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PUBLIC SERVICE
COMMISSION

Ms. Stephanie Stumbo, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

Louisville Gas and
Electric Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

December 4, 2008

**RE: APPLICATION OF LOUISVILLE GAS AND ELECTRIC
COMPANY FOR AN ORDER APPROVING ESTABLISHMENT OF
A REGULATORY ASSET - Case No. 2008-00456**

Rick E. Lovekamp
Manager - Regulatory Affairs
T 502-627-3780
F 502-627-3213
rick.lovekamp@eon-us.com

Dear Ms. Stumbo:

Enclosed please find an original and seven (7) copies of the Response of Kentucky Utilities Company to the Attorney General's Follow-Up Request for Information dated November 26, 2008, in the above-referenced proceeding.

Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copy. Should you have any questions regarding this transaction or this information, please contact me at (502) 627-3780.

Sincerely,

Rick E. Lovekamp

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC)
COMPANY FOR AN ORDER APPROVING THE) CASE NO.
ESTABLISHMENT OF A REGULATORY ASSET) 2008-00456

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
ATTORNEY GENERAL'S FOLLOW-UP
REQUEST FOR INFORMATION
DATED NOVEMBER 26, 2008

FILED: DECEMBER 4, 2008

VERIFICATION

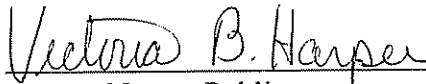
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Valerie L. Scott**, being duly sworn, deposes and says that she is the Controller, for Louisville Gas and Electric Company, 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.



VALERIE L. SCOTT

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of December, 2008.

 (SEAL)

Notary Public

My Commission Expires:

Sept 20, 2010

VERIFICATION

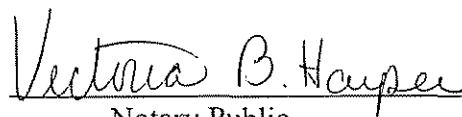
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Chris Hermann**, being duly sworn, deposes and says that he is Senior Vice President – Energy Delivery for Louisville Gas and Electric Company, 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.



CHRIS HERMANN

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of December, 2008.

 (SEAL)

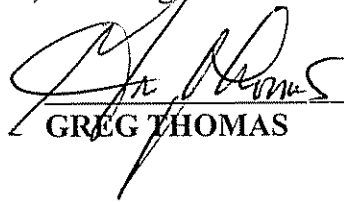
Notary Public

My Commission Expires:
Sept 20, 2010

VERIFICATION

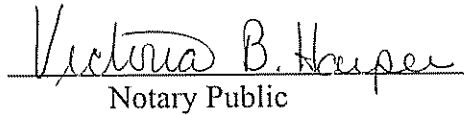
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Greg Thomas**, being duly sworn, deposes and says that he is Vice President, Energy Delivery-Distribution Operations for Louisville Gas and Electric Company, 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.



GREG THOMAS

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 4th day of December, 2008.

 (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Attorney General's
Follow-Up Request for Information
Dated November 26, 2008**

Case No. 2008-00456

Question No. 1

Witness: Valerie L. Scott

- Q-1. Rives Exhibit 1, Schedule 1.18 shows storm damage expenses of \$5,587,633 for the 12-month period ended 4/30/08. Please provide all actual 2008 storm damage expenses prior to the September 2008 Hurricane Ike expense of \$24.1 million.
- A-1. The actual storm damage operations and maintenance ("O&M") expenses that occurred from January 1, 2008 through September 30, 2008 excluding the September 2008 Hurricane Ike event totaled \$4,917,028.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Attorney General's
Follow-Up Request for Information
Dated November 26, 2008**

Case No. 2008-00456

Question No. 2

Witness: Valerie L. Scott

Q-2. Please provide the number of overtime hours by LG&E's full-time employees in each of the years 2005 through 2007 and in the 12-month period ended 9/30/08.

A-2. Overtime hours by LG&E's full-time employees:

12 Months Ended:	Total Overtime Hours
12/31/2005	238,070
12/31/2006	223,076
12/31/2007	230,644
09/30/2008	284,466

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Attorney General's
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Dated November 26, 2008**

Case No. 2008-00456

Question No. 3

Witness: Chris Hermann / Greg Thomas

Q-3. With regard to the Company's response to AG-1-3(c) and (f), please provide the following information:

- a. Since the \$2,294,228 internal LG&E labor cost was incurred by existing LG&E employees¹ for whom the base and overtime payroll costs are embedded in current rates, what represents the difference of \$1,668,663 between the \$2,294,228 and the offsetting \$625,565 cost credit for costs that are normally charged to LG&E's O&M expenses?
- b. Please provide a breakout of the \$1,668,663 difference identified in part (a) above between estimated incremental overtime expenses and straight time labor costs that is normally charged to capital instead of O&M expense.
- c. How did the Company determine the straight time labor costs that is normally charged to capital instead of O&M expense to be provided in response to part (b) above?
- d. How did the Company determine that the offsetting \$625,565 cost credits "are the estimated amounts that are embedded in LG&E's base rates"?
- e. What represents the difference of \$514,624 between the \$754,490 internal labor cost number for SERVCO employees and the offsetting \$239,866 cost credits? In addition, provide a breakout of the \$514,624 difference between incremental overtime costs and straight time labor costs that is normally charged to capital instead of O&M expense.
- f. How did the Company determine the straight time labor costs that is normally charged to capital instead of O&M expense to be provided in response to part (e) above?
- g. How did the Company determine that the offsetting \$239,866 cost credits "are the estimated amounts that are embedded in LG&E's base rates"?

¹ LG&E did not hire additional employees specifically to address the storm – see AG 1-2 response.

- A-3. The following information is provided based on LG&E's response to AG 1-1(c) and (f), since there was not a AG 1-3(c) and (f).
- a. The \$1,668,663 difference between the cumulative LG&E labor costs and the cost credit amounts that would normally be charged to LG&E O&M expenses represents the overtime labor costs due to the storm event and costs that would normally be capitalized.
 - b. The \$1,668,663 identified in part (a) above comprises estimated overtime expense for the 2008 Hurricane Ike event totaling \$1,104,479 and estimated straight time labor costs of \$564,184 that are normally capitalized.
 - c. The Company calculated the estimated capital amounts considered normal operations for the straight time labor costs by examining the historical workload for employees. For each department, the actual capital charges for a three-month period of June through August were used as a basis to determine the straight time capital labor costs that would have been expensed by these employees during normal operations.
 - d. The Company determined that the offsetting cost credits will be recovered through embedded base rates as these amounts would have been charged to LG&E O&M expense without the storm event.
 - e. The \$514,624 difference between the cumulative SERVCO labor costs charged to LG&E and the cost credit amounts that would normally be charged to LG&E O&M expenses represent the overtime labor costs due to the storm event and costs that would normally be capitalized. The \$514,624 comprises estimated overtime expense for the 2008 Hurricane Ike event totaling \$417,730 and estimated straight time labor costs of \$96,894 that are normally capitalized.
 - f. The Company calculated the estimated capital amounts considered normal operations for the straight time labor costs by examining the historical workload for employees. For each department, the actual capital charges for a three-month period of June through August were used as a basis to determine the straight time capital labor costs that would have been expensed by these employees during normal operations.
 - g. The Company determined that the offsetting cost credits will be recovered through embedded base rates as these amounts would have been charged to LG&E O&M expense without the storm event.