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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY, INC. FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS BASE RATES	))))	CASE No. 2008-00252 C/W CASE No. 2007-00564

ATTORNEY GENERAL'S SUPPLEMENTAL REQUESTS FOR IFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Supplemental Requests for Information to Louisville Gas and Electric Company [hereinafter referred to as "LG&E"] to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for LG&E with an electronic version of these questions, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed

certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(11) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(12) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response.

Respectfully submitted,
JACK CONWAY
ATTORNEY GENERAL

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Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Stephanie Stumbo, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

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this 24th day of September, 2008

Assistant Attorney General

Attorney General's Supplemental Requests For Information to
Louisville Gas & Electric Company
Case No. 2008-00252 C/W
Case No. 2007-00564

I. REVENUE REQUIREMENTS

1. The Company's total electric and gas balance sheet as of 4/30/08 indicates a total balance of $43,166,325 for Non-Utility and other non-regulated property and investments. LG&E has only removed $594,286 out of this total $43.2 million balance from capitalization for ratemaking purposes to remove the investment associated with OVEC. Please explain why the Company has not removed the remaining non-utility and non-regulated property and investments of $42,572,039 from its capitalization? In addition, explain the nature and purpose of each of the components making up these remaining non-utility and non-regulated property and investments of $42,572,039.

2. The updated response to PSC-1-43 shows updated embedded debt cost rates and the resulting updated overall rate of return claim based on actual cost rates through July 31, 2008. In this regard, please provide the following information:

   a. What has been the Commission's ratemaking approach with regard to such updated post-test year debt cost rates in LG&E's prior rate cases?
   b. Is it the Company's intention to update its requested overall rate of return based on the most recent available actual debt cost rates that will be available prior to the close of record in this case? If so, please provide details. If not, explain why not.

3. With regard to the response to AG-1-6(d), please provide the following information:

   a. Would the Company agree that, for ratemaking purposes, the government-granted post-1971 investment tax credit benefits as well as Advanced Coal Investment Tax Credit benefits are to be shared between the Company's ratepayers and stockholders? If no, explain why not.
   b. Would the Company agree that, for a so-called Option 2 company (which LG&E is), this ratepayer/stockholder sharing is accomplished by reflecting the annual tax credit amortization as an income tax reduction while adding the unamortized investment tax credit and ACITC balance to capitalization for a current rate of return requirement?
   c. Would the Company agree that its proposal to reflect the unamortized ACITC progress expenditure balance of $13.3 million as a capitalization addition while not yet being in a position to reflect the associated income tax reduction from the annual ACITC tax credit amortization (since this tax credit amortization will not start until sometime in 2010) there is no sharing of the ACITC tax credits and that, through this benefit "mismatch", the only beneficiaries of the ACITC tax credits are the Company's stockholders?

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d. If the Company were *not* to add the ACITC progress expenditure balance of $13.3 million to capitalization for ratemaking purposes in this case in order to eliminate this "benefit mismatch," would that action be considered an IRS normalization violation? If so, explain why.

4. With regard to the response to AG-1-8(c), please provide the following information:

   a. Please confirm that the test year per books electric operating expenses of $787,392,382 shown on Rives Exhibit 1, page 1, line 1 include $107,382,630 for depreciation and amortization expenses. If you do not agree, explain your disagreement.
   b. Please confirm that the Company is proposing to increase the test year per books electric operating expenses of $787,392,382 by a total electric depreciation expense adjustment of $16,722,648, as shown on Rives Exhibit 1, page 1, line 17. If you do not agree, explain your disagreement.
   c. Please confirm that, therefore, the Company's adjusted electric depreciation and amortization expenses claimed in the proposed pro forma adjusted test year operating expenses on Rives Exhibit 1 amount to $124,105,278, representing the sum of the unadjusted per books test year depreciation and amortization expenses of $107,382,630 included in line 1 and the proposed depreciation expense adjustment of $16,722,648 on line 17. If you do not agree, explain your disagreement.
   d. Please confirm that the $7,420,046 difference between the total pro forma adjusted depreciation expenses of $124,105,278 reflected by the Company in this case, as derived in part (c) above, and the total pro forma annualized depreciation adjustment of $116,685,232 proposed by the Company in this case (see Rives Exhibit 1, Schedule 1.14, line 3) represents the test year depreciation expenses associated with ARO and ECR. If you do not agree, explain your disagreement.
   e. Has this ECR and ARO related depreciation expense amount of $7,420,046 been removed from the filing results through separate pro forma adjustments? If so, indicate in which Exhibit 1 Reference schedule(s) this expense removal is included.

5. With regard to the response to AG-1-8(c), please provide the following information:

   a. Please confirm that the test year per books gas operating expenses of $373,070,824 shown on Rives Exhibit 1, page 1, line 1 include $18,923,389 for depreciation and amortization expenses. If you do not agree, explain your disagreement.
   b. Please confirm that the Company is proposing to increase the test year per books gas operating expenses of $373,070,824 by a total gas depreciation

expense adjustment of $3,488,855, as shown on Rives Exhibit 1, page 1, line 17. If you do not agree, explain your disagreement.

c. Please confirm that, therefore, the Company's adjusted gas depreciation and amortization expenses claimed in the proposed pro forma adjusted test year operating expenses on Rives Exhibit 1 amount to $22,412,244, representing the sum of the unadjusted per books test year depreciation and amortization expenses of $18,923,389 included in line 1 and the proposed depreciation expense adjustment of $3,488,855 on line 17. If you do not agree, explain your disagreement.
d. Please confirm that the $9,103 difference between the total pro forma adjusted depreciation expenses of $22,412,244 reflected by the Company in this case, as derived in part (c) above, and the total pro forma annualized depreciation adjustment of $22,403,132 proposed by the Company in this case represents the test year depreciation expenses associated with ARO. If you do not agree, explain your disagreement.
e. Has this ARO related depreciation expense amount of $9,103 been removed from the filing results in a separate pro forma adjustment? If so, indicate in which Exhibit 1 Reference schedule(s) this expense removal is included.

6. With regard to the responses to AG-1-18 and AG-1-10 (second line) regarding the Mill Creek Ash Dredging Regulatory Asset, please provide the following information:

   a. On AG-1-10, second line, provide the reasons for the difference between the annual amortization expense amount of $1,415,333 included in the adjusted test year operating expenses and the annual amortization expense amount of $2,057,654 shown on the second line, 6th column.
   b. Show the monthly amortizations for the unamortized total ECR balance of $4,033,077 at 4/30/08 that result in a fully-amortized balance as of 4/30/08.
   c. Show the monthly amortizations for the unamortized Base Electric balance of $2,134,844 at 4/30/08 that result in a fully-amortized balance as of 4/30/08.
   d. Does the $1,415,333 amortization expense include an ECR portion that was removed for ratemaking purposes through one of the Company's pro forma adjustments or does it represent the Base Electric amortization expense? Please explain this in detail.

7. Re. the response to AG-1-21, please explain the very large reductions in the Other Electric revenues from the revenue levels experienced prior to the test year and explain why the test year revenue level should be considered representative of the appropriate ongoing revenue level.

8. With regard to the response to AG-1-23, please provide the following information:

   a. Please provide a component breakout of the electric unbilled revenue difference of $(785,000) and the gas unbilled revenue difference of $(1,203,000) in the same format and detail as in KU's response to data request PSC-2-57.
   b. Re. part (g): the electric unbilled revenue difference of $(785,000) consists of $(343,000) for unbilled base revenues; $(659,000) for unbilled FAC revenues; $38,000 for unbilled DSM revenues; $248,000 for unbilled ECR revenues; while $(69,000) of the difference is not shown. Please provide the revenue components of this $(69,000) unbilled revenue amount (e.g, unbilled MSR/VDT revenues, unbilled STOD PCR revenues, etc.)
   c. Re. part (g): the gas unbilled revenue difference of $(1,203,000) consists of $37,000 for unbilled base revenues; $(1,267,000) for unbilled GSC revenues; $15,000 for unbilled DSM revenues; while $12,000 of the difference is not shown. Please provide the revenue components of this $12,000 unbilled revenue amount (e.g., unbilled VDT revenues, etc.).
   d. Please confirm that the electric unbilled revenue adjustment for unbilled base rates only (i.e., excluding unbilled FAC, DSM, ECR and other non-base unbilled revenues) amounts to a net revenue reduction of $343,000 as shown in the response to part g.
   e. Please confirm that the gas unbilled revenue adjustment for unbilled base rates only (i.e., excluding unbilled GSC, DSM and other non-base unbilled revenues) amounts to a net revenue increase of $37,000 as shown in the response to part g.

9. For the proposed gas unbilled revenue adjustment on Rives Exhibit 1, Schedule 1.00, please provide the MCF volumes associated with the 4/30/07 and 4/30/08 unbilled revenue levels and associated with the revenue adjustment amount.

10. For the proposed electric unbilled revenue adjustment on Rives Exhibit 1, Schedule 1.00, please provide the following information:

    a. The KWH volumes associated with the total 4/30/07 and 4/30/08 unbilled revenue levels and associated with the total revenue adjustment amount of $(785,000).
    b. The KWH volume associated with the unbilled base rate revenue adjustment of $(343,000) referenced in the response to AG-1-23(g).
    c. Explain why the Company has not reduced the test year base power expenses (those rolled into base rates) for the power expenses associated with the electric unbilled revenue adjustment.
    d. Provide the test year pro forma base rate (rolled-in) power expenses per KWH, including the calculations to derive this unit cost. If this number is

different from the $0.01703/KWH shown on Seelye Exhibit 20, provide a reconciliation.

11. While the Company has proposed to reflect only billed revenues in the test year, explain why the Company has not similarly proposed to reflect only billed operating expenses in the test year?

12. With regard to the response to PSC-2-79, please provide the following information:

    a. From the data in the table in the response Attachment, it appears that if tax credits are generated in one year (the year of the coal purchases), the tax credits are booked by the Company in the next year. Please confirm if this is correct.
    b. Please confirm that if the Company generates tax credits from coal purchases in 2008 and 2009, the tax credits will be applied as property tax or income tax credits in 2009 and 2010. If this is not correct, provide the correct answer.
    c. In the years 2002, 2003, 2004 and 2006, why wasn't the coal tax credit applied first to the entire income tax liability with any remaining tax credits applied to property taxes?
    d. Did the test year coal tax credits of $1,135,572 that were applied as a credit to property taxes in 2007 increase the Company's FIT liability by 35% and SIT liability by 6% of the property tax credit? In addition, provide the net after-tax impact on operating income of the test year's coal tax credit booking of $1,135,572 and show the calculations.
    e. Did the test year coal tax credit of $132,511 that was applied as a credit to state income taxes increase the Company's FIT liability by 35% x $132,511? In addition, provide the net after-tax impact on operating income of the test year's coal tax credit booking of $132,511 and show the calculations.

13. The Attachment to PSC-2-79 states: "One quarter, $416,404, of the $1,665,616 coal tax credit [applied against income] for coal purchased in calendar year 2007 has been recorded in the test year." In this regard, please provide the following information:

    a. Reconcile the $416,404 coal tax credit [applied against state income tax] to the coal tax credit related income tax reduction of $132,511 shown on Reference Schedule 1.41. (provide a response in the same format and detail as KU's response to PSC-2-119).
    b. Since the test year incorporates 4 months of 2008, why has only 1/4th of the $1,665,616 2008 coal tax credit been reflected in the test year rather

than 1/3rd? In addition, explain the basis for having 1/4th of the total 2008 coal tax credit reflected in the test year.

c. Since the Company received coal tax credits in 2008 of which only 1/4th, or $416,404 has been utilized in the test year, please confirm that this means that the Company in the future will be able to use the remaining coal tax credit amount of $1,249,212 either as an income tax or a property tax reduction.

14. The response to AG-1-30 shows that since 1999, the Company has used up $4,155,942 of the total generated Recycle Credit, leaving a carry forward balance of $4,037,437 at the present time. In the same response, the Company also states that it expects "the remaining carry forward to completely reverse during 2008 with no impact in 2009 or thereafter." In this regard, please provide the following information:

a. Explain what conditions have to be met in order for the Company to be able to use the recycle tax credits as it was able to do in 1999, 2000, 2005 and 2007.
b. Is there an expiration date associated with the carry forward balance? If so, what is that expiration date?
c. Will the Company be able to actually use up the entire Recycle Credit balance? If not, why not? If so, how does the Company plan to accomplish this?
d. Provide a detailed explanation as to why the Company expects this remaining carry forward balance to completely reverse during 2008 with no impact in 2009 or thereafter.
e. Did the test year recycle tax credit of $741,478 that was applied as a credit to state income taxes increase the Company's FIT liability by 35% x $741,478? In addition, provide the net after-tax impact on operating income of the test year's recycle tax credit booking of $741,478 and show the calculations.

15. With regard to the response to AG-1-45, please provide the following information:

a. Please reconcile the March 2008 MISO refund amount of $721,477 referenced in the response to AG-1-45(b) to the March 2008 MISO refund amount of $681,715 shown in the table in the response to AG-1-45(a).
b. Does the response to AG-1-45(a) indicate that, based on information available at this time, it is estimated that the Company's ultimate MISO Exit fee liability at the end of the first quarter of 2015 will be $10,643,546? If not, explain in detail the correct answer.

16. With regard to the response to AG-1-49 (re. IMEA/IMPA payments), when (month and year) is the anticipated retirement of Trimble County Unit 1?

17. With regard to the lease expense adjustment discussed in the response to PSC-2-32, please provide the following information:

    a. Confirm that if the Company had not switched from treating this item as a capital lease as opposed to an operating lease, the test year expense would have been 12 x $52,400, or $628,000. If this is not correct, provide the correct answer.
    b. Please provide the annual revenue requirement in this case associated with the capital lease treatment of this item in the current case as compared to the annual revenue requirement assuming that in this case the item was treated as an operating lease. Provide all calculations and calculation components in support of these two revenue requirement numbers.

18. With regard to the response to AG-1-54(b) and (d) and the response to PSC-2-10, please provide the following information:

    a. When (month and year) will the Company convert the two bonds referenced in the response to part (b)? In addition, provide any source documentation in support of this expectation.
    b. What other alternatives would be available to the Company to refinance the tax-exempt bonds and what would be the annual costs associated with those alternative refinancing tools?
    c. If any cost update is available by now, what would be the updated annual cost amount associated with the assumed letter of credit refinancing as compared to the currently projected cost of $2,528,293?
    d. The proposal from the one bank in the response to PSC-2-10 only concerns the TC2 bond of $83.335 million. Has the Company sent out proposals for letter of credit enhancement for the $128 million Metro Louisville bond of $128 million? If so, provide the term sheet. If not, why not?

19. With regard to the Attachment to AG-1-61 (bottom of page), please provide the exact nature and purpose of the reception expenses of $21,070. Also, indicate what these reception expenses of $21,070 consist of.

20. Attachment to Response to PSC-1-30(b), page 2, shows total EEI dues paid during the test year of $387,603. Please confirm the accuracy of this. If this is not correct, provide the correct answer.

21. With regard to the response to AG-1-64 regarding legal expenses for the gas operations, please provide the following information:

a. Provide the actual legal expenses for 2007 and 2008 through August on a monthly basis.
b. For each of the years 2003 through 2007, provide the same expense component breakout as shown for the test year in the response to part (b) of AG-1-64.
c. Provide the specific reason(s) why the 2007 and test year expenses are so much higher than the expenses for the prior 4 years.

22. With regard to the response to AG-1-69, please provide the following information:

 a. Provide the dollar amount data for the test year in the response to part (a) in the same format and detail as the expense information for 2004 through 2007 in the response to part (b).
 b. For each of the years 2004 through the test year, provide the costs, in total and broken out by Accounting, Engineering, Legal and Other (but without showing the detailed expense categories) charged to O&M expense (i.e, exclude any costs that were capitalized or charged to accounts other than O&M).
 c. Provide detailed explanations as to why the test year Engineering costs of $2,487,127 and Other costs of $74,613,842 are so much higher than the corresponding costs in the year 2004 through 2007. In addition, in explaining the differences, indicate to what extent the differences are due to capitalized and/or expensed cost differences.

23. With regard to the response to AG-1-10 (amortizations of deferred costs), please provide the following information:

 a. Since the 4/30/08 deferred Gas Franchise costs of $242,675 will be fully amortized by 10/31/08, why isn't the test year amortization expense of $362,246 to be considered a non-recurring event?
 b. Since the 4/30/08 deferred Southwest Power Pool costs of $400,800 will be fully amortized by 8/31/08, why isn't the test year amortization expense of $801,600 to be considered a non-recurring event?
 c. Since the 4/30/08 deferred TVA costs of $172,680 will be fully amortized by 8/31/08, why isn't the test year amortization expense of $345,360 to be considered a non-recurring event?

24. Please describe the nature and purpose of the total Community Involvement expenses of $1,160 listed in the response to AG-1-62, page 2.

25. In the PSC Order, Case No. 2003-00434, page 39, the Order states that KU incurred storm damage expenses of $15,540,679 in storm damage expenses in

2003 and received $8,944,009 in insurance reimbursement for an un-reimbursed storm damage expense balance of $6,596,670. In this regard, please provide the following information:

a. Reference Schedule 1.18 shows that LG&E incurred storm damage expenses of $13,867,000 in 2004. Was this the same storm for which KU incurred $15,540,679 in storm damage expenses? If not, explain.
b. Given that KU received insurance reimbursement of $8,944,009 for its $15,540,679 storm damage expenses, did LG&E similarly receive insurance reimbursement for its $13,867,000 storm damage expenses? If not, why was KU able to receive insurance reimbursements, but not LG&E? If LG&E did receive insurance reimbursement for the $13,867,000 storm damage expenses, what was the reimbursement amount and why has it not been offset against the storm damage expense amount?
c. Why did KU decide to request extraordinary deferral and amortization treatment for the $15,540,679 storm damage expense amount, while LG&E did not request extraordinary deferral and amortization treatment for the $13,867,000 storm damage expense amount?

26. With regard to the storm damage expenses listed in Reference Schedule 1.18, please provide the following information:

a. Are the actual storm damage expenses listed for each of the years 1999 through 4/30/08 stated net of insurance reimbursements? If not, why not?
b. If the answer to part (a) is negative, and the Company did receive insurance reimbursements, provide the actual expenses net of insurance reimbursements and recalculate the storm damage expense normalization adjustment on this basis.

II. DEPRECIATION

27. Please refer to the attachment to LGE AG-1-8. Please provide the derivation (including all parameters) and source of each depreciation rate shown on that attachment that was not specifically shown on pages III-4 through III-12 of Mr. Spanos's LGE depreciation study. Provide all calculations in Excel format with all formulae intact.

III. RATE DESIGN

28. Follow-up to AG-1-106:

(a) Please reconcile the following as provided in the response to Q-106, which references LG&E response to PSC-2, Question 48, and the figures shown in Seelye Exhibit 25:

	Seelye Exhibit 25	File: BIP Calculation Per PSC-2, Question 48	File: BIP Calculation On & Off Peak Hours Page 11 of 11 Per PSC-2, Question 48
Winter Peak Period Hours	946	946	2,464
Summer Peak Period Hours	2,464	2,464	946

(b) Please provide the precise references, calculations and explanations based on the cost of service study in the LG&E response to PSC-2, Question 48, or elsewhere, that shows the specific steps and procedures to determine the Base, Intermediate, and Peak percentages of electric Production plant implicit in Seelye Exhibit 26 (below in column (a)) based on using the period costs percentages from Seelye Exhibit 25 (below in column (b)):

	(a)	(b)	
Base	33.58%	Non-Time Differentiated Cost	33.89%
Intermediate	39.97%	Winter Peak Period Costs	15.32%
Peak	26.45%	Summer Peak Period Costs	50.78%

29. Follow-up to AG 1-108: The response to Question No. 108 only refers to pages in Seelye Exhibit 26 and Seelye Exhibit 27, which lists the names and values of functional vectors and allocation vectors. Please provide the requested "detailed explanation or definition" of each of the vectors as stated in Question No. 108.

30. Follow-up to AG 1-139: Please reconcile the response to Question No. 139 that for classification purposes "Mr. Seelye did not combine all distribution conductors" with Mr. Seelye's zero-intercept analysis of overhead conductors presented in Seelye Exhibit 28.