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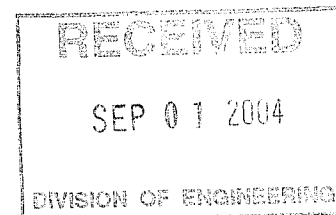


August 30, 2004

Louisville Gas and Electric Company
East Operations Center
10300 Ballardsville Road
Louisville, Kentucky 40241

Mr. Eddie B. Smith
Manager, Gas Branch
Division of Engineering
Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
Frankfort, Kentucky 40602

Case No. 2004-00006



Dear Mr. Smith:

This letter is in response to your correspondence of August 6, 2004 summarizing the informal conference conducted on August 3, 2004 regarding the Louisville Gas & Electric Company's (LG&E's) petition for a deviation from the requirements of the code of Code of Federal Regulations, Title 49, Part 192.150(a). Specifically, this letter addresses the proposed construction methods, schedule and estimate of the construction costs necessary to reconstruct the pipeline segments of (LG&E's) Ballardsville natural gas pipeline.

Proposed Construction Methods

LG&E has completed a comprehensive engineering evaluation of feasibility and cost of the following two proposed construction methods:

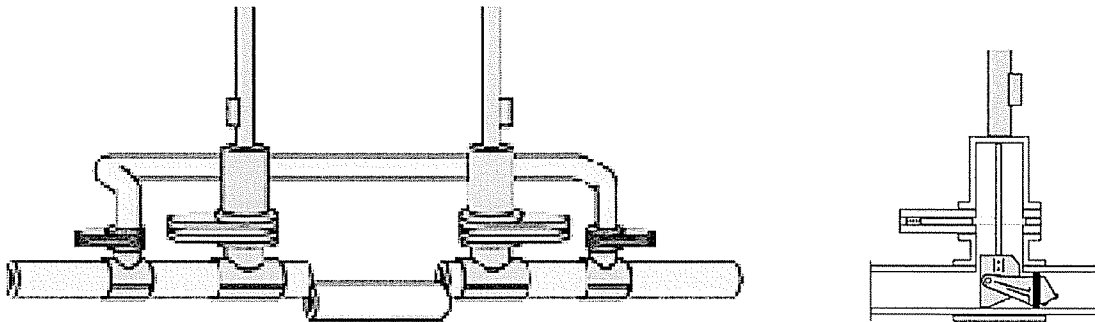
- ◆ Contracting portable liquefied natural gas (LNG) equipment and LNG tankers to provide gas supply to customers fed from the Ballardsville pipeline in order to facilitate shutting down segments of the pipeline for required modifications.
- ◆ Utilizing T.D. Williamson line stopping fittings to replace the Mueller line stopping fittings used to correct the two pipeline washouts. T.D. Williamson fittings are capable of accommodating the passage of an internal inspection device.

Contracting portable liquefied natural gas was ruled out as an option for the following reasons:

- ◆ The volumes of gas required exceed the volume of a LNG tanker transport.
- ◆ Shutting down segments of the pipeline for the required modifications would still result in the loss of gas supply to an excessive number of gas customers.

LG&E proposes to utilize T.D. Williamson line stopping fittings and equipment to install additional piping in order to eliminate the Mueller line stopping fittings used to correct the two pipeline washouts. Shown below is a pictorial representation of proposed pipeline replacement work.

cc: Jeff S
LG&E file



The T.D. Williamson System

Proposed Construction Schedule

LG&E anticipates scheduling the replacement of the Mueller line stopping fittings used to correct the two pipeline washouts during the summer of 2005 and will have the modification completed no later than October 1, 2005.

Estimated Construction Costs

Based on a detailed engineering cost analysis of the pipeline modifications, LG&E anticipates the capital expenditure to be approximately \$200,000 to \$220,000. Please note that this estimate is based on successfully utilizing the T.D. Williamson type line stopping fittings to replace the Mueller type line stopping fittings without repeated line stopping attempts. Although T.D. Williamson fittings are capable of accommodating the passage of an internal inspection device, there are inherent risks of unsuccessful line stopping due to the nature of the design of the sealing system. The potential customer impact resulting from shutting down segments of the pipeline due to unsuccessful line stopping operations during summer months is as follows:

- ◆ Moody Lane location – 2,260 gas customers.
- ◆ Grimes Cove Court location – 650 gas customers.

We emphasize that actual costs may significantly exceed the estimates above if several line stopping attempts are required.

If you have any questions regarding this matter, please do not hesitate to call me at (502) 333-1813.

Very truly yours,

Joseph R. Ryan
Manager, Operating Policy and Standards
Louisville Gas and Electric Company