

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

SECOND 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, is requested to 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 October 25, 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 response to the Commission Staff s First Data Request dated September 10, 2002, Item 1, which explains that LG&E proposed that revised Schedule ECR should be made effective for bills rendered on and after the first day of a calendar month for purposes of simplification. Typically, the Commission approves changes in

rates or charges prospectively to ensure that customers are not charged a higher rate after-the-fact for service already received. Assuming the Commission approves a revised Schedule ECR effective for service rendered prospectively, explain whether LG&E is agreeable to an effective date that is the first day of the second billing month following the Schedule s approval.

2. Refer to the response to the Commission Staff s First Data Request dated September 10, 2002, Item 3. The seventh line of the calculations is labeled 12.75 roe on eligible plant. Would LG&E agree that 12.75 percent is the overall rate of return, grossed-up for taxes, rather than the rate of return on common equity, used in the environmental surcharge calculations for the 2001 Environmental Compliance Plan?

3. Refer to the Application, the Direct Testimony of Lonnie E. Bellar ( Bellar Testimony ), pages 10 through 12 and Exhibit LEB-2, pages 23 through 27 of 36. Mr. Bellar states on page 10 that ash is excavated from the ash pond at a rate of 620,000 tons per year. Exhibit LEB-2, page 23 of 36 includes the assumption that ash pond annual operation costs include the yearly transfer of ash from the ash pond. Exhibit LEB-2, page 27 of 36 shows the annual ash pond operation costs to be \$450,000.

a. In Exhibit LEB-2, pages 23 through 27 of 36, how many tons of ash were assumed to be removed from the ash pond annually for the cost of \$450,000?

b. If the assumed tonnage was not 620,000 tons, explain in detail why the current annual excavation amount was not included in the analysis.

c. Project No. 10 includes the one-time removal of 1,012,500 tons of ash from the ash pond to the Area B landfill, at an expected cost of \$4,100,000. Explain

in detail why this one-time removal cost is over \$4 per ton while the expected annual ash removal cost is less than \$.73 per ton.

4. Concerning Project No. 10, the Mill Creek Landfill:

a. Describe how interconnected the horizontal and vertical expansion of the existing landfill is with the one-time excavation of 1,012,500 tons of ash from the ash pond.

b. Does LG&E intend to proceed with the one-time excavation regardless of when it secures the necessary approvals and permits for the horizontal and vertical expansions? Explain the response.

5. Refer to the response to the Commission Staff's First Data Request dated September 10, 2002, Items 6 and 11. LG&E does not plan on seeking the construction permit for the vertical expansion of the existing landfill until February 2003. LG&E does not plan on seeking the permit for the horizontal expansion of the existing landfill until early 2004. Lastly, LG&E has not started negotiations with the Metropolitan Sewer District (MSD) and the Corps of Engineers concerning the relocation or construction over an existing flood control levee bisecting the landfill site, and has not established a timeline for these negotiations.

a. If LG&E fails to secure the construction permits or does not successfully conclude the negotiations with MSD and the Corps of Engineers, describe the impact such events would have on Project No. 10.

b. Is it correct that Project No. 10 is contingent upon LG&E securing these permits and successfully negotiating the issue of the flood control levee? Explain the response.

c. Given the uncertainty associated with Project No. 10, explain why the Commission should consider it for inclusion at this time in LG&E's Amended Environmental Compliance Plan.

6. Refer to the Application, the Bellar Testimony, page 12, and the response to the Commission Staff's First Data Request dated September 10, 2002, Item 12. Mr. Bellar testifies on page 12, line 13, that, Further analysis by the Company indicates that increasing the volume transferred to the landfill significantly expands the life and improves the operation of the ash pond. . . . In the response to Item 12(b), it is stated that removing 1,000,000 tons of ash from the pond extends its life from between 3 and 4 years. In its response to Item 12(c), LG&E states that the removal of the ash from the ash pond does not constitute an addition to an existing asset. LG&E also cites the Uniform System of Accounts Operating Expense Instructions which indicate work performed specifically of the purpose of preventing failure, restoring serviceability, or maintaining life of plant should be expensed.

a. Does LG&E agree that the removal of 1,000,000 tons of ash from the ash pond will result in the extension of the useful life of the ash pond beyond the service life originally envisioned? Explain the response.

b. Based on its response to Item 12(c), does LG&E contend that only expenses that result in an addition to an existing asset can be capitalized? Explain the response.

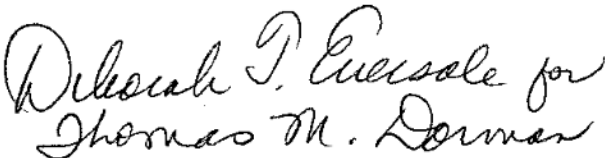
c. Does LG&E agree that the concepts of restoring serviceability and maintaining life of plant are not necessarily the same as expanding or extending the service life of an asset? Explain the response.

7. Refer to the response to the Commission Staff's First Data Request dated September 10, 2002, Item 3(b). The attachment to this response contains a calculation of the estimated impact of LG&E's amendments to its Environmental Compliance Plan. The fourth line of the schedule is labeled eligible PIS at 12-03, plus MC landfill cwip (\$4.1m).

a. Does LG&E agree that the reference to MC landfill is the one-time ash pond excavation that is part of Project No. 10 Mill Creek Landfill?

b. Does LG&E agree that including the \$4.1 million cost for the ash pond removal as construction work in progress and part of the plant in service indicates that the project's costs were capitalized in this schedule, rather than expensed? If no, explain the response.

c. Explain in detail why LG&E has argued that the costs associated with the removal of ash from the ash pond should be expensed, when it has capitalized those same costs when determining the impact of the amended Environmental Compliance Plan.



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DATED: October 10, 2002

cc: All Parties