COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PLAN OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR THE FUTURE DISPOSITION OF THE MERGER SURCREDIT MECHANISM	))))	CASE NO. 2007-00562

COMMISSION STAFF'S FIRST DATA REQUEST
TO LOUISVILLE GAS AND ELECTRIC COMPANY

Louisville Gas and Electric Company ("LG&E"), pursuant to 807 KAR 5:001, is to file with the Commission the original and six copies of the following information, with a copy to all parties of record. The information requested herein is due on or before April 1, 2008. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

LG&E shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any requests to which

LG&E fails or refuses to furnish all or part of the requested information, LG&E shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to page 5 of Lonnie Bellar's testimony, starting at line 8. Mr. Bellar states that, when LG&E's earnings deficit relative to authorized levels exceeds its share of the merger savings, customers are receiving 100 percent of the merger benefits.

a. Is LG&E currently experiencing an earnings deficit relative to authorized levels? Provide all workpapers supporting this calculation for both the electric and gas operations.

b. If LG&E is operating at an earnings deficit relative to authorized levels, provide the time period over which this has occurred and explain why LG&E has not filed for a rate increase.

2. In LG&E's most recent rate case, Case No. 2003-00433,[1] revenue requirements were based on the post-merger, test-year level of expenses plus $19,427,401 of additional expenses to reflect the shareholder merger savings. In

[1] Case No. 2003-00433, An Adjustment of the Gas and Electric Rates, Terms, and Conditions of Louisville Gas and Electric Company, final Order dated June 30, 2004.

addition, due to a settlement agreement reached in Case No. 2002-00430,[2] merger surcredits to customers of $18,045,255 annually were to continue. To properly reflect the merger surcredits in the rate-making process, LG&E's total revenues were reduced by the amount of the surcredits and rates had to be increased by the amount of the surcredits.

a. Will eliminating LG&E's merger surcredits result in a revenue increase of $18,045,255 annually for LG&E? If no, explain in detail.

b. Given that the shareholders' 50 percent of the merger savings is included as an expense in LG&E's existing base rates, will eliminating the merger surcredits result in 100 percent of the merger savings being recovered through base rates? If no, explain in detail.

3. In Case Nos. 1998-00426[3] and 2003-00433, LG&E argued that in order for shareholders to retain their portion of the merger savings, an upward adjustment to operating expenses equal to 50 percent of the total savings originally estimated in Case No. 1997-00300[4] was necessary to eliminate the shareholders' merger savings from the return calculations. This operating expense adjustment was coupled with the recognition that ratepayers would receive their share of the merger savings through the surcredit mechanism, thus achieving a balance between the interests of shareholders

[2] Case No. 2002-00430, Louisville Gas and Electric Company's Plan to Address the Future of the Merger Surcredit Approved by the Kentucky Public Service Commission in Case No. 1997-00300, final Order dated October 16, 2003.

[3] Case No. 1998-00426, Application of Louisville Gas and Electric Company for Approval of An Alternative Method of Regulation of Its Rates and Service, final Order dated January 7, 2000.

[4] Case No. 1997-00300, In the Matter of Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for approval of a merger.

and ratepayers. Explain in detail why it appears that LG&E now believes it is no longer necessary to maintain the balance between the interests of shareholders and ratepayers concerning the merger savings.

4. Assume for purposes of this question the Commission does not issue an Order in this proceeding by June 30, 2008. Explain LG&E's understanding of what would happen under the Merger Surcredit tariff and how each customer class would be affected.

5. Assume for purposes of this question the Commission finds that the merger surcredit should be continued until the issuance of a final Order in LG&E's next general rate case. Would LG&E agree that the dollar level of the surcredit to be spread among all customer classes should be $19,427,401? Explain the response.

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DATED: March 25, 2008

cc: Parties of Record