,619	-	154,619
Contingency	-	-	-	429,993	429,993
<b>Total Distribution Cost total</b>	<b>6,557,640</b>	<b>1,513,490</b>	<b>8,071,130</b>	<b>434,584</b>	<b>8,505,713</b>

Estimated Amount considered Normal Operations:

Contractor Resource Costs - PSRT	(9,350)
Contractor Resource Costs - Operations	(16,123)
Contractor Resource Costs - Call Center	(10,314)
Internal Employee Resource Costs - LG&E Labor/Transportation	(256,808)
Internal Employee Resource Costs - Servco Labor/Transportation	(86,056)
Total Estimated Amount considered Normal Operation:	(378,651)

**Total Regulatory Asset**

**8,127,062**

8/13/2011 Storm Restoration Cost Detail - Distribution

LG&E Storm Restoration Estimate Detail Summary					
(Actuals as of 10/31/2011)				(Estimates as of 11/7/2011)	
Actuals	Estimated Costs Incurred	Totals	Estimated Remaining Costs	Total LG&E Operating Expenses	
Miscellaneous					
Freight	1,625	1,625	-	1,625	
Insurance Claim	4,246	4,246	-	4,246	
Leased Vehicles	1,966	1,966	-	1,966	
Meals	137,327	137,327	-	137,327	
Mileage Reimbursement	1,589	1,589	-	1,589	
Other	4,809	4,809	-	4,809	
Telecom	32	32	-	32	
Travel	3,025	3,025	-	3,025	
<b>Total Miscellaneous Expenses</b>					<b>154,619</b>
					<b>154,619</b>