an E·ON company

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PUBLIC SERVICE COMMISSION

Louisville Gas and Electric Company
State Regulation and Rates
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Louisville, Kentucky 40232
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Robert M. Conroy
Director - Rates
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Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

March 28, 2008

RE: ***APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY TO FILE DEPRECIATION STUDY CASE NO. 2007-00564***

Dear Ms. Stumbo:

Please find enclosed and accept for filing the original and seven (7) copies of the Response of Louisville Gas and Electric Company to the First Data Request of Commission Staff dated February 18, 2008, in the above-referenced matter.

The Verification Page for John J. Spanos will be filed the week of March 31-April 4, 2008 on his return to the office.

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

Sincerely,

Robert M. Conroy

Enclosures

cc: Parties of Record

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY TO FILE DEPRECIATION STUDY	)	CASE NO. 2007-00564

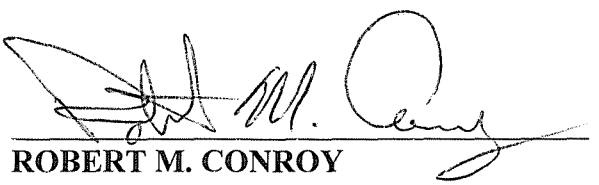
RESPONSE OF LOUISVILLE GAS AND ELECTRIC COMPANY TO THE FIRST DATA REQUEST OF COMMISSION STAFF DATED FEBRUARY 18, 2008

FILED: MARCH 28, 2008

VERIFICATION

STATE OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is the Director, Rates for E.ON U.S. Services 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.



ROBERT M. CONROY

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 26th day of March, 2008.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the First Data Request of Commission Staff
Dated February 18, 2008

Case No. 2007-00564

Question No. 1

Witness: Robert M. Conroy

Q-1. Refer to the Application, page 3, paragraph 7.

a. In preparing this Application, did LG&E review pages 10 through 12 and 29 through 35 of the Commission's June 30, 2004 Order in Case No. 2003-00433?

b. Explain why the narrative in paragraph 7 implies the depreciation issue in the last general rate case was resolved by Article III, Section 3.3 of the "Partial Settlement Agreement, Stipulation and Recommendation."

A-1. a. Yes.

b. The Company did not intend to imply that the depreciation issue was resolved by the Partial Settlement and Stipulation. The Company acknowledges that the Partial Settlement and Stipulation was non-unanimous regarding depreciation rates and the Commission's June 30, 2004 Order rejected the depreciation studies submitted in Case No. 2003-00433 and accepted the Company's settlement agreement proposal to file a new depreciation study in its next general rate case or June 30, 2007, whichever occurred earlier. On July 27, 2006, the Commission issued an Order approving the Company's requested time extension to file the new depreciation studies by December 31, 2007 in Case No. 2006-00283. As a result of the Commission rejecting the depreciation studies, the Company's depreciation rates remained the same as those established in Case No. 2001-00141.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the First Data Request of Commission Staff
Dated February 18, 2008

Case No. 2007-00564

Question No. 2

Witness: John J. Spanos

Q-2. LG&E's last depreciation study was prepared utilizing the Straight Line Method, the Broad Group Procedure, and the Average Remaining Life Technique. Compare and contrast this approach with the approach utilized in the depreciation study submitted in this proceeding.

A-2. The approach utilized in this study is Straight Line Method, Equal Life Group and the Remaining Life Technique. Therefore, the depreciation procedure is the only difference in method and procedures of the overall manner in which the depreciation rates are calculated.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the First Data Request of Commission Staff
Dated February 18, 2008

Case No. 2007-00564

Question No. 3

Witness: John J. Spanos

Q-3. In its June 30, 2004 Order in Case No. 2004-00433, the Commission rejected LG&E's depreciation study because of concerns over the inclusion of an inflation adjustment for the removal costs. Explain in detail how the new depreciation study addresses this issue.

A-3. The determination of the net salvage component of the depreciation rate is the same as almost all other utilities in the United States and Canada, including other utilities in Kentucky, Virginia, Tennessee and Indiana. The net salvage component is based on historical indications of the full service value of each asset class. The net salvage component is the last transaction cost of the asset when it is taken out of service, therefore, this cost occurs at a date later than when the asset was originally placed in service.

Consequently, this traditional depreciation study does not make any inflation adjustments for removal costs, just the assumption that the past is a relatively good indicator of the future.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the First Data Request of Commission Staff
Dated February 18, 2008

Case No. 2007-00564

Question No. 4

Witness: Robert M. Conroy

Q-4. Refer to the Direct Testimony of Robert M. Conroy, page 3. Mr. Conroy states, "Therefore, LG&E respectfully requests the Commission to defer review of the depreciation rates recommended in the study and to approve revised depreciation rates for accounting and ratemaking purposes concurrent with LG&E's next change in base rates pursuant to a Commission Order in a base rate proceeding filed by LG&E."

a. Explain why LG&E is requesting that the Commission defer the review of the depreciation rates recommended in the study.

b. When does LG&E propose the review of the depreciation rates recommended in the study be undertaken?

A-4. a. The Company is requesting the Commission to defer the review of the proposed depreciation rates in order to match the change in depreciation rates with a change in base rates and to obtain administrative efficiencies with a single proceeding addressing all impacts of a change in depreciation rates. The Company believes that depreciation rates along with other base rate items that are affected by depreciation rates should be addressed in a single and comprehensive proceeding.

b. LG&E proposes to review the depreciation rates recommended in the study during the Company's next general rate case proceeding, which the Company has indicated it anticipates filing during 2008.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the First Data Request of Commission Staff
Dated February 18, 2008

Case No. 2007-00564

Question No. 5

Witness: John J. Spanos

Q-5. Refer to the Direct Testimony of John J. Spanos ("Spanos Testimony"), page 13.

a. Describe the basic differences between the average service life procedure and the equal life group procedure.

b. Provide the basis for the conclusion that the equal life group procedure reflects a more appropriate matching of capital recovery to asset utilization.

A-5. a. The basic differences between the average service life procedure and the equal life group procedure are the matching principle of recovery to useful life and the advanced calculations for ELG to achieve a more appropriate depreciation rate.

b. I will use a simple two-unit basis for my conclusion as to why the equal life group ("ELG") procedure reflects a more appropriate matching of capital recovery to asset utilization. The example excludes net salvage. Each unit costs $1,000, Unit A is in service for 5 years and Unit B is in service for 15 years. Therefore, using the average service life procedure, the service life is 10 years ((5+15)/2), and the accrual rate is 10%. With two units of $1,000 each, the annual expense is $200 ($2,000 x 10%). At the end of the 5th year, the accumulated annual provision is $1,000 ($200 x 5) minus $1,000 (Unit A retired value) for a total accumulated depreciation of 0. Thus, Unit B is the only plant surviving after the fifth year and has one-third of its life expectancy gone, but the net book value is still $1,000 (plant minus accumulated depreciation). This does not properly match recovery to asset utilization.

I will use the same two-unit example to set forth the equal life group recovery procedure. Unit A has a 5-year service life; therefore, annual expense is $200 ($1,000/5). Unit B has a 15-year service life; therefore, annual expense is $66.67 ($1,000/15). At the end of the fifth year, the cumulative annual provision of the two units is $1,334 ($1,000 Unit A and $334 Unit B). The retirement of Unit A is $1,000 so accumulated depreciation is $334 ($1,334 - $1,000). Thus, after 5 years, Unit B has experienced one-third of its

life expectancy and recovery of the $1,000 asset is one-third accumulated. Consequently, the Equal Life Group procedure does a better job of matching recovery to asset utilization for both Unit A and Unit B.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the First Data Request of Commission Staff
Dated February 18, 2008

Case No. 2007-00564

Question No. 6

Witness: John J. Spanos

Q-6. Refer to the Spanos Testimony, Exhibit JJS-LG&E, page II-40. Explain how the amortization periods shown on this page were determined. Include any analyses that were based upon LG&E's historic experience for any of the listed accounts.

A-6. The determination of the amortization periods for the accounts shown on page II-40 of Exhibit JJS-LG&E were not specifically based on the historic data of LG&E. The use of amortization accounting is different than past depreciation methods of dispersion, as amortization is designed to eliminate the need to track all the small units in each account. The difficulty in tracking these small units skews the historical life results.

Therefore, amortization periods are determined based on the most reasonable estimate of useful life for each asset class. For example, the most reasonable useful life for a computer is 5 years. The amortization periods for LG&E are ultimately based on a combination of comparable amortization periods of other utilities and the Company's expectation or plans for the useful life of the asset class. This methodology is utilized by almost all utilities across the United States and Canada.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the First Data Request of Commission Staff
Dated February 18, 2008

Case No. 2007-00564

Question No. 7

Witness: John J. Spanos

Q-7. Refer to the Spanos Testimony, Exhibit JJS-LG&E, pages III-4 through III- 12. Prepare an analysis of the depreciation information in Tables 1 through 3 as outlined below. The analysis should be at the same level of detail as shown on Tables 1 through 3. The depreciation information should be organized in the following manner:

a. Column 1 – Account.

b. Column 2 – Book Depreciation Reserve.

c. Column 3 – Future Accruals.

d. Column 4 – Total Book Depreciation Reserve and Future Accruals, Column 2 plus Column 3.

e. Column 5 – Original Cost.

f. Column 6 – Difference Depreciation vs. Original Cost, Column 4 minus Column 5.

g. Column 7 – Percentage Difference, Column 6 divided by Column 5, carry to two decimal places.

For each account where the Percentage Difference calculated in Column 7 is greater than 10 percent, explain in detail why the results are reasonable and why depreciation rates should be established to generate the proposed levels of Future Accruals.

A-7. The attached schedule sets forth the requested information. With the exception of a few amounts that have rounding differences, the percentage differences in Column 7 is the net salvage percent. The definition of future accruals is the summation of the Original Cost times one minus the net salvage percent minus the book reserve. As an example, the net salvage percent for Account 311 is

negative 10 percent. Because depreciation is recovery of service value, which includes cost of removal and gross salvage, not original cost, then the full service value is Original Cost times (1-(-.10)) or 1.10. If one were to multiply the original cost in Account 311 of Cane Run Unit 5 by the appropriate factor (1.10), then one would get the appropriate amount of recovery through depreciation of $6,782,510 ($6,165,918 x 1.10). Consequently, the appropriate future accrual for Account 311, Cane Run Unit 5 is $6,782,510 minus $4,902,105 (book reserve) or $1,880,405. There is a slight rounding difference from the future accruals shown on page III-4 of Exhibit JJS-LG&E

In summary, the presentation of the attached schedule does not properly reflect Column 4 due to net salvage, so the explanation of the difference for all accounts is the net salvage component.

LOUISVILLE GAS AND ELECTRIC
ELECTRIC PLANT

COMPARISON OF FUTURE ACCRUAL PERCENTAGE AS DETERMINED BY KENTUCKY COMMISSION STAFF

	ACCOUNT	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	TOTAL BOOK RESERVE AND FUTURE ACCRUALS	ORIGINAL COST	DIFFERENCE DEPRECIATION VS. ORIGINAL COST	PERCENT DIFFERENCE
	(1)	(2)	(3)	(4)=(2)+(3)	(5)	(6)=(4)-(5)	(7)
	DEPRECIABLE PLANT						
	STEAM PRODUCTION PLANT						
311.00	STRUCTURES AND IMPROVEMENTS						
	CANE RUN UNIT 1	4,657,380	0	4,657,380	4,233,981.48	423,398.52	10.00
	CANE RUN UNIT 2	2,313,236	0	2,313,236	2,102,942.00	210,294.00	10.00
	CANE RUN UNIT 3	3,885,354	0	3,885,354	3,532,140.00	353,214.00	10.00
	CANE RUN UNIT 4	3,652,193	548,727	4,200,920	3,819,018.36	381,901.64	10.00
	CANE RUN-SO2 UNIT 4	740,943	95,453	836,396	760,360.00	76,036.00	10.00
	CANE RUN UNIT 5	4,902,105	1,880,404	6,782,509	6,165,918.13	616,590.87	10.00
	CANE RUN-SO2 UNIT 5	1,439,174	426,905	1,866,079	1,696,435.00	169,644.00	10.00
	CANE RUN UNIT 6	14,289,215	6,991,936	21,281,151	19,346,501.56	1,934,649.44	10.00
	CANE RUN-SO2 UNIT 6	1,428,902	655,435	2,084,337	1,894,852.32	189,484.68	10.00
	MILL CREEK UNIT 1	14,873,144	6,211,894	21,085,038	19,168,217.08	1,916,820.92	10.00
	MILL CREEK-SO2 UNIT 1	1,323,045	565,650	1,888,695	1,716,995.50	171,699.50	10.00
	MILL CREEK UNIT 2	8,830,804	3,063,264	11,894,068	10,812,787.99	1,081,280.01	10.00
	MILL CREEK-SO2 UNIT 2	1,032,477	500,268	1,532,745	1,393,404.00	139,341.00	10.00
	MILL CREEK UNIT 3	16,492,690	10,967,256	27,459,946	24,963,587.02	2,496,358.98	10.00
	MILL CREEK-SO2 UNIT 3	244,888	154,266	399,154	362,867.00	36,287.00	10.00
	MILL CREEK UNIT 4	33,672,363	32,670,270	66,342,633	60,311,484.02	6,031,148.98	10.00
	MILL CREEK-SO2 UNIT 4	3,112,165	2,725,880	5,838,045	5,307,313.20	530,731.80	10.00
	TRIMBLE COUNTY - UNIT 1	77,938,729	98,609,119	176,547,848	160,498,043.70	16,049,804.30	10.00
	TRIMBLE COUNTY - SO2 UNIT 1	218,077	344,362	562,439	511,308.94	51,130.06	10.00
	TOTAL ACCOUNT 311 - STRUCTURES AND IMPROVEMENTS	195,046,884	166,411,089	361,457,973	328,598,157.30	32,859,815.70	
312.00	BOILER PLANT EQUIPMENT						
	CANE RUN LOCOMOTIVE	33,262	7,978	41,240	51,549.42	(10,309.42)	(20.00)
	CANE RUN LOCOMOTIVE - RAILCARS	531,310	670,108	1,201,418	1,501,772.81	(300,354.81)	(20.00)
	CANE RUN UNIT 1	1,369,865	0	1,369,865	1,053,742.00	316,123.00	30.00
	CANE RUN UNIT 2	172,688	0	172,688	132,837.00	39,851.00	30.00
	CANE RUN UNIT 3	924,929	0	924,929	711,484.00	213,445.00	30.00
	CANE RUN UNIT 4	18,288,583	21,071,814	39,360,397	30,277,226.79	9,083,170.21	30.00
	CANE RUN-SO2 UNIT 4	11,881,513	10,337,734	22,219,247	17,091,727.81	5,127,519.19	30.00
	CANE RUN UNIT 5	13,504,758	31,692,551	45,197,309	34,767,159.48	10,430,149.52	30.00
	CANE RUN-SO2 UNIT 5	19,098,338	17,441,331	36,539,669	28,107,437.90	8,432,231.10	30.00
	CANE RUN UNIT 6	22,778,252	38,498,125	61,276,377	47,135,674.34	14,140,702.66	30.00
	CANE RUN-SO2 UNIT 6	19,088,684	22,750,722	41,839,406	32,184,156.61	9,655,249.39	30.00
	MILL CREEK-LOCOMOTIVE	364,410	126,329	490,739	613,424.43	(122,685.43)	(20.00)
	MILL CREEK-LOCOMOTIVE RAILCARS	1,332,957	1,541,532	2,874,489	3,593,111.63	(718,622.63)	(20.00)
	MILL CREEK UNIT 1	26,339,437	35,487,522	61,826,959	47,559,197.98	14,267,761.02	30.00
	MILL CREEK-SO2 UNIT 1	20,691,298	34,363,352	55,054,650	42,349,730.64	12,704,919.36	30.00
	MILL CREEK UNIT 2	21,853,684	39,710,608	61,564,292	47,357,145.83	14,207,146.17	30.00
	MILL CREEK-SO2 UNIT 2	18,284,740	26,467,678	44,752,418	34,424,938.00	10,327,480.00	30.00
	MILL CREEK UNIT 3	48,484,795	130,037,286	178,522,081	137,324,677.88	41,197,403.12	30.00
	MILL CREEK-SO2 UNIT 3	21,582,229	60,445,168	82,027,397	63,097,998.79	18,929,398.21	30.00
	MILL CREEK UNIT 4	82,876,873	226,008,940	308,885,813	237,604,471.44	71,281,341.56	30.00
	MILL CREEK-SO2 UNIT 4	44,103,121	103,640,119	147,743,240	113,648,645.53	34,094,594.47	30.00
	TRIMBLE COUNTY - UNIT 1	102,820,597	218,187,022	321,007,619	246,928,938.61	74,078,680.39	30.00
	TRIMBLE COUNTY - SO2 UNIT 1	26,413,284	55,693,861	82,107,145	63,159,341.63	18,947,803.37	30.00
	TOTAL ACCOUNT 312 - BOILER PLANT EQUIPMENT	522,819,607	1,074,179,780	1,596,999,387	1,230,676,390.55	366,322,996.45	

LOUISVILLE GAS AND ELECTRIC
ELECTRIC PLANT

COMPARISON OF FUTURE ACCRUAL PERCENTAGE AS DETERMINED BY KENTUCKY COMMISSION STAFF

	ACCOUNT	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	TOTAL BOOK RESERVE AND FUTURE ACCRUALS	ORIGINAL COST	DIFFERENCE DEPRECIATION VS. ORIGINAL COST	PERCENT DIFFERENCE
	(1)	(2)	(3)	(4)=(2)+(3)	(5)	(6)=(4)-(5)	(7)
314.00	TURBOGENERATOR UNITS						
	CANE RUN UNIT 1	116,610	0	116,610	106,008.99	10,601.01	10.00
	CANE RUN UNIT 2	21,999	0	21,999	19,999.00	2,000.00	10.00
	CANE RUN UNIT 3	639,295	0	639,295	581,177.00	58,118.00	10.00
	CANE RUN UNIT 4	6,696,016	3,339,265	10,035,281	9,122,982.05	912,298.95	10.00
	CANE RUN UNIT 5	5,731,823	2,381,080	8,112,903	7,375,364.74	737,538.26	10.00
	CANE RUN UNIT 6	8,626,498	7,856,948	16,483,446	14,984,949.73	1,498,496.27	10.00
	MILL CREEK UNIT 1	10,582,040	5,183,252	15,765,292	14,332,084.36	1,433,207.64	10.00
	MILL CREEK UNIT 2	11,208,486	7,081,084	18,289,570	16,626,879.81	1,662,690.19	10.00
	MILL CREEK UNIT 3	16,947,408	12,876,153	29,823,561	27,112,329.06	2,711,231.94	10.00
	MILL CREEK UNIT 4	23,847,796	22,471,905	46,319,701	42,108,819.15	4,210,881.85	10.00
	TRIMBLE COUNTY - UNIT 1	32,201,487	41,448,022	73,649,509	66,954,098.52	6,695,410.48	10.00
	TOTAL ACCOUNT 314 - TURBOGENERATOR UNITS	116,619,458	102,637,709	219,257,167	199,324,692.41	19,932,474.59	
315.00	ACCESSORY ELECTRIC EQUIPMENT						
	CANE RUN UNIT 1	1,985,563	0	1,985,563	1,891,012.00	94,551.00	5.00
	CANE RUN UNIT 2	1,341,084	0	1,341,084	1,277,223.00	63,861.00	5.00
	CANE RUN UNIT 3	805,691	0	805,691	767,325.00	38,366.00	5.00
	CANE RUN UNIT 4	3,637,429	2,110,606	5,748,035	5,474,319.06	273,715.94	5.00
	CANE RUN-SO2 UNIT 4	925,415	111,931	1,037,346	987,949.00	49,397.00	5.00
	CANE RUN UNIT 5	3,999,065	3,200,040	7,199,105	6,856,291.05	342,813.95	5.00
	CANE RUN-SO2 UNIT 5	1,831,913	495,413	2,327,326	2,216,498.98	110,827.02	5.00
	CANE RUN UNIT 6	5,058,977	3,941,167	9,000,144	8,571,566.71	428,577.29	5.00
	CANE RUN-SO2 UNIT 6	1,756,831	474,070	2,230,901	2,124,667.00	106,234.00	5.00
	MILL CREEK UNIT 1	7,663,999	7,482,552	15,146,551	14,425,285.62	721,265.38	5.00
	MILL CREEK-SO2 UNIT 1	4,219,198	1,599,582	5,818,780	5,541,695.00	277,085.00	5.00
	MILL CREEK UNIT 2	4,407,033	2,343,119	6,750,152	6,428,715.51	321,436.49	5.00
	MILL CREEK-SO2 UNIT 2	3,408,426	1,321,880	4,730,306	4,505,053.40	225,252.60	5.00
	MILL CREEK UNIT 3	9,859,013	4,297,834	14,156,847	13,482,711.00	674,136.00	5.00
	MILL CREEK-SO2 UNIT 3	1,869,107	789,255	2,658,362	2,531,773.00	126,589.00	5.00
	MILL CREEK UNIT 4	13,839,245	7,953,796	21,793,041	20,755,277.95	1,037,763.05	5.00
	MILL CREEK-SO2 UNIT 4	4,000,224	2,158,003	6,158,227	5,864,978.52	293,248.48	5.00
	TRIMBLE COUNTY - UNIT 1	28,932,620	30,150,719	59,083,339	56,269,846.00	2,813,493.00	5.00
	TRIMBLE COUNTY - SO2 UNIT 1	1,409,344	1,464,422	2,873,766	2,736,920.00	136,846.00	5.00
	TOTAL ACCOUNT 315 - ACCESSORY ELECTRIC EQUIPMENT	100,950,177	69,894,389	170,844,566	162,709,107.80	8,135,458.20	
316.00	MISCELLANEOUS PLANT EQUIPMENT						
	CANE RUN UNIT 1	40,683	0	40,683	38,746.00	1,937.00	5.00
	CANE RUN UNIT 3	12,248	0	12,248	11,665.00	583.00	5.00
	CANE RUN UNIT 4	22,270	52,430	74,700	71,143.38	3,556.62	5.00
	CANE RUN-SO2 UNIT 4	4,941	1,846	6,787	6,464.00	323.00	5.00
	CANE RUN UNIT 5	16,978	67,930	84,908	80,865.51	4,042.49	5.00
	CANE RUN-SO2 UNIT 5	32,551	17,112	49,663	47,299.00	2,364.00	5.00
	CANE RUN UNIT 6	981,898	1,861,444	2,843,342	2,707,943.48	135,398.52	5.00
	CANE RUN-SO2 UNIT 6	22,215	10,933	33,148	31,569.00	1,579.00	5.00
	MILL CREEK UNIT 1	393,771	337,237	731,008	696,198.16	34,809.84	5.00
	MILL CREEK UNIT 2	70,170	47,439	117,609	112,007.80	5,601.20	5.00
	MILL CREEK UNIT 3	205,205	129,352	334,557	318,625.00	15,932.00	5.00
	MILL CREEK UNIT 4	1,641,175	3,817,319	5,458,494	5,198,564.77	259,929.23	5.00
	MILL CREEK-SO2 UNIT 4	26,501	29,156	55,657	53,006.66	2,650.34	5.00
	TRIMBLE COUNTY - UNIT 1	1,009,526	1,693,644	2,703,170	2,574,446.81	128,723.19	5.00
	TOTAL ACCOUNT 316 - MISCELLANEOUS PLANT EQUIPMENT	4,480,132	8,065,842	12,545,974	11,948,544.57	597,429.43	
	TOTAL STEAM PRODUCTION PLANT	**939,916,258**	**1,421,188,809**	**2,361,105,067**	**1,933,256,892.63**	**427,848,174.37**	

LOUISVILLE GAS AND ELECTRIC
ELECTRIC PLANT

COMPARISON OF FUTURE ACCRUAL PERCENTAGE AS DETERMINED BY KENTUCKY COMMISSION STAFF

	ACCOUNT (1)	BOOK DEPRECIATION RESERVE (2)	FUTURE ACCRUALS (3)	TOTAL BOOK RESERVE AND FUTURE ACCRUALS (4)=(2)+(3)	ORIGINAL COST (5)	DIFFERENCE DEPRECIATION VS. ORIGINAL COST (6)=(4)-(5)	PERCENT DIFFERENCE (7)
	HYDROELECTRIC PRODUCTION PLANT						
331.00	STRUCTURES AND IMPROVEMENTS						
	OHIO FALLS - NON-PROJECT	58,523	10,563	69,086	65,796.14	3,289.86	5.00
	OHIO FALLS - PROJECT 289	5,560,595	122,330	5,682,925	5,412,307.69	270,617.31	5.00
	TOTAL ACCOUNT 331 - STRUCTURES AND IMPROVEMENTS	5,619,118	132,893	5,752,011	5,478,103.83	273,907.17	
332.00	RESERVOIRS, DAMS & WATERWAY						
	OHIO FALLS - PROJECT 289	398,171	4,798,465	5,196,636	4,949,177.35	247,458.65	5.00
	TOTAL ACCOUNT 332 - RESERVOIRS, DAMS & WATERWAY	398,171	4,798,465	5,196,636	4,949,177.35	247,458.65	
333.00	WATER WHEELS, TURBINES & GENERATORS						
	OHIO FALLS - PROJECT 289	2,747,041	194,997	2,942,038	2,674,579.62	267,458.38	10.00
	TOTAL ACCOUNT 333 - WATER WHEELS, TURBINES & GENERA	2,747,041	194,997	2,942,038	2,674,579.62	267,458.38	
334.00	ACCESSORY ELECTRIC EQUIPMENT						
	OHIO FALLS - PROJECT 289	859,630	3,752,888	4,612,518	4,392,875.71	219,642.29	5.00
	TOTAL ACCOUNT 334 - ACCESSORY ELECTRIC EQUIPMENT	859,630	3,752,888	4,612,518	4,392,875.71	219,642.29	
335.00	MISCELLANEOUS PLANT EQUIPMENT						
	OHIO FALLS - NON-PROJECT	5,368	3,227	8,595	7,813.67	781.33	10.00
	OHIO FALLS - PROJECT 289	80,887	107,409	188,296	171,179.25	17,116.75	10.00
	TOTAL ACCOUNT 335 - MISCELLANEOUS PLANT EQUIPMENT	86,255	110,636	196,891	178,992.92	17,898.08	
336.00	ROADS, RAILROADS & BRIDGES						
	OHIO FALLS - NON-PROJECT	1,134	0	1,134	1,133.98	0.02	0.00
	OHIO FALLS - PROJECT 289	219,873	(41,027)	178,846	178,846.99	(0.99)	0.00
	TOTAL ACCOUTN 336 - ROADS, RAILROADS & BRIDGES	221,007	(41,027)	179,980	179,980.97	(0.97)	
	TOTAL HYDROELECTRIC PRODUCTION PLANT	**9,931,222**	**8,948,852**	**18,880,074**	**17,853,710.40**	**1,026,363.60**	
	OTHER PRODUCTION PLANT						
341.00	STRUCTURES AND IMPROVEMENTS						
	CANE RUN GT 11	66,903	5,475	72,378	68,931.71	3,446.29	5.00
	ZORN AND RIVER ROAD GAS TURBINE	8,217	436	8,653	8,241.14	411.86	5.00
	PADDY'S RUN-GENERATOR 12	42,742	2,266	45,008	42,864.53	2,143.47	5.00
	PADDY'S RUN-GENERATOR 13	390,108	1,876,525	2,266,633	2,158,698.12	107,934.88	5.00
	BROWN COMBUSTION TURBINE #5	155,165	746,301	901,466	858,538.64	42,927.36	5.00
	E W BROWN # 6	15,205	96,072	111,277	105,977.86	5,299.14	5.00
	E W BROWN # 7	22,970	128,605	151,575	144,356.29	7,218.71	5.00

LOUISVILLE GAS AND ELECTRIC
ELECTRIC PLANT

COMPARISON OF FUTURE ACCRUAL PERCENTAGE AS DETERMINED BY KENTUCKY COMMISSION STAFF

	ACCOUNT	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	TOTAL BOOK RESERVE AND FUTURE ACCRUALS	ORIGINAL COST	DIFFERENCE DEPRECIATION VS. ORIGINAL COST	PERCENT DIFFERENCE
	(1)	(2)	(3)	(4)=(2)+(3)	(5)	(6)=(4)-(5)	(7)
341.00	STRUCTURES AND IMPROVEMENTS, cont.						
	TRIMBLE COUNTY #5	228,038	1,405,400	1,633,438	1,555,655.08	77,782.92	5.00
	TRIMBLE COUNTY #6	223,033	1,318,287	1,541,320	1,467,923.89	73,396.11	5.00
	TRIMBLE COUNTY #7	187,091	2,000,792	2,187,883	2,083,698.13	104,184.87	5.00
	TRIMBLE COUNTY #8	186,357	1,992,946	2,179,303	2,075,526.50	103,776.50	5.00
	TRIMBLE COUNTY #9	191,913	2,052,359	2,244,272	2,137,402.33	106,869.67	5.00
	TRIMBLE COUNTY #10	191,499	2,047,930	2,239,429	2,132,789.69	106,639.31	5.00
	TOTAL ACCOUNT 341 - STRUCTURES AND IMPROVEMENTS	1,909,241	13,673,394	15,582,635	14,840,603.91	742,031.09	
342.00	FUEL HOLDERS, PRODUCERS AND ACCESSORIES						
	CANE RUN GT 11	104,677	20,140	124,817	118,873.81	5,943.19	5.00
	ZORN AND RIVER ROAD GAS TURBINE	12,720	722	13,442	12,801.77	640.23	5.00
	PADDY'S RUN-GENERATOR 11	9,179	520	9,699	9,237.57	461.43	5.00
	PADDY'S RUN-GENERATOR 12	12,000	807	12,807	12,197.11	609.89	5.00
	PADDY'S RUN-GENERATOR 13	410,223	1,957,883	2,368,106	2,255,338.17	112,767.83	5.00
	BROWN COMBUSTION TURBINE #5	150,646	713,064	863,710	822,580.92	41,129.08	5.00
	E W BROWN # 6	76,691	305,259	381,950	363,762.04	18,187.96	5.00
	E W BROWN # 7	21,519	85,649	107,168	102,065.03	5,102.97	5.00
	TRIMBLE COUNTY #5	15,022	87,875	102,897	97,996.90	4,900.10	5.00
	TRIMBLE COUNTY #6	15,007	87,748	102,755	97,861.58	4,893.42	5.00
	TRIMBLE COUNTY CT PIPELINE	291,168	1,807,142	2,098,310	1,998,390.62	99,919.38	5.00
	TRIMBLE COUNTY #7	30,646	324,698	355,344	338,423.07	16,920.93	5.00
	TRIMBLE COUNTY #8	30,526	323,425	353,951	337,096.18	16,854.82	5.00
	TRIMBLE COUNTY #9	31,436	333,068	364,504	347,146.53	17,357.47	5.00
	TRIMBLE COUNTY #10	31,368	332,349	363,717	346,397.46	17,319.54	5.00
	TOTAL ACCOUNT 342 - FUEL HOLDERS, PRODUCERS AND ACCI	1,242,828	6,380,349	7,623,177	7,260,168.76	363,008.24	
343.00	PRIME MOVERS						
	PADDY'S RUN-GENERATOR 13	3,360,331	17,325,697	20,686,028	19,700,979.24	985,048.76	5.00
	BROWN COMBUSTION TURBINE #5	2,411,742	12,614,360	15,026,102	14,310,573.52	715,528.48	5.00
	E W BROWN # 6	2,705,722	14,028,210	16,733,932	15,937,077.55	796,854.45	5.00
	E W BROWN # 7	4,531,555	19,185,054	23,716,609	22,587,247.07	1,129,361.93	5.00
	TRIMBLE COUNTY #5	1,783,062	11,364,859	13,147,921	12,521,829.34	626,091.66	5.00
	TRIMBLE COUNTY #6	1,775,849	11,262,441	13,038,290	12,417,418.76	620,871.24	5.00
	TRIMBLE COUNTY #7	1,137,798	12,857,352	13,995,150	13,328,713.85	666,436.15	5.00
	TRIMBLE COUNTY #8	1,123,917	12,740,019	13,863,936	13,203,748.83	660,187.17	5.00
	TRIMBLE COUNTY #9	1,114,773	12,634,324	13,749,097	13,094,377.92	654,719.08	5.00
	TRIMBLE COUNTY #10	1,111,447	12,597,037	13,708,484	13,055,699.41	652,784.59	5.00
	TOTAL ACCOUNT 343 - PRIME MOVERS	21,056,196	136,609,353	157,665,549	150,157,665.49	7,507,883.51	
344.00	GENERATORS						
	CANE RUN GT 11	2,116,814	500,308	2,617,122	2,492,497.42	124,624.58	5.00
	ZORN AND RIVER ROAD GAS TURBINE	1,745,880	173,080	1,918,960	1,827,580.88	91,379.12	5.00
	PADDY'S RUN-GENERATOR 11	1,453,449	145,822	1,599,271	1,523,115.56	76,155.44	5.00
	PADDY'S RUN-GENERATOR 12	2,866,000	275,334	3,141,334	2,991,745.77	149,588.23	5.00
	PADDY'S RUN-GENERATOR 13	1,010,223	5,142,627	6,152,850	5,859,857.43	292,992.57	5.00
	BROWN COMBUSTION TURBINE #5	555,053	2,825,112	3,380,165	3,219,204.90	160,960.10	5.00
	E W BROWN # 6	480,971	2,057,923	2,538,894	2,417,994.54	120,899.46	5.00
	E W BROWN # 7	481,585	2,060,548	2,542,133	2,421,079.26	121,053.74	5.00
	TRIMBLE COUNTY #5	222,522	1,393,738	1,616,260	1,539,295.24	76,964.76	5.00
	TRIMBLE COUNTY #6	222,292	1,391,734	1,614,026	1,537,167.60	76,858.40	5.00

LOUISVILLE GAS AND ELECTRIC
ELECTRIC PLANT

COMPARISON OF FUTURE ACCRUAL PERCENTAGE AS DETERMINED BY KENTUCKY COMMISSION STAFF

	ACCOUNT	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	TOTAL BOOK RESERVE AND FUTURE ACCRUALS	ORIGINAL COST	DIFFERENCE DEPRECIATION VS. ORIGINAL COST	PERCENT DIFFERENCE
	(1)	(2)	(3)	(4)=(2)+(3)	(5)	(6)=(4)-(5)	(7)
344.00	GENERATORS, cont.						
	TRIMBLE COUNTY #7	147,585	1,665,580	1,813,165	1,726,823.88	86,341.12	5.00
	TRIMBLE COUNTY #8	146,770	1,656,371	1,803,141	1,717,276.72	85,864.28	5.00
	TRIMBLE COUNTY #9	147,687	1,666,722	1,814,409	1,728,008.37	86,400.63	5.00
	TRIMBLE COUNTY #10	147,230	1,661,578	1,808,808	1,722,674.29	86,133.71	5.00
	TOTAL ACCOUNT 344 - GENERATORS	11,744,061	22,616,477	34,360,538	32,724,321.86	1,636,216.14	
345.00	ACCESSORY ELECTRIC EQUIPMENT						
	CANE RUN GT 11	97,707	15,976	113,683	113,683.82	(0.82)	0.00
	ZORN AND RIVER ROAD GAS TURBINE	35,364	5,572	40,936	40,936.08	(0.08)	0.00
	PADDY'S RUN-GENERATOR 11	54,130	13,979	68,109	68,109.35	(0.35)	0.00
	PADDY'S RUN-GENERATOR 12	92,540	21,797	114,337	114,337.63	(0.63)	0.00
	PADDY'S RUN-GENERATOR 13	523,169	2,255,824	2,778,993	2,778,992.60	0.40	0.00
	BROWN COMBUSTION TURBINE #5	484,889	2,090,412	2,575,301	2,575,301.42	(0.42)	0.00
	E W BROWN # 6	206,351	736,238	942,589	942,589.47	(0.47)	0.00
	E W BROWN # 7	206,613	737,179	943,792	943,792.03	(0.03)	0.00
	TRIMBLE COUNTY #5	107,399	578,580	685,979	685,978.69	0.31	0.00
	TRIMBLE COUNTY #6	107,290	577,742	685,032	685,031.13	0.87	0.00
	TRIMBLE COUNTY #7	166,293	1,675,662	1,841,955	1,841,955.15	(0.15)	0.00
	TRIMBLE COUNTY #8	165,641	1,669,091	1,834,732	1,834,731.90	0.10	0.00
	TRIMBLE COUNTY #9	170,579	1,718,852	1,889,431	1,889,431.09	(0.09)	0.00
	TRIMBLE COUNTY #10	170,211	1,715,143	1,885,354	1,885,353.63	0.37	0.00
	TOTAL ACCOUNT 345 - ACCESSORY ELECTRIC EQUIPMENT	2,588,176	13,812,047	16,400,223	16,400,223.99	(0.99)	
346.00	MISCELLANEOUS PLANT EQUIPMENT						
	PADDY'S RUN-GENERATOR 12	1,141	0	1,141	1,140.74	0.26	0.02
	PADDY'S RUN-GENERATOR 13	238,779	1,021,276	1,260,055	1,260,054.85	0.15	0.00
	BROWN COMBUSTION TURBINE #5	449,314	1,921,342	2,370,656	2,370,656.38	(0.38)	0.00
	E W BROWN # 6	3,860	18,596	22,456	22,455.77	0.23	0.00
	E W BROWN # 7	3,937	19,110	23,047	23,047.78	(0.78)	0.00
	TRIMBLE COUNTY #5	516	8,421	8,937	8,937.45	(0.45)	(0.01)
	TRIMBLE COUNTY #7	486	4,719	5,205	5,204.51	0.49	0.01
	TRIMBLE COUNTY #8	483	4,700	5,183	5,182.59	0.41	0.01
	TRIMBLE COUNTY #9	498	4,830	5,328	5,328.44	(0.44)	(0.01)
	TRIMBLE COUNTY #10	496	4,820	5,316	5,316.29	(0.29)	(0.01)
	TOTAL ACCOUNT 346 - MISCELLANEOUS PLANT EQUIPMENT	699,510	3,007,814	3,707,324	3,707,324.80	(0.80)	
	TOTAL OTHER PRODUCTION PLANT	**39,240,012**	**196,099,434**	**235,339,446**	**225,090,308.81**	**10,249,137.19**	
	TRANSMISSION PLANT						
350.10	LAND AND LAND RIGHTS	1,167,041	1,425,733	2,592,774	2,592,773.81	0.19	0.00
352.10	STRUCTURES AND IMPROVEMENTS	1,812,349	1,956,505	3,768,854	3,426,227.89	342,626.11	10.00
353.10	STATION EQUIPMENT	73,308,244	72,163,005	145,471,249	132,246,587.81	13,224,661.19	10.00
354.00	TOWERS AND FIXTURES	20,296,034	14,292,355	34,588,389	24,705,991.57	9,882,397.43	40.00
355.00	POLES AND FIXTURES	13,553,263	35,493,941	49,047,204	32,698,136.55	16,349,067.45	50.00
356.00	OVERHEAD CONDUCTORS AND DEVICES	19,821,363	31,025,673	50,847,036	36,319,311.94	14,527,724.06	40.00
357.00	UNDERGROUND CONDUIT	445,471	1,435,282	1,880,753	1,880,752.49	0.51	0.00
358.00	UNDERGROUND CONDUCTORS AND DEVICES	1,567,760	3,736,229	5,303,989	5,303,988.77	0.23	0.00
	TOTAL TRANSMISSION PLANT	**131,971,525**	**161,528,723**	**293,500,248**	**239,173,770.83**	**54,326,477.17**	

LOUISVILLE GAS AND ELECTRIC
ELECTRIC PLANT

COMPARISON OF FUTURE ACCRUAL PERCENTAGE AS DETERMINED BY KENTUCKY COMMISSION STAFF

	ACCOUNT	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	TOTAL BOOK RESERVE AND FUTURE ACCRUALS	ORIGINAL COST	DIFFERENCE DEPRECIATION VS. ORIGINAL COST	PERCENT DIFFERENCE
	(1)	(2)	(3)	(4)=(2)+(3)	(5)	(6)=(4)-(5)	(7)
	DISTRIBUTION PLANT						
361.00	STRUCTURES AND IMPROVMENTS	4,796,994	2,902,939	7,699,933	6,416,608.23	1,283,324.77	20.00
362.00	STATION EQUIPMENT	46,104,182	52,323,031	98,427,213	85,588,876.42	12,838,336.58	15.00
364.00	POLES, TOWERS, AND FIXTURES	57,472,587	107,531,817	165,004,404	103,127,752.92	61,876,651.08	60.00
365.00	OVERHEAD CONDUCTORS AND DEVICES	80,947,114	178,566,479	259,513,593	173,009,057.04	86,504,535.96	50.00
366.00	UNDERGOUND CONDUIT	22,506,113	45,401,580	67,907,693	61,734,265.50	6,173,427.50	10.00
367.00	UNDERGROUND CONDUCTORS AND DEVICES	39,454,568	64,055,231	103,509,799	90,008,517.11	13,501,281.89	15.00
368.00	LINE TRANSFORMERS	50,507,529	79,071,282	129,578,811	107,982,342.81	21,596,468.19	20.00
369.10	SERVICES - UNDERGROUND	1,645,420	3,112,179	4,757,599	3,524,148.10	1,233,450.90	35.00
369.20	SERVICES - OVERHEAD	15,017,775	27,060,626	42,078,401	21,039,200.67	21,039,200.33	100.00
370.00	METERS	14,743,379	21,358,427	36,101,806	34,382,670.04	1,719,135.96	5.00
373.10	STREET LIGHTING AND SIGNAL SYSTEMS - OVERHEAD	14,545,574	13,981,630	28,527,204	23,772,667.59	4,754,536.41	20.00
373.20	STREET LIGHTING AND SIGNAL SYSTEMS - UNDERGROUND	15,306,457	33,752,667	49,059,124	40,882,602.84	8,176,521.16	20.00
373.40	STREET LIGHTING AND SIGNAL SYSTEMS - TRANSFORMERS	89,351	(1,806)	87,545	87,546.43	(1.43)	0.00
	TOTAL DISTRIBUTION PLANT	**363,137,043**	**629,116,082**	**992,253,125**	**751,556,255.70**	**240,696,869.30**	
	GENERAL PLANT						
392.20	TRANSPORTATION EQUIPMENT - TRAILERS	198,471	359,673	558,144	587,518.21	(29,374.21)	(5.00)
394.00	TOOLS, SHOP AND GARAGE EQUIPMENT	960,829	2,195,103	3,155,932	3,155,932.55	(0.55)	0.00
395.00	LABORATORY EQUIPMENT	805,480	698,351	1,503,831	1,503,831.33	(0.33)	0.00
396.20	POWER OPERATED EQUIPMENT - OTHER	21,151	29,917	51,068	51,067.69	0.31	0.00
	TOTAL GENERAL PLANT	**1,985,931**	**3,283,044**	**5,268,975**	**5,298,349.78**	**(29,374.78)**	
	TOTAL DEPRECIABLE PLANT	**1,486,181,991**	**2,420,164,944**	**3,906,346,935**	**3,172,229,288.15**	**734,117,646.85**	

LOUISVILLE GAS AND ELECTRIC
GAS PLANT

COMPARISON OF FUTURE ACCRUAL PERCENT AS DETERMINED BY KENTUCK COMMISSION STAFF

	ACCOUNT	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	TOTAL BOOK RESERVE AND FUTURE ACCRUALS	ORIGINAL COST	DIFFERENCE DEPRECIATION VS. ORIGINAL COST	PERCENT DIFFERENCE
	(1)	(2)	(3)	(4)=(2)+(3)	(5)	(6)=(4)-(5)	(7)
	DEPRECIABLE PLANT						
	PRODUCTION PLANT						
350.20	RIGHTS OF WAY	70,451	(6,773)	63,678	63,678.14	(0.14)	0.00
351.20	COMPRESSOR STATION STRUCTURES	743,281	1,037,855	1,781,136	1,696,319.20	84,816.80	5.00
351.30	MEASURING AND REGULATING STATION STRUCTURES	14,474	(3,050)	11,424	10,879.61	544.39	5.00
351.40	OTHER STRUCTURES	807,089	491,085	1,298,174	1,236,356.49	61,817.51	5.00
352.10	STORAGE LEASEHOLDS AND RIGHTS	569,590	(21,349)	548,241	548,241.14	(0.14)	0.00
352.20	RESERVOIRS	446,270	(45,759)	400,511	400,511.40	(0.40)	0.00
352.30	NONRECOVERABLE NATURAL GAS	7,165,705	2,483,150	9,648,855	9,648,855.00	0.00	0.00
352.40	WELL DRILLING	2,710,350	437,125	3,147,475	2,622,897.61	524,577.39	20.00
352.50	WELL EQUIPMENT	728,355	6,642,963	7,371,318	6,142,762.54	1,228,555.46	20.00
353.00	LINES	6,643,582	7,421,838	14,065,420	12,786,744.73	1,278,675.27	10.00
354.00	COMPRESSOR STATION EQUIPMENT	6,978,446	7,681,418	14,659,864	13,961,769.92	698,094.08	5.00
355.00	MEASURING AND REGULATING EQUIPMENT	252,799	154,402	407,201	387,809.47	19,391.53	5.00
356.00	PURIFICATION EQUIPMENT	4,093,652	7,330,742	11,424,394	9,934,256.85	1,490,137.15	15.00
357.00	OTHER EQUIPMENT	269,736	763,476	1,033,212	1,033,211.58	0.42	0.00
	TOTAL PRODUCTION PLANT	**31,493,780**	**34,367,123**	**65,860,903**	**60,474,293.68**	**5,386,609.32**	
	TRANSMISSION PLANT						
365.20	RIGHTS OF WAY	199,377	21,282	220,659	220,659.05	(0.05)	0.00
367.00	MAINS	11,578,244	2,362,536	13,940,780	12,673,432.30	1,267,347.70	10.00
	TOTAL TRANSMISSION PLANT	**11,777,621**	**2,383,818**	**14,161,439**	**12,894,091.35**	**1,267,347.65**	
	DISTRIBUTION PLANT						
374.22	OTHER DISTRIBUTION LAND RIGHTS	72,775	1,242	74,017	74,018.23	(1.23)	0.00
375.10	STRUCTURES & IMPROVEMENTS - CITY GATE STATION	112,776	122,443	235,219	224,018.51	11,200.49	5.00
375.20	STRUCTURES & IMPROVEMENTS - OTHER DISTRIBUTION	96,486	434,139	530,625	505,354.95	25,270.05	5.00
376.00	MAINS	92,672,522	248,362,426	341,034,948	262,334,573.57	78,700,374.43	30.00
378.00	MEASURING AND REGULATING STATION EQUIP-GENERAL	1,861,536	6,777,193	8,638,729	7,853,390.14	785,338.86	10.00
379.00	MEASURING AND REGULATING STATION EQUIP-CITY GATE	1,301,803	3,121,721	4,423,524	3,846,544.97	576,979.03	15.00
380.00	SERVICES	47,057,089	147,260,348	194,317,437	125,366,090.71	68,951,346.29	55.00
381.00	METERS	3,872,688	17,299,033	21,171,721	21,171,719.50	1.50	0.00
382.00	METER INSTALLATIONS	(817,817)	9,954,158	9,136,341	9,136,341.11	(0.11)	0.00
383.00	HOUSE REGULATORS	1,202,930	3,625,064	4,827,994	4,598,091.61	229,902.39	5.00
384.00	HOUSE REGULATOR INSTALLATIONS	513,259	4,429,471	4,942,730	4,707,358.65	235,371.35	5.00
385.00	MEASURING AND REGULATING STATION EQUIPMENT	114,537	44,825	159,362	159,361.88	0.12	0.00
387.00	OTHER EQUIPMENT	10,802	40,311	51,113	51,112.34	0.66	0.00
	TOTAL DISTRIBUTION PLANT	**148,071,386**	**441,472,374**	**589,543,760**	**440,027,976.17**	**149,515,783.83**	

LOUISVILLE GAS AND ELECTRIC
GAS PLANT

COMPARISON OF FUTURE ACCRUAL PERCENT AS DETERMINED BY KENTUCK COMMISSION STAFF

	ACCOUNT	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	TOTAL BOOK RESERVE AND FUTURE ACCRUALS	ORIGINAL COST	DIFFERENCE DEPRECIATION VS. ORIGINAL COST	PERCENT DIFFERENCE
	(1)	(2)	(3)	(4)=(2)+(3)	(5)	(6)=(4)-(5)	(7)
	GENERAL PLANT						
392.20	TRANSPORTATION EQUIPMENT - TRAILERS	131,916	319,157	451,073	474,814.36	(23,741.36)	(5.00)
394.00	TOOLS, SHOP, AND GARAGE EQUIPMENT	1,139,401	2,335,377	3,474,778	3,474,777.85	0.15	0.00
395.00	LABORATORY EQUIPMENT	258,930	180,583	439,513	439,513.20	(0.20)	0.00
396.20	POWER OPERATED EQUIPMENT - OTHER	32,879	17,822	50,701	53,369.30	(2,668.30)	(5.00)
	TOTAL GENERAL PLANT	**1,563,126**	**2,852,939**	**4,416,065**	**4,442,474.71**	**(26,409.71)**	
	TOTAL DEPRECIABLE PLANT	**192,905,913**	**481,076,254**	**673,982,167**	**517,838,835.91**	**156,143,331.09**	

LOUISVILLE GAS AND ELECTRIC
COMMON PLANT

COMPARISON OF FUTURE ACCRUAL PERCENTAGE AS DETERMINED BY KENTUCKY COMMISSION STAFF

	ACCOUNT	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	TOTAL BOOK RESERVE AND FUTURE ACCRUALS	ORIGINAL COST	DIFFERENCE DEPRECIATION VS. ORIGINAL COST	PERCENT DIFFERENCE
	(1)	(2)	(3)	(4)=(2)+(3)	(5)	(6)=(4)-(5)	(7)
	DEPRECIABLE PLANT						
	STRUCTURES AND IMPROVEMENTS						
390.10	GENERAL OFFICE	14,956,690	39,300,806	54,257,496	49,324,994.87	4,932,501.13	10.00
390.20	TRANSPORTATION	(751,201)	1,204,355	453,154	431,573.62	21,580.38	5.00
390.30	STORES	6,757,968	4,717,604	11,475,572	10,929,115.62	546,456.38	5.00
390.40	SHOPS	301,465	317,476	618,941	589,466.55	29,474.45	5.00
390.60	MICROWAVE	141,684	756,754	898,438	855,652.76	42,785.24	5.00
	OFFICE FURNITURE AND EQUIPMENT						
391.10	FURNITURE	7,559,547	4,953,428	12,512,975	12,512,975.03	(0.03)	0.00
391.20	EQUIPMENT	2,433,715	908,331	3,342,046	3,342,047.27	(1.27)	0.00
391.30	COMPUTER EQUIPMENT	9,693,676	9,525,555	19,219,231	19,219,230.99	0.01	0.00
391.31	PERSONAL COMPUTER	271,695	946,249	1,217,944	1,217,943.37	0.63	0.00
391.40	SECURITY EQUIPMENT	1,702,665	851,844	2,554,509	2,554,508.44	0.56	0.00
392.00	TRANSPORTATION EQUIPMENT - TRAILERS	27,626	32,608	60,234	63,404.28	(3,170.28)	(5.00)
393.00	STORES EQUIPMENT	414,144	796,509	1,210,653	1,210,653.40	(0.40)	0.00
394.00	TOOLS, SHOP AND GARAGE EQUIPMENT	672,910	2,797,454	3,470,364	3,470,364.28	(0.28)	0.00
395.00	LABORATORY EQUIPMENT	8,637	13,645	22,282	22,281.50	0.50	0.00
396.00	POWER OPERATED EQUIPMENT - OTHER	6,945	5,787	12,732	14,147.08	(1,415.08)	(10.00)
397.00	COMMUNICATION EQUIPMENT	12,740,088	23,627,517	36,367,605	36,367,603.46	1.54	0.00
397.10	COMMUNICATION EQUIPMENT - COMPUTER	5,155,519	629,236	5,784,755	5,784,754.49	0.51	0.00
398.00	MISCELLANEOUS EQUIPMENT	(154,835)	749,225	594,390	594,390.05	(0.05)	0.00
	TOTAL DEPRECIABLE PLANT	**61,938,938**	**92,134,383**	**154,073,321**	**148,505,107.06**	**5,568,213.94**	

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the First Data Request of Commission Staff
Dated February 18, 2008

Case No. 2007-00564

Question No. 8

Witness: John J. Spanos

Q-8. Refer to the Spanos Testimony, Exhibit JJS-LG&E, pages III-6 through III- 8. LG&E jointly owns 10 combustion turbines ("CTs") with Kentucky Utilities Company ("KU"). The CTs are Paddy's Run – Generator 13, E. W. Brown CTs 5 through 7, and Trimble County CTs 5 through 10. A comparison of the depreciation information on pages III-6 through III-8 with the corresponding pages in the KU depreciation study reveals that the survivor curves, accrual rates, and composite remaining lives are not the same for the jointly owned assets. Explain in detail why it is reasonable for LG&E and KU to have different depreciation rates for the same jointly owned assets.

A-8. There are alternate ways to determine an appropriate interim survivor curve for an asset class; however, it is critical to determine which assets are most homogenous, both as a result of the past and the future. Until recently, the production units for KU were managed and operated differently than the LG&E units. Therefore, in Mr. Spanos' experience, the most homogeneous historical asset classes were used to determine life characteristics based at the individual predecessor company level, not the cumulative company level. This is important because there were some operational differences between the two predecessor companies with regard to maintenance and capitalization. Therefore, the past life characteristics of all the KU units were different than the past life characteristics of all the LG&E units, and the total units for each Company were different. The other issue that came into play that prevented the studying of life characteristics of the common units among KU and LG&E was the lack of unit identification of all transactions since the original year of installation. In summary, it was determined the most appropriate and most homogeneous comparison by account would be of the units by predecessor company. The probable retirement date or lifespan is identical for common units between the two components.

The net salvage percents are basically the same for all units among the two Companies. However, it is critical to point out that the depreciation rate and composite remaining life are based on four parameters. First is the interim survivor curve and probable retirement date. Second is the net salvage component. Third is the depreciation procedure and reserve to plant ratio. Fourth

is the age of the surviving age distribution at the time of calculation. If any one of these four factors is different, then the depreciation rate and composite remaining life will not be equal. Because history is clear that the two Companies did not have identical recovery patterns since the initial year of installation, the reserve to plant ratio will only be the same at retirement when everything is fully recovered.

A remaining life rate is based on recovering future accruals (original cost times net salvage minus book reserve) over the remaining life of an asset class. The actual overall remaining life is the date of the study minus the probable retirement date. The unit remaining life on the summary schedule is the numerical computation of the vintage future accruals divided by the summation of the vintage annual accruals with all the parameters included.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the First Data Request of Commission Staff
Dated February 18, 2008

Case No. 2007-00564

Question No. 9

Witness: John J. Spanos

Q-9. Refer to the Spanos Testimony, Exhibit JJS-LG&E, pages III-8 through III-10. For each of the accounts listed below, explain in detail why the Future Accrual is larger than the Original Cost. In addition, explain why the result is reasonable and why the proposed level of Future Accrual should be reflected in the approved depreciation rates.

a. Account No. 355.00 – Poles and Fixtures.

b. Account No. 364.00 – Poles, Towers, and Fixtures.

c. Account No. 265.00 – Overhead Conductors and Devices.

d. Account No. 369.20 – Services – Overhead.

e. Account No. 352.50 – Well Equipment.

f. Account No. 380.00 – Services.

A-9. As discussed in response to Staff-7, the future accruals are not only determined by Original Cost minus book reserve. The appropriate calculation for future accruals is the summation of the original cost multiplied by one minus the net salvage percent minus the book reserve. Therefore, for electric accounts 355, 364, and 365, and gas accounts 369.20, 352.50 and 380, the full recovery of all assets currently in service with a negative net salvage percent could have future accruals larger than original cost. Considering the appropriate recovery level, the resulting future accruals are reasonable for these Accounts.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the First Data Request of Commission Staff
Dated February 18, 2008

Case No. 2007-00564

Question No. 10

Witness: John J. Spanos

Q-10. Refer to the Spanos Testimony, Exhibit JJS-LG&E. For each of the "Original and Smooth Survivor Curves" listed below, explain why the selected Iowa Curve is the best fit given the information plotted. Also indicate whether there were other Iowa Curves that reflected a fit similar to the plotted information.

a. Page III-48, Account No. 341 – Structures and Improvements.

b. Page III-66, Account No. 350 – Land and Land Rights.

c. Page III-70, Account No. 352 – Structures and Improvements.

d. Page III-76, Account No. 354 – Towers and Fixtures.

e. Page III-82, Account No. 356 – Overhead Conductors and Devices.

f. Page III-152, Account No. 351.30 – Measuring and Regulating Station Structures.

g. Page III-168, Account No. 352.50 – Well Equipment.

h. Page III-261, Account No. 385 – Measuring and regulating Station Equipment.

i. Page III-282, Account No. 390.30 – Structures and Improvements – Stores.

A-10. The statistical analyses for the accounts listed above in all parts, except g., were not fit statistically due to limited data to analyze. Therefore, other Iowa curves were considered but not fit or plotted. In part g, there were other Iowa Curves fitted, but not considered reasonable. The curve fitting analysis was included in response to AG-1.

a-f. The life analysis performed by Gannett Fleming is not solely a statistical analysis, so the selected Iowa Curve is a combination of historical data,

informed judgment, estimates of other utilities and expectations of management. As set forth on pages III-48, III-66, III-70, III-76, III-82 and III-152 of Exhibit JJS-LGE, the statistical indications for these accounts were inconclusive. Based on the nature of the assets in these accounts and the relationship these assets have with other accounts within the function, it was determined that the curve plotted on each page was most appropriate.

g. The statistical analysis on page III-168, Account 352.50 – Well Equipment, was a strong indicator of the life characteristics, but statistical data was not the only indicator. The first 30 age intervals are quite close statistically to the 50-R2.5 smooth curve. However, it was not possible to statistically match a smooth curve to the remaining 32 age intervals, as well as the first 30 age intervals, so judgment was utilized to best fit the 31-62 age intervals. A 50-year average life and 88-year maximum life is very realistic for well equipment and comparable to others within the industry. The 50-R2.5 survivor curve is a reasonable estimate for this asset class.

h&i. The life analysis performed is not solely a statistical analysis, so the selected Iowa Curve is a combination of historical data, informed judgment, estimates of other utilities and expectations of management. As set forth on pages III-261 and III-282 of Exhibit JJS-LG&E, the statistical indications for these accounts were inconclusive. Based on the nature of the assets in these accounts and the relationship these assets have with the other functional accounts, it was determined that the 40-S2.5 survivor curve for Account 385 and the 45-R3 survivor curve for Account 390.3 was most appropriate.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the First Data Request of Commission Staff
Dated February 18, 2008

Case No. 2007-00564

Question No. 11

Witness: John J. Spanos

Q-11. Refer to the Spanos Testimony, Exhibit JJS-LG&E. For each of the accounts listed below, explain how the net salvage percentage shown for the account on pages III-4 through III-12 is supported by the information presented on the referenced pages from the "Summary of Book Salvage." If depreciation studies for other utilities were utilized, identify the utility, indicate when the study was prepared, and explain why it was reasonable to use information from that study.

a. Account No. 331 – Structures and Improvements, pages III-310 and III-311.

b. Account No. 332 – Reservoirs, Dams and Waterway, page III-312.

c. Account No. 333 – Water Wheels, Turbines, and Generators, page III-313.

d. Account No. 334 – Accessory Electric Equipment, pages III-314 and III-315.

e. Account No. 335 – Miscellaneous Plant Equipment, pages III-316 and III-317.

f. Account No. 343 – Prime Movers, pages III-321 and III-322.

g. Account No. 362 – Station Equipment, pages III-341 and III-342.

h. Account No. 364 – Poles, Towers, and Fixtures, pages III-343 and III-344.

i. Account No. 367 – Underground Conductors and Devices, pages III-349 and III-350.

j. Account No. 351.20 – Compressor Station Structures, pages III-369 and III-370.

k. Account No. 367 – Mains, pages III-387 and III-388.

l. Account No. 375.20 – Structures and Improvements – Other, pages III-389 and III-390.

m. Account No. 378 – Measuring and Regulating Station Equipment – General, pages III-393 and III-394.

n. Account No. 396.20 – Power Operated Equipment – Other, pages III-410 and III-411.

o. Account No. 390.30 – Structures and Improvements – Stores, page III-417.

p. Account No. 390.40 – Structures and Improvements – Shops, pages III-418 and III-419.

q. Account No. 392.20 – Transportation Equipment – Trailers, pages III-422 and III-423.

A-11. It is Mr. Spanos' opinion that estimates of others is critical in understanding reasonable life and salvage estimates to be used in every study. Studies cannot be based solely on statistics, especially when data is limited. Therefore, Mr. Spanos utilized his experience and informed judgment of conducting hundreds of depreciation studies over his career to determine industry information is reasonable to use when conducting a study. The industry statistics are set forth in response to AG-8.

a-e. As stated on pages II-29 through II-33, the statistical data set forth on pages III-310 through III-317 was not a major indicator of the net salvage estimates for Accounts 331 through 335. The historical data was not conclusive for statistical indications. The most important factors were informed judgment based on estimates of others and Company expectations in the future.

f. As stated on pages II-29 through II-33, the statistical data set forth on pages III-321 and III-322 was not a major indicator of the net salvage estimate of Account 343. The overall historical data shows negative 1%, however, there was limited activity until 2006, thus, informed judgment based on estimates of others and Company expectations in the future were critical.

g. The statistical data set forth on pages III-341 and III-342, and the estimates of others were the strong indicators of the net salvage percent for Account 362. The overall period, 1972-2006 net salvage indication is negative 6%; however, the trend toward the most recent five years is negative 35%. It has been determined the most recent five-year period is more indicative of future net salvage percents, however, negative 35% is above the industry averages, therefore, negative 15% is estimated until additional data continues to support the most recent statistics.

h. As stated on pages II-29 through II-33, the statistical data set forth on pages III-343 through III-344 was not a major indicator of future net salvage

estimates for Account 364. The overall period, 1972-2006, sets forth statistical net salvage indications of negative 120% and the most recent five-year period indicates negative 743%. These indications are unrealistic for future net salvage percents. Therefore, industry averages were incorporated to establish the best estimate of negative 60%.

i. The statistical indications on pages III-349 and III-350 were utilized, but not the only indicator as the overall period, 1972-2006, calculates at positive 4% and the most recent five-year period calculates at negative 69%. The trend to zero gross salvage is expected to continue in the future. The recent trends for cost of removal have been very high, however, it is not expected to continue in years to come, therefore, industry averages were considered in extrapolating the most appropriate future net salvage of negative 15%.

j. The statistical data on pages III-369 and III-370 were good indicators for the net salvage percent for Account 351.20, however, there was limited data so industry averages were also strongly considered when determining the final estimate of negative 5%.

k&l. The statistical analysis for Account 367, and Account 375.20 were not considered conclusive to make a determination of future net salvage estimates for these accounts. The most recent years had limited to no net salvage or retirement activity, therefore, informed judgment was utilized based on estimates of others. A negative 10% was recommended for Account 367, and negative 5% for Account 375.20.

m. The statistical analysis for Account 378 was a strong indicator for the negative 10% net salvage utilized for future expectations. The overall period, 1972-2006, indicates negative 6% and the most recent five-year period indicates negative 9%. These statistical indications coupled with the industry averages established the negative 10% estimate.

n-q. The statistical analysis for gas plant account 396.20, and common plant accounts 390.3, 390.4 and 392.2, were too limited to base estimates solely on the statistics. Therefore, informed judgment of estimates of other utilities was used to establish the most appropriate estimate for each account.