

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS)	
AND ELECTRIC COMPANY FOR APPROVAL OF)	CASE NO.
ITS 2004 COMPLIANCE PLAN FOR RECOVERY)	2004-00421
BY ENVIRONMENTAL SURCHARGE)	

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

Louisville Gas and Electric Company (“LG&E”) is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested is due on March 9, 2005. 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 requested has been provided previously in the format requested, reference may be made to the specific location of that information in responding to this information request.

1. Refer to the response to the First Data Request of Commission Staff dated January 26, 2005 (“Staff’s First Request”), Item 1. For LG&E’s electric operations only, provide a calculation of the overall rate of return using the capital structure as of December 31, 2004, the weighted cost of debt and preferred stock as of December 31, 2004, and the effect of the new income tax law for 2005 as stated in the response to the

First Data Request of the Kentucky Industrial Utility Customers, Inc., Item 22. Provide all supporting calculations, assumptions, and workpapers.

2. Refer to the response to the Staff's First Request, Item 4. Provide the status of the permit application submitted to the Metropolitan Sewer District on January 20, 2005. If the permit approval is received before the date of the public hearing, provide a copy of the approval.

3. Refer to the response to the Staff's First Request, Item 5. Provide the status of the permit application submitted to the Kentucky Division of Waste Management on December 22, 2004. If the permit approval is received before the date of the public hearing, provide a copy of the approval.

4. Refer to the response to the Staff's First Request, Item 6.

a. Would LG&E agree that in previous decisions the Commission has not allowed a return on a deferred debit? Explain the response.

b. Explain the circumstances that support LG&E's request to include a return on any unamortized balance related to the ash transfer expense.

5. Refer to the response to the Staff's First Request, Item 8. Is it LG&E's position that the guarantee of cost recovery is determining the timing of the required refurbishments instead of the condition of the plant? Explain the response

6. Refer to the response to the Staff's First Request, Item 10. Explain how LG&E determined that Project 16 is the most cost-effective alternative if it is still evaluating the alternatives.

7. Refer to the response to the Staff's First Request, Items 11(a) and 11(b). In Case No. 1997-00300,¹ the Commission approved the merger of the holding companies for LG&E and Kentucky Utilities Company ("KU"). In that case, LG&E and KU requested approval of their Corporate Policies and Guidelines for Intercompany Transactions ("Guidelines") that would govern their merged activities. The Guidelines provided that transfers or sales of assets between LG&E and KU would be priced at cost. It was noted in the Guidelines that through this policy, the utilities would receive the full benefit from intercompany transfers or sales. The Commission ordered LG&E and KU to comply with the Guidelines after the merger.² In subsequent cases, LG&E has committed to continue following the Guidelines to the extent those conditions were not superseded by KRS 278.2201 through 278.2219 or the jurisdiction of the Securities and Exchange Commission or the Federal Energy Regulatory Commission.³

a. Would LG&E agree that the Guidelines' requirements concerning the transfer or sale of assets between LG&E and KU apply to emission allowances? Explain the response.

¹ Case No. 1997-00300, Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of Merger, final Order dated September 12, 1997.

² Case No. 1997-00300, September 12, 1997 Order at 39.

³ See Case No. 2000-00095, Joint Application of PowerGen plc, LG&E Energy Corp., Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of a Merger, final Order dated May 15, 2000, Appendix A, Item No. 1 and Appendix B at 1; Case No. 2001-00104, Joint Application for Transfer of Louisville Gas and Electric Company and Kentucky Utilities Company in Accordance with E.ON AG's Planned Acquisition of PowerGen plc, final Order dated August 6, 2001, Appendix A, Item No. 1.

b. In the response to Item 11(b), LG&E states, “transferring allowances between companies as needed, priced at market, results in the lowest net present value to all customers.” Explain the basis for this statement.

8. Refer to the response to the Staff’s First Request, Item 11(e).

a. Does LG&E agree that any inventory of SO₂ emission allowances and the expense of any allowances associated with gas-fired generation cannot be recovered through the environmental surcharge? Explain the response.

b. Do the SO₂ emission allowance bank projections shown in the response to Item 11(e) include allowances allocated to combustion turbines? If yes, indicate the amount included for each year shown.

c. Explain in detail how LG&E determined the “Desired Bank Level” as shown in the response to Item 11(e).

9. Will LG&E’s weighted average cost per ton of eligible vintage SO₂ allowances in inventory include the estimated cost of allowances expected to be purchased or only allowances actually purchased? Explain the response.



Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
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DATED February 23, 2005

cc: All Parties