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March 9, 2005

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PUBLIC SERVICE
COMMISSION

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

RE: The Application of Louisville Gas and Electric Company for Approval of its 2004 Compliance Plan for Recovery by Environmental Surcharge - Case No. 2004-00421

Dear Ms. O'Donnell:

Enclosed please find an original and eight (8) copies of Louisville Gas and Electric Company's ("LG&E") responses to the Supplemental Request for Information Posed by the Attorney General dated February 23, 2005, in the above-referenced docket.

Should you have any questions concerning the enclosed, please do not hesitate to contact me.

Sincerely,

Kent W. Blake

cc: Hon. Elizabeth E. Blackford
Hon. Michael L. Kurtz

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR APPROVAL OF ITS) CASE NO. 2004-00421
2004 COMPLIANCE PLAN FOR RECOVERY)
BY ENVIRONMENTAL SURCHARGE)

RESPONSE OF LOUISVILLE GAS AND ELECTRIC COMPANY
TO SUPPLEMENTAL REQUEST FOR
INFORMATION POSED BY THE ATTORNEY GENERAL
DATED FEBRUARY 23, 2005

FILED: MARCH 9, 2005

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2004-00421

Response to Supplemental Request for Information Posed by the Attorney General Dated February 23, 2005

Question No. 1

Responding Witness: Robert M. Conroy

Q-1. Refer to the response to question 6 that indicates that R(m) has always exceeded E(m). The question is restated as follows: Please provide an example and elaborate on the circumstances or conditions where the monthly "Environmental Cost Recovery Surcharge" jurisdictional revenues derived from applying the monthly Environmental Surcharge Factor to all electric rate schedules **would exceed** the jurisdictional total of each approved environmental compliance plan revenue requirement of environmental compliance costs that are over and above the revenues associated with "Base Environmental Surcharge Factor." In other words, are there circumstances when more revenues could be collected than are intended, and if so, what are they?

A-1. Yes. Actual ECR revenues collected from customers are the result of multiplying the current month billing factor (MESF) times the sum of customer charges, energy charges, demand charges, and FAC and DSM charges. Additionally, actual ECR revenues include the portion of base rate (customer, energy and demand) revenues attributable to the ECR roll-in and represented by the Base Period Jurisdictional Environmental Surcharge Factor ("BESF"). The monthly environmental factor is determined by dividing the current month environmental revenue requirement (Net Retail E(m)) by the **twelve-month average retail revenues** for the period ending with the current expense month. To the extent that monthly retail revenue subject to the ECR differs (either higher or lower) from twelve-month average revenue used to determine the ECR billing factor, actual ECR revenues will be higher or lower than Net Retail E(m).

In the monthly ECR filing, ES Form 2.00 provides for a True-up Adjustment to account for any over/under recovery of the monthly surcharge due to timing differences. To account for over/under collections, the Net Retail E(m) for the two months prior to the current expense month is subtracted from the current monthly ECR Revenue as reported on ES Form 3.00. Additionally, the BESF is multiplied by base revenues for the current month as reported on ES Form 3.00 to determine the ECR revenue recovered through base rates. These amounts are added and carried forward to ES Form 1.00 as an adjustment to the current month environmental revenue requirement. Over collections reduce the Current Period Jurisdictional Environmental Surcharge Factor ("CESF") and under collections increase the CESF. Thus, ECR over- and under-collections are regularly and continuously adjusted each month by the True-up mechanism in the ECR Tariff.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2004-00421

**Response to Supplemental Request for Information Posed by the Attorney General
Dated February 23, 2005**

Question No. 2

Responding Witness: Robert M. Conroy

- Q-2. Refer to the response to question 7 that indicates that the Environmental Surcharge Billing Factor would have to exceed 100% . The question is restated as follows: Please provide an example and elaborate on the circumstances or conditions where the monthly “Environmental Cost Recovery Surcharge” jurisdictional revenues derived from applying the monthly Environmental Surcharge Factor to all electric rate schedules **would be less than** the jurisdictional total of each approved environmental compliance plan revenue requirement of environmental compliance costs that are over and above the revenues associated with “Base Environmental Surcharge Factor.” In other words, are there circumstances when less revenues are collected than are intended and if so, what are they?
- A-2. See response to Question No. 1.