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PUBLIC SERVICE  
COMMISSION

Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602-0615

**E.ON U.S. LLC**  
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September 28, 2009

**RE: THE JOINT APPLICATION OF KENTUCKY UTILITIES  
COMPANY AND LOUISVILLE GAS AND ELECTRIC COMPANY  
FOR APPROVAL OF DEPRECIATION RATES FOR TRIMBLE  
COUNTY UNIT 2 – Case No. 2009-00329**

Dear Mr. DeRouen:

Enclosed please find an original and seven (7) copies of the Response of Kentucky Utilities Company and Louisville Gas and Electric Company to the Initial Data Request of the Attorney General dated September 18, 2009, in the above-referenced proceeding.

Please contact me if you have any questions concerning this filing.

Sincerely,

Robert M. Conroy

Enclosure

# VERIFICATION

COMMONWEALTH OF PENNSYLVANIA )  
 ) SS:  
 COUNTY OF CUMBERLAND )

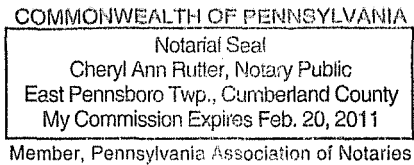
The undersigned, **John J. Spanos**, being duly sworn, deposes and says that he is the Vice President, Valuation and Rate Division for Gannett Fleming, Inc., that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

*John J. Spanos*  
 \_\_\_\_\_  
**JOHN J. SPANOS**

Subscribed and sworn to before me, a Notary Public in and before said County and Commonwealth, this *23rd* day of September, 2009.

*C. Ann Rutter* (SEAL)  
 \_\_\_\_\_  
 Notary Public


My Commission Expires:  
*February 20, 2011*



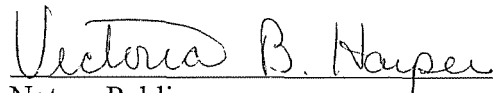
VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of E.ON U.S. Services, Inc., and 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**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 28<sup>th</sup> day of September 2009.

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

My Commission Expires:

Sept 20, 2010

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>THE JOINT APPLICATION OF KENTUCKY</b>	)	
<b>UTILITIES COMPANY AND LOUISVILLE GAS</b>	)	
<b>AND ELECTRIC COMPANY FOR APPROVAL</b>	)	<b>CASE NO. 2009-00329</b>
<b>OF DEPRECIATION RATES FOR TRIMBLE</b>	)	
<b>COUNTY UNIT 2</b>	)	

**RESPONSE OF**  
**KENTUCKY UTILITIES COMPANY**  
**AND**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**TO**  
**ATTORNEY GENERAL'S INITIAL DATA REQUESTS**  
**DATED SEPTEMBER 18, 2009**

**FILED: September 28, 2009**



**KENTUCKY UTILITIES COMPANY  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Attorney General's Initial Data Request  
Dated September 18, 2009**

**Case No. 2009-00329**

**Question No. 1**

**Witness: John J. Spanos**

- Q-1. Are the depreciation rates proposed by EON based in whole or in any part upon the Equal Life Group ("ELG") methodology?
- A-1. Given the fact that there was no plant in service when the proposed rates were developed, the procedure is not a factor. However, the proposed rates were developed with the expectation that they would go into service using Average Services Life (ASL) methodology used in the last rate cases for LG&E and KU.



**KENTUCKY UTILITIES COMPANY  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Attorney General's Initial Data Request  
Dated September 18, 2009**

**Case No. 2009-00329**

**Question No. 2**

**Witness: John J. Spanos**

- Q-2. Are said depreciation rates based in whole or in any part upon the Broad Group methodology?
- A-2. Please see the response to Attorney General Question No. 1. Please note that the Broad Group methodology is synonymous to the Average Service Life (ASL) methodology.





**KENTUCKY UTILITIES COMPANY  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Attorney General's Initial Data Request  
Dated September 18, 2009**

**Case No. 2009-00329**

**Question No. 3**

**Witness: John J. Spanos**

- Q-3. Do the rates proposed by EON include any lives and curves?
- a. If "yes," are the lives and curves based in whole or any part upon the depreciation rates approved in the last EON rate cases (2008-00251 and 2008-00252)?
- A-3. Yes. The service lives and curves for Trimble County Unit 2 are set forth on page 2 of the Application Exhibit 1. Please see the response to Attorney General Question No. 1 and the response to PSC Question No. 2.



**KENTUCKY UTILITIES COMPANY  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Attorney General's Initial Data Request  
Dated September 18, 2009**

**Case No. 2009-00329**

**Question No. 4**

**Witness: John J. Spanos**

- Q-4. Do the depreciation rates EON proposes for Trimble Unit 2 include any net salvage proposals?
- a. If "yes," do they address future inflation in any manner? Describe in detail. If not, does EON have any plans for addressing future inflation in the subject depreciation rates?
- A-4. The net salvage parameters utilized for the proposed rates for Trimble County Unit 2 are set forth for each account on page 2 of the Application Exhibit 1.

The net salvage component is determined in the traditional method which is the same approach as other utilities in Kentucky, including the existing LG&E and KU facilities.



**KENTUCKY UTILITIES COMPANY  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Attorney General's Initial Data Request  
Dated September 18, 2009**

**Case No. 2009-00329**

**Question No. 5**

**Witness: Lonnie E. Bellar**

- Q-5. Will EON's application for its next rate cases address the rates applicable in the instant matter in any manner? If so, describe in detail.
- A-5. LG&E and KU anticipate the need to file an application for a change in base rates within the next year; however, it is not anticipated that a new depreciation study will be necessary given that the current depreciation rates were just approved on February 5, 2009. As indicated in paragraph 7 of the Application, the Companies will use the depreciation rates requested in Application Exhibit 1 to depreciate their TC2-related assets when unit commissioning begins (currently scheduled to begin in December 2009). If the Commission approves the Application, the Companies will use such depreciation rates until the Commission approves new depreciation rates for the Companies.



**KENTUCKY UTILITIES COMPANY  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Attorney General's Initial Data Request  
Dated September 18, 2009**

**Case No. 2009-00329**

**Question No. 6**

**Witness: Lonnie E. Bellar**

- Q-6. Given EON's filing of Case No. 2009-00353 ("Louisville Gas And Electric Company and Kentucky Utilities Company Application for Approval of Purchased Power Agreements and Recovery of Associated Costs"), in which EON either seeks or will seek Commission approval for the companies to purchase power generated by wind turbines owned by an Illinois utility, is it appropriate for EON to seek depreciation for all of its share of Trimble Unit 2 since a significant portion of that unit's production originally intended for use by EON's ratepayers now will not be necessary, but will instead be distributed to off-system sales?
- A-6. LG&E and KU do not agree with the assertion contained in this data request to the effect that a significant portion of Trimble County Unit No. 2's production originally intended for use by LG&E and KU's ratepayers now will not be necessary, but will instead be distributed to off-system sales.

It is indeed appropriate at this time for LG&E and KU to seek approval for depreciation rates for their complete share of TC2 for the reasons stated in their application. In this proceeding, LG&E and KU are requesting authority to implement the proposed deprecation rate for book and accounting purposes commensurate with the commissioning activities of TC2 and not the rate recovery of the depreciation expense associated with TC2.

With respect to the assertion in the data request that LG&E and KU dispute, contrary to the data request's assertion, there is no relationship between the need for TC2 and Case No. 2009-00353, in which the Companies are seeking Commission approval of two wind power contracts and approval of a mechanism to recover the costs of such contracts (the "Wind Power Contract proceeding"). The wind power contracts at issue in that proceeding are for energy purchases only; the Companies are not thereby purchasing generating assets, nor are they seeking recovery of or on capital costs associated with generating assets in that proceeding. TC2, on the other hand, is a capital asset of the Companies and is an



investment in capacity. The data request therefore, makes an inappropriate comparison.

Even if the Companies' investment in TC2 and the subject matter of the Wind Power Contract proceeding were somehow comparable, the amount of energy purchased from the wind power contracts will not make any portion (let alone a "significant portion" as asserted in the data request) of TC2 production unnecessary for the Companies' ratepayers. TC2 will be the lowest-cost resource on the system and will be dispatched for the benefit of native load customers, not off-system sales. Moreover, the dependable capacity (that capacity considered when determining adequate reserve margin) associated with the Companies' proposed wind power contracts is approximately 13.1 MW, which is a de minimis addition compared to the Companies' combined generating capacity of over 8,000 MW in 2010.