



an *e-on* company

Mr. Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

RECEIVED

MAR 15 2010

PUBLIC SERVICE  
COMMISSION

**Louisville Gas and  
Electric Company**  
State Regulation and Rates  
220 West Main Street  
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Louisville, Kentucky 40232  
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March 15, 2010

**RE: *Application of Louisville Gas and Electric Company for an Adjustment  
of Its Electric and Gas Base Rates – Case No. 2009-00549***

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 to the Data Request of The Kentucky Cable Telecommunications Association dated March 1, 2010, in the above-referenced matter.

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

Sincerely,

A handwritten signature in black ink that reads 'Lonnie E. Bellar'. The signature is written in a cursive, flowing style.

Lonnie E. Bellar

cc: Parties of Record

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Shannon L. Charnas**, being duly sworn, deposes and says that she is Director – Utility Accounting and Reporting for E.ON U.S. Services, Inc., and 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 12<sup>th</sup> day of March 2010.

*Victoria B. Harper* (SEAL)  
Notary Public

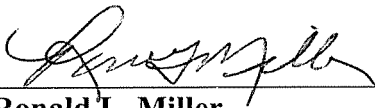
My Commission Expires:

Sept 20, 2010

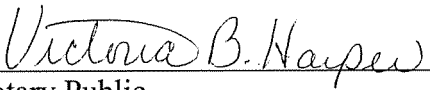
**VERIFICATION**

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

The undersigned, **Ronald L. Miller**, being duly sworn, deposes and says that he is Director – Corporate Tax 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.

  
\_\_\_\_\_  
**Ronald L. Miller**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12<sup>th</sup> day of March 2010.

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

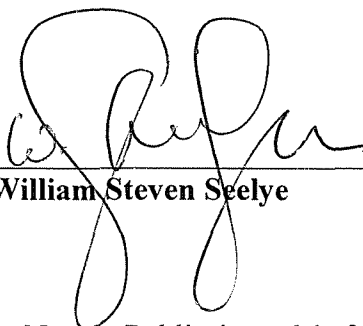
My Commission Expires:

Sept 20, 2010

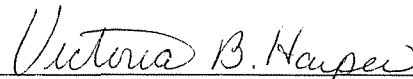
VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **William Steven Seelye**, being duly sworn, deposes and states that he is a Principal and Senior Analyst with The Prime Group, LLC, 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.

  
\_\_\_\_\_  
**William Steven Seelye**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12<sup>th</sup> day of March 2010.

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

My Commission Expires:  
Sept 20, 2010

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

**In the Matter of:**

<b>APPLICATION OF LOUISVILLE GAS AND</b>	)	<b>CASE NO.</b>
<b>ELECTRIC COMPANY FOR AN ADJUSTMENT</b>	)	<b>2009-00549</b>
<b>OF ITS ELECTRIC AND GAS BASE RATES</b>	)	

**RESPONSE OF**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**TO THE**  
**DATA REQUEST OF**  
**THE KENTUCKY CABLE TELECOMMUNICATIONS ASSOCIATION**  
**DATED MARCH 1, 2010**

**FILED: March 15, 2010**



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 1**

**Responding Witness: Shannon L. Charnas**

Q-1. Please provide the embedded costs in LG&E Accounts 364, 365, and 369 as of Oct. 31, 2009 and year-end 2009. If data is not available for year-end 2009, please provide it as of Oct. 31, 2009 and year-end 2008.

A-1. Please see the table below for the original cost.

<u>Account</u>	<u>Oct 31, 2009</u>	<u>Dec 31, 2009</u>
364.00	\$119,084,747	\$120,202,716
365.00	206,960,737	208,966,840
369.10	3,976,880	4,449,158
369.20	21,039,200	21,039,200





**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 2**

**Responding Witness: Shannon L. Charnas**

- Q-2. Please provide the data in all subaccounts of LG&E Accounts 364, 365, and 369 as of Oct. 31, 2009 and year-end 2009. If data is not available for year-end 2009, please provide it as of Oct. 31, 2009 and year-end 2008.
- A-2. See attached CD, in folder titled Question No. 2.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 3**

**Responding Witness: Shannon L. Charnas**

- Q-3. Please provide continuing property records from Account 364, and all relevant sub-accounts of Account 364, as of Oct. 31, 2009, and year-end 2009. If the requested data is not available for year-end 2009, please provide it as of Oct. 31, 2009 and year-end 2008.
- A-3. Please see the response to Question No. 2.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 4**

**Responding Witness: Shannon L. Charnas**

- Q-4. Please provide all records from Account 364 that reflect LG&E's investment in appurtenances as of Oct. 31, 2009 and year-end 2009. If data is not available for year-end 2009, please provide it as of Oct. 31, 2009 and year-end 2008.
- A-4. Please see the response to Question No. 2 for account 364.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
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Dated March 1, 2010**

**Question No. 5**

**Responding Witness: William Steven Seelye**

- Q-5. Do any of the “installed costs” shown on page 1 of Seelye Exhibit 11 include the cost of any appurtenances? If so, what is the amount of investment in appurtenances, both overall and for each pole size?
- A-5. No. The average installed costs used to calculate the attachment charge represent bare pole costs.





**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
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**Question No. 6**

**Responding Witness: William Steven Seelye**

- Q-6. With respect to the data requested in Request No. 5, please provide separate totals for (i) investment in major appurtenances and (ii) investment in minor appurtenances if records are kept in such a way as to make this feasible. For purposes of this question, major appurtenances include, but are not limited to, anchors, guys, and cross arms. Minor appurtenances include, but are not limited to, aerial cable clamps, pole top pins, and all other appurtenances and hardware that are not poles or major appurtenances.
- A-6. See response to Question No. 5.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

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**Response to Data Request of  
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Dated March 1, 2010**

**Question No. 7**

**Responding Witness: William Steven Seelye**

- Q-7. Are the “installed cost” figures shown on page 1 of Seelye Exhibit 11 based on gross or net investment? In other words, are they embedded cost figures or depreciated figures?
- A-7. Consistent with the use of a levelized carrying charge rate – as opposed to a non-levelized carrying charge rate – the installed cost figures represent gross plant in service values.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
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**Question No. 8**

**Responding Witnesses: Shannon L. Charnas/William Steven Seelye**

- Q-8. What was the total amount of the depreciation reserve for Account 364 as of Oct. 31, 2009 and year-end 2009? If the requested data is not available for year-end 2009, please provide it as of Oct. 31, 2009 and year-end 2008.
- a. What is the depreciation reserve related to the gross investment in the 35 foot poles shown in Seelye Exhibit 11? For this question and questions 8(b) and 8(c) below, please provide all figures as of Oct. 31, 2009 as well as year-end 2009. If data is not available for year-end 2009, please provide it as of Oct. 31, 2009 and year-end 2008.
  - b. What is the depreciation reserve related to the gross investment in the 40 foot poles shown in Seelye Exhibit 11?
  - c. What is the depreciation reserve related to the gross investment in the 45 foot poles shown in Seelye Exhibit 11?
- A-8. The total amount of the depreciation reserve for Account 364 as of October 31, 2009 is \$66,531,254. The total amount of the depreciation reserve for Account 364 as of December 31, 2009 is \$66,433,271.
- a. The requested information is not available.
  - b. The requested information is not available.
  - c. The requested information is not available.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 9**

**Responding Witness: William Steven Seelye**

- Q-9. Please explain fully how LG&E counted the number of two-user and three-user poles listed on page 1 of Seelye Exhibit 11. The explanation should include, but not be limited to: (i) whether the "Quantity" figures are a reflection of continuing property records, (ii) whether they are a reflection of any survey or audit, (iii) the details of any such survey or audit, and (iv) whether poles with more than three attachments are included in the three-user pole category. Please attach all data and supporting documentation used in deriving the "Quantity" figures.
- A-9. The breakdown between two-user and three-user attachments is based on Company's billing records for the test year. For attachments by Insight Communications, which represent 99.8 percent of the total during the test year, the actual counts used for billing purposes are based on a physical audit (Joint Use Pole Ownership Audit) that was conducted by Louisville Gas and Electric Company and Bell South Company in 2002. Insight Communications was invited to take part in the audit but declined to participate. Insight Communications was provided a report describing the audit and has not raised any objections to the two-user and three-user counts determined from the audit and used for billing purposes. For attachments by other cable television providers, LG&E relies on representations from the cable television providers regarding the number of two-user and three-user attachments that have been made. The Company does not differentiate between three-party poles and those with more than three attachments.





**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
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Dated March 1, 2010**

**Question No. 10**

**Responding Witness: William Steven Seelye**

- Q-10. Please explain fully how LG&E counted the relative number of poles of each height listed on page 1 of Seelye Exhibit 11. The explanation should include, but not be limited to: (i) whether the "Quantity" figures are a reflection of continuing property records, (ii) whether they are a reflection of any survey or audit, and (iii) the details of any such survey or audit. Please attach all data and supporting documentation used in deriving the "Quantity" figures.
- A-10. The "Quantity" and "Installed Cost" figures are from the Company's continuing property records. See response to Question No. 2 for the requested data and supporting documentation.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

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**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 11**

**Responding Witness: William Steven Seelye**

- Q-11. Do the installed cost figures include any amounts from General Ledger 106 that are not yet reflected in General Ledger 101 for Account 364? To the extent that LG&E's installed cost figures include any amounts from General Ledger 106, are all of the poles that are represented by the amounts from General Ledger 106 counted in the "quantity" figures? In other words, do the pole counts listed under "Quantity" on page 1 of Seelye Exhibit 11 include all of the poles whose value is included in the "Installed Cost" column? Please provide all data backing up your response.
- A-11. General Ledger Account 106 costs are not included in the average installed costs for Account 364 used to calculate the attachment charge.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

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**Question No. 12**

**Responding Witness: William Steven Seelye**

Q-12. Please explain whether there is any lag between the inclusion of investment in General Ledger 106 and the time when such new poles are counted, and if so the length of that lag.

A-12. See response to Question No. 11.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

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**Response to Data Request of  
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Dated March 1, 2010**

**Question No. 13**

**Responding Witness: William Steven Seelye**

- Q-13. Please explain why LG&E has provided records as of Oct. 31, 2009, rather than the end of the year. Please state whether any figures included in Seelye Exhibit 11 are calculated or derived using year-end data. If any figures in Exhibit 11 are derived as of any date other than Oct. 31, 2009, please identify and explain why data as of that date was used.
- A-13. October 31, 2009, is the end of the test year. However, contrary to the designation on Seelye Exhibit 11, the "Quantity" and "Installed Cost" figures were obtained from the Company's continuing property records as of November 30, 2009.





**LOUISVILLE GAS AND ELECTRIC COMPANY**

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Dated March 1, 2010**

**Question No. 14**

**Responding Witness: William Steven Seelye**

Q-14. Generally, please provide all data required to derive every figure included on page 1 of Seelye Exhibit 11, and provide all backup documentation, to the extent those data have not already been produced pursuant to the requests above.

A-14. See response to LG&E KPSC-2 Question No. 125.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

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**Response to Data Request of  
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**Question No. 15**

**Responding Witness: William Steven Seelye**

Q-15. Please explain fully the “Depreciation – Sinking Fund” item included on page 2 of Seelye Exhibit 11. Please provide all data and supporting documentation required to derive the “Depreciation – Sinking Fund” figure.

A-15. The “Depreciation – Sinking Fund” is a figure calculated based upon an equal payment series used to find the required end-of-year payments to accumulate a desired future amount. Importantly, adding a Sinking Fund Factor to the Return results in an equal payment series Capital Recovery Factor. The factor is calculated by the following equation:

$$S = \frac{i}{(1 + i)^n - 1}$$

Where            S = Sinking Fund Factor  
                      i = Proposed Rate of Return (in this case 8.32%)  
                      n = number of years in service

This equation yielded a Sinking Fund Factor of 0.54% for the test year based upon a 35 year service life for each pole constructed.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 16**

**Responding Witness: William Steven Seelye**

- Q-16. Please explain the derivation of the “Composite Federal and State Income Taxes rate” of 36.93%, included on page 2 of Seelye Exhibit 11. Please state whether this rate is merely the sum of the income tax rates facially applicable to LG&E, or whether it is reduced in light of deductions, credits, and the like to derive an effective tax rate. If the former, please explain fully why it is appropriate for LG&E to include in its carrying charge a tax rate higher than the rate LG&E actually pays.
- A-16. The Composite Federal and State Income Tax rate should have been 37.1912%. See Testimony of S. Bradford Rives, Exhibit 1, Reference Schedule 1.41. Using the correct tax would result in a slight increase in the CATV attachment charge.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
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Dated March 1, 2010**

**Question No. 17**

**Responding Witness: Ronald L. Miller**

Q-17. Please provide the effective tax rate for LG&E for the year 2009, and provide all data – including but not limited to data on deductions, exclusions, and credits – necessary to derive an effective tax rate for LG&E for 2009.

A-17. See the response to AG-1 Question No. 48.





**LOUISVILLE GAS AND ELECTRIC COMPANY**

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**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 18**

**Responding Witness: William Steven Seelye**

- Q-18. Please explain fully the "Property Tax and Insurance" item on page 2 of Seelye Exhibit 11. Please provide all data and supporting documentation required to derive the "Property Tax and Insurance" figure.
- A-18. The 0.22% property tax and insurance percentage is a conservative estimate of property tax and insurance applicable to poles. If actual property taxes during the test year of \$18,568,593 plus property insurance during the test year of \$3,341,145 are divided by gross plant in service of \$3,589,541,649 at the end of the test year then the percentage would be 0.6104%, which is slightly higher than the estimate used to calculate the CATV attachment charges.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 19**

**Responding Witness: William Steven Seelye**

Q-19. Generally, please provide all data required to derive every figure included on page 2 of Seelye Exhibit 11, and provide all back up documentation, to the extent those data have not already been produced pursuant to the requests above.

A-19. See response to LG&E KPSC-2 Question No. 125.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 20**

**Responding Witness: Shannon L. Charnas**

Q-20. Please provide the costs in LG&E Accounts 592 and 593 as of Oct. 31, 2009 and year-end 2009. If data is not available for year-end 2009, please provide it as of Oct. 31, 2009 and year-end 2008.

A-20. See attached on CD in folder titled, Question No. 20.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 21**

**Responding Witness: Shannon L. Charnas**

Q-21. Please provide the data for all subaccounts of LG&E Accounts 592 and 593 as of Oct. 31, 2009 and year-end 2009. If data is not available for year-end 2009, please provide it as of Oct. 31, 2009 and year-end 2008.

A-21. See response to Question No. 20.





**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 22**

**Responding Witness: William Steven Seelye**

Q-22. Please state whether the reference to "Labor Charged to 592," at the top of page 3 of Seelye Exhibit 11, is correct, or whether it should refer to Account 593 instead.

A-22. The reference should have been to Account 593.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 23**

**Responding Witness: William Steven Seelye**

- Q-23. Please provide the underlying data (and explain the provenance of that data) necessary to derive the \$225,900 in "Tree Trimming" expense included under the labor costs listed at the top of page 3 of Seelye Exhibit 11.
- A-23. The Tree Trimming labor costs of \$225,900 are the test-year labor expenses from the Company's general ledger for Sub-Account 593004 for tree trimming during the test year.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 24**

**Responding Witness: William Steven Seelye**

- Q-24. Please explain fully why the pole-related labor costs used by LG&E to derive a pole-costs-to-overall-costs ratio should include such tree-trimming costs, given that the tree-trimming costs apparently are not includable in the "Labor Charged to 592 – Poles, Towers and Fixtures Subaccount."
- A-24. Consistent with the methodology approved by the Commission in Case No. 90-158, expenses charged to Sub-Account 593004 related to tree-trimming are included in the expenses applicable to the CATV attachment charge. Consequently, it is appropriate to include tree-trimming labor expenses in the labor cost ratio used to allocate administrative and general expenses.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 25**

**Responding Witness: William Steven Seelye**

- Q-25. Please provide the underlying data necessary to derive the "Total Labor" figure included on page 3 of Seelye Exhibit 11.
- A-25. The total labor expenses are from the Company's general ledger for all accounts during the test year.





**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 26**

**Responding Witness: William Steven Seelye**

- Q-26. Please provide the underlying data necessary to derive the “Total Administrative and General Expenses” figure included on page 3 of Seelye Exhibit 11.
- A-26. Total Administrative and General Expenses are from the Company's general ledger for all accounts during the test year.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 27**

**Responding Witness: William Steven Seelye**

Q-27. Is there any overlap between the expense categories "Maintenance of Pole, Towers, and Fixtures Subaccount 593001" and "Tree Trimming of Electric Distribution Subaccount 593004," both listed at page 3 of Seelye Exhibit 11? Please explain your answer.

A-27. No. These are separate subaccounts.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
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Dated March 1, 2010**

**Question No. 28**

**Responding Witness: William Steven Seelye**

- Q-28. Does the expense category "Tree Trimming of Electric Distribution Subaccount 593004" include tree-trimming expenses incurred in connection with Overhead Conductors and Devices (booked in Account 365) and Services (booked in Account 369)? If so, please explain why this expense category should not be divided by the net book value of Accounts 364, 365, and 369, instead of just Account 364 (as LG&E has done at page 3 of Seelye Exhibit 11), to derive the appropriate carrying-charge adder.
- A-28. In calculating the CATV attachment charge the Company followed the methodology approved by the Commission in its prior rate orders. Particularly, the Company did not deviate from the methodology that was approved in Case No. 90-158. However, a strong argument could be made that the charge should also include guy wires, certain other appurtenances, an allocation of general plant, and other additional costs. If the methodology is to be modified in the manner suggested in the question, then the Commission should also consider including these other costs in the calculation of the attachment charges.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Data Request of  
The Kentucky Cable Telecommunications Association  
Dated March 1, 2010**

**Question No. 29**

**Responding Witness: William Steven Seelye**

Q-29. Generally, please provide all data required to derive every figure included on page 3 of Seelye Exhibit 11, and provide all backup documentation, to the extent those data have not already been produced pursuant to the requests above.

A-29. See response to LG&E KPSC-2 Question No. 125.