COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY FOR A NEW TARIFF-BROWNFIELD DEVELOPMENT RIDER	))))	CASE NO. 2007-00192

COMMISSION STAFF'S FIRST DATA REQUEST TO LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY

Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU"), pursuant to 807 KAR 5:001, are to file with the Commission the original and 5 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before June 29, 2007. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible.

Each response shall be under oath or, for representatives of a public or private corporation, a partnership, an association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

LG&E and KU shall make timely amendment to any prior response if they obtain information upon the basis of which they know that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which LG&E and KU fail to furnish all or part of the requested information, LG&E and KU shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be provided for total company operations and jurisdictional operations, separately.

1. In preparing their proposed tariff riders, did LG&E and KU review the Commission's September 24, 1990 Order in Administrative Case No. 327 ("Admin. 327")?[1] Explain the response in detail.

2. In Admin. 327, LG&E contended that economic development rates ("EDRs") should not only recover all customer and variable costs, but should also contribute to system fixed costs.[2] Several parties to Admin. 327 argued that EDRs should be negotiated and offered through special contracts and that "circumstances to be encountered in implementing an EDR are too diverse in nature to be covered by a

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[1] Administrative Case No. 327, An Investigation into the Implementation of Development Rates by Electric and Gas Utilities.

[2] September 24, 1990 Order at 7; LG&E's Response to the Commission's Order dated February 10, 1989, Item No. 12.

general tariff."[3] The Commission ordered that EDRs should be implemented only by special contracts.[4]

a. Explain in detail why LG&E and KU believe it is appropriate to have EDR tariffs. Describe any circumstances that have changed since Admin. 327 which support having an EDR tariff.

b. Explain in detail why LG&E and KU have requested approval of EDR tariffs when the Commission in Admin. 327 ordered that EDRs would be implemented only by special contract.

c. Explain why LG&E's and KU's application did not address their proposed departure from the Commission's findings in Admin. 327.

3. Each of the proposed EDR tariffs indicates that customers will enter into service agreements with LG&E and KU.

a. As used in the proposed tariffs, does the term "service agreement" have the same meaning as the term "special contract"? Explain the response.

b. Do LG&E and KU propose to submit their service agreements to the Commission for review and approval?

c. Explain whether the service agreements referred to in the proposed tariffs will conform to the findings in the September 24, 1990 Order in Admin. 327.

d. Provide the draft service agreements LG&E and KU anticipate utilizing for each of the proposed EDR tariffs. Identify the sections of the agreements that address the Commission's findings in Admin. 327.

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[3] Administrative Case No. 327, September 24, 1990 Order at 13.

[4] Id. at 25.

4. Describe in detail the analysis LG&E and KU plan to undertake to demonstrate to the Commission that the customer classes that are not participating under one of the proposed EDR tariffs would be no worse off than if the EDR tariff was not available. Include in the response a discussion of any risk factors considered by LG&E and KU and how those risks would be shared between shareholders and ratepayers.

5. Do LG&E and KU currently have adequate capacity to meet anticipated load growth each year in which an incentive tariff is in effect?

a. Are LG&E and KU in what could be termed a "period of excess capacity" as that term was used in Admin. 327? Explain the response.

b. What are the current reserve margins for LG&E and KU?

6. The proposed tariff rider is for Brownfield Development ("Rider BR").

a. Does KU's regulated affiliate in Virginia have a similar EDR in effect? Explain the response.

b. Rider BR contains a discount on the demand charge each year for 5 years. Explain in detail the reason(s) for the difference in the types of discounts and periods the discounts are in effect.

c. Explain why the proposed rider does not include provisions for the recovery of EDR customer-specific fixed costs over some period.

d. Rider BR includes a discount on the demand charge that is phased out over a 5-year period. Assume for purposes of this question that a customer applies for Rider BR, but the marginal cost associated with serving that customer exceeds the discounted rate offered. Under these circumstances, would LG&E and KU allow the customer to take service under Rider BR? Explain the response.

e. The second guideline referenced in the September 24, 1990 Order in Admin. 327 states that each utility should be required to demonstrate that all variable costs associated with the transaction during each year that the contract is in effect will be recovered and that the transaction contributes to fixed costs associated with the EDRs.

(1) Explain in detail how the Rider BR covers all variable costs associated with the transaction.

(2) Explain in detail how the Rider BR contributes to fixed costs associated with the transaction.

7. Refer to page 1 of the Testimony of Fred Howard Bush, Jr. ("Bush Testimony"). Mr. Bush states that similar rate schedules to that proposed by LG&E and KU are offered by other utilities. Provide a list of utilities in Kentucky that offer a similar rate.

8. Provide an estimate of the number of possible sites eligible for this tariff within LG&E's and KU's service territories.

9. Refer to page 3 of the Bush Testimony. Mr. Bush states that under their proposed tariff, LG&E and KU would enter into a special contract with customers as required in Admin. 327. The term of the special contract would be 8 years, the first 5 of which would include a discount on the demand charge.

a. Explain how LG&E and KU determined that 8 years is an appropriate term for the contract.

b. Admin. 327 ordered that the second half of an economic development contract should extend for twice the length of time of the discount period. Explain how extending the contract for 3 years beyond the 5-year discount period will address this criterion.

c. Provide a sample contract that LG&E and KU will use under the proposed tariff.

10. Identify the other rate schedules under which customers who qualify for this rider would also be billed.

11. Provide a sample monthly bill calculation for a customer taking 500 kW in the first year under the proposed tariff.

12. Provide a sample monthly bill calculation for the same customer in Item No. 5 taking 500 kW without participating in the proposed tariff.

Beth O'Donnell
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Public Service Commission
P.O. Box 615
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DATED: June 15, 2007

cc: Parties of Record