

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 33**

**Witness: John J. Spanos**

- Q-33. Refer to each net salvage study in the Depreciation Study. For each of the five years ending 2006 explain whether the Company perceives the gross salvage and cost of removal as normal or abnormal and why.
- A-33. For each plant account, the net salvage analyses over the most recent 5 years ending 2006 in the Depreciation Study, sets forth entries viewed to be normal. However, the level of cost of removal or gross salvage as a percentage of retirement over the past five years may not be exactly the same in the future.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 35**

**Witness: John J. Spanos**

Q-35. If not provided elsewhere, please provide the net salvage estimates of other companies that Mr. Spanos considered, per page 12 of his testimony.

A-35. The industry statistics that were considered by Mr. Spanos are provided as an attachment to the response to AG-8.

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 36**

**Witness: Shannon L. Charnas**

Q-36. Please explain, and provide examples of, the Company's retirement unit cost procedures for each account. Identify all changes to retirement unit costs which have occurred over the years.

A-36. LG&E employs the retirement unit cost procedure prescribed in the Code of Federal Regulations 18 CFR, Chapter 1, Subchapter C, Part 101, Electric Plant Instructions 10 and 11, and in Subchapter F, Part 201, Gas Plant Instructions 10 and 11.

The Company utilizes work orders and a property records system to associate costs with property record units to ensure accurate accounting for retirements. For identifiable major units of property, the records include the location, cost and plant account to which the cost is charged. For mass property, cost data is maintained at an average cost of similar units recorded at the same time.

There have been no changes to retirement unit costs procedures over the years.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 37**

**Witness: John J. Spanos**

Q-37. Were any retirements, classified as sales or reimbursements, excluded from the life studies? If yes, were the retirements and related gross salvage and cost of removal also excluded from the net salvage studies?

A-37. No.

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 38**

**Witness: Shannon L. Charnas**

Q-38. Please explain the Company's procedures for gross salvage and cost of removal for each plant account. Also, please explain how cost of removal relating to replacements is allocated between cost of removal and new additions. Provide copies of actual source documents showing this allocation.

A-38. LG&E employs the salvage and cost of removal procedures prescribed in the Code of Federal Regulations 18 CFR, Chapter 1, Subchapter C, Part 101, Electric Plant Instruction 10, and in Subchapter F, Part 201, Gas Plant Instruction 10.

Gross salvage is the dollar amount received for property retired if sold. Salvage is recorded by a credit to the depreciation reserve and a debit to cash if the item is sold or to the material and supplies account if it is used within the utility.

Cost of removal is the cost of demolishing, dismantling, or otherwise removing plant. It is recorded as a debit to the accumulated depreciation account and a credit to the accounts affected by the removal project.

Cost of removal is not allocated to new additions.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 39**

**Witness: Shannon L. Charnas**

Q-39. Does LG&E agree that, in the case of a replacement, LG&E has control over how much of the cost of the replacement is assigned to the retirement as cost of removal, and how much is capitalized to plant-in-service? Please explain the answer fully.

A-39. As capital projects are planned, LG&E takes care to ensure that the proper amount is charged to capital vs. the cost of removal. As part of the estimation process, each project is analyzed as to how much labor, materials and related overheads will be needed to remove any existing equipment from the site. If any of the removed equipment can be resold, a salvage amount is estimated based on the current market value.

As construction and removal occur, the appropriate cost of removal work order is charged with the actual cost required to remove the old equipment. The salvage value is the actual scrap value of the removed material.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
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**Case No. 2007-00564**

**Question No. 40**

**Witness: Shannon L. Charnas**

Q-40. Please provide all manuals, guidelines, memoranda or other documentation that deals with the Company's policies on the assignment of capital costs and net salvage with regard to the replacement of retired plant. Also, please provide a sample workorder for a replacement project, showing these cost assignments.

A-40. LG&E assigns capital costs and net salvage with regard to the replacement of retired plant as prescribed in the Code of Federal Regulations 18 CFR, Chapter 1, Subchapter C, Part 101, Electric Plant Instructions 10 and 11, and in Subchapter F, Part 201, Gas Plant Instructions 10 and 11.

The Company utilizes work orders and a property records system to associate costs of removal and salvage with the associated accumulated provision for cost of removal and salvage as applicable to such property to ensure accurate accounting for retirements.

See response to AG-12 for a copy of the Company's current Capitalization Policy.

See the attached documents for an example of a replacement project showing the cost assignments and the Capitalization and Retirement Policy and Procedures.

**AUTHORIZATION FOR INVESTMENT PROPOSAL**

121430

Original  
 Revised

LG&E Energy Services Co.     Louisville Gas & Electric Co.     Kentucky Utilities Company  
 LG&E Energy Marketing     Western Kentucky Energy     LG&E Power Inc.  
 Other: \_\_\_\_\_

Name of Project: Mill Creek Unit 1 SH Final Pendant Replacement  
Date Requested: 1/25/2006    Project Number: 121430    Related Project Numbers: 121431, 121432  
Budgeted (Y)   If unbudgeted, list alternate budget ref. Number(s) (1): Placeholder project 120521  
Expected Start Date (2): 2/13/2006    Expected In-service Date (2): 10/9/2006    Expected Completion Date (2): 12/26/2006  
AIP Prepared by: Marc Blackwell    Phone: 833-6622  
Project Manager: Marc Blackwell    Phone: 833-6622

Product Code (3)	Resp. Center (4)	Location # (5)	OBU Name (6)	Environmental Code/Category (7)
117	002407	241	Generation	

**REASONS AND DETAILED DESCRIPTION OF PROJECT**

(Include sketch no., if applicable)  
This project is to replace 80 of 117 Superheat Final Pendant Assemblies SA213-T22 tubes (30 assemblies on each side). Dissimilar Metal Welds (DMW), and the first and second SA213-Typ 347H stainless steel tubes of the first 4 assemblies on either side. The T22 is suffering from misalignment due to overheating, the DMWs were scheduled to begin failing two years ago, and the stainless steel has been suddenly cooled by condensate from the sootblower to cause creep fatigue. The failure rate has been calculated to be 1 failure every 2 years or 1/2 per year for the T22 and the stainless steel creep fatigue failures have been estimated at 1 every 2 years or 1/2 per year. Combining the two failures yields a rate of 1 failure per year. If the work is not completed in 2006, the next available outage is 2008.

131200  
70 047

Funded from placeholder project 120521 (MC1 Boiler Tubing - 2006).

Costs	Capital Investment	Cost of Removal/Retirement	Capital Cost Subtotal (8)	Initial O&M Cost (9)	Lifetime Maintenance Cost (8)	O&M Cost Subtotal	TOTAL INVESTMENT
Company Labor							
Contract Labor	459,000	100,000	559,000				559,000
Materials	207,998	208	208,206				208,206
Other (Describe) Contingency	73,600		73,600				73,600
Less Salvage							
Local Engineering: 1.5% G&A: 1.5%	22,188	3,008	25,194				25,194
Subtotal	761,786	103,214	865,000				865,000
Contr. In Aid on Constr. (CIAC) (1)							
Net Expenditures	761,786	103,214	865,000				865,000

**Signature Required (Based on CAPITAL COST SUBTOTAL COLUMN) (10):**

Authorized by	Typed or Printed Name	Signature	Date
1. Supervisor/Team Leader (Non-IT and IT up to \$25k)	Marc Blackwell	<i>Marc Blackwell</i>	01/27/06
2. Commercial Operations Manager (12)	Dave Cook	<i>Dave Cook</i>	1/23/06
3. Manager (Non-IT >\$25k up to \$100k; IT >\$25k up to \$50k)	Joe DiGirola	<i>Joe DiGirola</i>	1/30/06
4. Director (Non-IT >\$100k up to \$300k; IT >\$50k up to \$100k)	Michael Kirkland	<i>Michael Kirkland</i>	1/26/06
5. OBU Budget Coordinator (13)	MICHAEL WATSON	<i>Michael Watson</i>	2/3/06
6. Financial Planning (Non-IT and IT >\$300k; all unbudgeted projects; all Development Proposals) (14) or Investment Committee Coordinator (Non-IT >\$1.0M; IT >\$250k; Development >\$500k) (15)	LINDA ZUMAR	<i>Linda Zumar</i>	2/13/06
7. Vice-President (Non-IT >\$300k up to \$750k; IT >\$100k up to \$200k; Development up to \$200k)	John Voyles	<i>John Voyles</i>	2/3/06
8. Senior Officer (Non-IT >\$750k up to \$1.0M; IT >\$200k up to \$500k; Development >\$200k up to \$500k)	PAUL THOMPSON	<i>Paul Thompson</i>	2/13/06
9. CFO (Non-IT >\$1.0M; IT >\$250k; Development >\$500k) (16)			
10. CEO (Non-IT >\$1.0M up to \$20.0M; IT >\$500k up to \$20.0M; Development >\$500k up to \$20.0M) (16)			
11. E-On Board (Non-IT, IT, and Development > \$20.0M)			
12. Information Technology (16)			
13. Property Accounting (including budget check)	EDWARD C. LARK	<i>Edward C. Lark</i>	2/13/06

**E.ON U.S. LLC Accounting Policy and Procedures**

Date 10/15/07  
Page 1 of 4

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**Capital Additions and Retirements Policy and Procedures**

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**Policy:** The Fixed Asset records (capitalization and retirement of assets) of LG&E, KU and Servco must be maintained according to company guidelines and policies.

**Procedure:** The procedures for adding and removing capital assets from the financial books of the company are described in the detailed instructions below.

**Scope:** All asset additions and retirements of LG&E, KU and Servco.

**Objective of Procedure:** Ensure that all capital assets and retirements are properly added or removed from the financial books.

**General Requirements:**

**Detailed Procedures Performed:** According to the Corporate Capital Policy guidelines, projects with a total cost of \$2,000 or less will be expensed, and any Authorization for Investment Proposal (AIP) that is received for \$2,000 or less is returned to the Project Manager with an explanation. All other capital expenditures are subject to mandatory capitalization. All fixed assets are recorded at cost as mandated by the Federal Energy Regulatory Commission (FERC).

To ensure timely capitalization and retirement of projects, a report is generated by the Fixed Asset System Administrator on a quarterly basis identifying capital and cost of removal projects which are in "active" status but having no activity for 90 days or more. This report is sent to every line of business budget coordinator with a request to update the project status to "complete" or verify that the project is still active. If the project status is "complete", the Property Accounting Department will capitalize it in a timely matter.

Monthly, the Fixed Asset System Administrator generates a report identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement. The report is saved on the Property Accounting Department shared drive (fs2\propacct\Oracle Classification\Job Logs\Current Year Job Logs\Current Month and Company).

During the accounting period, Property Accounting Analysts select projects from this file for capitalization/retirement. The Property Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (fs2\propacct\Oracle Classification\Analysis Tools) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Property Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements. The capitalization process includes the following:

- Review AIP.
- Reconcile capital and cost of removal expenditure charges to the AIP to ensure that all expenditures have been properly authorized. If the variance compared to the original AIP is 10%

## **E.ON U.S. LLC Accounting Policy and Procedures**

Date 10/15/07  
Page 2 of 4

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### **Capital Additions and Retirements Policy and Procedures**

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or \$100,000 over; (whichever is less subject to a minimum of \$25,000), a revised AIP must be completed as soon as possible.

- Review all project charges to ensure that all charges should be properly capitalized or classified as cost of removal.
- Reconcile units of property listed on the back of the AIP form to what has been charged to the project.
- Confirm Construction Work in Process Access Database reconciles to the Transaction Detail Report less any prior unitizations.

Transaction processing is accomplished in the ORACLE Fixed Asset System with a combination of manual and automated processes as documented in the Capitalization Procedure Manual maintained in Property Accounting. The Property Accounting Analyst creates manual as-builts in the Fixed Asset System for all non-mass property. Mass property such as utility poles, crossarms etc., is unitized through an automated as-built process. In both processes, costs charged to capital projects are distributed automatically by the system based on units of property established by the analyst in the case of manual as-builts, and those established from inventory transactions in the case of automated as-builts. The Property Accounting Analyst again verifies the segmentation is correct and assigns the asset to a segmented plant account pursuant to FERC regulations.

The retirement process includes the following:

- Review AIP and the associated retirement/salvage information to determine if a retirement is listed or should be listed based on a description of the project (i.e., if a project addition is to replace an asset a retirement should be listed). The Property Accounting Analyst will question the responsible Budget Analyst if retirements are not listed where it appears they should be.
- Review all project removal charges in the Transaction Detail Report – Actual Cost (RWIP).

Manual retirements are those related to a one time retirement event. The cost (complete or partial) of manual retirements based on units retired is entered into Oracle Fixed Assets via the Mass Transactions Function. The cost of manual partial retirements where units are not applicable is entered into Oracle Fixed Assets via the Asset Workbench. Retirement Work in Process (RWIP) related to manual retirements is allocated to the appropriate reserve accounts by the establishment of Retirement Adjustment Assets in Oracle Projects via the PA Capital Analyst Responsibility.

Blanket retirements are those related to ongoing projects which are processed periodically. The requests for Oracle Fixed Assets retirements and Oracle Projects retirement adjustment assets are created automatically based upon data supplied from the Work Management system. The job process "Create Periodic Events" is run to create retirement requests and retirement adjustment assets.

For both manual and automated retirements, the job process "Generate Asset Lines" is run which creates retirement cost lines for the retirement adjustment assets.

For both additions and retirements, ORACLE system cross validation rules prevent the analyst from choosing invalid units of property, plant accounts and business segment combinations in order to prevent



**E.ON U.S. LLC Accounting Policy and Procedures**

Date 10/15/07

Page 3 of 4

**Capital Additions and Retirements Policy and Procedures**

incorrect data from being entered. An error message is generated in the event of an invalid combination and the analyst must correct the error before proceeding. In addition, mandatory input fields are required including in service dates, tax districts, locations, units of property, etc. The Fixed Asset System does not allow the posting of assets with incomplete data fields.

After the Property Accounting Analyst creates the as-builts in the ORACLE Fixed Asset System, the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, company guidelines, etc.) by the Property Accounting Senior Accounting Analyst or other designee who then runs the ORACLE "Generate Asset Lines" Process and the ORACLE "Interface Asset Lines to Oracle Assets" Process. In the case of Generation projects, the Property Accounting Analyst runs the ORACLE "Generate Asset Lines" Process before the project is passed on to the Senior Accounting Analyst for review. After the ORACLE "Interface Asset Lines to Oracle Assets" Process is completed, relevant data including project number, amount added or retired, cost of removal, salvage amount, and the analyst's initials are entered into the Oracle Classification Spreadsheet maintained on the Property Accounting shared drive (fs2\propacct\Oracle Classification\Current Year Class). The spreadsheet calculates a control total of all additions, retirements, removal and salvage costs entered by Property Accounting Analysts during the month. The as-built folder is then passed to the Fixed Asset System Administrator for posting.

Toward the end of the closing period, the Fixed Asset System Administrator notifies the Property Accounting Analysts via e-mail of the last day to stop all capitalization transactions. At the end of the closing period, the Fixed Asset System Administrator begins the closing process.

The Fixed Asset System Administrator then runs the ORACLE processes to post all acquisitions for assets and retirements. These procedures are documented in the "Property Accounting Monthly Closing Procedures". This binder is maintained by the Fixed Asset System Administrator and a duplicate binder is retained by the Manager of Property Accounting.

To ensure that fixed asset listings are complete after posting current period additions and retirements, the Fixed Asset System Administrator reconciles all addition and retirement postings in the general ledger to control totals in the Oracle Classification Spreadsheet (fs2\propacct\Oracle Classification\Current Year Class). Discrepancies are investigated and cleared as discovered. The Manager of Property Accounting reviews and signs off on the reconciliation. Posting exceptions are identified through the ORACLE "PRC Tieback Asset Lines from Oracle Assets". This report is run after the posting of additions and retirements and before running depreciation. The Fixed Asset System Administrator investigates and resolves each exception before the next month end close. Once all totals are reconciled, the Fixed Asset System Administrator runs the depreciation calculations and completes the monthly reconciliation and closing process. The Fixed Asset System Administrator maintains all supporting documentation in binders stored in the Property Accounting Department. During the closing process, the Fixed Asset System Administrator uses a closing checklist saved on the Property Accounting Shared Drive (fs2\propacct\Closing\Closing Reports\Closing Checklist) to ensure that all steps are completed.

***Reports Generated and Recipients:***

**E.ON U.S. LLC Accounting Policy and Procedures**

Date 10/15/07  
Page 4 of 4

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**Capital Additions and Retirements Policy and Procedures**

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- Plant Additions and Retirement Report.

***Additional Controls or Responsibility Provided by Other Procedures:***

- General ledger debits and credits for Account 101 Plant in Service should tie to the additions and retirements.
- Budget Coordinators, Financial Planning personnel and Property Accounting Analysts review AIPs to confirm assets are to be capitalized.

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***Regulatory Requirements:***

- FERC Accounting Guidelines

**Reference:**

- Code of Federal Regulations 18 PT 101 Electric Plant Instructions

**Key Contact:** Manager-Property Accounting

**Administrative Responsibility:** Director, Utility Accounting and Reporting

*Date Created: 11/24/04*

*Dates Revised: 10/15/07*

*Dates Reviewed:*



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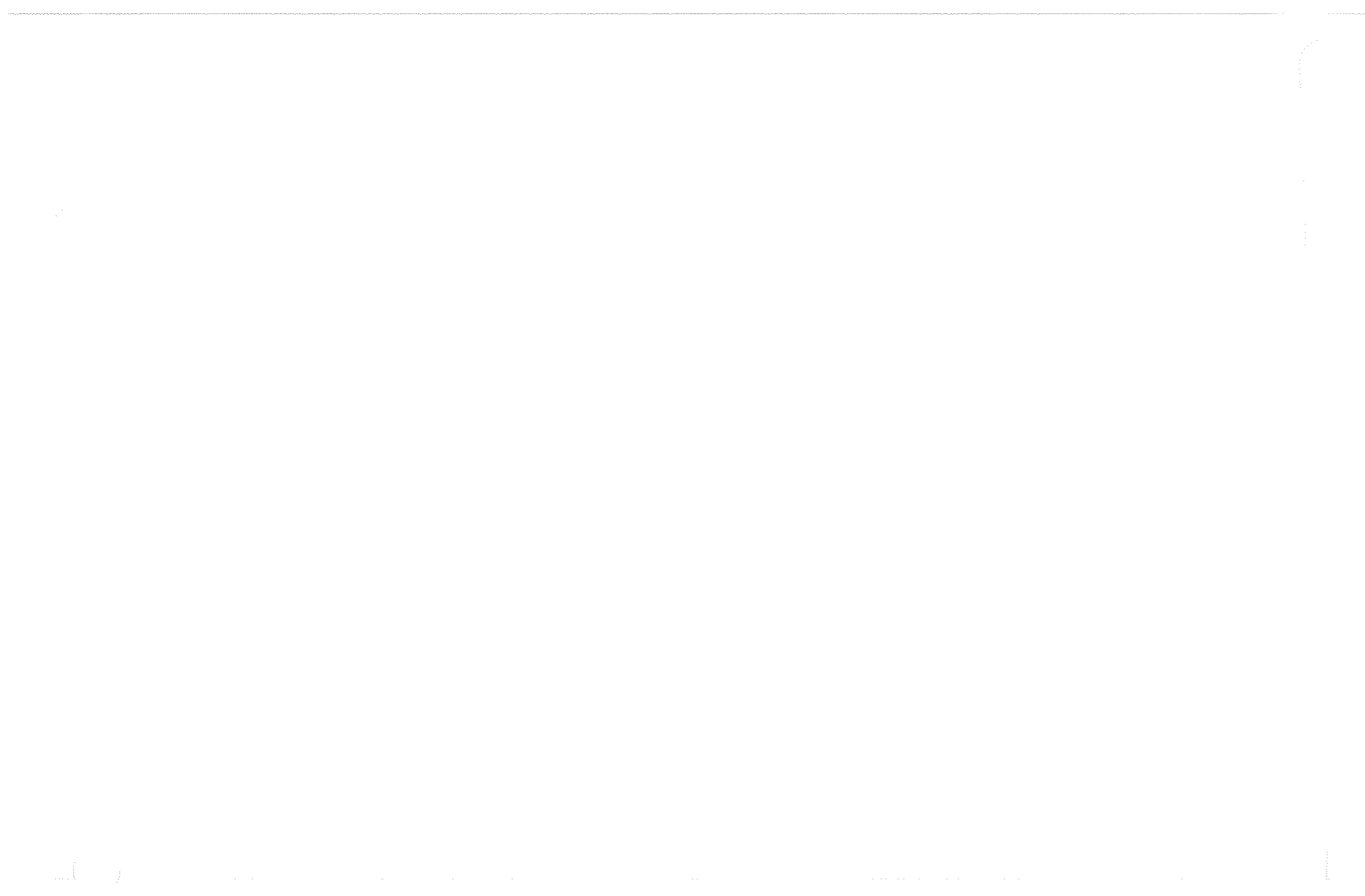
**Question No. 41**

**Witness: Shannon L. Charnas**

Q-41. Please provide narrative explanations of the Company's aging and pricing procedures.

A-41. LG&E employs the pricing procedures prescribed in the Code of Federal Regulations 18 CFR, Subchapter C, Part 101, Electric Plant Instruction 9 and Subchapter F, Part 201, Gas Plant Instruction 9. ~~Actual cost, representing the amount of cash outlaid for property purchased or services rendered, is employed.~~

For purposes of aging, an in-service date is assigned to each asset based on the date such asset is certified as in-service by the project engineer. Facilities are considered "in service" when they are energized or are used or useful for the purpose for which they have been constructed.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 43**

**Witness: Shannon L. Charnas**

Q-43. Please provide the Company's construction and capital budgets for the years 2007-2011 inclusive. Please identify all retirements, replacements, new additions and cost of removal reflected in these budgets. Please provide by account where available and explain how the cost estimates are derived for these items.

A-43. See the attached three-year capital budget filed with the Kentucky Public Service Commission on March 28, 2008, in conjunction with the Powergen/LG&E Energy Corp. merger in Case No. 2000-095. Five-year capital budgets are not developed.

E.ON U.K. Ltd (formerly Powergen LTD, formerly Powergen plc), E.ON U.S. LLC (formerly LG&E Energy LLC, formerly LG&E Energy Corp.), Louisville Gas and Electric Company, and Kentucky Utilities Company  
Case No. 2000-095 - Response to Summary of Findings, No. 15  
Three-Year Capital Budgets  
[ \$ 000,000's ]

	2008	2009	2010	Change from Prior Report [ Increase; (Decrease) ]	
				2008	2009
<b>Louisville Gas &amp; Electric Company -</b>					
Generation	\$ 100.7	\$ 106.2	\$ 122.6	\$ 1.0	\$ 3.9
Transmission	17.5	11.6	10.2	2.6	(6.2) <sup>1</sup>
Distribution	96.3	97.0	98.8	24.0	19.3
Cust Svc, Sales & Mkting (incl Metering)	4.0	3.7	4.0	0.1	(0.2)
Information Technology	29.2	13.2	10.2	(0.5)	(0.8)
Other	2.8	3.7	2.5	0.5	1.3
<b>Total</b>	<b>\$ 250.5</b>	<b>\$ 235.4</b>	<b>\$ 248.3</b>	<b>\$ 27.7</b>	<b>\$ 17.3</b>
<b>Kentucky Utilities Company -</b>					
Generation	\$ 657.9	\$ 241.4	\$ 167.2	\$ 56.8	\$ (35.3) <sup>2</sup>
Transmission	50.6	35.9	25.9	8.2	(9.8) <sup>1</sup>
Distribution	69.5	75.5	73.4	12.2	14.5
Cust Svc, Sales & Mkting (incl Metering)	2.6	2.2	2.4	0.5	0.3
Information Technology	28.0	14.3	10.7	0.4	(0.1)
Other	1.8	2.8	1.6	0.4	1.5
<b>Total</b>	<b>\$ 810.4</b>	<b>\$ 372.1</b>	<b>\$ 281.2</b>	<b>\$ 78.5</b>	<b>\$ (28.9)</b>

Note(s) -

1. Accelerated project schedules and capital expenditures in 2007 and 2008
2. Delay of Ghent 2 SCR and spend on other environmental equipment





**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 44**

**Witness: John J. Spanos**

Q-44. Please explain how the Company accounts for third party reimbursements and how they are reflected in the Depreciation Study.

A-44. The Company accounts for third party reimbursements as prescribed in the Code of Federal Regulations 18 CFR, Chapter 1, Subchapter C, Part 101, Electric Plant Instruction 2, paragraph D and Electric Plant Instruction 3, paragraph A(8) and in the instructions for Account 108.

Insurance proceeds received, related to the retirement of a capital asset, are recorded as a credit to Account 108 consistent with FERC instructions for Account 108.

All third party reimbursements are reflected in the Depreciation Study as a reduction in net plant consistent with FERC regulation.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 45**

**Witness: John J. Spanos**

Q-45. If third-party reimbursements were excluded from the net salvage studies, was the related retirement also excluded from the life studies?

A-45. Third-party reimbursements were not excluded from the net salvage studies.

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LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008

Case No. 2007-00564

Question No. 46

Witness: Shannon L. Charnas

Q-46. For 2006 please identify the amount and proportion of each account that was capitalized as overhead to construction and the proportion and amount that was treated as an annual expense.

A-46. Please see the table below for the amount and proportion of overheads charged to Capital, the Income Statement and Other Balance Sheet Accounts for 2006.

Burden Component	Capital		Income Statement		Other Balance Sheet		Total
	\$	%	\$	%	\$	%	\$
Offduty - Accounts 184001-184031	\$ 1,215,163	10%	\$10,297,162	82%	\$ 976,014	8%	\$12,488,339
Benefits - Accounts 184040-184075 and 184096-184119	5,005,073	10%	39,827,476	82%	3,671,182	8%	48,503,731
Payroll taxes - Account 236	820,687	11%	6,267,396	82%	561,956	7%	7,650,039
Stores Expense - Account 163	450,300	31%	1,023,862	69%	213	0%	1,474,375
Admin and General - Account 184076	1,477,892	94%	3,271	0%	90,045	6%	1,571,207
Local Engineering - Account 184.6	13,818,092	100%	-	0%	-	0%	13,818,092
<b>Total</b>	<b>\$22,787,207</b>	<b>27%</b>	<b>\$57,419,166</b>	<b>67%</b>	<b>\$5,299,411</b>	<b>6%</b>	<b>\$85,505,783</b>



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 47**

**Witness: John J. Spanos**

Q-47. Do Mr. Spanos's net salvage estimates for mass property accounts incorporate inflation expected to be incurred in the future? If yes, provide the net present value of all of these ratios.

A-47. ~~The net salvage estimates for mass property accounts have been determined by Mr. Spanos in the same fashion as has been determined by all of his studies and the traditional methodology utilized by almost all utilities across the United States and Canada. The cost of removal and gross salvage are the last record of the service value of an asset when taken out of service.~~

Therefore, the net salvage estimates in this study are calculated using historical data of plant retired each year with the corresponding cost of removal and gross salvage incurred for the retired assets. Consequently, the annual retirements are based on the original cost installed and the cost of removal and gross salvage are recorded in the final year in service. These annual percentages are used in the determination of future net salvage accruals. Consequently, net salvage percents are traditionally calculated based on plant dollars installed earlier in time than the time period the cost of removal is booked. This is the only way to calculate net salvage in an equitable fashion for ratepayers today and in the future.

As a result, no inflation is added to the percentages for future recovery, just the comparable percentages of the historical data. No net present value ratios were calculated for the mass property accounts.





**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 48**

**Witness: John J. Spanos**

Q-48. Is it correct that Mr. Spanos's mass property cost of removal estimates extrapolate past inflation into the future cost of removal estimate? If not, please explain why not.

A-48. Mr. Spanos' mass property estimates for net salvage incorporate the ratio of annual original cost of plant retired to the summation of annual scrap value of the asset minus the cost to remove the asset. Therefore, historical activity is utilized for estimating future estimates. The net salvage estimates are calculated from different time periods, however, that is the only way to insure full recovery so the changes in the costs are a basis for the estimate.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 49**

**Witness: Shannon L. Charnas**

Q-49. Please provide a comparison of the annual cost of removal and gross salvage amounts shown on the Company's federal tax returns with the corresponding book amounts, for the last 5 years. Provide the annual deferred tax expense associated with each of the differences. Also, provide the beginning and ending *accumulated deferred tax balances* and state whether they are rate base additions or rate base deductions.

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A-49. See attached. The 2007 tax return has not been completed yet. The attached table is the last five years of available information for tax and books. The tax return amounts represent a tax deduction claimed for the Cost of Removal ("COR") and income for salvage. For tax return purposes salvage is segregated from COR as Gain/Loss. The book amounts are the charges to the reserve (Account 108). Amounts on the table do not include the COR in the book depreciation rates.

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	2006 Tax Return	2006 Book	2005 Tax Return	2005 Book	2004 Tax Return	2004 Book	2003 Tax Return	2003 Book	2002 Tax Return	2002 Book
Cost of Removal	7,360,018.33	6,535,857.18	8,005,303.09	7,003,326.67	10,459,991.32	10,041,432.26	6,289,747.00	3,099,864.13	5,524,160.00	5,257,529.67
Gain/Loss	(807,782.15)	-	(941,607.42)	-	(182,075.90)	-	(241,944.62)	-	(272,169.44)	-
<b>Total</b>	<u>6,552,236.18</u>	<u>6,535,857.18</u>	<u>7,063,695.67</u>	<u>7,003,326.67</u>	<u>10,277,915.42</u>	<u>10,041,432.26</u>	<u>6,047,802.38</u>	<u>3,099,864.13</u>	<u>5,251,990.56</u>	<u>5,257,529.67</u>
Deferred Tax										
Federal Expense	2,132,752.88		2,299,232.94		3,300,495.59		1,942,100.54		1,686,545.47	
State Expense	458,656.53		494,458.70		847,928.02		498,943.70		433,289.22	
<b>Total Expense</b>	<u>2,591,409.41</u>		<u>2,793,691.64</u>		<u>4,148,423.61</u>		<u>2,441,044.24</u>		<u>2,119,834.69</u>	

Rate Base Additions or Deductions

Addition

Addition

Addition

Addition

Addition

The accumulated deferred tax balances for COR are included with other property related deferred taxes and as a result the cumulative balance for COR is not available.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 50**

**Witness: John J. Spanos**

Q-50. Provide all alternative calculations of the net present value of future net salvage estimates that Mr. Spanos has contemplated, written about, or addressed in presentations over his career. Explain the pros and cons of each alternative approach.

A-50. ~~Mr. Spanos has not contemplated, written about or addressed in presentations alternative calculations of the net present value of future net salvage in his career, other than his continual rebuttal of the methodology presented by Snavely, O'Connor, King & Majoros.~~

The cons of each of the methodologies presented by Snavely, O'Connor, King & Majoros are intergenerational inequities for ratepayers and underrecovery of the full service value of the asset during the time the asset is in service.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 51**

**Witness: John J. Spanos**

Q-51. If not provided in the workpapers, please provide the retirement rate analysis ranking of best-fit life/curve combinations for each account.

A-51. The retirement rate analyses and the respective curve fitting calculation workpapers are included as an attachment to the response to AG-1.

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 52**

**Witness: John J. Spanos**

Q-52. For any accounts where Mr. Spanos did not base his service life/curve selection on the results of his retirement rate analysis, explain why he did not. Also, explain in detail how those service live/curve combinations were selected.

A-52. Mr. Spanos has stated for which accounts the historical results of the retirement rate analysis was a major component of the service life and survivor curve (pages II-24 through II-26). He also discusses within the Depreciation Study, on page II-24, the factors that were involved in determining all of the accounts.

Thus, the accounts where the historical data was not conclusive or representative of future life characteristics, Mr. Spanos combined the past estimate for this Company, the industry ranges and future plans of the Company for each account to develop his selection of the most appropriate life and survivor curve combination. There is informed and experienced judgment for each estimate selected, however, there is not any specific mathematical computation performed on the estimates of other utilities.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 53**

**Witness: John J. Spanos**

Q-53. Please provide copies of any and all actuarial and semi-actuarial studies prepared by the Company since the last depreciation studies.

A-53. The Company has not prepared any actuarial or semi-actuarial studies since the last depreciation study submitted in the Company's last general rate case proceeding, Case No. 2003-00433.

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 54**

**Witness: John J. Spanos**

Q-54. Identify and explain all Company programs which might affect plant lives.

A-54. There are no specific plans in place as the Company continually evaluates capital and maintenance needs by project for each production unit and mass asset class. All replacement projects are determined to maintain quality service to the customers and integrity of the asset lives.

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 55**

**Witness: J. Scott Cooke**

Q-55. Please provide all internal life extension studies prepared by the Company since January 1, 2000. Life extension refers to any program, maintenance or capital, designed to extend lives and/or increase capacity of existing plant. Identify the functions to which these studies relate.

A-55. As stated in the Companies' 2005 Integrated Resource Plan, Section 6 (Case No. 2005-00162) on "Rehabilitation of Ohio Falls," a rehabilitation project implemented in three phases over a number of years began in 2001 with portions of Phase 1 and Phase 2 performed simultaneously. Phase 1, which was completed in the fall of 2002, included new automated controls allowing remote unit operation in an economical and efficient manner. Phase 2 involved the design and installation of modern trash removal systems, minimizing the labor required and the volume of river debris removal. Phase 3 entailed the most significant scope of work to date, the rehabilitation of the turbine/generator units. A report from Voith Siemens Hydro ("VSH") in June 2002, and again in 2003, provided updates to its previous engineering study assessing the condition of the existing eight hydro units and analyzing what would be necessary to upgrade or rehabilitate the units. These studies were evaluated by LG&E and a recommendation to rehabilitate all eight hydro units was developed. Thus far, two of the eight units have been rehabilitated (unit 7 was completed October 13, 2006 and unit 6 was completed January 31, 2008). The FERC license indicates that LG&E shall complete all eight upgrades within nine years from the effective date of the new license (October 25, 2005).

Waterside 7 & 8 were retired as of August 21, 2006. These units were retired in conjunction with the sale of the property to the Louisville Arena Authority. The sale of the property was approved by the Kentucky Commission in Case No. 2006-00391.

The engineering assessment, as well as the reports by Fuller, Mossbarger, Scott and May Engineers, Inc., were filed with that case and can be found at the following website: <http://psc.ky.gov/pscscf/2006%20cases/2006-00391/>.



Paddy's Run 12 was mothballed as of November 21, 2006 due to a bearing issue causing compressor rotor damage to low pressure blades and bucket. Paddy's Run 12 was evaluated during the 1<sup>st</sup> quarter of 2007 for further capital investments. The evaluation on Paddy's Run 12 was filed in the April 13, 2007 Supplemental Response Question No. 3 to the Kentucky Commission Staff's Interrogatories of Case No. 2006-00510. The evaluation indicated that it was cost effective to perform the necessary repairs to return the unit to service. The repairs were made and the unit was returned to service on November 21, 2007.

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LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008

Case No. 2007-00564

Question No. 56

Witness: John J. Spanos / Shannon L. Charnas

Q-56. Provide the following information for all final retirements for the last 15 years. If requested data is not available for the last 15 years, provide the data for as many years as are available.

- a. Date of retirement
- b. Amount of retirement
- c. Account
- d. Reason for retirement
- e. Whether or not retirement was excluded from historical interim retirement rate studies.

A-56. LG&E has recorded two final retirements of generating facilities in the past 15 years. The first retirement was at Cane Run Unit 3 and the second was at Waterside Units 7 & 8. The tables below set forth the information for parts a) through d) of the response.

a-d. Cane Run Unit 3

- |                          |                             |
|--------------------------|-----------------------------|
| a. Date of retirement    | December 1995               |
| b. Amount of retirement  | \$10,413,184                |
| c. Accounts              | 311-316                     |
| d. Reason for retirement | End of economic useful life |

Waterside Units 7 & 8

- |                          |                             |
|--------------------------|-----------------------------|
| a. Date of retirement    | September 2006              |
| b. Amount of retirement  | \$4,109,827                 |
| c. Accounts              | 341-346                     |
| d. Reason for retirement | End of economic useful life |

- e. Both the above retirements were inadvertently included in the interim retirement rate analyses, however, recalculation did not result in any major impact in the statistical analysis of the interim survivor curve. The revised steam account analysis is included on the attached CD. The other production plant analysis was based primarily on judgment as the statistical results were not conclusive, therefore, a new analysis was not provided to the response.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 57**

**Witness: Shannon L. Charnas**

Q-57. Please provide the ARO/ARC calculations for each of LG&E's property accounts assuming that LG&E has legal AROs for all of its plant.

A-57. Please see the files included on the attached CD for the ARO/ARC calculations as of 12/31/2006 for the AROs established by the Company. ~~LG&E does not have AROs on all of its plant—only those required by SFAS No. 143 and FIN 47.~~



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 58**

**Witness: John J. Spanos**

Q-58. Describe the relationship of the dollars in Mr. Spanos's life studies to the actual unpriced retirement units to which they relate.

A-58. The dollars reflected in Mr. Spanos' retirement rate analyses set forth assets exposed to retirement by age interval and those dollars retired at each age interval. Therefore, all dollars in the life analyses reflect assets that have been placed in service for the designated experience band and those assets that have survived to the respective age intervals. The life analysis performed by Mr. Spanos is done on a dollar basis, not a unit basis.





**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 59**

**Witness: John J. Spanos**

Q-59. Provide and explain all life studies (actuarial or semi-actuarial) Mr. Spanos conducted for LG&E using actual unpriced retirement units.

A-59. The actuarial life studies presented by Mr. Spanos in Louisville Gas & Electric's Depreciation Study are the basis for his life estimates. These studies set forth the dollars added and retired over the life of the account.

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 60**

**Witness: John J. Spanos**

Q-60. Page II-28 of the depreciation study indicates that Cane Units 1, 2 and 3 were slated for retirement in 2006.

- a. Were these units retired?
- b. If the units were retired, please provide all accounting entries related to those retirements. Include a schedule showing the dollar impact on each plant account.
- c. If they were not retired in 2006 please provide all retirement plans related to these units.
- d. Provide all decommissioning plans specifically related to the retirement of these units.

- A-60.
- a. Cane Run Units 1 and 2 were retired in 1985 and Cane Run Unit 3 was retired in 1995. Small amounts of these units that were common to Units 3 and 4 are still on the books.
  - b. The attached documents set forth the plant dollars retired by account during the 1995 retirement for the Cane Run Unit 3.
  - c. Assets were retired.
  - d. There are no specific decommissioning plans for these three units at this time because Units 4, 5 and 6 are still in operation. No decommissioning component of the depreciation rate has been calculated or established as part of this Depreciation Study.

LOUISVILLE GAS & ELECTRIC

SUMMARY OF DATA FROM COMPANY RECORDS  
COMPILED FOR SERVICE LIFE STUDIES

ACCT	GR	CO	TR	TRAN	ADJ	INST	TRANSACTION	CLASSI-
			CD	YEAR	YEAR	YEAR	AMOUNT	FICATION
311.00	01	31	0	1995		1961	1,352.00CR	0131
311.00	01	31	0	1995		1980	326.00CR	0131
311.00	01	31	0	1997		1958	10,730.00CR	0131
TOTAL							12,408.00CR	

LOUISVILLE GAS & ELECTRIC

SUMMARY OF DATA FROM COMPANY RECORDS  
COMPILED FOR SERVICE LIFE STUDIES

ACCT	GR	CO	TR CD	TRAN YEAR	ADJ YEAR	INST YEAR	TRANSACTION AMOUNT	CLASSI- FICATION
312.00	01	31	0	1995		1958	5,239,836.00CR	0131
312.00	01	31	0	1995		1961	17,230.00CR	0131
312.00	01	31	0	1995		1963	3,158.00CR	0131
312.00	01	31	0	1995		1966	31,013.00CR	0131
312.00	01	31	0	1995		1967	35,999.00CR	0131
312.00	01	31	0	1995		1971	125,113.00CR	0131
312.00	01	31	0	1995		1973	3,400.00CR	0131
312.00	01	31	0	1995		1977	870.00CR	0131
312.00	01	31	0	1995		1981	14,186.00CR	0131
312.00	01	31	0	1995		1987	154,136.00CR	0131
312.00	01	31	0	1996		1958	15,796.00CR	0131
TOTAL							5,640,737.00CR	

LOUISVILLE GAS & ELECTRIC

SUMMARY OF DATA FROM COMPANY RECORDS  
COMPILED FOR SERVICE LIFE STUDIES

ACCT	GR	CO	CD	TR YEAR	TRAN YEAR	ADJ YEAR	INST YEAR	TRANSACTION AMOUNT	CLASSI- FICATION
314.00	01	31	0	1995			1958	4,216,724.00CR	0131
314.00	01	31	0	1995			1962	241.00CR	0131
314.00	01	31	0	1995			1963	304.00CR	0131
314.00	01	31	0	1995			1966	6,869.00CR	0131
314.00	01	31	0	1995			1967	5,901.00CR	0131
314.00	01	31	0	1995			1982	41,051.00CR	0131
TOTAL								4,271,090.00CR	

LOUISVILLE GAS & ELECTRIC

SUMMARY OF DATA FROM COMPANY RECORDS  
COMPILED FOR SERVICE LIFE STUDIES

ACCT	GR	CO	TR	TRAN	ADJ	INST	TRANSACTION	CLASSI-
			CD	YEAR	YEAR	YEAR	AMOUNT	FICATION
315.00	01	31	0	1995		1958	200,128.00CR	0131
315.00	01	31	0	1995		1959	500.00CR	0131
315.00	01	31	0	1995		1965	1,412.00CR	0131
315.00	01	31	0	1995		1973	3,868.00CR	0131
315.00	01	31	0	1995		1981	10,095.00CR	0131
315.00	01	31	0	1995		1983	2,039.00CR	0131
TOTAL							218,032.00CR	

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LOUISVILLE GAS & ELECTRIC

SUMMARY OF DATA FROM COMPANY RECORDS  
COMPILED FOR SERVICE LIFE STUDIES

ACCT	GR	CO	TR CD	TRAN YEAR	ADJ YEAR	INST YEAR	TRANSACTION AMOUNT	CLASSI- FICATION
316.00	01	31	0	1995		1958	1,201.00CR	0131
316.00	01	31	0	1995		1959	530.00CR	0131
316.00	01	31	0	1995		1960	213.00CR	0131
316.00	01	31	0	1995		1961	2,036.00CR	0131
316.00	01	31	0	1995		1962	1,040.00CR	0131
316.00	01	31	0	1995		1963	7,856.00CR	0131
316.00	01	31	0	1996		1947	199.00CR	0131
316.00	01	31	0	1996		1954	300.00CR	0131
316.00	01	31	0	1996		1958	36,035.00CR	0131
316.00	01	31	0	1996		1962	2,748.00CR	0131
316.00	01	31	0	1996		1963	40.00CR	0131
TOTAL							52,198.00CR	





**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 61**

**Witness: John J. Spanos**

Q-61. Page II-29 of the depreciation study indicates that Cane Run Unit 11, Zorn and River Road Gas Turbine and Paddy Run Unit 12 will be retired in 2010, 2 years hence. Please provide all specific plans related to these upcoming retirements, including decommissioning plans.

A-61. There are currently no specific plans written for the physical retirement of Cane Run Unit 11, Zorn and River Road Gas Turbine and Paddy's Run Unit 12. These units, as well as all the other production units, are continually evaluated for efficiencies and need within the generation fleet.

There is no plan for immediate decommissioning of these units upon retirement.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 62**

**Witness: John J. Spanos**

Q-62. Was the life span methodology utilized in the prior depreciation studies? If so, please provide a comparison, by account and location, of the probable retirement year forecasted in the prior studies, with the probable retirement year forecasted in the Depreciation Study submitted in this case.

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A-62. ~~The life span methodology was utilized in the prior depreciation studies. The attached document sets forth the probable retirement year for each unit by the most recent prior studies and this Depreciation Study. All accounts under each unit shown in the table would have the same retirement year.~~

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LOUISVILLE GAS AND ELECTRIC  
ELECTRIC PLANT

PRODUCTION UNIT LIFE SPAN COMPARISON

<u>Unit</u>	<u>2006 Life Span Date</u>	<u>2002 Life Span Date</u>
Cane Run Locomotive	-	2020
Cane Run Locomotive - Railcars	-	2020
Cane Run Unit 1	2006	2020
Cane Run Unit 2	2006	2020
Cane Run Unit 3	2006	2020
Cane Run Unit 4	2018	2020
Cane Run-SO2 Unit 4	2018	2020
Cane Run Unit 5	2022	2020
<del>Cane Run-SO2 Unit 5</del>	<del>2022</del>	<del>2020</del>
Cane Run Unit 6	2023	2020
Cane Run-SO2 Unit 6	2023	2020
Mill Creek Locomotive	-	2030
Mill Creek Locomotive - Railcars	-	2030
Mill Creek Unit 1	2026	2020
Mill Creek -SO2 Unit 1	2026	2020
Mill Creek Unit 2	2026	2022
Mill Creek -SO2 Unit 2	2026	2022
Mill Creek Unit 3	2036	2026
Mill Creek -SO2 Unit 3	2036	2026
Mill Creek Unit 4	2036	2030
Mill Creek -SO2 Unit 4	2036	2030
Trimble County - Unit 1	2036	2034
Trimble County - SO2 Unit 1	2036	2034
Ohio Falls - Non-Project	2036	2035
Ohio Falls - Project 289	2036	2035
Cane Run GT 11	2010	2010
Zorn and River Road Gas Turbine	2010	2010
Paddy's Run - Generator 11	2010	2010
Paddy's Run - Generator 12	2010	2010
Paddy's Run - Generator 13	2036	2031
Brown Combustion Turbine #5	2036	2031
E W Brown #6	2036	2028
E W Brown #7	2036	2029
Trimble County #5	2036	2032
Trimble County #6	2036	2032
Trimble County CT Pipeline	2036	2034
Trimble County #7	2036	N/A
Trimble County #8	2036	N/A
Trimble County #9	2036	N/A
Trimble County #10	2036	N/A



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 63**

**Witness: John J. Spanos**

Q-63. Do the life span analyses include interim additions? If so, please provide a detailed explanation of how and why interim additions are included.

A-63. No.

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 64**

**Witness: John J. Spanos**

Q-64. Identify all circumstances unique to Kentucky that the Company believes influences or has an impact on the life span estimates.

A-64. There are no known circumstances unique to Kentucky that the Company believes influence or have an impact on the life span estimates.

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 65**

**Witness: John J. Spanos**

Q-65. Has LG&E ever retired any plants in their entirety as assumed by Mr. Spanos's use of the life-span method? If yes, please provide a full explanation, along with the accounting entries for the final retirement.

A-65. Louisville Gas & Electric has retired plants in their entirety as described by Mr. Spanos' use of the life span method, such as Canal Station, Waterside Units 1-6 Coal Generation, Paddy's Run Units 1-6, Cane Run Units 1, 2 & 3, and Waterside Units 7 & 8 Combustion Turbines. In many cases, small amounts of the unit stay on the books due to its proximity to other units at the location, or to allow for common use for other units at the location. These assets remain on the books for a short time, however, they no longer maintain the function of generation, as previously established. The retirement amounts for those units retired within the last 15 years have been set forth in response to AG-56.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 66**

**Witness: John J. Spanos**

Q-66. Provide all alternatives to the use of the life-span method that Mr. Spanos has contemplated, written about or addressed in presentations over his career. Explain the pros and cons of each alternative approach.

A-66. In Mr. Spanos' opinion, there are no appropriate alternative recovery options to the use of the life span method for production facilities. Mr. Spanos has always proposed the use of the life span method for production facilities, so Mr. Spanos has only seen an occasional alternative of no life span in testimony of others. In all cases, the life span methodology was approved.

The life span method is the most reasonable and equitable approach to recovery of production facilities because the recovery is based on the premise that final retirement will occur at one concurrent date for each unit for its current functionality. Otherwise, a lack of a life span would establish recovery as though the production facility would be retired, asset by asset, similar to a mass property account. This concept is not reasonable as displayed by the concurrent retirement of units such as Cane Run Units 1, 2 & 3 and Waterside Units 7 & 8.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 67**

**Witness: John J. Spanos**

Q-67. For all accounts and locations for which the life span method is proposed, provide the following information to support the final retirement dates. Please respond to each item.

- a. Economic studies. (NARUC Deprecation Manual, p. 146)
- b. Retirement plans. (NARUC, p. 146)
- c. Forecasts. (NARUC, p. 146)
- d. Studies of technological obsolescence. (NARUC, p. 146)
- e. Studies of adequacy of capacity. (NARUC, p. 146)
- f. Studies of competitive pressure. (NARUC, p. 146)
- g. Relationship of type of construction to remaining life span.
- h. Relationship of attained age to remaining life span.
- i. Relationship of observed features and conditions at the time of field visits to remaining life span.
- j. Relationship of specific plans of management to remaining life span.

A-67. The life span method is proposed for Production Accounts 311 through 346 for LG&E. LG&E conducts periodic resource and economic analysis to determine probable retirement dates for each of the production units, similar to what was done by New Energy Associates. One of the purposes of the resource plan is to recommend the capital improvements necessary to enable LG&E to continue to provide quality service that meets the needs of its customers. The resource plan examines adequacy of growth and assesses production capacity and unit efficiency.

As part of the operational planning process, LG&E assesses the adequacy of existing, major facilities and the need to make capital improvements, including complete replacement, of such facilities during the time horizon studied. In so doing, various factors are considered, including engineering criteria, quality of service, evolving regulatory standards, environmental regulation and cost. This process forms the basis for the Company's development of detailed capital budgets and financing plans which, in turn, drive the specific capital projects that are completed each year.

While this operational planning process does not result in detailed retirement plans beyond a 5-year horizon, it projects retirement dates for all major facilities of the Company, and it provides analyses of both the service adequacy of existing major facilities during the study period and the major facility retirements, new construction and improvements recommended for the study period. If the Company determines that major facilities may cease to provide adequate service during the study period, retirement plans are evaluated. All major facilities continue to be assessed through the Company's on-going operational analysis and planning.

This operational planning process is established by the Company's engineering department and supported by Gannett Fleming through site visits and the life span dates of other comparable facilities in the electric industry.

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 68**

**Witness: John J. Spanos**

Q-68. If not provided in the preceding response, please provide all information relied upon in choosing the life spans, as discussed on page II-27 of the depreciation study.

A-68. All information is provided in response to AG-67.

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 69**

**Witness: John J. Spanos**

Q-69. Does the proposed retirement date for Ohio Falls coincide with the end of the license for that facility? If not, please explain why not and provide the date the license expires.

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A-69. The proposed retirement date is based on a typical life span for hydro facilities, the industry range for which is 70-120 years. Therefore, the 102-year life span is within the range for hydro facilities and consistent with the New Energy Associates' Life Assessment Study.

The 2036 retirement does not coincide with the relicense date of 2045. In many cases, depreciation rates are based on the FERC license date or relicense date, however, it was determined a more appropriate retirement date would be 2036. If additional capital improvements occur, then it may be prudent to extend the probable retirement date to the license date.

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 70**

**Witness: John J. Spanos**

Q-70. The depreciation study and the New Energy Associates study show different in-service dates for Ohio Falls. Which is correct?

A-70. The assets at Ohio Falls were initially owned by a predecessor company of Louisville Gas & Electric Company. In 1934, the assets were acquired by Louisville Gas and Electric Company and an inventory was performed. All assets were identified in the inventory and put on the books at vintage 1934 when depreciation began for LG&E. Consequently, the in-service date or first year of operation may have been 1928, but depreciation and ownership of the assets began in 1934 for LG&E. The Depreciation Study utilizes the date per books of 1934.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 71**

**Witness: John J. Spanos**

Q-71. Please reconcile the statement on page 3 of the New Energy Associates report that "current industry practice indicates that it is both reasonable and cost effective to retain properly operated and maintained units for a life of at least 60 years" with the shorter lives recommended by the study for Cane Run Units 4, 5 & 6 and Mill Creek Units 1 and 2, and Mr. Spanos's proposed shorter lives for the remaining steam production plants.

A-71. The New Energy Associates life assessment report was established with a projected life span expectation of 2036. It was determined that the outlook of all production facilities should not exceed 2036 as the Company could not be sure of physical and economic restraints beyond 2036.

Therefore, the statement on page 3 of the New Energy Associates report is a general statement of life span expectations of most production units across the United States; however, the overall life span of each specific unit is addressed independently with the most reasonable life span estimate at the time the study was conducted. At the time the Depreciation Study was conducted, the most reasonable estimate of a life span for Cane Run Units 4, 5 & 6 and Mill Creek Units 1 and 2 is slightly shorter than 60 years. If a more reasonable life span, shorter or longer, is determined at a later date for any facility, then the life span will be revised.





**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 72**

**Witness: John J. Spanos**

Q-72. Refer to the net salvage studies provided in the depreciation study. What caused the large increase in cost of removal for accounts 312, 353, 355, 356, 362, 364, 365 and 368 for 2006?

A-72. The cost of removal recorded in 2006 for the accounts listed above is not necessarily a large increase proportionally to the plant retired. At a closer look of the net salvage analyses, the plant retired is relatively high as well, so cost of removal increased at a level comparable to the associated retirements. It should also be noted that in 2006, many retirements and the associated cost of removal were booked as a catch up to prior years due to new accounting systems. Additionally, it should be understood that these amounts were considered in the judgment of the most appropriate net salvage percent as the statistical results produce a more negative result.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 73**

**Witness: John J. Spanos**

Q-73. Refer to the net salvage studies provided in the depreciation study. What caused the large increase in retirements for electric accounts 312, 353, 356, 362, 368, 370 and gas account 378 in 2006?

A-73. The large retirements in 2006, to a degree, are a result of the delay in recording retirements and the associated net salvage amounts from calendar year 2005 and prior. Additionally, there were large retirement projects that occurred that produced higher dollar amounts of retirements which is the beginning of an upward trend of retirements due to ongoing capital improvement.

Some of the specific projects include replacements of boiler equipment due to NOx compliance, scrubber duct work, and waterfront assets that were moved from Overhead to Underground.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 74**

**Witness: John J. Spanos**

Q-74. Refer to page III-345 of the depreciation study. What caused the large increase in retirements in 2003 for account 365?

A-74. The cause for the large increase in retirements in 2003 for account 365 was the retirement of assets recently installed and then removed due to the completion and processing of projects relating to line relocations. These retirements of unusually young assets produced high annual retirements.

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 75**

**Witness: John J. Spanos**

Q-75. Refer to page III-355 of the depreciation study. What caused the large increase in cost of removal for account 369.2 in 2002 and 2003?

A-75. In 1999, the Company implemented a new fixed asset accounting software system (Oracle 10.7). As a result of this implementation, cost of removal and salvage could be applied directly to the plant account related to the asset retired. Prior to this, cost of removal and salvage were pro-rated based on retirements to each plant account on a functional or subaccount basis.

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

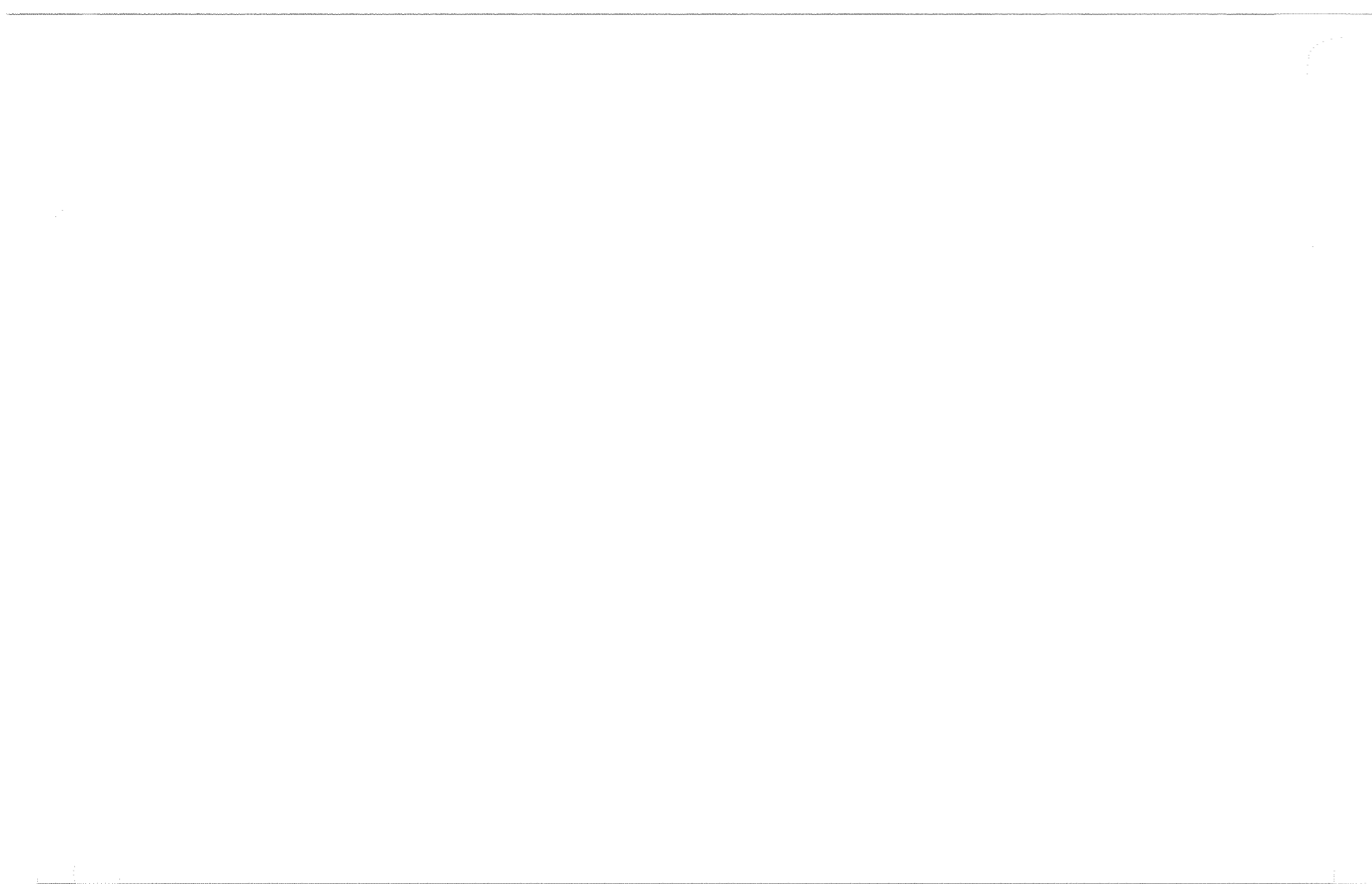
**Question No. 76**

**Witness: John J. Spanos**

Q-76. Refer to pages III-399 and 401 of the depreciation study. What caused the large increase in retirements in 2003 and 2006 for account 381?

A-76. The large increase in retirements in 2003 was due to a delay in recording retirements for this account. The large increase in retirements in 2006 was the result of a catch up to prior years due to new accounting systems.

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 77**



**Witness: Barry R. Walker**

Q-77. Please provide all manuals, guidelines, memoranda or other documentation that deals with the Company's policies with regard to the physical removal of retired mains and, separately, services from the ground as opposed to capping these pipes and leaving them in place.

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A-77. See the attached LG&E's Gas Operation, Maintenance and Inspection manual related to the abandonment procedure, reproduced in relevant part.

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		<u>OM&amp;I</u> GAS OPERATION, MAINTENANCE, AND INSPECTION MANUAL		 Energy Delivery
		Subject:	OM&I Number:	
PIPELINE OPERATIONS		GOM&I-PO-AB-001	January 16, 2007	
Procedure: <b>ABANDONMENT</b>				

#### SECTION 1 –PURPOSE

- 1.1 The purpose of this procedure is to ensure that Louisville Gas and Electric Company (LG&E) gas facilities that are no longer in service are safely abandoned and that an entirely safe and inert pipe remains underground if the line is not to be removed.

#### SECTION 2 – SCOPE

- 2.1 This procedure states the overall intent of LG&E when it abandons pipelines that are no longer useful in its gas systems.
- 2.2 LG&E meets or exceeds the minimum requirements for pipeline abandonment as prescribed in US Department of Transportation (DOT) regulations, 49 CFR Part 192 and the Kentucky Administrative Regulations 807 KAR 5.022.

#### SECTION 3 – REFERENCES

- 3.1 Department of Transportation, Title 49, Code of Federal Regulations, Part 192.727
- 3.2 State of Kentucky, 807 KAR 5.022, Gas Safety and Service, Section 14, subsection (15)
- 3.3 LG&E Energy's Health and Safety Manual, latest edition
- 3.4 The Gas Piping Technology Committee (GPTC) Guide For Gas Transmission and Distribution Piping Systems
- 3.5 "Procedures for Wipe Sampling of Interior Pipe Surfaces (Piping 4-inch Diameter or Greater)" as issued by E.ON U.S. Environmental Affairs Department.

#### SECTION 4 – RESPONSIBILITIES

##### 4.1 Asset Management

- 4.1.1 Asset Management's Operating Policy and Standards section shall have the responsibility for revising the requirements of this procedure. Revisions to this procedure shall be reviewed and approved by the Directors of Asset Management; Gas Storage, Control and Regulatory Compliance; and Distribution Operations; and by the Managers of Operating Policy and Standards, Regulatory Compliance, and Distribution Operations.

##### 4.2 Gas Storage and Transmission

- 4.2.1 Gas Storage and Transmission shall have the responsibility of abandoning all transmission, storage, and distribution mains and services within their service territory as work is required, and assisting areas outside their service boundaries as requests and availability allow.

##### 4.3 Gas Distribution Operations

- 4.3.1 Gas Distribution Operations shall have the responsibility of abandoning all distribution mains and services within their service territory as work is required, and assisting areas

- 4.3.2 outside their service boundaries (including storage and transmission mains and services) as requests and availability allow.

## SECTION 5 – DISCUSSION

### 5.1 Regulatory Discrepancies

- 5.1.1 The actual wording in paragraphs (a) and (d) differs but the meaning is the same.
- 5.1.2 In paragraphs (b) and (c) DOT has requirements for offshore pipelines that are not in the KAR. There are no offshore pipelines in LG&E's system.
- 5.1.3 DOT contains an additional paragraph (g) requiring a report of abandonment of an offshore pipeline or a pipeline that crosses a navigable waterway. It also requires reports of such pipelines that were abandoned before October 10, 2000.

- 5.2 The following definitions applicable to this procedure are from the Glossary (under §192.3) of the GPTC Guide for Gas Transmission and Distribution Piping systems:

- 5.2.1 *Abandoned pipeline* is a pipeline that is physically separated from its source of gas and is no longer maintained under Part 192.
- 5.2.2 *Deactivation (or Inactivation)* is the process of making a pipeline inactive.
- 5.2.3 *Inactive pipeline* is a pipeline that is being maintained under Part 192 but is not presently being used to transport gas.

## SECTION 6 - PROCEDURE

### 6.1 Transmission Pipelines [§192.739 (b) and (c)]

- 6.1.1 Isolate - The pipeline pressure is reduced to the minimum pressure possible through operational means. Block valves at each end of the pipeline or section of pipeline are closed and locked. Body bleed valves are opened where available to ensure the block valves are holding.
- 6.1.2 Depressurize - With block valves closed, the section to be abandoned is depressurized in a safe manner by being attentive to wind direction, weather, population density, overhead power lines, traffic and any other potentially unsafe condition. When appropriate, local public officials and the local utility are notified before venting hydrocarbons to the atmosphere.
- 6.1.3 Purge [§192.727(e)] - The purging method used depends upon the pipeline's previous service, considering all pertinent information, history, location and possible future use of the pipeline. LG&E will use one of the following methods:
- 6.1.3.1 An air mover to displace natural gas in the line with air. The air mover is operated until 0% gas concentration is measured with a combustible gas detector.
- 6.1.3.2 Water to displace natural gas in the pipeline. Verify the pipeline is completely filled by checking vent holes drilled in the high points of the pipe. When the pipeline has been filled, permanently close all vent holes and the water connection to the pipeline by welding or other suitable means to prevent water from leaking out of the pipe.
- 6.1.3.3 Inert gas to displace natural gas in the pipeline. Follow the purging procedures in GOM&I-PO-PU-001.
- 6.1.4 Disconnect - The pipeline is physically disconnected from all sources of natural gas. A section of pipe not less than six feet long is removed at each end of the pipeline to make this disconnection.
- 6.1.5 Segment - All valves left in the abandoned segment are left closed. For long-abandoned

segments, plugs, physical separation or other means of positive isolation at shorter intervals is considered on a case-by-case basis.

6.1.6 PCB Testing and Liquid Classification:

- 6.1.6.1 Perform a PCB wipe test at all open ends of the abandoned pipe for all mains four inches or more in diameter.
- 6.1.6.2 Follow PCB procedure regarding the need to physically fill the abandoned pipe for all mains four inches or more in diameter.
- 6.1.6.3 All liquids encountered during the abandonment operations should be containerized and classified as deemed by the Environmental Affairs Department.

6.1.7 Seal - All ends of the remaining live pipeline and live service stubs are capped with weld caps or fitted with flanges with blinds. Seals on "live" ends are leak tested and coated or wrapped for corrosion protection. All ends of the abandoned segment are sealed with one of the following methods, depending on the local conditions:

- 6.1.7.1 Normal end closures, such as weld caps, screwed plugs, blind flanges and mechanical caps.
- 6.1.7.2 Welding a minimum of ¼ inch steel plates on both ends of the abandoned pipeline to provide an airtight seal.
- 6.1.7.3 Filling ends with suitable plug material, such as mortared bricks, Sakrete or expanding foam.
- 6.1.7.4 Pinching the ends closed.

6.1.8 Remove - All above ground valves, risers and other appurtenances are removed to below ground level. Vault and valve box voids are filled with suitable compacted backfill material. The supervisor determines the usefulness of maintaining the pipeline markers, otherwise they are also removed.

6.1.9 Backfill - Use care to protect cathodic protection devices and other underground utilities.

6.2 Distribution Mains [§192.727 (b) and (c)]

- 6.2.1 Ensure that all active service pipes supplied from the main section to be abandoned have been transferred to another source of gas.
- 6.2.2 Disconnect the main from all sources of live gas by removing a suitable spool(s) of pipe.
- 6.2.3 Ends of live mains remaining are closed with an appropriate gas system fitting, such as a cap or a plug.
- 6.2.4 The abandoned piping is purged, in general as follows (Refer to GOM&I-PO-PU-001 for details):
  - 6.2.4.1 With air, for four inch and smaller diameter mains.
  - 6.2.4.2 With inert gas for larger than four inch diameter mains.
  - 6.2.4.3 A purge is not required if the main is smaller than two inches in diameter and, in the judgment of the crew leader, in a location where the gas remaining in the pipe would not present a hazardous condition over time.
- 6.2.5 PCB Testing and Liquid Classification:
  - 6.2.5.1 Perform a PCB wipe test at all open ends of the abandoned pipe for all mains four inches or more in diameter.
  - 6.2.5.2 Follow PCB procedure regarding the need to physically fill the abandoned pipe for all mains four inches or more in diameter.
  - 6.2.5.3 All liquids encountered during the abandonment operations should be containerized and classified as deemed by the Environmental Affairs Department.
- 6.2.6 All ends of the abandoned main are sealed with a cap, plug, brick and mortar or

- expandable foam as appropriate to the location, size and type of pipe material.
- 6.2.7 Above ground facilities associated with the abandoned main are removed to below ground level.
- 6.2.8 Voids resulting from removed facilities and openings made for the abandonment work are backfilled.
- 6.3 Service Lines in Conjunction with Main Abandonment [§192.727(d)]
  - 6.3.1 After the main is disconnected (section 6.2.3 above):
    - 6.3.1.1 All curb valves are closed.
    - 6.3.1.2 Valve boxes are either removed or filled with suitable material.
  - 6.3.2 Company owned meters and pressure regulators are removed from the premises.
  - 6.3.3 The open end of the customer house piping is capped or plugged outside the building wall.
  - 6.3.4 At an inside meter set, the incoming end of the service pipe is fitted with an internal expandable plug, externally plugged or capped.
  - 6.3.5 At an outside meter set, the service line is cut off and capped or plugged below ground level.
- ~~6.4 Service Lines from Active Mains [§192.727 (d)]~~
  - ~~6.4.1 The service line is disconnected as close to the main as possible.~~
  - ~~6.4.2 The curb valve, when not removed or part of the abandonment, is left in the closed position.~~
  - ~~6.4.3 The end of the abandoned portion of the service line is sealed in a means appropriate to the type of pipe material (e.g. cap, plug, mortar, expandable foam).~~
  - ~~6.4.4 Company owned meters and pressure regulators are removed.~~
  - ~~6.4.5 The open end of the customer house piping is capped or plugged outside the building wall.~~
  - ~~6.4.6 At an inside meter set, the incoming end of the service pipe is fitted with an internal expandable plug, externally plugged or capped.~~
  - ~~6.4.7 At an outside meter set, the service line is cut off and capped or plugged below ground level.~~
  - ~~6.4.8 The abandoned piping is purged as follows:
    - a. With air for four inch diameter and smaller service lines.
    - b. With inert gas for larger than four inch diameter service lines.
    - c. A purge is not required if the service line is smaller than two inches in diameter and, in the judgment of the crew leader, in a location where the gas remaining in the pipe would not present a hazardous condition over time.~~
  - ~~6.4.9 PCB Testing and Liquid Classification:
    - 6.4.9.1 Perform a PCB wipe test at all open ends of the abandoned pipe for all services four inches or more in diameter.
    - 6.4.9.2 Follow PCB procedure regarding the need to physically fill the abandoned pipe for all services four inches or more in diameter.
    - 6.4.9.3 All liquids encountered during the abandonment operations should be containerized and classified as deemed by the Environmental Affairs Department.~~
- 6.5 Vaults and other Below Ground Structures [§192.727 (f)]
  - 6.5.1 All gas facilities are abandoned.
  - 6.5.2 When appropriate, abandoned or reusable materials are removed.
  - 6.5.3 The access to the structure, such as a manhole frame and cover, is removed.
  - 6.5.4 The structure is filled with compacted backfill material.
  - 6.5.5 For large structures, the Engineering Department develops individual plans and procedures.
- ~~6.6 Pipelines in Navigable Waterways [§192.727 (g)]~~



- 6.6.1 If an abandoned on-shore pipeline crosses over, under or through a commercially navigable waterway, a report of the abandonment is filed with the Information Officer of the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration.
- 6.6.2 The report contains:
  - 6.6.2.1 The size, length, location, date of abandonment, and method of abandonment of the pipeline.
  - 6.6.2.2 A certification statement from LG&E that the facility was abandoned in accordance with all applicable laws. No form or format is specified.
- 6.6.3 The report is filed either through the National Pipeline Mapping System or by facsimile.
- 6.6.4 The field crew ensures that all pertinent information is gathered and recorded.
- 6.6.5 The report is filed by Asset Management's Operating Policy & Standards section.
- 6.6.6 A copy of the report is sent to the Kentucky Public Service Commission.

#### **SECTION 7 - SAFETY**

- 7.1 All applicable provisions of the LG&E Energy's Safety & Health Manual shall be observed.

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#### **SECTION 8 – ENVIRONMENTAL**

- 8.1 In accordance with E.ON U.S. Environmental Affairs Department procedures\*:
  - 8.1.1 A PCB wipe test is performed as required.
  - 8.1.2 An abandoned pipeline is filled when required by the results of the PCB wipe test.
  - 8.1.3 Liquids removed from an abandoned pipeline are properly handled for disposal.
  - 8.1.4 Pipelines physically removed from the ground may be subject to additional wipe sampling.

\*Contact Environmental Affairs for latest PCB wipe sampling procedures for gas pipeline retirements and abandonments.

#### **SECTION 9 – TRAINING AND QUALIFICATIONS**

- 9.1 Employees and contractors performing gas facility abandonment activities must be qualified in accordance with LG&E Operator Qualification program.
- 9.2 Employees and contractors performing PCB wipe tests must follow "Procedures for Wipe Sampling of Interior Pipe Surfaces (Piping 4-inch Diameter or Greater)" as issued by E.ON U.S. Environmental Affairs Department.

#### **SECTION 10 - EQUIPMENT**

- 10.1 PCB wipe test kit when required.
- 10.2 Other customary and appropriate to the task tools and equipment.

#### **SECTION 11 – RECORD KEEPING [§192.727 (g)]**

- 11.1 As built records of abandoned gas facilities are maintained in the Facilities Management System according to the requirements of that system. {Best Practice.}
  - 11.2 Copies of reports of abandoned pipelines crossing commercially navigable waterways are retained by Asset Management.
  - 11.3 All environmental sampling results are sent to and maintained by the Environmental Affairs Department for the life of the facility.
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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 78**

**Witness: Barry R. Walker**

Q-78. Please explain the process by which the labor associated with Mains and Services replacement projects is split between the new asset and cost of removal.

A-78. Labor activities directly associated with the retirement of a main are included in the retirement costs. These activities include: isolation of the main to be abandoned from the live gas system, purging the abandoned line and capping the abandoned main.

No charges are associated with service retirements on main replacement projects. All charges are accrued to the service installation.



LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008

Case No. 2007-00564

Question No. 79

Witness: Shannon L. Charnas

A-79. Please provide a summary of the last 10 years of Mains and Services additions, up to and including 2007. Identify on a year-by-year basis the new additions vs. replacement additions. Please explain any anticipated changes to these proportions.

A-79. LG&E does not track additions by new vs. replacement for Mains and Services. Please see the table below for the last 10 years of Mains and Services additions.

<b>FERC Plant Account 237600 Gas Main Additions</b>		<b>FERC Plant Account 238000 Gas Services Additions</b>	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1998	10,029,962	1998	4,044,493
1999	15,883,263	1999	9,945,961
2000	11,909,615	2000	8,854,062
2001	11,080,334	2001	3,390,631
2002	20,721,082	2002	5,967,371
2003	21,574,273	2003	7,831,526
2004	10,039,459	2004	5,782,159
2005	11,149,018	2005	8,909,719
2006	7,355,027	2006	866,420
2007	12,423,032	2007	10,964,805
<b>Total</b>	<b><u>\$ 132,165,065</u></b>	<b>Total</b>	<b><u>\$ 66,557,147</u></b>



LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008

Case No. 2007-00564

Question No. 80

Witness: Barry R. Walker

Q-80. Please provide a summary of all Main and Service Replacement projects during 2006. Separately identify all major costs, including the removal of the existing Main and/or Service.

A-80. A summary of the 2006 gas main and service replacement projects is provided below:

2006 Large Scale Main Replacement Projects

Project Description	Main Installation			Main Retirement Act. Cost	Company Service Installation		Customer Service Installation	
	Footage	Size	Act. Cost		Act. Cost	# of Sves	Act. Cost	# of Sves
Large Scale Main Replacement	143,062	2	\$ 3,205,405		\$ 2,203,158	3278	\$ 2,611,407	3016
	25,329	4	\$ 1,255,206					
	12,710	6	\$ 507,239					
Regulators			\$ 65,957	\$ 15,440				
Cutouts				\$ 122,418				
Upgrades	41,007		\$ 1,352,721					
	<b>222,108</b>		<b>\$ 6,462,158</b>	<b>\$ 137,858</b>	<b>\$ 2,203,158</b>	<b>3,278</b>	<b>\$ 2,611,407</b>	<b>3,016</b>

2006 Priority Main Replacement Projects

Project Location		Main Installation			Main Retirement Act. Cost	Company Service Installation		Customer Service Installation	
Street	Block	Footage	Size	Act. Cost		Act. Cost	# of Sves	Act. Cost	# of Sves
Liberty Armory		440	4	\$ 98,008	\$ 799	\$ 10,109	2		
Dover Rd.		769	4	\$ 49,577	\$ 1,889	\$ 25,073	19		
McKinley Ave.		1,210	4	\$ 79,291	\$ 9,864	\$ 8,145	5		
W. Main St.	100	200	6	\$ 11,303	\$ 2,743				
Richard Ave.		1,000	4	\$ 42,864	\$ 2,602	\$ 35,533	27		
Depot Rd.		250	2	\$ 14,207	\$ 1,034	\$ 2,484	2		
Wayside Dr.		495	2	\$ 9,475	\$ 1,709	\$ 15,054	8		
Sprite Rd.		800	4	\$ 27,090	\$ 6,091	\$ 24,884	13		
Lindsay Ave.		915	6	\$ 69,068	\$ 10,840	\$ 47,916	27		
		<b>6,910</b>		<b>\$ 544,834</b>	<b>\$ 49,120</b>	<b>\$ 180,893</b>	<b>100</b>		

