LG&E
an e·on company

Ms. Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Louisville Gas and Electric Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
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Lonnie E. Bellar
Vice President
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October 7, 2008

RE: ***Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Base Rates*** **– Case No. 2008-00252**

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 ten (10) copies of the Response of Louisville Gas and Electric Company to the Kentucky Industrial Utilitiy Customers, Inc. (KIUC) Second Set of Data Requests dated September 24, 2008, in the above-referenced matters.

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

Sincerely,

Lonnie E. Bellar

Lonnie E. Bellar

cc: Parties of Record

Counsel of Record

Allyson K. Sturgeon, Senior Corporate Attorney – E.ON U.S. LLC
Kendrick R. Riggs – Stoll Keenon Ogden PLLC (Louisville Gas and Electric)
W. Duncan Crosby – Stoll Keenon Ogden PLLC (Louisville Gas and Electric)
Robert M. Watt – Stoll Keenon Ogden PLLC (Louisville Gas and Electric)
Dennis Howard II – Office of the Attorney General (AG)
Lawerence W. Cook – Office of the Attorney General (AG)
Paul D. Adams – Office of the Attorney General (AG)
Michael L. Kurtz – Boehm, Kurtz & Lowry (KIUC)
Lisa Kilkelly – Legal Aid Society, Inc. (ACM and POWER)
David C. Brown – Stites and Harbison (Kroger)
Joe F. Childers (CAK)

Consultants to the Parties

Steve Seelye – The Prime Group (E.ON U.S. LLC)
William A. Avera – FINCAP, Inc (E.ON U.S. LLC)
John Spanos – Gannett Fleming, Inc. (E.ON U.S. LLC)
Robert Henkes (AG)
Michael Majoros – Snavely King Majoros O'Connor & Lee (AG)
Glenn Watkins – Technical Associates (AG)
Dr. J. Randall Woolridge – Smeal College of Business (AG)
Lane Kollen – Kennedy and Associates (KIUC)
Kevin C. Higgins – Energy Strategies, LLC (Kroger)

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS BASE RATES	)	CASE NO. 2008-00252
APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY TO FILE DEPRECIATION STUDY	)	CASE NO. 2007-00564

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO THE
SECOND SET OF DATA REQUESTS OF THE
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. (KIUC)
DATED SEPTEMBER 24, 2008

FILED: OCTOBER 7, 2008

VERIFICATION

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

The undersigned, **Chris Hermann**, being duly sworn, deposes and says he is Senior Vice President – Energy Delivery for Louisville Gas and Electric Company, that he has personal knowledge of the matters set forth in the foregoing testimony, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

CHRIS HERMANN

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Paul W. Thompson**, being duly sworn, deposes and says that he is the Senior Vice President, Energy Services for Louisville Gas and Electric Company, 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.

PAUL W. THOMPSON

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Paula H. Pottinger, Ph.D.**, being duly sworn, deposes and says that she is the Senior Vice President, Human Resources for Louisville Gas and Electric Company, that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

PAULA H. POTTINGER, Ph.D.

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

(SEAL)
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is the Vice President, State Regulation and Rates for Louisville Gas and Electric Company, 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.

Lonnie E. Bellar

LONNIE E. BELLAR

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

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

The undersigned, **Valerie L. Scott**, being duly sworn, deposes and says that she is the Controller, for Louisville Gas and Electric Company, that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

Valerie L. Scott
VALERIE L. SCOTT

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Ely (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

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

The undersigned, **Shannon L. Charnas**, being duly sworn, deposes and says that she is the Director, Utility Accounting for Louisville Gas and Electric Company, that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

Shannon L. Charnas
SHANNON L. CHARNAS

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is the Director, Rates for Louisville Gas and Electric Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

ROBERT M. CONROY

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

(SEAL)
Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

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

The undersigned, **William Steven Seelye**, being duly sworn, deposes and says that he is the Senior Consultant and Principal, for The Prime Group, LLC, 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.

W. S. Seelye

WILLIAM STEVEN SEELYE

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 2nd day of October, 2008.

Tammy J. Ely (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.1

Responding Witness: Shannon L. Charnas

Q-2.1. Please provide each of the 13 months and the 13 month average for the test year of each accounts payable balance by account/subaccount. Provide these amounts on a total Company, service (electric/gas) and jurisdictional basis. Provide all assumptions used to allocate amounts to service and/or jurisdiction.

A-2.1. See attached. The Company does not maintain an electric/gas balance sheet. The amounts allocated to electric and gas were calculated based on the April 2008 allocation percentages. These percentages were developed by separating the Company's investment in facilities and operating funds between electric and gas services.

Louisville Gas & Electric Company
Monthly Balances - Accounts Payable
13 Months Ended April 30, 2008
Total Company

Account	APR-2007	MAY-2007	JUN-2007	JUL-2007	AUG-2007	SEP-2007	OCT-2007	NOV-2007	DEC-2007	JAN-2008	FEB-2008	MAR-2008	APR-2008	13 Month Total	13 Month Average
232001	$ (54,815,473.85)	$ (40,220,585.43)	$ (52,357,056.14)	$ (46,948,902.97)	$ (56,729,280.64)	$ (57,354,310.14)	$ (51,573,456.86)	$ (47,783,964.49)	$ (63,768,743.52)	$ (75,239,867.16)	$ (79,556,447.24)	$ (74,764,312.07)	$ (61,154,917.37)	$ (764,317,317.68)	$ (58,783,639.84)
232002	(1,545,168.01)	(2,130,313.51)	(2,554,640.54)	(3,040,199.42)	(1,458,301.47)	(1,721,055.03)	(1,946,011.21)	(2,708,458.44)	(3,001,064.47)	(3,555,709.87)	(1,376,821.12)	(2,083,981.17)	(2,070,438.24)	(29,192,162.50)	(2,245,550.96)
232004	(343,820.86)	(345,156.70)	(352,533.97)	(353,869.81)	-	-	-	-	-				-	(1,395,381.34)	(107,337.03)
232008	(10,080.68)	(11,542.12)	(8,142.32)	1,776.00	1,776.00		(3,559.32)	(3,710.00)	(204,949.83)			-	(24,286.30)	(262,718.57)	(20,209.12)
232009	(663,293.43)	(685,746.79)	(703,803.57)	(676,559.03)	(667,850.79)	(750,783.90)	(767,283.85)	(726,332.88)	(599,852.42)	(643,419.88)	(806,056.18)	(717,790.11)	(754,202.78)	(9,162,985.77)	(704,845.06)
232010	(2,220,927.34)	(2,121,074.31)	(2,236,138.01)	(2,079,604.74)	(1,997,466.11)	(2,102,478.05)	(2,042,461.34)	(2,221,474.65)	(2,113,236.07)	(2,756,343.29)	(1,975,333.60)	(2,202,309.46)	(1,935,317.90)	(28,004,164.87)	(2,154,166.53)
232011	(662,505.25)	(694,548.34)	(760,574.81)	(148,334.73)	(399,785.62)	52,541.25	(131,242.65)	(130,510.67)	(103,063.38)	(98,091.43)	(182,656.73)	(148,314.54)	(149,087.15)	(3,574,774.25)	(274,982.64)
232014	800.95	800.95			-	279.14	279.14	279.14	279.14	279.14	279.14	-	-	3,276.74	252.06
232015	(20,752,755.04)	(17,969,587.64)	(14,345,588.67)	(14,930,464.92)	(18,637,924.20)	(19,282,377.73)	(13,492,504.36)	(15,283,971.22)	(25,844,529.02)	(15,362,191.86)	(14,115,739.34)	(13,605,837.79)	(19,129,941.61)	(222,953,413.40)	(17,150,262.57)
232100	(8,181,249.29)	(6,387,544.88)	(5,638,864.90)	(6,524,566.21)	(8,154,763.45)	(6,564,494.06)	(8,792,579.90)	(7,160,756.42)	(13,801,876.02)	(5,937,984.03)	(9,918,997.44)	(11,531,673.08)	(7,574,583.53)	(106,569,935.21)	(8,197,687.32)
232202		-	-	-	-	-	-		-	64.00	-	-	-	64.00	6.46
232203	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)				-	-	-	-	(0.16)	(0.01)
232205		-	-	-	-	-			-	20,350.83	-	(72.50)	(72.50)	20,205.83	1,554.29
232206	-	-	-	-	-	-			-	5,698.91	-	-	-	5,698.91	438.38
232207	(6,256.50)	(6,554.00)	(6,551.50)	(6,536.50)	(6,534.00)	(6,431.50)	(6,504.00)	(6,201.50)	(6,249.00)	(6,346.50)	(6,201.50)	-	-	(70,366.50)	(5,412.81)
232211	(63,988.36)	-	-	-	-	-	-		(5,665,180.85)	(5,665,180.85)	(5,665,180.85)	-	-	(17,059,530.91)	(1,312,271.61)
232214	-	-	(742.33)	-	-	-	-		(198.47)	-	-		-	(940.80)	(72.37)
232216	(2,227.59)	(3,885.10)	(3,295.97)	(1,980.14)	(3,553.31)	(271.51)	(71.50)	(220.68)	(349.19)	(229.67)	(324.65)		-	(16,409.31)	(1,262.25)
232220	-	-	(80.00)	-	-	-	-		-	174,379.00	-	20.00	-	174,319.00	13,409.15
232223	-	-	(321.40)	-	-	-			-	5,738.03		-	3,553.87	8,970.50	690.04
232229	-	-	-	-	-	-			-	-		(6,449.00)	(6,266.50)	(12,715.50)	(978.12)
232233	-	-	-	-	-	-	-		-		-	(1,331.57)	-	(1,331.57)	(102.43)
232234	-	-	-	-	-	-	-		-		-	(1,208.59)	(987.01)	(2,195.60)	(168.89)
232238	(12,425.66)	(16,026.00)	(16,261.44)	(18,860.09)	(18,031.20)	(17,775.13)	(22,431.04)	(17,103.80)	(20,844.69)	(22,245.12)	(19,748.25)			(201,753.42)	(15,519.49)
232239	(910.20)	(910.20)	(910.20)	(910.20)	(910.20)	(1,819.78)	(910.20)	(910.20)	(910.20)	(910.20)	(910.20)		-	(10,921.78)	(840.14)
232241	-	-	-	-	-	-	-	-	-			(14,831.84)	(14,988.47)	(29,820.31)	(2,293.87)
232242	-	-	-	-	-	-	-	-	-	-		(910.20)	(910.20)	(1,820.40)	(140.03)

Louisville Gas & Electric Company
Monthly Balances - Accounts Payable
13 Months Ended April 30, 2008
Electric Only

Account	APR-2007	MAY-2007	JUN-2007	JUL-2007	AUG-2007	SEP-2007	OCT-2007	NOV-2007	DEC-2007	JAN-2008	FEB-2008	MAR-2008	APR-2008	13 Month Total	13 Month Average
232001	$ (44,131,038 00)	$ (32,381,593.33)	$ (42,152,665 90)	$ (37,788,561.78)	$ (47,282,943 84)	$ (46,175,855.09)	$ (41,521,780.12)	$ (38,470,859.81)	$ (51,364,368 41)	$ (60,575,617 05)	$ (64,050,895 67)	$ (60,208,649 65)	$ (49,235,823 87)	$ (615,351,872 62)	$ (47,334,759 43)
232002	(1,244,014.76)	(1,715,115 41)	(2,056,741.10)	(2,447,664 55)	(1,174,078 51)	(1,385,621.40)	(1,566,733 63)	(2,180,579 89)	(2,416,157.00)	(2,862,702 02)	(1,108,478 68)	(1,677,813.24)	(1,660,909 83)	(23,502,610.02)	(1,807,893 08)
232004	(276,810 17)	(277,885.66)	(283,825 10)	(284,900.58)	-			-	-		-	-	-	(1,123,421.51)	(86,417.04)
232008	(8,115 96)	(9,292 56)	(6,555.38)	1,429 86	1,429.86	-	(2,865 61)	(2,986 82)	(165,005.11)		-	-	(19,552 90)	(211,514 72)	(16,270 36)
232009	(534,017.54)	(552,094 74)	(566,632 25)	(544,697.68)	(537,686 67)	(604,456.17)	(617,748.36)	(584,770 60)	(482,941.18)	(518,017 35)	(648,955 83)	(577,892 82)	(607,208 66)	(7,377,119 85)	(567,470.76)
232010	(1,788,068 60)	(1,707,676 93)	(1,800,314.71)	(1,674,289.78)	(1,608,159 97)	(1,692,705 08)	(1,644,385 62)	(1,788,509.24)	(1,701,356.36)	(2,219,131.98)	(1,590,341.08)	(1,773,079 35)	(1,558,124.44)	(22,546,153 14)	(1,734,319.47)
232011	(533,382.98)	(559,180 87)	(628,440 78)	(117,814 09)	(321,667 40)	42,300.96	(105,663 46)	(105,074 30)	(82,976 34)	(78,456.47)	(147,056 93)	(119,408 04)	(120,030 05)	(2,876,050 76)	(221,388 52)
232014	644 84	644 84	-	-	-	224.74	224 74	224.74	224 74	224 74	224 74		-	2,638 12	202 93
232015	(16,708,043 08)	(14,467,315 01)	(11,549,633 44)	(12,020,517 31)	(15,005,392 77)	(15,524,242 31)	(10,662,815 26)	(12,305,125 23)	(20,807,430 31)	(12,368,100.67)	(11,364,581.74)	(11,115,080 00)	(15,401,515 99)	(179,499,793 12)	(13,807,676 39)
232100	(6,586,723 80)	(5,142,612 38)	(4,539,850.13)	(5,252,928 26)	(6,565,400 05)	(5,607.114 17)	(7,078,906 08)	(5,765.124.99)	(11,111,881.99)	(4,780,670 94)	(7,985,784 84)	(9,284,150 00)	(6,098,297.20)	(85,799,454 83)	(6,599,958 06)
232202			-	-	-		-		-	67 63			-	67.63	5 20
232203	(0 02)	(0 02)	(0 02)	(0 02)	(0 02)	(0 02)			-	-			-	(0 12)	(0 01)
232205			-	-						16,384 45		(58 37)	(58 37)	16,207 71	1,251.38
232206				-					-	4,568 19			-	4,568.19	352 94
232207	(5,037 11)	(5,276 63)	(5,274 61)	(5,262.54)	(5,260 52)	(5,176 00)	(5,236 37)	(4,992.63)	(5,031.07)	(5,109 57)	(4,992 83)		-	(56,652 08)	(4,357.85)
232211	(51,517.03)	-							(4,561,037 10)	(4,561,037 10)	(4,561,037 10)		-	(13,734,628 33)	(1,056,509 87)
232214	-	-	(597.65)			-			(159 79)			-	-	(757.44)	(58.26)
232216	(1,793 43)	(3,127 88)	(2,653 59)	(1,594 21)	(2,860 77)	(218 59)	(57 56)	(177 67)	(281 13)	(184 91)	(261 38)		-	(13,211 13)	(1,016 24)
232220	-	-	(64 41)	-						140,392 53		16 10	-	140,344 22	10,795 71
232223	-	-	(258 76)			-				4 619 69		-	2,851.22	7,222 15	555 55
232229	-	-	-			-						(5,192 09)	(5,045 16)	(10,237.25)	(787.48)
232233	-	-	-			-					-	(1,072 05)	-	(1,072 05)	(82 47)
232234	-	-				-						(973 04)	(794 64)	(1,767.68)	(135.98)
232238	(10,003 90)	(12,902.53)	(13,092 09)	(15,184.26)	(14,516 92)	(14,310 76)	(18,059 23)	(13,770 27)	(16,782 06)	(17,910 35)	(15,899 32)	-	-	(162,431 69)	(12,494 75)
232239	(732 80)	(732 80)	(732 80)	(732 80)	(732 80)	(1,465 10)	(732 80)	(732 80)	(732 80)	(732 80)	(732 80)		-	(8,793.10)	(676 39)
232241	-	-	-	-	-	-					-	(11,941 11)	(12,067.22)	(24,008 33)	(1,846 79)
232242	-	-	-	-	-	-		-	-	-	-	(732 80)	(732.80)	(1,465 60)	(112 74)

Louisville Gas & Electric Company
Monthly Balances - Accounts Payable
13 Months Ended April 30, 2008
Gas Only

Account	APR-2007	MAY-2007	JUN-2007	JUL-2007	AUG-2007	SEP-2007	OCT-2007	NOV-2007	DEC-2007	JAN-2008	FEB-2008	MAR-2008	APR-2008	13 Month Total	13 Month Average
232001	$ (10,683,535.85)	$ (7,638,992.10)	$ (10,204,390.24)	$ (9,150,341.19)	$ (11,446,336.80)	$ (11,178,355 05)	$ (10,051,666 74)	$ (9,313,094 68)	$ (12,434,375 11)	$ (14,664,250 11)	$ (15,505,551 57)	$ (14,575,462 42)	$ (11,919,093 40)	$ (148,965,445 26)	$ (11,458,880 40)
232002	(301,153 25)	(415,198 10)	(497,889 44)	(592,534.87)	(284,222 96)	(335,433 63)	(379,277.58)	(527,878 55)	(584,807 47)	(693,007 85)	(268,347 44)	(406.167.93)	(403,528 41)	(5,689,552 48)	(437,657.88)
232004	(67,010 69)	(67,271.04)	(68,708.87)	(68,969 23)	-						-		-	(271,959 83)	(20,919 99)
232008	(1,964 72)	(2,249 56)	(1,585 94)	346.14	346 14	-	(693 71)	(723 08)	(39,944 72)				(4,733 40)	(51,203.85)	(3,938 76)
232009	(129,275 89)	(133,652 05)	(137,171.32)	(131,861 35)	(130,164 12)	(146,327.79)	(149,545 59)	(141,562 28)	(116,911.24)	(125,402 53)	(157,100 35)	(139,897.29)	(146,994 12)	(1,785,865.92)	(137,374.30)
232010	(432,858 74)	(413,397.38)	(435,823 30)	(405,314 96)	(389,306 14)	(409,772 97)	(398,075 72)	(432,965 41)	(411,869 71)	(537,211.31)	(384,992 52)	(429,230 11)	(377,193 46)	(5,458,011.73)	(419,847.06)
232011	(129,122 27)	(135,367.47)	(152,134.03)	(28,520.64)	(77,918.22)	10,240 29	(25,579 19)	(25,436 57)	(20,087.05)	(19,234 96)	(35,599 60)	(28,906 50)	(29,057.09)	(696,723.50)	(53,594 12)
232014	156.11	156 11			-	54 40	54 40	54 40	54 40	54 40	54 40	-	-	638 62	49.12
232015	(4,044,711.96)	(3,502,272 83)	(2,795,955 23)	(2,809,947.61)	(3,632,531.43)	(3,758,135 42)	(2,629,689 10)	(2,978,845.99)	(5,037,098 71)	(2,994,091.19)	(2,751,157 60)	(2,690,757.79)	(3,728,425 62)	(43,453,620 28)	(3,342,586 18)
232100	(1,594,525 49)	(1,244,932 50)	(1,089,014.77)	(1,271,637.95)	(1,589,363 40)	(1,357,379 89)	(1,713,673 82)	(1,385,631.43)	(2,689,986 03)	(1,157,313 09)	(1,933,212 60)	(2,247,523 08)	(1,476,285.33)	(20,770,480 38)	(1,597,729.26)
232202	-	-	-	-	-	-	-	-	-	16 37	-	-	-	16 37	1.26
232203	(0.01)	(0 01)	(0 01)	(0 01)	(0 01)	(0 01)	-	-	-		-	-		(0 06)	(0 00)
232205	-	-	-	-	-	-	-	-		3,966 38	-	(14 13)	(14 13)	3,938.12	302.93
232206	-	-	-	-	-	-	-	-	-	1,110 72	-	-		1,110.72	85.44
232207	(1,219.39)	(1,277.37)	(1,276 69)	(1,273 96)	(1,273 48)	(1,253.50)	(1,267.63)	(1,208 67)	(1,217.93)	(1,236.93)	(1,208 67)			(13,714 42)	(1,054 96)
232211	(12,471.33)	-	-	-	-	-	-	-	(1,104,143 75)	(1,104,143 75)	(1,104,143 75)	-		(3,324,902 58)	(255,761 74)
232214	-	-	(144 68)	-	-	-	-	-	(38 68)	-	-	-		(183 36)	(14.10)
232216	(434.16)	(757.21)	(642.38)	(385 93)	(692 54)	(52 92)	(13 94)	(43 01)	(68 06)	(44.76)	(63.27)			(3,198 18)	(246.01)
232220	-	-	(15 59)	-	-		-	-	-	33,986 47		3 90		33,974 78	2,613 44
232223	-	-	(62.64)	-			-	-	-	1,118 34			692 65	1,748.35	134 49
232229	-	-	-	-	-	-	-	-	-	-	-	(1,256 91)	(1,221.34)	(2,478.25)	(190 63)
232233	-	-	-	-	-	-	-	-	-	-	-	(259.52)	-	(259.52)	(19.96)
232234	-	-	-	-	-	-	-	-	-			(235.55)	(192 37)	(427.92)	(32.92)
232238	(2,421.76)	(3,123 47)	(3,169 35)	(3,675 83)	(3,514.28)	(3,464 37)	(4,371 81)	(3,333 53)	(4,062 63)	(4,335 77)	(3,848.83)			(39,321 73)	(3,024.75)
232239	(177.40)	(177.40)	(177.40)	(177.40)	(177.40)	(354 68)	(177 40)	(177.40)	(177.40)	(177.40)	(177.40)			(2,128 68)	(163.74)
232241	-	-	-	-	-	-	-	-	-	-	-	(2,890.73)	(2,921.25)	(5,811.98)	(447.08)
232242	-	-	-	-	-	-	-	-	-	-		(177 40)	(177.40)	(354 80)	(27.29)

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.2

Responding Witness: Valerie L. Scott

Q-2.2. Refer to the Company's response to PSC 1-25. Please provide the state excess deferred income taxes at the end of the test year for each originating temporary difference.

A-2.2. The state excess deferred income taxes for each originating temporary difference containing state excess deferred income taxes as of April 30, 2008 is as follows:

Contributions In Aid of Const. & Capitalized Int.	$ 1,973,623
Depreciation	(18,274,485)
Total	$(16,300,862)

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.3

Responding Witness: Lonnie E. Bellar

Q-2.3. Refer to Exhibit 1 Reference Schedule 1.00. Please confirm that the sign on the amounts on line 2 is not negative and that the parentheses are meant to denote a subtraction of the April 30, 2008 amounts.

A-2.3. LG&E confirms the sign on the amount on line 2 is not negative and the parentheses are meant to denote a subtraction of the April 30, 2008 amounts.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.4

Responding Witness: Lonnie E. Bellar / William Steven Seelye / Counsel

Q-2.4. Refer to Exhibit 1 Reference Schedule 1.00.

a. Please cite to all Commission decisions where an adjustment to exclude unbilled revenues was explicitly decided and relied on by the Company for this adjustment, if any.

b. Other than precedent, if any, please explain the Company's rationale for this adjustment.

A-2.4. a. LG&E relied upon eighteen years of Commission precedent in LG&E's and KU's rate cases in proposing its unbilled revenue adjustment in this proceeding. Most recently, the Commission explicitly accepted LG&E's unbilled revenue adjustment in Case No. 2003-00433: "Based on all of the evidence on this issue ... we will accept LG&E's unbilled electric revenue adjustment as proposed."[1]

The Commission explicitly approved the unbilled revenue adjustment of LG&E's sister company, KU, in its most recent rate case, as well: "The following adjustments were proposed by KU in its application, accepted by the AG, and have been found reasonable and accepted by the Commission[:] ... Adjustment to eliminate unbilled revenues."[2]

Eighteen years ago, the Commission approved LG&E's unbilled revenue adjustments to its electric and gas revenues:

> In normalizing its electric revenues, LG&E made adjustments to reflect year-end customers, to eliminate a non-recurring refund,

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[1] *In the Matter of: An Adjustment of the Gas and Electric Rates, Terms, and Conditions of Louisville Gas and Electric Company*, Case No. 2003-00433, Order at 26 (June 30, 2004).
[2] *In the Matter of: An Adjustment of the Electric Rates, Terms, and Conditions of Kentucky Utilities Company*, Case No. 2003-00434, Order at Appendix F (June 30, 2004).

> and to eliminate the effect of changing to the unbilled method of recording revenues midway through the test year.
>
> . . .
>
> LG&E's proposed adjustments are reasonable for determining normalized electric revenues.
>
> . . .
>
> In normalizing its gas revenues, LG&E made adjustments to reflect normal weather conditions and year-end customers. LG&E eliminated the effect of changing to the unbilled method of recording revenues and adjusted its gas cost revenues to $130,285,428 based on its wholesale gas cost in effect at the time the application was filed.
>
> . . .
>
> KIUC proposed an adjustment to increase LG&E's normalized gas revenues by $5,034,036 to reflect a 3-year amortization of LG&E's initial booking of unbilled revenues. This was the same adjustment KIUC proposed for LG&E's electric revenues. For the same reasons previously cited in the discussion of electric revenues, the Commission finds that no adjustment should be made.[3]

Other Commission precedents upon which LG&E did not explicitly rely, but which nonetheless support LG&E's proposed unbilled revenue adjustment, are:

1. *In the Matter of: An Adjustment of the Gas Rates of the Union Light, Heat and Power Company*, Case No. 2005-00042, Order at Appx. D ("The following adjustments were proposed by ULH&P in its application, accepted or not opposed by the AG, and have been found reasonable and accepted by the Commission[:] . . . 6. Unbilled Revenue and Gas Costs.").

2. *In the Matter of: Application of Kenergy Corporation for Review and Approval of Existing Rates*, Case No. 2003-00165, Order at 4 (April 22, 2004) ("The Commission finds that the following 19 adjustments proposed by Kenergy are reasonable and will be accepted without change: . . . the removal of unbilled revenue, a decrease in revenues of $350,000[.]").

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[3] *In the Matter of: Adjustment of Gas and Electric Rates of Louisville Gas and Electric Company*, Case No. 1990-00158, Order at 17-19 (Dec. 21, 1990).

b. The Company's rationale for this adjustment is as follows:

First, the Commission has approved this type of adjustment in LG&E's rate cases for at least the last three rate cases prior to this case (explicitly in the two cases discussed in a. above, implicitly in Case No. 2000-00080) and in KU's most recent rate case.

Second, the adjustment provides a better match of test-year revenues and expenses, using as-billed revenues for rate-making purposes rather than the revenues recorded on an accrual basis for accounting purposes.

Third, unbilled revenues are *estimates* that attempt to put revenue on a calendar month basis instead of a billing cycle basis. As a result, there are no class billing determinants associated with unbilled revenues. The only metered billing determinants available are associated with as-billed revenue. With a historical test year, rate case revenue, allocators, billing determinants, etc. should be based on known and measured metered information that is readily available and verifiable, and much more accurate than estimated unbilled revenues data.

Fourth, the billing determinants used to develop the proposed rates *do not* include units related to the unbilled revenues. In other words, the billing determinants used to determine proposed rates reflect as billed determinants, and do not include unbilled determinants. Consequently, if unbilled revenues *are not* removed from test-year operating revenues, then the billing units used to establish rates in the case would need to be revised to also reflect unbilled revenue.

Fifth, if unbilled revenues *are not* removed from operating revenues, all revenue adjustments would have to be re-determined on an unbilled basis and not an as-billed basis.

Sixth, for a fully normalized test year, there would be no difference between as-billed revenues and revenues including unbilled revenues.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Second Set of Data Requests of the
Kentucky Industrial Utility Customers, Inc.
Dated September 24, 2008

Question No. 2.5

Responding Witness: Shannon L. Charnas / Robert M. Conroy

Q-2.5. Refer to Exhibit 1 Reference Schedules 1.03 and Schedule 1.09 line 4. Please reconcile the difference between the net of the test year revenues and expenses on Schedule 1.03 and the Schedule 1.09 line 4 amount.

A-2.5. The purpose of the referenced adjustments is to remove the effects of the separate FAC regulatory mechanism (Reference Schedule 1.03) and the accrual accounting treatment of that mechanism (Reference Schedule 1.09) from the determination of base rates consistent with appropriate regulatory principles.

Schedule 1.09 is the change in the FAC accrual between the beginning and end of the test year. Schedule 1.03 is the difference between the billed FAC revenues and the recoverable FAC expenses during the test year. As noted on Schedule 1.03, there is a two month lag between when FAC expenses are incurred and when they are recovered. The FAC revenue for May 2007 and June 2007 is the recovery of the FAC expense for March 2007 and April 2007, which was accrued as of the beginning of the test year. The FAC expenses for March 2008 and April 2008 will not be recovered until May 2008 and June 2008, and is included in the April 2008 accrued revenues. The net of the test year revenues and expenses will not reconcile to the change in the accrual due to expenses both incurred and recovered during the test year.

FAC Revenue Recovered in May 2007 (Ref. Sch. 1.03)	$(3,545,302)	
FAC Revenue Recovered in June 2007 (Ref. Sch. 1.03)	(5,099,254)	
FAC Expenses Recovered in March 2008 (Ref. Sch. 1.03)	1,429,846	
FAC Expenses Recovered in April 2008 (Ref. Sch. 1.03)	1,160,896	
Net FAC Revenue and Expenses Adjusted for Timing		$(6,053,814)
Net FAC Reported in Unbilled		(659,000)
FAC Over- or Under-Recovery		(142,000)
Other		814
FAC Accrued Revenue (Ref. Sch. 1.09 line 5)		$(6,854,000)
FAC Revenue Recovered in May 2007 (Ref. Sch. 1.03)	$3,545,302	
FAC Revenue Recovered in June 2007 (Ref. Sch. 1.03)	5,099,254	
FAC Over- or Under-Recovery	100,000	
FAC Reported as Unbilled Revenue	---	
Other	(556)	
FAC Regulatory Asset balance at April 30, 2007		$8,744,000
FAC Revenue Recovered in May 2008 (March 2008 Expense on Ref. Sch. 1.03)	$1,429,846	
FAC Revenue Recovered in June 2008 (April 2008 Expense on Ref. Sch. 1.03)	1,160,896	
FAC Over- or Under-Recovery	(42,000)	
FAC Reported as Unbilled Revenue	(659,000)	
Other	258	
FAC Regulatory Asset balance at April 30, 2008		1,890,000
Decrease in Accrued FAC		$6,854,000

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.6

Responding Witness: William Steven Seelye

Q-2.6. Refer to the Company's response to KIUC 1-12 and the statement: "Changes in customers result in changes in variable costs and changes in fixed costs."

a. Please provide all support for this statement in the short term, defined as the test year.

b. Please identify all changes in fixed costs that the Company incurs for customer growth that occurs from the beginning of the test year to the end of the test year.

A-2.6. a. The statement is supported by the Commission's long-standing practice of associating an operation and maintenance expense adjustment with the revenues resulting from the pro-forma adjustment to annualize year end customers.

b. The Company has not performed a comprehensive *marginal* cost study to identify the *changes* in all fixed costs during the test year that result from adding new customers. However, attributing fixed costs to customers is consistent with the allocation of fixed customer- and demand-related costs in the cost of service study. Furthermore, adding new customers will almost certainly increase meter reading expenses, billing expenses, transformer maintenance expenses, maintenance of services, customer information expenses, and other distribution expenses during the test year. It is likely that the Company will also experience marginal changes in other types of fixed costs.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Second Set of Data Requests of the
Kentucky Industrial Utility Customers, Inc.
Dated September 24, 2008

Question No. 2.7

Responding Witness: Paula H. Pottinger, Ph.D. / Valerie L. Scott

Q-2.7. Please provide a copy of each incentive compensation program in effect for the test year. Provide the target metrics, the achieved metrics, and the computation of the expense by each employee group or department, however, the data is available.

A-2.7. Attached is a copy of the Team Incentive Award (TIA) brochure, which is the only incentive compensation program applicable to costs charged directly to LG&E.

The TIA is an incentive plan designed to attract, retain and motivate employees to achieve financial, customer, team, and individual results. An incentive target is established annually for each employee and the actual earned payout is at risk each year depending on the achievement of financial, customer, team, and individual objectives.

Target financial, customer, team, and individual metrics are established on an annual basis and vary by employee group and by department. Target and achieved financial, customer, and team metrics for the 2007 performance year are attached.

Performance against these various pre-determined metrics is evaluated after the end of the year and incentive payments are calculated for each employee.

Sixty percent (60%) of an employee's TIA is based on a combination of financial and customer metrics. Forty percent (40%) is based on team or individual metrics. Based on performance, the financial payout can range from 0% to 200%; customer, team, and individual payouts range from 0% - 150%.

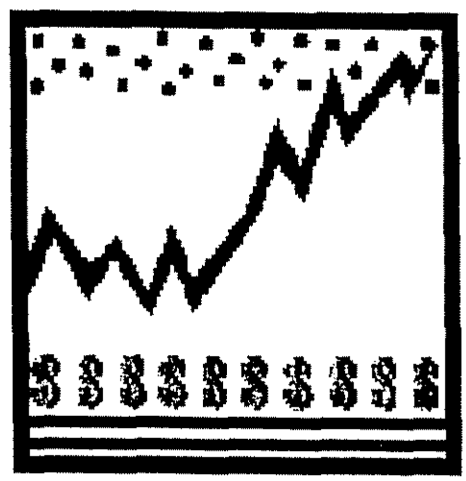
The computation of the expense is not available by employee group or department. The test year TIA payments included in LG&E's net operating income totaled $7,891,571 as noted in PSC-2 Question No. 90(a), 90(b), and 90(d).

Team Incentive Award (TIA) Plan
Responding Witness – Paula H. Pottinger, Ph.D.

E.ON U.S.

TEAM INCENTIVE AWARD (TIA) PLAN

- ☑ Financial Performance
- ☑ Customer Satisfaction
- ☑ Individual Contributions To The Team



[redacted]

Eligible employees participate in the E.ON U.S. Team Incentive Award ("TIA"). The TIA seeks to focus employee efforts on business goals and rewards employees for achieving those goals. The TIA provides an opportunity for eligible employees to share in the added value they create through superior performance.

TIA AND BUSINESS STRATEGY

The company realizes the wealth that exists in the abilities of its people. The challenge is to become the best in our competitive market through each individual using his or her talents combined with other team members to make it happen. The TIA Plan plays a key role in assisting the company in focusing employees on business goals as well as providing employees with a program that can increase their individual compensation.

The TIA was developed to motivate and direct employees toward the achievement of strategic goals. It also assists with attracting and retaining skilled personnel by providing competitive financial rewards that are commensurate with their talents, cooperation and contribution.

There are several basic TIA concepts:

- There is a focus on the cooperative spirit of all employees working together as a team to ensure a bright future.
- Risk-taking, embodied in initiative, fresh perspectives and innovative solutions, is encouraged and rewarded.
- The plan is designed to motivate and improve the individual performance of all employees.
- Incentive award levels will vary depending on the employee's base salary, position and performance. The TIA represents "pay at risk." The relationship of the target awards to salary reflects that employees who have increasing responsibility for company performance, as reflected in higher salaries, generally have higher amounts of individual compensation tied to that performance.

With these concepts in mind, the TIA was designed:

- To promote the achievement of the company's objectives.
- To attract, motivate and retain employees.

TIA PLAN

Key elements of the TIA are as follows:

1. Participants include all active full-time and regular, part-time salaried employees, IBEW 2100 employees and KU hourly and bargaining unit employees.

2. All TIA participants have Target Awards based on the following:

Target Award Participation

Non-Exempt & Hourly	6% of annual earnings
Exempt	
Individual Contributors	9% of base salary
Managers	14% of base salary
Senior Managers	25% of base salary

3. Performance objectives are established annually to support the Company's business strategies. The size of the awards will depend upon the degree to which these objectives are achieved. The payout level of the award will range from zero to 150% with a target level at 100% for expected performance.

4. Exempt employees with salary changes during the year will have their awards calculated in accordance with the amount of time they work under each respective base salary.

5. Total annual earnings, including overtime, are used in calculating the earned awards for all regular non-exempt and hourly full- and part-time employees. Prior TIA awards are excluded from total annual earnings to calculate earned awards.

6. Earned TIA Awards will be paid in cash within 90 days of the completion of the calendar-based annual performance period.

7. Compensation from the TIA is included in calculating benefits under the Company's Retirement (except for the KU Retirement Plan) and 401(k) Savings Plan.

8. This plan in no way creates a contract of employment for any duration. The company has full and final discretion with respect to the interpretation and application of this plan. The Company reserves the right to modify or terminate this plan in its sole discretion. This plan document supersedes any prior plan document relating to the TIA.

ELIGIBILITY

All active, regular full- and part-time salaried employees, IBEW 2100 employees and KU hourly and bargaining unit employees, who have at least one month continuous service and are on the payroll on December 31 of the performance year, are eligible for a TIA. Employees who become disabled, die or retire during the performance year will be eligible for a prorated award. Disability, for purpose of this plan, means that the employee is eligible for the receipt of benefits under the Long Term Disability Plan. Retire means that the employee is eligible to retire under the terms of the pension plan. Employees who join the company during the performance year, who have at least one month continuous service, and are on the payroll on December 31 will also be eligible for a prorated award. Employees incurring unpaid work days during the performance year may experience a proportionate reduction in their TIA.

FINANCIAL PERFORMANCE OBJECTIVES

The financial performance objective is determined annually by E.ON and the E.ON U.S. Finance department. This performance measure is also used for the officer annual incentives as part of the E.ON U.S. Short Term Incentive Plan to provide direct alignment and common performance objectives with the TIA. In 2000, we began combining the averages for LG&E and KU Customer Satisfaction into one financial performance objective.

INDIVIDUAL PERFORMANCE OBJECTIVES

The individual performance objective links an individual employee's performance and contributions to the Company and their work group to the TIA award. The individual performance objective can be combined with performance objectives for small teams as well as with key objectives from the Performance Excellence Process. Individual performance objectives should align with, and support, strategic business goals to drive business success.

TIA COMMUNICATION

TIA performance results for financial and operational performance measures are communicated periodically through the Company's internal communications to provide information concerning performance to date. Final TIA performance results are approved following the completion of the performance period and are communicated through the Company's internal communications.

CONCLUSION

The Team Incentive Award Plan is designed to strengthen the connection between pay and performance. It will direct a portion of total pay to awards based on financial, operational and individual achievements. TIA focuses eligible salaried and hourly employee's attention on the company's business goals It shares the added value created by success and provides everyone a powerful incentive to do his or her very best.

TIA FORMULA

The TIA calculation formula is shown below, along with an example of a potential award. In this example, note the participant's salary is $40,000 and the target award is 9%.

TIA CALCULATION

Step 1: Target Award % x Annual Base Pay Earnings = Target Award

Step 2: Target Award x Financial Performance Objective Weight x Financial Performance % Earned = Financial Performance Earned Award

Step 3: Target Award x Customer Satisfaction Objective Weight x Customer Satisfaction Performance % Earned = Customer Satisfaction Earned Award

Step 4: Target Award x Individual Performance Objective Weight x Individual Effectiveness % Earned = Individual Performance Earned Award

Step 5: Financial Performance Earned Award + Customer Satisfaction Earned Award + Individual Performance Earned Award = Total Earned TIA

TIA CALCULATION EXAMPLE

Annual Base Pay Earnings = $40,000
Target Award Percent = 9%
Financial Performance % Earned = 105%
Customer Satisfaction % Earned = 100%
Individual Performance % Earned = 110%

Step 1: 9% x $40,000 = $3,600

Step 2: $3,600 x 45% x 105% = $1,701

Step 3: $3,600 x 15% x 100% = $540

Step 4: $3,600 x 40% x 110% = $1,584

Step 5: $1,701 + $540 + 1,584 = $3,825

Customer and Team Metrics 2007 Performance Plan

Responding Witness – Paula H. Pottinger, Ph.D.

2007 Financial Incentive Measures and Results

Measure	Target	Actual
E.ON U.S. EBIT	477,086	511,104
Combined Utility EBIT	495,139	517,981
Combined Utility Off-System Sales	38,825	19,284
E.ON U.S. Value Added	75,973	109,991

2007 Customer Satisfaction Results

	Peer Average Results	LG&E	KU	LG&E/KU
Quarter 1	39.9%	46.3%	62.9%	54.6%
Quarter 2	39.9%	43.8%	62.3%	53.0%
Quarter 3	43.6%	50.2%	62.8%	56.5%
Quarter 4	45.8%	47.7%	60.9%	54.3%

2007 Operating Services Team Incentive Measures and Results (40% of Target TIA)

Measure	Measure Weighting	Weighting of Team Rating	Targets	Ranges	Actual Results
Safety (TRR) Combined Energy Delivery	20%	50%	2.05	3.05 - 1.05	0.81
Corrective Maintenance (seven days within receipt of request)	10%	25%	99.5	98.5 - 100	100
Maintenance work orders completed without a call-back request	10%	25%	99.5	98.5 - 100	99.8

KU PLANTS - 2007 Targets and Results (40% of TIA Target)

Ghent

Weighting	Measure	MIN - TARGET - MAX	Actual
15	Safety - Total Recordable Incidents	5 - 3 - 1	3
5	Cont. Budget Variance - Plant	3.00 - **0.00** - (-2.00)	-1.90
5	Cont. Budget Variance - Combined	3.00 - **0.00** - (-2.00)	-1.40
10	Availability - EFOR Plant	5.10 - **3.40** - 0.90	4.18
5	Availability - EAF Plant	77.80 - 82.**00** - 85.30	83.40

EWB/Tyrone Steam

Weighting	Measure	MIN - TARGET - MAX	Actual
15	Safety - Total Recordable Incidents	6 - **4** - 1	0
5	Cont. Budget Variance - Plant	3.00 - **0.00** - (-2.00)	-2.60
5	Cont. Budget Variance - Combined	3.00 - **0.00** - (-2.00)	-1.40
10	Availability - EFOR Plant	5.70 - **3.80** - 1.90	3.04
5	Availability - EAF Plant	83.80 - 86.**60** - 88.00	85.60

EWB CT's

Weighting	Measure	MIN - TARGET - MAX	Actual
15	Safety - Total Recordable Incidents	6 - **4** - 1	0
5	Cont. Budget Variance - Plant	3.00 - **0.00** - (-2.00)	-2.60
5	Cont. Budget Variance - Combined	3.00 - **0.00** - (-2.00)	-1.40
15	Starting Reliability	92.00 - **96.50** - 98.50	94.80

Green River

Weighting	Measure	MIN - TARGET - MAX	Actual
15	Safety - Total Recordable Incidents	4 - **2** - 1	3
5	Cont. Budget Variance - Plant	3.00 - **0.00** - (-2.00)	-6.80
5	Cont. Budget Variance - Combined	3.00 - **0.00** - (-2.00)	-1.40
10	Availability - EFOR Plant	9.00 - 6.**00** - 3.00	4.30
5	Availability - EAF Plant	83.40 - **86.10** - 87.90	90.10

LGE Plants - 2007 Targets and Results (40% of TIA Target)

Trimble County

Weighting	Measure	MIN - TARGET - MAX	Actual
15	Safety - Total Recordable Incidents	4 - **2** - 1	0
5	Cont. Budget Variance - Plant	3.00 - **0.00** - (-2.00)	-1.90
5	Cont. Budget Variance - Combined	3.00 - **0.00** - (-2.00)	-1.40
10	Availability - EFOR Plant	5.00 - **3.30** - 0.80	4.00
5	Availability - EAF Plant	80.90 - 84.**60** - 87.80	83.70

Mill Creek

Weighting	Measure	MIN - TARGET - MAX	Actual
15	Safety - Total Recordable Incidents	6 - 4 - 1	4
5	Cont. Budget Variance - Plant	3.00 - **0.00** - (-2.00)	-7.30
5	Cont. Budget Variance - Combined	3.00 - **0.00** - (-2.00)	-1.40
10	Availability - EFOR Plant	6.60 - 4.**40** - 3.30	4.00
5	Availability - EAF Plant	84.00 - **87.10** - 88.20	89.00

Cane Run

Weighting	Measure	MIN - TARGET - MAX	Actual
15	Safety - Total Recordable Incidents	5 - **3** - 1	3
5	Cont. Budget Variance - Plant	3.00 - **0.00** - (-2.00)	-3.20
5	Cont. Budget Variance - Combined	3.00 - **0.00** - (-2.00)	-1.40
10	Availability - EFOR Plant	7.10 - 4.**70** - 3.50	8.70
5	Availability - EAF Plant	81.50 - **85.20** - 86.50	83.70

2007 Distribution Operations Incentive Measures and Results (40% of Target TIA)

Measure	Measure Weighting	Weighting of Team Rating	Targets	Range		Actual Results
				Minimum	Max	
Safety (Total Recordable Rate)	25%	62.5%	2.05	3.1	1.05	0.81
Electric Reliability SAIDI	5%	12.5%	80.19	113	61	78.39
Electric Reliability SAIF!	5%	12.5%	0.85	1.15	63	0.9
Gas Response (Response to Priority 1 Calls - Minutes)	5%	12.5%	42	55	29	45

2007 IT Telecommunications Department Hourly Targets and Results (40% of Target TIA)

Measure	Weighting	Target	Ranges	Actual Results
Safety	20%	1	0 - 3+	0
Average Team Competency	10%	3	0 - 5	0
Internal Customer Satisfaction	10%	3 - 10	0 - 25+	0

2007 Retail Team Incentive Measures and Results (40% of Target TIA)

Measure	Measure Weighting	Weighting of Team Rating	Targets	Ranges	Actual Results
Safety (TRR)	25%	62.5%	2.05	3.05 - 1.05	0.81
Meter Reading Accuracy	5%	12.5%	99.85	99.2 - 100.0	99.83
Meter Reads Completed	5%	12.5%	99.4	95.0 - 100.0	99.64
Field Service Orders Completed	5%	12.5%	99.7	95.0 - 100.0	99.81

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Question No. 2.8

Responding Witness: Valerie L. Scott

Q-2.8. Please provide the expense included in the test year O&M expenses for each incentive compensation program incurred directly by the Company and incurred indirectly by the Company through expenses charged by the affiliate service company.

A-2.8. The Team Incentive Award (TIA) program is the only incentive compensation program with costs charged to LG&E. The table below summarizes the TIA charges from responses in PSC 2 Question No. 90(a), 90(b) and 90(d).

TIA Costs	Direct Charges PSC 2-90(a)	From Servco PSC 2-90(b)	From KU PSC 2-90 (d)	Total
Construction/Other[1]	$ 1,179,866	$ 950,366	$ 19,696	$ 2,149,928
O&M[2]	4,256,302	3,583,986	51,283	7,891,571
Total	$ 5,436,168	$ 4,534,352	$ 70,979	$ 10,041,499

[1]Construction/Other includes accounts 107001 through 426591.
[2]O&M includes accounts 500100 through 935488.

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Question No. 2.9

Responding Witness: Paul W. Thompson / William Steven Seelye

Q-2.9. Please provide the Company's current estimated cost of an installed CT in 2009 dollars. Provide all supporting workpapers.

A-2.9. The Companies' current estimated cost of an installed CT in 2009 dollars is approximately \$710/kW. For supporting documentation, please refer to the Companies' 2008 Integrated Resource Plan (Case No. 2008-00148) in the Supply-Side Analysis contained in Volume III.

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Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.10

Responding Witness: Paul W. Thompson / William Steven Seelye

Q-2.10. Please provide a levelized fixed charge rate for a CT using the Company's cost of capital and tax rates. Provide all supporting workpapers.

A-2.10. The levelized fixed charge rate for a CT using the Companies' cost of capital and tax rates is approximately 10.59%. For supporting documentation, please refer to the Companies' 2008 Integrated Resource Plan (Case No. 2008-00148) in the Supply-Side Analysis contained in Volume III.

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Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.11

Responding Witness: Paul W. Thompson / William Steven Seelye

Q-2.11. Please provide the estimated fixed O&M for a new CT in 2009 dollars. Provide all supporting workpapers.

A-2.11. The estimated fixed O&M for a new CT in 2009 dollars is approximately $12.30/kW-Yr. For supporting documentation, please refer to the Companies' 2008 Integrated Resource Plan (Case No. 2008-00148) in the Supply-Side Analysis contained in Volume III.

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Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.12

Responding Witness: Paul W. Thompson / William Steven Seelye

Q-2.12. Please provide the Company's required reserve margin for capacity planning.

A-2.12. As indicated in the Companies' 2008 Integrated Resource Plan (Case No. 2008-00148) study, Reserve Margin Planning Criterion, contained in Volume III, the optimal reserve margin range is 12%-14%, with 14% recommended for planning purposes.

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Question No. 2.13

Responding Witness: Shannon L. Charnas

Q-2.13. For each of the Company's curtailable service riders, please provide a list of customers (with identifying information removed) and the amount of contracted firm load and curtailable load for the most recent 12 months available.

A-2.13. The requested information was provided in response to AG-1 Question Nos. 132, 133, and 134. A summary is below.

Curtailable Service Rider 1 (CSR1)

Customer A (the contract only specifies contract firm demand, not curtailable load):

	Total Firm Contract Demand (KW)
Aug-08	3,000
Jul-08	3,000
Jun-08	3,000
May-08	3,000
Apr-08	3,000
Mar-08	3,000
Feb-08	3,000
Jan-08	3,000
Dec-07	3,000
Nov-07	3,000
Oct-07	3,000
Sep-07	3,000

Customer B (the contract only specifies contract firm demand, not curtailable load):

	Total Firm Contract Demand (KW)
Aug-08	10,000
Jul-08	10,000
Jun-08	10,000
May-08	10,000
Apr-08	10,000
Mar-08	10,000
Feb-08	10,000
Jan-08	10,000
Dec-07	10,000
Nov-07	10,000
Oct-07	10,000
Sep-07	10,000

Curtailable Service Rider 2 (CSR2)

No Customers are served under this rate schedule.

Curtailable Service Rider 3 (CSR3)

No Customers are served under this rate schedule.

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Question No. 2.14

Responding Witness: Paul W. Thompson

Q-2.14. Please provide a 10 year forecast of load and capability, showing at a minimum the following information:

a. Annual peak;

b. Firm capacity

c. Firm requirement wholesale capacity sales;

d. Firm capacity purchases;

e. Demand side management (if any) assumed for planning purposes, including interruptible or curtailable load; and

f. Reserve margin.

A-2.14. Please refer to Table 8.4(a)-1 in Volume I, Section 8 of the Companies' 2008 Integrated Resource Plan (Case No. 2008-00148). For convenience, the referenced table is attached.

Table 8.(4)(a)-1

Kentucky Utilities Company / Louisville Gas and Electric Company
Resource Assesment and Acquisition Plan
Resource Capacity Available (MW)

At Summer Peak

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Forecasted Peak Load	7132	7199	7293	7385	7508	7617	7705	7812	7916	8017	8117	8231	8330	8469	8566	8696
Existing Peak Reductions																
Interruptible		105	105	105	105	105	105	105	105	105	105	105	105	105	105	105
Existing DSM		128	128	128	128	128	128	128	128	128	128	128	128	128	128	128
Case No. 2007-00319 DSM		11	61	111	161	207	252	292	330	330	330	330	330	330	330	330
Planned IRP08 Reduction (DSM)	0	0	0	14	29	45	62	77	93	109	109	109	108	108	107	106
Total Demand	7132	6956	6999	7027	7085	7132	7158	7210	7260	7345	7445	7560	7659	7798	7896	8028

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Capacity From:																
Existing Resources	7521	7507	7467	8018	8020	8022	8024	8026	8022	8497	8497	8497	8497	8972	8972	8972
Planned Resources	0	0	0	0	0	0	0	0	475	0	0	0	475	0	0	155
Firm Purchases:																
Dynegy (MW)	0	165	165	0	0	0	0	0	0	0	0	0	0	0	0	0
OMU (MW)	169	168	167	0	0	0	0	0	0	0	0	0	0	0	0	0
OVEC (MW)	179	179	179	179	179	179	179	179	179	179	179	179	179	179	179	179
Firm Purchases Non-Utility	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Capacity Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Planned Retirements	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Supply	7869	8019	7978	8197	8199	8201	8203	8205	8676	8676	8676	8676	9151	9151	9151	9306

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Reserve Requirements	998	974	980	984	992	998	1002	1009	1016	1028	1042	1058	1072	1092	1105	1124
Excess (Deficit)	-262	89	-1	186	122	71	43	-14	399	303	188	58	419	261	149	155
Reserve Margin (%)	10.3%	15.3%	14.0%	16.6%	15.7%	15.0%	14.6%	13.8%	19.5%	18.1%	16.5%	14.8%	19.5%	17.3%	15.9%	15.9%

Note: 2007 Peak Load is from Actual Peak on 8/9/2007; Capacity is from Planned

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Question No. 2.15

Responding Witness: Paul W. Thompson

Q-2.15. For each year of the 10 year load and capability forecast requested in the previous question, please identify the following:

a. Capacity additions (provide mW, type of unit);

b. Capacity reductions and/or retirements (mW, type of unit).

A-2.15. Please refer to the attachment to the response to Question No. 2.14.

a. Please refer to the rows labeled "Planned Resources" and "Existing Resources" for capacity additions. For the 10 year period, 2009-2018, two new units and one rehabilitation are planned. In 2010, Trimble County 2, a supercritical coal-fired unit, is planned, with a summer net capacity of 549 MW (KU and LG&E's combined ownership). In 2015, a new combined-cycle combustion turbine unit is planned, with a capacity of 475 MW. For the period 2009 through 2014, six Ohio Falls hydro units will be rehabilitated thus increasing the expected capacity by 2 MW each (for a total of 12 MW during that time period).

b. No retirements are planned in the next 10 years. Please refer to the row labeled "Existing Resources" for capacity reductions. The 40 MW reduction in 2009 is due to the addition of the Ghent 2 FGD (21 MW) and the Brown FGD (21 MW). The 4 MW reduction in 2015 is due to the planned addition of SCR's on units Ghent 2 and Brown 3 (both coal-fired units).

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Question No. 2.16

Responding Witness: Shannon L. Charnas

Q-2.16. Please provide a copy of all accounting policies and procedures that address cost capitalization, plant retirements, cost of removal, and salvage value.

A-2.16. See Case No. 2007-00564, Response to the Attorney General's Initial Requests for Information dated February 4, 2008, Question Nos. 12 and 40 for the policies and procedures addressing cost capitalization, plant retirements, cost of removal, and salvage value.

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Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.17

Responding Witness: Shannon L. Charnas

Q-2.17. Please provide a list of all retirement units used for book purposes and copy of all policies and procedures that address retirement unit costs.

A-2.17. See file entitled "Attachment to LGE KIUC-2 Q-17" on the enclosed CD for the listing of all retirement units.

See Case No. 2007-00564, Response to the Attorney General's Initial Requests for Information dated February 4, 2008, Question No. 36 for the policies and procedures addressing retirement unit costs.

Electronic Attachment on CD

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Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.18

Responding Witness: Valerie L. Scott

A-2.18. Refer to Exhibit 1 Reference Schedule 1.14. Please confirm that the Company included $7.788 million in TIA expense in the test year O&M expenses.

A-2.18. Yes. However, the amount should have been $7.840 million and has been recalculated from the $7.788 million included in Rives Exhibit 1, Reference Schedule 1.15. The $7.840 million is made up of the $4.256 million direct O&M charges and $3.584 million Servco O&M charges in the response to Question No. 2.8. No TIA expense was included in the *pro forma* calculation included on line 7, Rives Exhibit 1, Reference Schedule 1.15, page 2 of 4.

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Question No. 2.19

Responding Witness: Shannon L. Charnas

Q-2.19. Refer to the Company's response to AG 1-10.

a. Please provide a description of each deferral amount and the related amortization expense not previously approved by the Commission, including all costs that were aggregated into single lines, such as account 924 insurance and account 925 insurance.

b. For each deferral and amortization expense where the Company has described the amortization date as "Various," please provide the balance of each unamortized balance at April 30, 2008, the amortization expense and the expiration date.

c. Please explain why the Commission should not remove the amortization expense associated with the Southwest Power Pool and Tennessee Valley Authority deferrals, which will be fully amortized by August 30, 2008, before the rates are reset in this proceeding.

A-2.19. a. For accounting under U.S. GAAP, the payment of expenses that will benefit future accounting periods are identified as prepayments and amortized to expense over the period they benefit. The cost of intangible assets is capitalized and amortized to expense over the period they benefit.

Title of Amortization	Description
IT Expenses	For a description of each prepaid asset, see the attachment to the response to PSC 2-33
Gas Franchise Fee	Prepaid annual gas franchise fee paid to Metro Louisville to be able to provide gas service

Title of Amortization	**Description**
Insurance (Account 417)	IMEA/IMPA portion of Trimble County prepaid property insurance
Insurance (Account 924)	Prepaid All Risk Fire, River Marine, and Underground Gas Storage insurance policies expensed to account 924 – Property Insurance
Insurance (Account 925)	Prepaid AEGIS Excess Liability and Excess Liability insurance policies expensed to account 925 – Injuries and Damages
Maintenance (Account 512)	Prepaid Honeywell technical support
Maintenance (Account 566)	Prepaid Uninterrupted Power Supply (UPS) maintenance and service
Maintenance (Account 891)	Prepaid Honeywell technical support
Maintenance (Account 935)	Prepaid MMS, Prover, Cashier, and MobileUP maintenance, printer replacement, and ARCS support
Southwest Power Pool	Prepaid Independent Transmission Organization service
Tennessee Valley Authority	Prepaid Reliability Coordinator service
Maintenance (Account 513)	Prepaid preventative system maintenance and technical support
Transmission	Prepaid support maintenance, technical support, software license, and MicroStation SELECT subscription
PSC Assessment	Prepaid annual PSC Assessment
Maintenance (Account 506)	Prepaid maintenance and technical support
Intangible Assets	Franchises, consents, and software recorded on the balance sheet in account 101 and amortized monthly to expense

b. See attached. All IT contracts are held by Servco and allocated to LG&E based on the IT departmental allocation of 47.99%. Because the contracts are held by Servco, LG&E has no unamortized balance at April 30, 2008. Monthly amortization expense is not calculated by contract. See PSC-2 Question No. 33 for test year amortization and contract expiration dates.

c. See the response to AG-2 Question No. 23 (b) and (c).

Louisville Gas and Electric Company
Deferral and Amortization Schedule Detail

Title of Amortization	Unamortized Bal @ 4/30/08	Monthly Amortization @ 4/30/08	Expiration Date	Recurring
Gas Franchise Fee	$ 242,675	$ 43,335	10/2008	Yes
417 Insurance	48,549	8,091	10/2008	Yes
924 Insurance - All Risk Fire	1,406,616	234,436	10/2008	Yes
924 Insurance - River Marine	10,077	1,259	12/2008	Yes
924 Insurance - Underground Gas Storage	63,444	12,689	9/2008	Yes
Total 924 Insurance	1,480,137	248,384		
925 Insurance - AEGIS Excess Liability	491,536	61,442	12/2008	Yes
925 Insurance - Excess Liability	136,500	17,063	12/2008	Yes
Total 925 Insurance	628,036	78,505		
512 Maintenance - Honeywell	58,076	29,038	6/2008	Yes
566 Maintenance - Liebert Global Services	711	711	5/2008	Yes
891 Maintenance - Honeywell	1,902	951	6/2008	Yes
935 Maintenance - Energy Economics	8,500	1,063	12/2008	Yes
935 Maintenance - Energy Economics	4,420	553	12/2008	Yes
935 Maintenance - System Innovators	1,720	860	6/2008	Yes
935 Maintenance - System Innovators	675	338	6/2008	Yes
935 Maintenance - Utility Partners	70,667	8,833	12/2008	Yes
Total 935 Maintenance Contracts	85,982	11,647		
513 Maintenance - Liebert Global Services	4,877	975	9/2008	Yes
513 Maintenance - Honeywell	11,042	5,521	6/2008	Yes
Total 513 Maintenance Contracts	15,919	6,496		
Transmission - Open Systems International	27,958	3,495	12/2008	Yes
Transmission - Powerline Systems Inc.	5,702	496	4/2009	Yes
Transmission - PowerGEM LLC	4,375	438	2/2009	Yes
Transmission - Bentley	2,531	316	12/2008	Yes
Total Transmission	*40,566*	4,745		
PSC Assessment	323,231	161,616	6/2008	Yes
506 Maintenance - Neuco Inc.	40,000	5,000	12/2008	Yes
506 Maintenance - Honeywell	48,505	24,253	6/2008	Yes
Total 506 Maintenance Contracts	88,505	29,253		
Intangible Assets (1)	9,948,189	456,402	Various	Yes

(1) The detail of Intangible Assets by Vintage year is provided on page 2.

Louisville Gas and Electric Company
Deferral and Amortization Schedule for Intangible Assets

Description	Vintage	Unamortized Bal @ 4/30/08	Monthly Amortization @ 4/30/08	Life Factor April 2008 (1)
LGE-330300-Misc Intangible Plant-Software	2003	$ 404,752	$ 67,504	0.92522269
LGE-330300-Misc Intangible Plant-Software	2004	4,196,307	208,143	0.73379731
LGE-330300-Misc Intangible Plant-Software	2005	759,153	23,119	0.54237192
LGE-330300-Misc Intangible Plant-Software	2006	2,831,770	64,003	0.35094654
LGE-330300-Misc Intangible Plant-Software	2007	1,735,036	93,461	0.15952115
LGE-330300-Misc Intangible Plant-Software	2008	21,171	172	0.03190441
Total		$ 9,948,189	$ 456,402	

(1) Amortization for Intangible Assets is calculated at the group level. The Life Factor is the calculated reserve ratio for a particular vintage year within a given amortization group.

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Question No. 2.20

Responding Witness: Shannon L. Charnas

Q-2.20. Please refer to LG&E's response to AG-1 Question 8(a). Please provide the attachment computation of depreciation expense in electronic format with all formulas intact.

A-2.20. See file entitled "Attachment to LGE KIUC-2 Q-20" on the CD provided.

Electronic Attachment on CD

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Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.21

Responding Witness: Paul W. Thompson / Chris Hermann / Shannon L. Charnas

Q-2.21. Please refer to the variances comparing test year vs. 2007 actual costs for each of the O&M accounts found in LG&E's response to PSC-1 Question 23 (b) for the electric operations. For each of the FERC accounts listed below, please describe all reasons for the increases in expense in the test year compared to those incurred in 2007. Please quantify the effects of each reason cited.

a. Acct 506 Miscellaneous Steam Power Expenses - +21.22%.

b. Acct 510 Maintenance Supervision and Engineering - +14.59%.

c. Acct 512 Maintenance of Boiler Plant - +18.40%.

d. Acct 513 Maintenance of Electric Plant - +36.15%.

e. Acct 548 Generation Expenses - +175.45%.

f. Acct 560 Operation Supervision and Engineering - +14.88%.

g. Acct 571 Maintenance of Overhead Lines - +11.72%.

h. Acct 583 Overhead Line Expenses - +20.77%.

i. Acct 584 Underground Line Expenses - +15.90%.

j. Acct 593 Maintenance of Overhead Lines - +22.18%.

A-2.21. From LG&E's response to PSC-1 Question No. 23(b), Total Electric Operation and Maintenance Expense increased 2.30% from 2007 to the test year.

a. Account 506, Miscellaneous Steam Power Expenses, had a 21.22% ($2,974,000) increase; however, of this amount, $2,771,000 should be netted with account 558, Duplicate Charges Credit, leaving a 1.44% ($203,000) increase. Charges for auxiliary station power are recorded to account 506 in order to account for the cost of running the stations for management reporting purposes. These charges are normally offset by credits in Account 558 for FERC reporting; however, in the balances provided in the test year in the response to PSC 1-23(b) this netting was not reflected. The $203,000 variance is attributed to increased labor costs. (All dollar amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses associated with operating LG&E's system.

b. Account 510, Maintenance Supervision and Engineering, had a 14.59% ($299,000) increase due to planned inspections and repairs for high energy piping at Cane Run in the first quarter of 2008. (All dollar amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses associated with maintaining LG&E's system.

c. Account 512, Maintenance of Boiler Plant, had an 18.40% ($6,198,000) increase. Of this amount, $3,502,000 is due to higher outage cost primarily from Cane Run Unit 5's major turbine overhaul during the spring of 2008 which contributed $2,157,000 of the variance. Major turbine overhauls generally occur every 5-7 years for all LG&E steam generating units. In addition, Mill Creek 4 contributed $1,046,000 because it had a four week outage in 2008 versus a one week outage in 2007 and other outages contributed $299,000. The remaining $2,696,000 is attributed to costs for non-outage maintenance items such as: mills/feeders ($587,000), scrubbers ($374,000), sludge processing plant/thickeners ($349,000), limestone processing related maintenance ($340,000), primary fuel combustion ($298,000), ash handling ($171,000), boiler maintenance ($137,000), service water systems ($126,000), general maintenance ($105,000), barge unloader ($85,000), and sumps ($38,000). The remaining $86,000 variance is the net of all remaining variances. (All dollar amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses associated with maintaining LG&E's system.

d. Account 513, Maintenance of Electric Plant, had a 36.15% ($2,003,000) increase due to Cane Run Unit 5's major turbine overhaul during the spring of 2008. The outages related this overhaul were $1,632,000. Major turbine overhauls generally occur every 5-7 years for all LG&E steam generating units. In addition, $310,000 is attributed to non-outage maintenance costs for generators at various units. The remaining $61,000 variance is the net of all other variances. (All dollar amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses associated with maintaining LG&E's system.

e. Account 548, Generation Expenses, had a 175.45% ($589,000) increase. This was due to outages $(594,000) for Trimble County 10 Combustion

Turbine in spring 2008. These expenses were incorrectly recorded to the 548 account but were later reclassified by moving them to the 553 account (Maintenance of Generating and Electric Equipment) in June 2008. The remaining $5,000 variance is the net of all other variances. (All dollar amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses associated with operating LG&E's system.

f. Account 560, Operation Supervision and Engineering, had a 14.88% ($92,000) increase primarily due to compliance consulting and a new department developed for reliability compliance in January – April 2008 that were not incurred in 2007 for the same period. The compliance consulting cost accounted for 82% ($75,000) of the variance and the new department costs were $27,000. The remaining $10,000 variance is the net of all other variances. (All amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses associated with operating LG&E's system.

g. Account 571, Maintenance of Overhead Lines, had an 11.72% ($83,000) increase due to NERC regulation, FAC-003. The regulation FAC-003 addresses vegetation management around transmission lines. Compliance required increased spending on vegetation management of 11% ($81,000). The remaining $2,000 variance is the net of all other variances. (All amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses associated with maintaining LG&E's system.

h. Account 583, Overhead Line Expense, had a 20.77% ($777,000) due to the January and February storms of 2008. The expense attributed to the storms accounts for a 20.71% ($732,000) variance. The remaining 6% ($46,000) variance is the net of all variances. (All amounts are rounded.) Storm expense is addressed in Exhibit 1, Schedule 1.18 to the testimony of S. Bradford Rives.

i. Account 584, Underground Line Expenses had a 15.90% ($60,000) increase due to inspection work performed January – April 2008 of $63,000. The remaining negative $3,000 variance is the net of all variances. (All amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses associated with operating LG&E's system.

j. Account 593, Maintenance of Overhead Lines, had a 22.18% ($2,281,000) variance due primarily to storm restoration expense in the first quarter of 2008. The storm restoration expense accounts for a 20% ($1,992,000) variance. The remaining 2% ($289,000) can be attributed to increased tree trimming expense. (All amounts are rounded.) Storm expense is addressed in Exhibit 1, Schedule 1.18 to the testimony of S. Bradford Rives.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.22

Responding Witness: Paul W. Thompson / Chris Hermann / Shannon L. Charnas

Q-2.22. Please refer to LG&E's response to PSC-2 Question No. 99 (a). Please provide a comparison of the contract labor dollars incurred for Maintenance Contracts for the electric operations only for each year listed in this response by vendor. If the total increase for all vendors from 2007 to the test year is more than 2%, please describe all reasons for the cost increases. Please quantify the effects of each reason cited. In addition, please indicate whether each increase identified is recurring or non-recurring and the reasons why the Company believes it is recurring or non-recurring.

A-2.22. See attached for the detail showing all increases and decreases for each maintenance contract vendor.

LOUISVILLE GAS & ELECTRIC

VENDOR	TEST YEAR	2007	2006	2005	% CHANGE BETWEEN TEST YEAR AND 2007	RECURRING OR NON-RECURRING	EXPLANATION
AASTRA USA INC	$ 1 142 53	$ -	$ -	$ -			See Note 1
ADVANCED SOLUTIONS INC	450 00	2 701 48	420.00	204 24	-83 34%		
AETNA BUILDING MAINTENANCE INC	118 60	294 22	719 18	-	-59 69%		
ALG SOFTWARE	-	-	7.711 53	7 645.64			
ASSURED ASSETS PROTECTION	8 377 79	-	-	-			See Note 1
BENTLEY SYSTEMS INC	-	-	-	1.727 04			
BRAY ELECTRIC SERVICES INC	333.163 55	274,039.09	282.065 92	180.653 84	21 58%	Recurring	Bray was awarded a contract for substation work in November 2007 Bray provides the Commission pole inspections, spill prevention control and countermeasures, substation renovation, field crew damage remediation and warehousing logistic support on recurring basis. The contract renews annually
C E POWER SOLUTIONS LLC	1.460.008 94	1 173.155 11	-	-	24 45%	Recurring	Contract allowed for a 3.5% increase in labor rate effective February 2008 ($35K), the contract also included a fuel adjustment clause which accounted for an increase of approximately $25K. In addition, the contract began February 2007, therefore 2007 included 11 months versus the 12 months in the test year ($106K). The remaining fluctuation is the result of additional projects. CE Power provides substation maintenance work that is ongoing.
CHARAH INC	1 964.178.96	1.729,473 41	1.801 644 71	2.465.717 42	13.57%	Recurring	The fixed price contract increased April 1, 2007 ($17K of change). The balance of the change is increased scope This is a multi-year contract that currently expires on March 31, 2009. The type of work, hauling the ash from the plant site to the landfill or from the ash pond to the landfill, takes place on a continual basis.
COMWARE SYSTEMS INC	-	-	-	161 46			
DATA PROCESSING SCIENCES CORP	71 57	124.54	-	-	-42 53%		
DLL SOLUTIONS INC	777 83	771 89	-	-	0.77%		See Note 1
DLT SOLUTIONS INC	-	-	-	476.00			
ECKEN TECHNICAL SERVICES	-	-	1.100 78	-			
ENERGY ECONOMICS INC	86.572 48	74.525 46	102.487 84	47 193 00	16.16%	Non-Recurring	This expense should have been recorded as gas, rather than electric. It is a recurring expense for the gas business. A new contract is in effect as of January 1, 2008. The previous Meter contract was signed on October 1, 2004 Specifically, on the meter change contract, we had a 6.8% increase in labor which includes a 2 76% CPI labor adjustment, effective February 1, 2008, as well as adjustments for vehicle and fuel cost.
ENSPIRIA SOLUTIONS INC	51.830 68	51,435.03	14.726.64	-	0.77%		See Note 1
EVANS CONSTRUCTION CO INC	5.378 167 70	5 183.400 21	5.367 610 58	5 213.198 22	3.76%	Recurring	100% of the increase is attributable to expansion of the scope of maintenance in all LG&E facilities (excluding power plants). This is an annual ongoing contract for janitorial and light duty maintenance work.
G AND G UTILITY CONSTRUCTION INC	-	-	240.42	24.244 03			
GE ENERGY MANAGEMENT SERVICES INC	-	-	1.925.00	24.384 00			
GROUP 1 SOFTWARE	27.375.18	27.166 23	-	-	0.77%		See Note 1
HONEYWELL INDUSTRY SOLUTIONS	678,390 14	664.715.77	584.702 96	643,055 57	2.06%	Recurring	On site technical support. The original contract that expired on December 31, 2007 had kept the labor rate stable. The 2008 contract included an increase for labor cost as well as other support issues. The increase was offset slightly by a decrease in scope at Trimble County This is an ongoing contract.
INFORMATION INTELLECT INC	-	1.684 80	-	-	-100.00%		
INTERMEC TECHNOLOGIES CORP	564 73	560.42	-	-	0 77%		See Note 1
INTERNET SECURITY SYSTEMS INC	-	-	-	2.540.48			
ITRON INC	1.568 25	3,314.60	4,862 53	1.597 70	-52 69%		
LIEBERT GLOBAL SERVICES	24.008.69	25.861 58	15.190 33	14 662 57	-7 16%		
LOUISVILLE AND JEFFERSON COUNTY METROP(	146.20	-	-	760 00			See Note 1
MATRIX INTEGRATION LLC	36.145.24	35.701 32	34.940 92	34.531 01	1.24%		See Note 1

VENDOR	TEST YEAR	2007	2006	2005	BETWEEN TEST YEAR AND 2007	RECURRING OR NON-RECURRING	EXPLANATION
MECHANICAL CONSTRUCTION SERVICES INC	1 267 035 11	1 097 632 80	679 205 13	475.347 03	15 43%	Recurring	Increased costs incurred from Trimble County 1 outage for boiler inspection and repair, ash pit rebuild, and other outage related work
MECHANICAL DYNAMICS AND ANALYSIS LLC	1 075 718 40	42 911 83	23 310 60	66 104 40	2406 81%	Recurring	Turbine-Generator overhaul for the 2008 Cane Run Unit 5 Spring outage $977K. This will recur every seven years per location per the turbine outage maintenance schedule The different locations rotate over different years.
METEORLOGIX LLC	-	-	-	1 176.00			
MILLER PIPELINE CORP	29 106 42	5.016.42	-	221 456 45	480.22%	Non-Recurring	During 2007 (in the test year) our primary gas contractor inspected a gas transmission line to ensure it was not compromised as a result of electrical current from transmission and distribution lines. The 2008 amount was an unrelated transaction at Trimble County that required installation of a seal on an underground circulating water line.
MOORE SECURITY LLC	662.882 78	609.178 69	622 813 64	393 099 21	8 82%	Recurring	On May 1, 2007 Moore Security the Company's third party security provider, received a 1 31% scheduled labor increase ($8K) The remaining increase ($50K) is attributable to increase in the number of hours for guard services
MOTOROLA	-	-	936 78	707 39			
MRO SOFTWARE INC	-	-	-	10.044 11			
MTM TECHNOLOGIES INC	3.662 56	-	-	-			See Note 1
NATIONAL ENVIRONMENTAL CONTRACTING INC	679 639.23	579.045 32	735.368 46	464 076 03	17 37%	Recurring	Increased cost associated with 2008 Cane Run Unit 5 Spring outage $86K This will recur every seven years per location per the turbine outage maintenance schedule The different locations rotate over different years
NATIONAL TANK AND TOWER CO INC	-	-	-	1.081 18			
NET IQ CORP	3 537 99	-	-	-			See Note 1
NEW ENERGY ASSOCIATES LLC	9 385 00	50.723 05	6.976 77	81.074.95	-81 50%		
NORTHROP GRUMMAN COMMERCIAL INFORMAT	-	-	-	121 16			
OSMOSE UTILITIES SERVICES INC	-	-	22.092.21	13.884 39			
PAYFORMANCE CORP	-	-	263 73	-			
PIC ENERGY SERVICES INC	2 812 005 30	2 107.329.23	2.084.660.37	1.102 178 05	33 44%	Recurring	Increased costs associated with 2008 Cane Run Unit 5 Spring outage ($315K) and a new fleet boiler contract ($394K). This will recur every seven years per location per the turbine outage maintenance schedule. The different locations rotate over different years
POWERPLAN CONSULTANTS INC	4 490 82	4.456.54	-	-	0.77%		See Note 1
PRODUCT SUPPORT SOLUTIONS INC	-	-	-	1 560 00			
PROSYS INFORMATION SYSTEMS INC	2 313 20	2 295.54	-	-	0 77%		See Note 1
RADIO COMMUNICATIONS SYSTEMS	11 994 02	11.353 09	11.033.20	9,372 98	5 65%		See Note 1
REAL RESUME CORPORATION	1 103 54	1.095.12	1.081 08	1.291.68	0 77%		See Note 1
RUS SALES	8 053 04	8 000.94	7 927 90	8,563.91	0 65%		See Note 1
SARATOGA SYSTEMS INC	-	-	-	9.555.78			
SCIENTECH INC	-	-	1 500 00	-			
SIEMENS POWER GENERATION INC	51 997 29	51 997.29	492.955.52	128.513 73	0 00%		
SOFTWARE ENGINEERING OF AMERICA	-	-	-	1.755.00			
SPL WORLDGROUP INC	-	-	3.825 16	42.688 29			
STERLING COMMERCE INC	5.181 56	5.663.85	4,221 36	5.163.93	-8 52%		
STOLL CONSTRUCTION AND PAVING CO INC	-	-	742.20	1.268.00			
STORAGETEK	-	-	1.228 05	-			
STRUCTURE GROUP LLC	-	-	-	72.170 97			
TELEVOX SOFTWARE INC	-	-	30.369 82	-			
TOTAL RESOURCE MANAGEMENT INC	1 771 13	1.757.61	-	2,400.00	0 77%		See Note 1
TRANS ASH INC	2.409 292.28	2 192 575.51	2 478,163 17	339 124 32	9 88%	Recurring	Increased costs associated with 2008 increase in contract pricing due to a by-product being hauled to further location in Landfill ($227K) for the Cane Run plant. The current agreement expires September 30, 2010 The cost will continue each year in the future
VANGUARD SOLUTIONS INC	-	-	-	14,800 00			
VECTOR ESP INC	-	-	-	3.762.80			
VERAMARK TECHNOLOGIES INC	-	-	2.571 58	1.570.03			
WORKSUITE LLC	-	-	-	1,006.86			
Grand Total	$19,092,228.73	$16,019,957.99	$15,431,596.07	$12,137,690.85	19.18%		

NOTE 1: Only increases of at least $10.000 are explained