



Mr. Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

RECEIVED

FEB 05 2010

PUBLIC SERVICE  
COMMISSION

**E.ON U.S. LLC**  
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February 5, 2010

**RE: *APPLICATION OF LOUISVILLE GAS AND ELECTRIC  
COMPANY AND KENTUCKY UTILITIES COMPANY FOR  
APPROVAL OF PURCHASED POWER AGREEMENTS AND  
RECOVERY OF ASSOCIATED COSTS***  
**CASE NO. 2009-00353**

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and ten (10) copies of the Response of Louisville Gas and Electric Company and Kentucky Utilities Company to the Joint Intervenors' Revised Continued Supplemental Requests for Information dated January 29, 2010, in the above-referenced matter.

Also enclosed are an original and ten (10) copies of a Petition for Confidential Protection regarding certain information provided in response to Question No. 1 and Question No 5.

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

Sincerely,

Rick E. Lovekamp

Enclosures

cc: Parties of Record

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

**In the Matter of:**

**APPLICATION OF LOUISVILLE GAS AND )  
ELECTRIC COMPANY AND KENTUCKY ) CASE NO.  
UTILITIES COMPANY FOR APPROVAL OF ) 2009-00353  
PURCHASED POWER AGREEMENTS AND )  
RECOVERY OF ASSOCIATED COSTS )**

**RESPONSE OF  
LOUISVILLE GAS AND ELECTRIC COMPANY  
AND  
KENTUCKY UTILITIES COMPANY  
TO REVISED CONTINUED SUPPLEMENTAL REQUESTS FOR  
INFORMATION  
OF JOINT INTERVENORS  
DATED JANUARY 29, 2010**

**FILED: February 5, 2010**

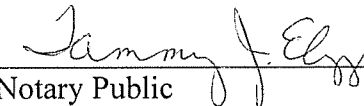
VERIFICATION

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 4<sup>th</sup> day of February 2010.

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

My Commission Expires:

November 9, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Charles R. Schram**, being duly sworn, deposes and says that he is Director – Energy Planning, Analysis and Forecasting for 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.

*Charles R. Schram*  
Charles R. Schram

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 4<sup>th</sup> day of February 2010.

*Victoria B. Harper* (SEAL)  
Notary Public

My Commission Expires:

*Sept 20, 2010*



LOUISVILLE GAS AND ELECTRIC COMPANY  
AND  
KENTUCKY UTILITIES COMPANY

Response to Revised Continued Supplemental Requests for Information  
of Joint Intervenors  
Dated January 29, 2010

Case No. 2009-00353

Question No. 1

Witness: Lonnie E. Bellar

Q-1. Reference Document no. [REDACTED] (e-mail from [REDACTED] [REDACTED] dated July 10, 2009). Discuss, in detail, why the EON U.S. and / or EON (AG) Board approved the contract(s) at issue in the instant case when [REDACTED]

- a. Why could the company not find an alternative supplier of renewable energy sources [REDACTED]?
- b. What [REDACTED] upon which [REDACTED] [REDACTED] based his concerns? What options existed at the [REDACTED] prices?
- c. Reference document no. [REDACTED] ([REDACTED] response to the above-referenced e-mail), in which [REDACTED] stated his thoughts that he wanted to “. . . [REDACTED]” Explain, in detail, the nature of “[REDACTED] [REDACTED]” to which [REDACTED] refers. Does “[REDACTED]” refer to any understanding between the EON entities (or its affiliates) and [REDACTED]?

A-1. a&b. The Companies engaged in a reasonable and prudent process to enter into price-competitive renewable energy contracts. As described in the application and testimony in this proceeding,<sup>1</sup> a request for proposals (“RFP”) process was performed to determine the long-term renewable energy options available in the marketplace. The purpose of an RFP is to determine what options truly are available to the Companies for particular needs; the resulting proposals

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<sup>1</sup> Application at 7-8; Testimony of Lonnie E. Bellar at 2-5.

establish “market prices” and ultimately the associated terms under which a transaction can be completed by the Companies.

After evaluating the renewable energy proposals, the Companies determined the Invenergy proposal to be the most cost-effective viable option. Thus, an alternative contract price with similar terms and conditions was not determined. The Companies negotiated with Invenergy to reduce its offered energy price, which Invenergy did (from \$██████/MWh to \$██████/MWh) in return for the Companies’ agreement to purchase the output of an additional 10.5 MW wind-farm, Grand Ridge IV. So the Companies not only chose the most cost-effective viable renewable energy proposal, they also negotiated an even better price supporting the approval by E.ON U.S. and the E.ON A.G. Board.

That notwithstanding, the energy price of the wind power contracts is higher than the wholesale energy market price and the Companies’ system average energy cost, as the Companies said in their application and testimony.<sup>2</sup>

- c. No, there is no “understanding” between the Companies and the Commission concerning renewable energy. As the Companies recently stated in response to a similar question from the Joint Intervenors (JI 2-7a), the Commission has explicitly and publicly invited renewable energy proposals from the Companies. For example, on January 15, 2009, during the public hearing of the Companies’ most recent base rate cases, Commission Chairman David Armstrong stated, “[T]he Commission has a very keen interest in seeing renewables as a part of the portfolio of resources and we were hoping that that would be utilized here, but I understand the fact you’ve not had the chance to develop it, but, in the future, I think the Commission would welcome that.”<sup>3</sup> Given the Commission’s clear expression of interest in renewable energy, the quoted words from the e-mail at issue here meant that the Companies should proceed to seek Commission approval of the wind power contracts even though their energy price was above the general wholesale energy market price to determine the acceptability of this kind of proposal.

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<sup>2</sup> Application at 9; Testimony of Lonnie E. Bellar at 9.

<sup>3</sup> *In the Matter of: Application of Kentucky Utilities Company for an Adjustment of Base Rates*, Case No. 2008-00251, *In the Matter of: Application of Kentucky Utilities Company to File Depreciation Study*, Case No. 2007-00565, *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, *In the Matter of: Application of Louisville Gas and Electric Company to File Depreciation Study*, Case No. 2007-00564; Transcript of Evidence, Vol. II, at 23 ln. 23 – 24 ln. 4 (Jan. 15, 2009).





**LOUISVILLE GAS AND ELECTRIC COMPANY  
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**Response to Revised Continued Supplemental Requests for Information  
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**Case No. 2009-00353**

**Question No. 2**

**Witness: Charles R. Schram**

Q-2. Reference Document no. [REDACTED] (e-mail between [REDACTED] and [REDACTED]  
[REDACTED], copied to [REDACTED], dated Aug. 24, 2009). The document  
states, in part: “[REDACTED]

- [REDACTED]”
- a. Identify what is meant by “[REDACTED]”
  - b. Clarify whether the prices of the contemplated wind power contracts would be cost effective compared with the “[REDACTED]”
  - c. If the companies’ goal is to provide the most cost-effective method of energy generation, would it not be more cost effective to forego the wind generation and instead rely upon whatever method of [REDACTED] to which this e-mail refers?

A-2. a. The words, “the price of carbon,” do not appear in the cited e-mail. That notwithstanding, the Companies’ personnel used the term “CO2 prices” in the cited e-mail to refer to the forecasted price of an allowance to emit a metric ton of CO2. The inputs to the production model included a value for the price of CO2, previously submitted in response Commission Staff’s Request 1-7.

b&c. A number of factors affect whether or when the wind power contracts would become cost-effective versus conventional fossil-fuel-fired generation. A carbon tax or allowance scheme is only one such factor, but if CO2 prices were sufficiently high and all other costs remained equal, it could render the

wind power contracts cost-effective, which is the scenario discussed in the cited e-mail.

It is more likely that the wind power contracts would become cost-effective if the federal or Kentucky government imposed a renewable portfolio standard ("RPS"). It would further increase the likelihood of the wind contracts' becoming cost-effective if the RPS strictly limited or made no allowance for alternative compliance payments ("ACPs"), or if it set a high cost for ACPs. A combination of an RPS and a carbon tax or allowance scheme would create the greatest likelihood of the wind power contracts' becoming cost-effective versus conventional fossil-fuel-fired generation.



**LOUISVILLE GAS AND ELECTRIC COMPANY  
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**Response to Revised Continued Supplemental Requests for Information  
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**Case No. 2009-00353**

**Question No. 3**

**Witness: Charles R. Schram**

- Q-3. Reference Document nos. [REDACTED]. [REDACTED]'s e-mail message indicates that "... [REDACTED] [REDACTED]" The companies' response to Joint Intervenors' 1-17 indicates that the capacity would be excluded from the capacity available to the PJM. Is this a discrepancy? Explain in detail.
- A-3. It is not a discrepancy. The date of the cited e-mail is February 12, 2009. The Companies subsequently worked with PJM and Invenergy to put in place the "pseudo-tie" transmission arrangement described in the Companies' response to JI 1-17.



LOUISVILLE GAS AND ELECTRIC COMPANY  
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Response to Revised Continued Supplemental Requests for Information  
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Question No. 4

Witness: Lonnie E. Bellar

Q-4. Reference Document no. [REDACTED] (e-mail conversations with [REDACTED], dated June 10, 2009), in which [REDACTED] states, “[REDACTED]”

[REDACTED] . . .”.

- a. Describe what the [REDACTED] is. Why did company officials believe at time that [REDACTED]?
- b. Describe what is meant by the phrase “[REDACTED].”
- c. Why did the company believe it was “[REDACTED]” to assume that [REDACTED] [REDACTED]”?

- A-4. a. The MTP is the Companies’ internal Medium-Term Plan. The “2010 MTP production model” noted in the cited email refers to the production costing model used to support the development of the Companies’ MTP. The author determined not to include the wind power contracts in the MTP as of June 10, 2009, because: (1) the Companies had not yet filed their application in this proceeding, and therefore did not know how the proposal would be received; and (2) even if approved, the contracts “wo[uld]n’t impact financials significantly” if recovered through the proposed surcharge mechanism.
- b. The kind of recovery discussed in the e-mail was intended as a reference to the surcharge recovery the Companies are requesting; it is recovery of all costs associated with the wind power contracts. But an internal e-mail does not necessarily state the Companies’ position, and it would be inaccurate to take

the phrasing in this e-mail to be the Companies' position; the Companies understand that surcharge recovery is neither perfect nor a guarantee of recovery. Please see also the Companies' response to Question No. 4c.

- c. An internal e-mail does not necessarily state the Companies' position. The quoted language represents a perspective for internal business planning purposes concerning the possible outcome of this proceeding. Note that the employee does not say he believes a particular outcome is particularly likely or unlikely, but rather that it would be "too aggressive" to assume a given outcome in the context of including the contracts in the MTP production costing model as explained in part a. above.





**LOUISVILLE GAS AND ELECTRIC COMPANY  
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**Question No. 5**

**Witness: Lonnie E. Bellar**

Q-5. Reference Document no. [REDACTED]. Why did the company assign [REDACTED] the subject contracts and the [REDACTED] [REDACTED]?

A-5. An internal e-mail does not necessarily state the Companies' position. That notwithstanding, the Companies have acknowledged that the wind power contracts currently are not cost-effective as compared to wholesale energy market prices and the Companies' average system cost, and the Companies are asking for surcharge recovery at a time when certain parties are actively contesting the approval of such mechanisms. Given these facts, though the Companies believe there are solid legal and public policy arguments to support granting the Companies' requested relief, it was reasonable for the document's authors to assign [REDACTED].



**LOUISVILLE GAS AND ELECTRIC COMPANY  
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**Response to Revised Continued Supplemental Requests for Information  
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**Case No. 2009-00353**

**Question No. 6**

**Witness: Lonnie E. Bellar**

Q-6. Reference Document nos. [REDACTED] through [REDACTED]. Mr. [REDACTED] makes the statement that the proposed contracts “. . . [REDACTED].” Also reference non-confidential document 1005745, in which [REDACTED] states he was adding sections on [REDACTED] implications, and with regard to apparent changes in the [REDACTED] will apparently require in EON’s recently-filed rate cases.

- a. How much profit will the companies earn from the proposed contracts? Will that profit margin increase each year of the proposed contracts’ duration?
- b. Is there a correlation between the profit margin and the fact that the company itself deemed the contracts to be “[REDACTED],” as referenced in question no. 1, above?

A-6. a. Under this proposal, the Companies will earn no profit on the proposed wind energy contracts during their term.

The cited email notes an implication of the rating agencies’ practice of imputing debt to power purchase contracts and the Companies’ desire to maintain a targeted capital structure. Investing more equity in the business has the opportunity to “provide incremental EBIT” subsequent to a review in a base rate case or other proceeding.

Please also see the response to JI 2-3 and JI 2-11.

- b. No.



**LOUISVILLE GAS AND ELECTRIC COMPANY  
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**Response to Revised Continued Supplemental Requests for Information  
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Dated January 29, 2010**

**Case No. 2009-00353**

**Question No. 7**

**Witness: Lonnie E. Bellar**

- Q-7. Reference non-confidential Document no. 1005852. Are the EON companies asking any Kentucky State Legislators to sponsor the proposed legislation referenced in said document? Has a version of this proposed legislation been filed with the Kentucky Legislature? If so, state the bill number.
- A-7. No, the Companies are not asking any Kentucky legislators to sponsor the proposed legislation, nor have the Companies filed any such legislation with the Kentucky General Assembly.



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

**Response to Revised Continued Supplemental Requests for Information  
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**Case No. 2009-00353**

**Question No. 8**

**Witness: Lonnie E. Bellar**

- Q-8. Reference non-confidential Document no. 1006205. Has the company reconsidered whether to seek recovery of costs in the current general rate case, or will it continue to seek the cost tracking recovery mechanism outlined in the instant case?
- A-8. The Companies continue to seek recovery of costs as requested in their application in this proceeding.





**LOUISVILLE GAS AND ELECTRIC COMPANY  
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**Response to Revised Continued Supplemental Requests for Information  
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**Case No. 2009-00353**

**Question No. 9**

**Witness: Charles R. Schram**

- Q-9. Reference non-confidential Document no. 1011831. Is Mr. Barker's concern that the companies would have to pay for MW hours that could not be produced by the wind farms correct? Has the company calculated the types and extents of losses they could incur if such a scenario occurs? If so, provide details and relevant data.
- A-9. Please see the Companies' response to JI 2-9. Also, please note the date of the cited e-mail, March 12, 2009. Since then, the Companies have arranged for the "pseudo-tie" transmission arrangement described in the Companies' response to JI 1-17. The Companies have not calculated any losses associated with imputed energy.



**LOUISVILLE GAS AND ELECTRIC COMPANY  
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**Response to Revised Continued Supplemental Requests for Information  
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Dated January 29, 2010**

**Case No. 2009-00353**

**Question No. 10**

**Witness: Lonnie E. Bellar**

- Q-10. To address the rating agencies' imputation of off-balance sheet purchased power contracts as debt in the capital structure, do the Companies plan to increase their actual per books common equity ratio or to seek an imputed common equity ratio greater than the actual per books common equity ratio for ratemaking purposes? Please explain.
- A-10. If the Commission approves the proposed wind power contracts and the requested surcharge mechanism, the bond rating agencies will make a determination of the level of debt to impute due to the wind power contracts. The Companies will use that information to make prudent and rational business decisions concerning their capital structure to maintain a favorable bond rating by the credit rating agencies.



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

**Response to Revised Continued Supplemental Requests for Information  
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**Case No. 2009-00353**

**Question No. 11**

**Witness: Lonnie E. Bellar**

Q-11. Do the Companies agree that regardless of whether they increase the actual per books common equity ratio or seek an imputed common equity ratio greater than the actual per books common equity ratio for ratemaking purposes, that this will constitute another cost of the wind power purchases? Please explain.

A-11. No, the Companies do not agree that any amount of return on common equity should be treated as a cost of the wind power contracts. A return on equity capital is just that; it is compensation for use of the Companies' shareholders' money at a rate the Commission approves, which is commensurate with the risk involved in the investment and other market rates of return.

Moreover, the Companies do not engage in project finance. They attribute neither debt costs nor common equity costs to particular plant items, power purchase contracts, or other investments or obligations. There is no reason to differentiate the wind power contracts in this regard.



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

**Response to Revised Continued Supplemental Requests for Information  
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Dated January 29, 2010**

**Case No. 2009-00353**

**Question No. 12**

**Witness: Lonnie E. Bellar**

Q-12. Refer to the Companies' confidential response to discovery with Bates page number LGE-KU [REDACTED]. Do the Companies consider [REDACTED] on the wind power PPAs? Please explain.

A-12. No. Please see the Companies' responses to Question Nos. 6a and 11.

The Companies make decisions concerning equity capital investment on the basis consistently stated in their base rate cases: "The Company has a target capital structure of the midpoint of the range for "A" rated utilities published by Standard and Poor's ('S&P')." <sup>4</sup> If the Commission approves the wind power contracts and the proposed surcharge recovery mechanism, the Companies will evaluate the imputed debt effect of the contracts, as well as any other changes to the Companies' capitalization, before making any changes to capital structures. But these decisions do not hinge on the wind power contracts or any other single factor; the entirety of the Companies' capitalization is considered and a capital structure that ensures the Companies will be able to obtain favorably priced debt is targeted, which is a benefit to customers.

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<sup>4</sup> See, e.g., *In the Matter of: Application of Kentucky Utilities Company for an Adjustment of Base Rates*, Case No. 2009-00548, Testimony of Daniel K. Arbough at 1 (January 29, 2010).





**LOUISVILLE GAS AND ELECTRIC COMPANY  
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**Response to Revised Continued Supplemental Requests for Information  
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Dated January 29, 2010**

**Case No. 2009-00353**

**Question No. 13**

**Witness: Lonnie E. Bellar**

Q-13. Please confirm that the Companies do not plan and will commit to not seek in the future a proforma increase from their per books common equity for ratemaking purposes to offset any debt that is imputed by the debt rating agencies for the purchased power agreements off-balance sheet obligations. If the Companies are unwilling to make this commitment, then please explain why they are not willing to do so.

A-13. Please see the Companies' responses to Question Nos. 10, 11, and 12.



**LOUISVILLE GAS AND ELECTRIC COMPANY  
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**Response to Revised Continued Supplemental Requests for Information  
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**Case No. 2009-00353**

**Question No. 14**

**Witness: Lonnie E. Bellar**

- Q-14. Please confirm that the Companies plan to and will commit to seek in the future a proforma reduction to their per books common equity for ratemaking purposes to remove incremental common equity resulting from the need to offset any debt that is imputed by the debt rating agencies for the purchased power agreements off-balance sheet obligations. If the Companies are unwilling to make this commitment, then please explain why they are not willing to do so.
- A-14. Please see the Companies' responses to Question Nos. 10, 11, and 12.



**LOUISVILLE GAS AND ELECTRIC COMPANY  
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**Response to Revised Continued Supplemental Requests for Information  
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**Case No. 2009-00353**

**Question No. 15**

**Witness: Lonnie E. Bellar**

Q-15. Please confirm that any increases to the actual per books common equity ratio or an imputed common equity ratio greater than the actual per books common equity ratio will affect both base rates and ECR rates. Please explain.

A-15. The Companies apply the same capital structure to their ECR recovery calculations as they do to their base rate calculations. The Companies do so because they do not engage in "project finance"; rather, they fund ECR projects from the same pool of capital that funds all their other projects, which pool is a mixture of debt and equity capital.

Please see also the Companies' responses to Question Nos. 10, 11, and 12.



**LOUISVILLE GAS AND ELECTRIC COMPANY  
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**Response to Revised Continued Supplemental Requests for Information  
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Dated January 29, 2010**

**Case No. 2009-00353**

**Question No. 16**

**Witness: Lonnie E. Bellar**

- Q-16. Refer to the confidential study of the revenue requirement effects of wind power purchased power agreements reflected on Bates page numbers LGE-KU- [REDACTED] through LGE-KU- [REDACTED]. Are the effects on page LGE-KU- [REDACTED] projected for actual per books or imputed for ratemaking purposes?
- A-16. Please see the Companies' response to Question No. 6a. The calculated effects were for the Companies' actual per-books capital structure.





**LOUISVILLE GAS AND ELECTRIC COMPANY  
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**Response to Revised Continued Supplemental Requests for Information  
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**Case No. 2009-00353**

**Question No. 17**

**Witness: Lonnie E. Bellar**

- Q-17. Refer to the Companies' response to Staff 1-7. Please revise the table showing the "incremental annual production costs associated with incorporating the wind contracts" on pages 2 and 3 of the response to include the cost associated with an increased common equity ratio to offset the debt imputed by the rating agencies for the purchased power agreements. Provide all assumptions, computations and workpapers, including electronic spreadsheets used to quantify this additional cost.
- A-17. The Companies object to this request because (1) it calls for original work, (2) it requires information not in the Companies' possession (i.e., the precise formulas by which bond rating agencies would impute debt due to the wind power contracts), and (3) the requested calculations would not be meaningful for the reasons given in the Companies' response to Question No. 11.

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

FEB 05 2010

In re the Matter of:

PUBLIC SERVICE  
COMMISSION

LOUISVILLE GAS AND ELECTRIC )  
COMPANY AND KENTUCKY UTILITIES )  
COMPANY 2009 APPLICATION FOR )  
APPROVAL OF PURCHASED POWER )  
AGREEMENTS AND RECOVERY OF )  
ASSOCIATED COSTS )

CASE NO. 2009-00353

PETITION OF LOUISVILLE GAS AND ELECTRIC COMPANY  
AND KENTUCKY UTILITIES COMPANY  
FOR CONFIDENTIAL PROTECTION

Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) (collectively, the “Companies”) hereby petition the Kentucky Public Service Commission (“Commission”) pursuant to 807 KAR 5:001, Section 7, and KRS 61.878(1)(c) to grant confidential protection to confidential and proprietary information (“Confidential Information”) contained in the Companies’ Responses to Question Nos. 1 and 5 of the Revised Continued Supplemental Requests for Information of Joint Intervenors Attorney General and Kentucky Industrial Utility Customers, dated January 29, 2010 (collectively, “Responses”). Also, to the extent it is necessary for the Companies to do so, they respectfully petition the Commission to grant confidential protection to the information Joint Intervenors redacted from Question Nos. 1-6, 12, and 16 of their Revised Continued Supplemental Requests. In support of this Petition, the Companies state as follows:

1. KRS 61.878(1)(c) protects commercial information, generally recognized as confidential or proprietary, if its public disclosure would cause competitive injury to the disclosing entity. Competitive injury occurs when disclosure of the information would give competitors an unfair business advantage. The Commission has taken the position that the

statute and the regulation require the party requesting confidentiality to demonstrate actual competition and the likelihood of competitive injury if the information is disclosed. Here, there is actual competition, as the information in question concerns confidential and proprietary information related to the procurement of renewable energy resources. Because 29 states and the District of Columbia have mandatory Renewable Portfolio Standards (“RPS”) and another five have non-binding goals, the market for renewable energy has become quite competitive. The Confidential Information relates to the pricing, bidding, proposal-reviewing, and contract negotiation strategies the Companies use to procure this type of generation. This is confidential business information the public disclosure of which would enable the Companies’ competitors to discover, and make use of, the Companies’ business strategies, to the unfair competitive disadvantage of the Companies and their customers.

2. The Commission has already determined that similar information contained in the Companies’ Application, Testimony of Lonnie E. Bellar, and attachments thereto (specifically, the Wind Power Contracts) should be treated confidentially on the same grounds the Companies assert herein concerning the Confidential Information.<sup>1</sup> The Companies have also subsequently petitioned the Commission in this proceeding for confidential protection for information the Companies supplied in response to the Commission Staff’s and the Joint Intervenors’ Initial Data Requests, as well as the Companies’ responses to Joint Intervenors’ Supplemental Data Requests.<sup>2</sup> Also, the Joint Intervenors have continued to treat all such information confidentially by redacting such information from Question Nos. 2, 4, 7-10, and 13 of their Supplemental

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<sup>1</sup> See Letters from Commission Executive Director Jeff Derouen to Lonnie E. Bellar, Dated December 7, 2009, Case No. 2009-00353.

<sup>2</sup> See Companies’ January 6, 2010 Petition for Confidential Protection; Companies’ January 7, 2010 Supplemental Petition for Confidential Protection and Motion to Strike; Companies’ January 28, 2010 Petition for Confidential Protection.

Requests, and from Question Nos. 1-6, 12, and 16 of their Revised Continued Supplemental Requests.

3. The Companies have contractually committed to Invenergy LLC (the counterparty to the Wind Power Contracts) to keep confidential the information at issue in this Petition (excepting the confidential information contained in Question No. 5 and the Companies' response thereto); Invenergy has likewise agreed to keep confidential commercially sensitive information the Companies provided Invenergy in the course of negotiating the Wind Power Contracts (*see* Section 12.07, "Confidentiality," of each contract). If the Confidential Information is not afforded confidential protection, it could harm the Companies' ability to negotiate similar contracts in the future.

4. Public disclosure of the information for which the Companies are seeking confidential protection would also cause competitive harm to Invenergy and its subsidiaries with respect to other purchased power buyers from Invenergy's wind power projects, putting Invenergy at a competitive disadvantage in future transactions. The commercially sensitive information at issue derives actual or potential economic value from not being generally known to other persons who can obtain economic value from its disclosure or use because such information is not readily ascertainable or obtainable on a non-confidential basis by third parties using proper means.

5. The information for which confidential treatment is sought is maintained internally by the Companies and by other parties to this case who have a business need to know this information and is limited in distribution to those employees who have a business reason to have access to such information. This information is not on file with the Federal Energy

Regulatory Commission, Securities and Exchange Commission, or other public agency. It is not available from any commercial or other source outside of the Companies.

6. Disclosure of the information sought to be protected in this matter would make available to the Companies' competitors information concerning their business strategies that such competitors could use to the Companies' competitive disadvantage. The Companies' competitors are not required to file, or to make public, similar proprietary information.

7. The information contained in the Companies' Response to Question No. 1 of the Joint Intervenors' Revised Continued Supplemental Request is commercially sensitive and confidential wind power price information that, if disclosed publicly, would significantly diminish the Companies' ability to negotiate renewable energy contracts favorable to LG&E and KU, and to their customers. The information contained in the Companies' Response to Question No. 5 of the Joint Intervenors' Revised Continued Supplemental Request contains information concerning a commercially sensitive and confidential evaluation of regulatory matters surrounding the wind power contracts that, if disclosed publicly, would significantly diminish the Companies' ability to negotiate renewable energy contracts favorable to LG&E and KU, and to their customers. The Companies therefore request confidential treatment for the information described above pursuant to 807 KAR 5:001, Section 7, and KRS 61.878(1)(c).

8. Also, to the extent it is necessary for the Companies to do so, they respectfully petition the Commission to grant confidential protection to the information Joint Intervenors redacted from Question Nos. 1-6, 12, and 16 of their Revised Continued Supplemental Requests. The Joint Intervenors redacted such information because it is identical or similar to information the Commission has already found to be confidential,<sup>3</sup> or because it is identical or similar to

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<sup>3</sup> See Letters from Commission Executive Director Jeff Derouen to Lonnie E. Bellar, Dated December 7, 2009, Case No. 2009-00353.

information for which the Companies have requested confidential protection.<sup>4</sup> Insofar as it is necessary for the Companies to request confidential protection for the information the Joint Intervenors redacted from the above-listed questions, the Companies hereby petition for such protection for the reasons given in their previous petitions relating to the same or similar information.

9. If the Commission disagrees with this request for confidential protection, it must hold an evidentiary hearing (a) to protect the Companies' due process rights and (b) to supply the Commission with a complete record to enable it to reach a decision with regard to this matter. Utility Regulatory Commission v. Kentucky Water Service Company, Inc., Ky. App., 642 S.W.2d 591, 592-94 (1982).

10. The Companies will disclose the Confidential Information, pursuant to a protective agreement, to intervenors and others with a legitimate interest in this information and as required by the Commission. In accordance with the provisions of 807 KAR 5:001 Section 7, the Companies herewith file with the Commission one copy of the above-discussed Responses with the Confidential Information highlighted and ten (10) copies of the same without the Confidential Information.


**WHEREFORE**, Louisville Gas and Electric Company and Kentucky Utilities Company respectfully request that the Commission grant confidential protection for the information at issue, or in the alternative, schedule an evidentiary hearing on all factual issues while maintaining the confidentiality of the information pending the outcome of the hearing.

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<sup>4</sup> See Companies' January 6, 2010 Petition for Confidential Protection; Companies' January 7, 2010 Supplemental Petition for Confidential Protection and Motion to Strike; Companies' January 28, 2010 Petition for Confidential Protection.

Dated: February 5, 2010

Respectfully submitted,

A handwritten signature in black ink, appearing to read "W. Duncan Crosby III". The signature is written in a cursive style with a horizontal line underneath.

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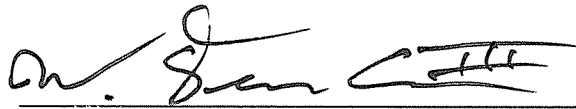
Counsel for Louisville Gas and Electric  
Company and Kentucky Utilities Company

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing Petition of Louisville Gas and Electric Company and Kentucky Utilities Company for Confidential Protection was served on the following persons on the 5th day of February, 2010, United States mail, postage prepaid:

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