

Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet



Commonwealth of Kentucky
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David L. Armstrong
Chairman

James Gardner
Vice-Chairman

John W. Clay
Commissioner

July 22, 2008

PARTIES OF RECORD

RE: Informal Conference for
Case No. 2008-00216
Case No. 2008-00217

To All Parties of Record:

Enclosed please find a memorandum that has been filed in the record of the above-referenced case. Any comments regarding the contents of the memorandum should be submitted to the Commission within seven days of receipt of this letter. Any questions regarding this memorandum should be directed to Dawn McGee of the Commission Staff at 502-564-3940, extension 243.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Stumbo".

Stephanie Stumbo
Executive Director

*for Stephanie L. Stumbo
by permission*

Attachment

CC: Parties of Record

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File - Case No. 2008-00216
Main Case File - Case No. 2008-00217

FROM: Dawn McGee, Team Leader *SDM*

DATE: July 22, 2008

RE: Informal Conference of July 21, 2008

On July 21, 2008, representatives of Louisville Gas and Electric Company ("LG&E"), Kentucky Utilities Company ("KU") and Commission Staff ("Staff") met at the Commission's offices to discuss LG&E and KU's testimony and responses to the first round of data requests in the current examination of the companies environmental surcharge mechanism. A list of attendees is attached to this memorandum as Attachment A.

LG&E and KU presented a short review of the application and the resulting under-recoveries for the two billing periods under review. LG&E and KU provided a handout which is attached to this memorandum as Attachment B. Staff raised the following questions which LG&E and KU agreed to respond to by August 11, 2008:

For both LG&E and KU

1. Refer to Item 6, page 2 of 2. Explain the derivation of the production tax credit. Provide all workpapers, calculations, assumptions, and other documentation used to determine the percentage.

2. Refer to Item 2, page 2 of 2. LG&E and KU have determined that they experienced a cumulative net under-recovery of the environmental surcharge of \$912,324 and \$22,563, respectively. Provide a breakdown of the cumulative amount showing the components which make up the net under-recoveries. Include a calculation of each component or references in the record showing the calculation of each component.

For KU only

3. Refer to Item 1, pages 1 and 2 of 4 in the response to Staff's information request for KU. Identify and explain the causes of the change in rate base.

Because there are no intervenors in either case, LG&E and KU requested that the proceedings be submitted for decision based on the record after LG&E and KU file their responses on or before August 11, 2008. LG&E and KU also requested that the Commission open its review of the next billing period, May 1, 2008 through October 31,

2008, no later than 45 days after the end of the billing period. Staff stated that it would make its best effort to comply with the request but explained that with staff shortages and heavy caseloads, it may not be able to open the next round of reviews in the time frame requested. There being no other questions, the meeting adjourned.

cc: Parties of Record

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN
CASE NO. 2008-00216 and 2008-00217 DATED

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC)
SERVICE COMMISSION OF THE)
ENVIRONMENTAL SURCHARGE) CASE NO. 2008-00216
MECHANISM OF KENTUCKY UTILITIES)
COMPANY FOR THE SIX MONTH BILLING)
PERIOD ENDING OCTOBER 31, 2007)
AND APRIL 30, 2008)

AN EXAMINATION BY THE PUBLIC)
SERVICE COMMISSION OF THE)
ENVIRONMENTAL SURCHARGE)
MECHANISM OF LOUISVILLE GAS AND) CASE NO. 2008-00217
ELECTRIC COMPANY FOR THE SIX)
MONTH BILLING PERIOD ENDING)
OCTOBER 31, 2007 AND APRIL 30, 2008)

INFORMAL CONFERENCE

July 21, 2008

Please sign in:

NAME	REPRESENTING
<u>Dawn McGee</u>	<u>PSC - Financial Analysis</u>
<u>Ron Handziah</u>	<u>PSC " "</u>
<u>Aaron Brennwald</u>	<u>PSC - FA</u>
<u>Quang D. Nguyen</u>	<u>PSC - Legal</u>
<u>Allyson Sturgeon</u>	<u>E.ON U.S.</u>
<u>W. M. Gray</u>	<u>E.ON U.S.</u>
<u>Gary H. Revlett</u>	<u>E.ON U.S.</u>
<u>Khaled R. Amin</u>	<u>SKO for EON US</u>

Lonnie Bellar

Scott Lawless

Daryl Newby

Reginald Chaney

LGPE / KU

PSC

PSC - F/A

PSC - Engineering

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN
CASE NO. 2008-00216 and 2008-00217 DATED

ECR Review
Case Nos. 2008-00216
and 2008-00217

Kentucky Utilities Company
Louisville Gas and Electric Company
July 21, 2008

Scope of Review Cases

- Six-month Review Period
 - Billing months of May 2007 through October 2007
 - Billing months of November 2008 through April 2008

Operation of the ECR -- KU

- Under-collection of \$22,563 determined by:
 - Updating overall rate of return for the Post-1994 Plan (overall rate of return including return on equity)
 - Incorporated revisions from monthly filings made after the corresponding expense month
 - No additional revisions were found during this review

Operation of the ECR -- LG&E

- Under-collection of \$912,324 determined by:
 - Updating overall rate of return for the Post-1995 Plan (overall rate of return including return on equity)
 - Incorporated revisions from monthly filings made after the corresponding expense month
 - No revisions were made during the monthly filings
 - No additional revisions were found during this review

Recommendations

- Kentucky Utilities Company
 - Approve collection of \$22,563 over a one month period following the Commission's Order
 - Find environmental surcharge amount for the billing period ending April 2008 just and reasonable

Recommendations

- Louisville Gas and Electric Company
 - Approve collection of \$912,324 over four month period following the Commission's Order
 - Find environmental surcharge amount for the billing period ending April 2008 just and reasonable