COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR APPROVAL OF ITS 2002 COMPLIANCE PLAN FOR RECOVERY BY ENVIRONMENTAL SURCHARGE	))))	CASE NO. 2002-00147

FIRST DATA REQUEST OF COMMISSION STAFF
TO LOUISVILLE GAS AND ELECTRIC COMPANY

Louisville Gas and Electric Company (LG&E), pursuant to Administrative Regulation 807 KAR 5:001, shall file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before September 26, 2002. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to the Application, last paragraph and the Direct Testimony of Michael S. Beer, page 4. LG&E is seeking approval of its revised Schedule ECR to become effective for bills rendered on and after March 1, 2003. In Case No. 1994-

00332,[1] which established LG&E s environmental surcharge mechanism, and Case No. 2000-00386,[2] which approved the 2001 compliance plan modifications to the surcharge mechanism, the surcharge mechanism and Schedule ECR were approved for service rendered on and after the date of approval. Explain in detail why LG&E is proposing that revised Schedule ECR is to be effective for bills rendered on and after March 1, 2003, rather than for service rendered on and after March 1, 2003.

2. Refer to the Beer Direct Testimony, page 3. The compliance plan summary attached to the Application and Exhibit LEB-1 indicate the total capital costs for the five new projects are $71.1 million. Explain in detail why Mr. Beer indicates the total capital costs are $75.5 million. Include a reconciliation of the capital costs shown on Exhibit LEB-1 with Mr. Beer s $75.5 million.

3. Refer to the Beer Direct Testimony, page 5, where Mr. Beer states that the estimated initial impact on a residential customer using 1,000 kilowatt-hours per month is expected to be an increase of $0.39.

a. Explain whether the phrase initial impact means the immediate impact as of March 2003 assuming LG&E s request for Commission approval by March 1, 2003 is granted.

[1] Case No. 1994-00332, The Application of Louisville Gas and Electric Company for Approval of Compliance Plan and to Assess a Surcharge Pursuant to KRS 278.183 to Recover Costs of Compliance with Environmental Requirements for Coal Combustion Wastes and By-Products, final Order dated April 6, 1995. LG&E s Schedule ECR was approved for service rendered on and after May 1, 1995.

[2] Case No. 2000-00386, The Application of Louisville Gas and Electric Company for Approval of an Amended Compliance Plan for Purposes of Recovering the Costs of New and Additional Pollution Control Facilities and to Amend Its Environmental Cost Recovery Surcharge Tariff, final Order dated April 18, 2001. LG&E s modified Schedule ECR was approved for service rendered on and after May 1, 2001.

b. Provide the calculations showing the determination of the estimated impacts for the 2002 Environmental Compliance Plan (2002 Plan) of $.39 and $.59. Include all workpapers, assumptions, and other supporting documentation.

4. Refer to the Direct Testimony of Caryl M. Pfeiffer. At page 6, Ms. Pfeiffer states that, Electrostatic precipitators are the most cost effective particulate control device applicable to coal fired units burning high sulfur coal.

a. Given the configuration of LG&E s generating units, list the alternatives available to LG&E to deal with particulate emissions.

b. Provide the analysis that supports LG&E s claim that electrostatic precipitators are the most cost-effective alternative.

5. Refer to the Pfeiffer Direct Testimony, page 8. Provide the actual SO_2 emissions for each of LG&E s generating units for 2000 and 2001. For each year, if the actual emissions exceeded the level of granted emission allowances, explain how these deficits were addressed.

6. Refer to the Pfeiffer Direct Testimony, page 11. Indicate when LG&E expects to make its application to the Kentucky Division of Waste Management for permission to construct the facility for disposal of fly and bottom ash.

7. Refer to the Direct Testimony of Lonnie E. Bellar, page 5, which refers to the benefits of converting the Mill Creek scrubber systems to wet stack operation. Mr. Bellar states that the conversion will improve the efficiency of the plant, resulting in lower fuel consumption, an improved heat rate, and lower production costs. Provide the results of any estimates LG&E has performed that quantify these benefits. If no estimates have been performed, explain why.

8. Refer to the Bellar Direct Testimony, page 6. Mr. Bellar states that conversion to wet stack liners is the most reasonable and cost-effective process for LG&E to comply with the Jefferson County Air Board s mandate to resolve the problems caused by the original stack design.

a. Given the configuration of LG&E s generating units, list the alternatives available to LG&E to deal with the stack design problems.

b. Provide the analysis that supports LG&E s claim that the conversion to wet stack liners is the most cost-effective alternative.

9. Refer to the Direct Testimony of Lonnie E. Bellar, page 11. Concerning Project No. 10 Mill Creek Landfill, indicate when LG&E expects to finalize the scope of this project.

10. Refer to the Bellar Direct Testimony, page 12, which discusses the one-time nonrecurring expense of approximately $6.0 million for ash removal.

a. The testimony indicates that the Fuller Mossbarger Scott & May Engineers, Inc. (FMSM) study, attached as LEB Exhibit 2, estimates ash removal costs to be $4.1 million. Provide a specific reference to where in the FMSM study this estimate is provided.

b. Provide the analysis performed by LG&E that supports increasing the volume of ash transferred to the landfill above the volume reflected in the FMSM study, along with a narrative description of the analysis.

c. Provide the calculations, workpapers, etc. showing the derivation of the increase in ash removal costs, from $4.1 to $6.0 million, that LG&E proposes to recover. Include a narrative explanation of how the cost estimate was derived.

11. Refer to the Bellar Direct Testimony, Exhibit LEB-2. At page 10 of 36, Mr. Bellar states that, Development of this site also assumes successful negotiations with MSD and the Corps of Engineers to relocate or construct over the flood control levee bisecting the site. Discuss in detail the status of these negotiations and indicate when LG&E expects the negotiations to be completed.

12. Refer to the Direct Testimony of S. Bradford Rives, pages 2 and 3, where Mr. Rives discusses the one-time expense associated with the landfill expansion at Mill Creek.

a. Explain whether by landfill expansion Mr. Rives is referring to the ash removed from the ash pond and transferred to the landfill that is discussed on page 12 of the Bellar Direct Testimony.

b. The description of this one-time nonrecurring event in the Bellar Direct Testimony indicates removing the ash from the ash pond will significantly extend the life of the ash pond. By how many years is this action expected to extend the life of the ash pond?

c. Given the increase in the life of the ash pond that is expected as a result of this action, explain why LG&E proposed to expense, rather than capitalize, the estimated $6.0 million cost. Include citations to the Federal Energy Regulatory Commission s Uniform System of Accounts or other authoritative accounting pronouncements which support LG&E s proposal.

d. Clarify whether it is LG&E s intent to recover the estimated $6.0 million cost in a single month in the event the cost is incurred during a single calendar month.

13. Refer to Rives Direct Testimony, page 5. Mr. Rives discusses the potential for existing pollution control facilities to be retired or replaced due to the installation of the proposed pollution control facilities.

a. Provide a list of the existing facilities that LG&E expects to be retired or replaced in conjunction with the installation of the proposed facilities. For each existing facility identified, provide the original cost, accumulated depreciation, and deferred taxes that are already included in existing rates.

b. Explain whether the economic impact of retiring or replacing these existing facilities was reflected in the estimated initial impact of $.39 on a residential customer s bill identified on page 5 of the Beer Direct Testimony.

14. Refer to the Rives Direct Testimony, page 5, and the Direct Testimony of F. Howard Bush, page 6. Mr. Rives and Mr. Bush state that appropriate adjustments related to retirements or replacements will be made in the calculation of the monthly surcharge filings in accordance with the Commission s April 6, 1995 Order in Case No. 1994-00332. Explain why a reference to the Commission s April 18, 2001 Order in Case No. 2000-00386 was not included.

15. Refer to the Bush Direct Testimony, Exhibit FHB-4.

a. Refer to page 2 of 8. LG&E is proposing that the 2002 Plan investment be treated the same as the investments associated with the 2001 Environmental Compliance Plan (2001 Plan). Could the 2001 and 2002 Plan financial information be consolidated on page 2 of 8 as Overall ROR Plan, with the separate details shown on pages 4, 5, and 6 of 8? Explain the response.

b. Refer to page 6 of 8. Does LG&E propose that the 2001 Plan and the 2002 Plan operation and maintenance expenses both be included in the determination of the cash working capital allowance? Explain the response.

c. With the exception of the nonrecurring $6.0 million expense for the Mill Creek Landfill project, is it correct that LG&E does not propose to include any operation and maintenance expenses associated with the five new projects?

(1) If yes, explain why LG&E has chosen this approach.

(2) If no, indicate where in the Application the operation and maintenance expenses, other than the $6.0 million expense, are discussed.

for

Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

DATED: September 10, 2002

cc: All Parties