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Stephanie L. Stumbo  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

**Louisville Gas and Electric  
Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.eon-us.com

April 28, 2008

Robert M. Conroy  
Director - Rates  
T 502-627-3324  
F 502-627-3213  
robert.conroy@eon-us.com

**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 six (6) copies of the Response of Louisville Gas and Electric Company to the Attorney General's Supplemental Requests for Information dated April 14, 2008, in the above-referenced matter.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert M. Conroy', is written over a horizontal line. The signature is stylized and includes a large circular flourish.

Robert M. Conroy

Enclosures

cc: Parties of Record

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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APR 28 2008

PUBLIC SERVICE  
COMMISSION

In the Matter of:

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

RESPONSE OF  
LOUISVILLE GAS AND ELECTRIC COMPANY  
TO THE  
ATTORNEY GENERAL'S  
SUPPLEMENTAL REQUESTS FOR INFORMATION  
DATED APRIL 14, 2008

FILED: APRIL 28, 2008

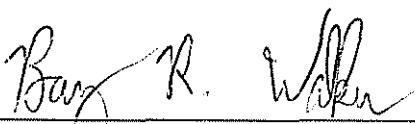




VERIFICATION

STATE OF KENTUCKY    )  
  ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Barry R. Walker**, being duly sworn, deposes and says that he is the Director, Gas Storage Control and Compliance 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.

  
\_\_\_\_\_  
**BARRY R. WALKER**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 28<sup>th</sup> day of April, 2008.

  
\_\_\_\_\_  
Notary Public (SEAL)

My Commission Expires:  
10-16-2008



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00564**

**Question No. 1**

**Witness: John J. Spanos**

Q-1. Please refer to the "Comparison of Average Service Lives" provided in response to AG 1-7 (attached to the September 20, 2007 e-mail from Eric Riggs to John Spanos). What is the source of these statistics?

A-1. The September 20, 2007 e-mail was from John Spanos to Eric Riggs. The source of these statistics is the same document that was attached to the response to the Attorney General's Initial Request, Item 8 which sets forth estimates of others for Transmission and Distribution accounts.





**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00564**

**Question No. 2**

**Witness: Shannon L. Charnas**

- Q-2. Please refer to the September 28, 2007 memo from Sara Wiseman to John Spanos re: the CCS project assets depreciable life as provided in response to AG 1-7.
- a. In which plant account is this CCS system recorded?
  - b. How much investment related to this project is included in the account as of December 31, 2006?
  - c. What is the total expected investment?
  - d. When will the project be completed and placed into service?
- A-2.
- a. The new CCS (Customer Care System) had incurred no costs as of December 31, 2006, since the project didn't begin until 2007. When placed in service, the CCS will be recorded in plant account 303 Miscellaneous Intangible Plant.
  - b. There was no spending on the CCS as of December 31, 2006, and therefore no investment is included in account 303 as of December 31, 2006.
  - c. The total expected investment is \$83.8 million, of which \$43.6 million will be recorded on LG&E's books and \$40.2 million will be recorded on KU's books.
  - d. The expected completion and in service date for the project is February 2009.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00564**

**Question No. 3**

**Witness: John J. Spanos**

- Q-3. Please refer to the Excel files provided in response to AG 1-29.
- a. Provide the formulae underlying the capital recovery, cost of removal and gross salvage rates, which are in most cases hardcoded in the file.
  - b. For the capital recovery, cost of removal and gross salvage amounts that are not calculated as a formula (i.e., the ones that are hardcoded) please provide the source and/or formulae underlying those amounts.
  - c. Several formulae include hardcoded amounts as part of the formula. Please provide a source and explanation for these amounts. For an example, see the cost of removal accrual for account 364.
- A-3.
- a. The capital recovery, cost of removal and gross salvage rates are determined based on the Gannett Fleming proprietary in-house programs and then factored based on the relationship between the theoretical reserve and book reserve. Therefore, there is no set formula for each rate. The results from the calculations are then input into the spreadsheet either by hard coding or establishing a formula for ease of input.
  - b. The capital recovery, cost of removal and gross salvage amounts are calculated by multiplying the determined rate for each component by the original cost. The overall accrual amounts were based on the Depreciation Study.
  - c. The few cells that include hardcoded amounts as part of a formula are a result of rounding adjustments that are required to insure the three components of the rate equal the total rate and accrual amount.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00564**

**Question No. 4**

**Witness: Shannon L. Charnas**

- Q-4. Please refer to the capital budget provided in response to AG 1-43. Reconcile this budget to that provided John Spanos on May 2, 2007, as included in the response to AG 1-7. Also, explain the differences between the two budgets – what is each one used for?
- A-4. The capital budget provided in response AG 1-43 is the most current projection available (approved in November 2007). The budget provided to Mr. Spanos is a long term planning document used to project future capital needs and cash flows (finalized in February 2007). In the 10 months between the two plans, the most recent 3 planning years were updated from 2007 – 2009 to 2008 – 2010 to reflect the most current project estimates for the current 3 year period.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00564**

**Question No. 5**

**Witness: John J. Spanos**

- Q-5. Please refer to the response to AG 1-56. Provide the actuarial data underlying the new analyses attached to the responses, or provide a list of the retirements that should have been excluded from the original analysis. Provide this information for both the steam and other production accounts impacted by the retirements. If the requested information for Cane Run 3 is the same as that provided in response to AG 1-60, please provide similar information for Waterside Units 7 & 8.
- A-5. The retirements that should have been excluded for Cane Run 3 are the same as those provided in response to AG-1-60. The attached listing sets forth the retirements excluded from the new life analyses related to the Waterside Units 7 & 8.

LOUISVILLE GAS AND ELECTRIC COMPANY

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
341.00	04	20	7	2006			1963	305,365.68CR	
341.00	04	20	7	2006			1965	65,637.80CR	
341.00	04	20	7	2006			1969	8,767.25CR	
341.00	04	20	7	2006			1979	22,941.73CR	
341.00	04	20	7	2006			2001	19,595.01CR	
341.00	04	20	7	2006			2002	60,366.00CR	
TOTAL								482,673.47CR	

LOUISVILLE GAS AND ELECTRIC COMPANY

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
342.00	04	20	7	2006			1965	92,695.98CR	
342.00	04	20	7	2006			1986	27,338.87CR	
TOTAL								120,034.85CR	

LOUISVILLE GAS AND ELECTRIC COMPANY

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
343.00	04	20	7	2006			1965	2,213,870.05CR	
343.00	04	20	7	2006			1984	13,656.87CR	
343.00	04	20	7	2006			1991	13,507.14CR	
343.00	04	20	7	2006			1996	104,703.92CR	
343.00	04	20	7	2006			2000	21,584.73CR	
343.00	04	20	7	2006			2001	303,983.41CR	
TOTAL								2,671,306.12CR	



LOUISVILLE GAS AND ELECTRIC COMPANY

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
344.00	04	20	7	2006		1944	334.34CR	
344.00	04	20	7	2006		1963	386,199.97CR	
344.00	04	20	7	2006		1965	42,837.29CR	
344.00	04	20	7	2006		1971	21,745.73CR	
TOTAL							451,117.33CR	

LOUISVILLE GAS AND ELECTRIC COMPANY

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
345.00	04	20	7	2006		1963	22,777.66CR	
345.00	04	20	7	2006		1965	83,473.00CR	
345.00	04	20	7	2006		1968	482.79CR	
345.00	04	20	7	2006		1998	35,809.15CR	
345.00	04	20	7	2006		2000	212,333.83CR	
TOTAL							354,876.43CR	

LOUISVILLE GAS AND ELECTRIC COMPANY

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
346.00	04	20	7	2006		1963	20,857.04CR	
346.00	04	20	7	2006		1974	3,903.25CR	
TOTAL							24,760.29CR	

□



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00564**

**Question No. 6**

**Witness: Shannon L. Charnas**

Q-6. Refer to the response to AG 1-57. Please provide the attachments in Excel format with all formulae intact.

A-6. Please see the following Excel files on the accompanying CD:

LGE-AG-2-6 (ARO-GAAP FAS 143-2006).xls

LGE-AG-2-6 (ARO-GAAP FIN 47-2006).xls



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00564**

**Question No. 7**

**Witness: John J. Spanos**

- Q-7. Please refer to the response to AG 1-55 and 1-61. Given that Paddy's Run Unit 12 was rehabilitated and returned to service in 2007, why is the retirement date used in the study set at 2010?
- A-7. Paddy's Run Unit 12 was not rehabilitated, the necessary repairs to return the unit to service were performed as indicated in the response to AG 1-55. At the time the Depreciation Study was conducted and completed, the plans to repair Paddy's Run Unit 12 were not determined. There was no new investment installed at the time of the Depreciation Study to cause for any consideration of changing the 2010 probable retirement date. Repairing and return to service does not necessitate a unit's probable retirement date.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00564**

**Question No. 8**

**Witness: Barry R. Walker**

Q-8. Please refer to the response to AG 1-78. The response seems to indicate that there is no cost of removal associated with service retirements.

- a. Is this correct?
- b. If not, please explain under what situations service retirements incur removal costs. Also, give the percentage of time this is the case, as opposed to the situation described in the response to AG 1-78.

A-8. a. Yes.

b. See response to a.





**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00564**

**Question No. 9**

**Witness: John J. Spanos / Shannon L. Charnas**

- Q-9. Refer to the response to AG 1-101.
- a. Please verify that the reserves used in Mr. Spanos' depreciation study include the cost of removal reserves. If this is not the case explain why not.
  - b. Please provide the cost of removal depreciation rate for each account as used to calculate the amounts, and explain how those rates were calculated.
  - c. Please provide the calculation of the initial cost of removal reserve upon implementation of SFAS No. 143 (i.e., the \$216,490,616 amount shown in response to AG 1-103). Include all formulas/assumptions.

- A-9.
- a. Yes, the reserves used in Mr. Spanos' depreciation study do include the cost of removal reserves.
  - b. Please see the file provided in response to AG-106 entitled "LGE-AG-1-106 Attachment ELG vs ASL-SALVAGE-COR.xls" for the cost of removal (Column G) and salvage (Column K) depreciation rates for each account.

These rates were provided on a combined net cost of removal basis to the Company by Management Resources International as part of the depreciation study performed for the year ending December 31, 1999—the last approved depreciation study. The combined net cost of removal rate was segregated into the cost of removal and gross salvage by Gannett Fleming.

- c. Please see the file entitled "LGE-AG-2-9 (TABLES LG&E-Depr Reserve & Rte Seg).xls" on the attached CD provided for the calculation of the initial cost of removal reserve (\$207,851,794.90) upon implementation of SFAS No. 143. The \$216,490,616 amount shown in response to AG 1-103 also includes the 2003 annual depreciation of the cost of removal as well as the initial implementation amount.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00564**

**Question No. 10**

**Witness: Shannon L. Charnas**

Q-10. Please refer to the response to AG 1-103. Please explain the "Reclass of COR to Regulatory Liability from Life Reserves" and "FIN 47 Parent COR Transfer to FERC 254" entries.

A-10. The "Reclass of COR to Regulatory Liability from Life Reserves" refers to a journal entry that was required to reclass net cost of removal expenditures which were applied to the life reserves instead of the cost of removal reserves. This misclassification occurred due to Oracle software system constraints which occurred after the adoption of SFAS No. 143.

The "FIN 47 Parent COR Transfer to FERC 254" entry represents the difference between the amount of previously recognized cost of removal and the amount recognized as an asset retirement obligation adopted under FIN 47 in 2005.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00564**

**Question No. 11**

**Witness: John J. Spanos**

- Q-11. Please refer to the response to AG 1-106. Provide the formulae underlying the cost of removal and gross salvage rates shown in the attachment.
- A-11. The current rates were developed from the 1999 depreciation study and the underlying formulae are not available. The cost of removal and gross salvage rates were determined based on the pre-established current rate from the 1999 depreciation study. The segregation of the net salvage accrual rate to the cost of removal and gross salvage rates were based on the theoretical allocation of historical cost of removal and gross salvage amounts. The proposed amounts are determined based on the same calculations as those described in response to AG-2-3.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00564**

**Question No. 12**

**Witness: John J. Spanos**

- Q-12. Please refer to the "Salvage and Cost of Removal Study 1972-2006" provided in the response to AG 1-6 (beginning at page 78 of "LGE-AG-1-6 Correspondence File 1.pdf").
- a. What is represented by CP Salvage and CP Removal?
  - b. How are these amounts factored into Mr. Spanos' net salvage analyses?
  - c. If they are not included, why not?
  - d. Do similar amounts exist for KU? If so, please provide them.
- A-12. a. The CP Salvage and CP Removal represent Customer Pay amounts for Salvage and Cost of Removal.
- b. These amounts are included in Mr. Spanos' net salvage analysis since these are normal occurrences. The total amount of Customer Pay Salvage is \$2.8M for the 35-year period and negative \$29,000 for Customer Pay Cost of Removal. Therefore, each amount reduces the negative net salvage amount and/or increases positive net salvage.
  - c. They are included.
  - d. The similar entries included in the KU salvage analysis were considered normal or reoccurring entries. These entries were included beginning at page 245 of "LGE-AG-1-6 Correspondence File 2.pdf" attachment to the response to AG-1-6.