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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 THE
ESTABLISHMENT OF A REGULATORY ASSET - Case No. 2008-
00456*

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

Dear Ms. Stumbo:

Enclosed please find an original and seven (7) copies of the Response of Louisville Gas and Electric Company to the Supplemental Data Request of Commission Staff 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
SUPPLEMENTAL DATA REQUEST OF COMMISSION STAFF
DATED NOVEMBER 26, 2008**

FILED: DECEMBER 4, 2008

VERIFICATION

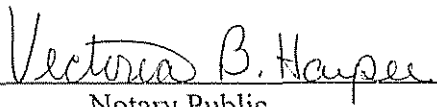
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is the Vice President, State Regulation and Rates 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.



LONNIE E. BELLAR

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

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

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Supplemental Data Request of Commission Staff
Dated November 26, 2008**

Case No. 2008-00456

Question No. 1

Witness: Lonnie E. Bellar

- Q-1. Refer to LG&E's response to Item 2 of the Commission Staff's ("Staff") initial data request ("Staff's first request").
- a. Explain why the reason cited in the first paragraph of the response, the magnitude of the Hurricane Ike damage and related service restoration costs, is relevant to whether the costs are considered for recovery in LG&E's pending rate case as compared to a future rate case.
 - b. Explain why the reason cited in the second paragraph of the response, that there are no more Hurricane Ike-related expenses to be incurred, is relevant to whether LG&E's service restoration costs are considered for recovery in its pending rate case as compared to a future rate case.
 - c. The reason cited in the third paragraph of the response concerns providing equity from a timing perspective so that "[t]he customers who benefited from the repair of Hurricane Ike's damages will help pay for those benefits." Explain why, given this reasoning, LG&E has indicated that it plans to propose that its Hurricane Ike costs be amortized over three years rather than a shorter amortization period.
 - d. Explain why the reason cited in the fourth paragraph of the response, that the Hurricane Ike-related expenses were incurred during a capital-intensive construction program and while a slumping economy greatly restricted access to capital, is relevant to whether LG&E's service restoration costs are considered for recovery in its pending rate case as compared to a future rate case.
 - e. The reason cited in the fifth paragraph of the response appears to address the issue of gradualism as it relates to increases in rates. Clarify whether the last sentence of the paragraph refers to a "[h]igher change in base rates" in a future LG&E rate case as opposed to its pending rate case.

- A-1. a. As stated in the remainder of LG&E's response to Commission Staff's First data request No. 2, Hurricane Ike's magnitude and the magnitude of the Companies' cost of responding thereto are relevant for several reasons.

The Hurricane Ike storm and associated damage to LG&E's electrical system are exceptional, major and significant. By the time rates are authorized in the pending rate case, repair of the damage caused by Hurricane Ike will be completed and all the costs will be known and measureable. The Commission should consider Hurricane Ike storm and associated damage in the pending rate case because they are so exceptional.

- b. Though there may be minimal costs that are not received until March 31, 2009, the Company anticipates that the majority of actual costs will be known as of the 2008 accounting closing period in early January. Therefore, it is now appropriate for the Company to amortize and recover said expenses.
- c. LG&E has not suggested that there be a three-year amortization of its Hurricane Ike operations and maintenance expenses, but rather that LG&E would amortize those expenses over five years, in accord with past storm cost recoveries for the Companies.¹ Such an amortization will allow LG&E to have reasonably timely recovery of those costs while also avoiding a much higher increase by recovering the costs over a shorter period.
- d. Regulatory treatment and decisions have always been an important consideration for capital markets and lenders. This is especially so when Hurricane Ike-related expenses were incurred during a capital-intensive construction program and capital markets are volatile and in turmoil. Timely recovery of these exceptional restoration costs caused by such an exceptional storm in the pending rate case rather than in the future is a decision that will be reviewed by the capital markets and lenders for evaluating the current regulatory environment and signals of any changes.
- e. Yes, the last sentence of the cited paragraph refers to a "higher change in base rates" in a future LG&E rate case.

¹ See, e.g., Application at 6-7.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Supplemental Data Request of Commission Staff
Dated November 26, 2008**

Case No. 2008-00456

Question No. 2

Witness: Valerie L. Scott

- Q-2. Refer to LG&E's response to Item 3.b of Staff's first request, which includes a nine-month and a 12-month income statement for its electric operations for the period ended September 30, 2008.
- a. Provide comparable LG&E electric operations income statements for the periods ended September 30, 2005, 2006, and 2007.
 - b. Provide LG&E's balance sheet as of September 30, 2008 and, either in the balance sheet or a separate schedule, provide its plant-in-service balances separately for electric plant and gas plant.
- A-2. a. See attached.
- b. See attached.

LOUISVILLE GAS AND ELECTRIC COMPANY
CASE NO. 2008-00456
Response to Second Data Request of Commission Staff Dated November 26, 2008

COMPARATIVE STATEMENTS OF OPERATING INCOME - ELECTRIC ONLY

	9/30/2005		9/30/2006		9/30/2007	
	Calendar Year to Date	12 Months Ended	Calendar Year to Date	12 Months Ended	Calendar Year to Date	12 Months Ended
OPERATING REVENUES						
Residential Sales	\$ 220,167,487	\$ 272,018,931	\$ 212,862,475	\$ 268,475,922	\$ 243,990,548	\$ 302,647,834
Small (or Comm.)	173,138,732	219,406,733	175,146,462	222,847,784	189,557,893	241,366,190
Large (or Ind.)	99,056,713	128,069,843	102,173,816	130,993,151	103,576,939	135,390,744
Public Street and Highway Lighting	4,886,035	6,597,911	4,759,412	6,355,181	4,836,578	6,540,524
Other Sales to Public Authorities	46,737,567	59,648,176	48,396,330	61,935,193	52,449,355	66,933,561
Rate Refunds	0	(2,136,441)	0	0	0	0
Total Sales to Ultimate Consumers	543,986,534	683,605,153	543,338,495	690,607,231	594,411,313	752,878,853
Sales for Resale	174,269,443	228,546,734	146,187,784	231,172,171	116,675,565	194,441,235
Forfeited Discounts	1,506,668	1,947,435	1,615,025	2,117,083	1,834,307	2,339,732
Miscellaneous Service Revenues	904,808	1,188,458	853,093	1,124,477	707,979	903,329
Rent from Electric/Gas Property	2,066,177	2,804,124	2,159,833	3,226,592	2,733,904	3,466,156
Other Electric Revenue	18,418,946	20,919,055	10,106,815	22,256,548	1,641,923	2,375,170
Total Operating Revenues	741,152,576	939,010,959	704,261,045	950,504,102	718,004,991	956,404,475
OPERATING EXPENSES						
Operation Expense	441,105,614	560,689,181	410,195,924	573,444,445	403,074,978	547,706,272
Maintenance Expense	42,092,496	61,161,074	50,070,951	61,653,238	47,867,977	65,229,911
Depreciation Expense	76,235,706	101,449,996	75,503,468	101,015,470	76,343,396	101,815,557
Amort. & Depl. of Utility Plant	3,602,790	4,724,591	3,241,840	4,292,142	3,518,795	4,618,799
Regulatory Credits	(623,574)	(820,231)	(1,082,732)	(9,606,281)	(1,129,553)	(1,491,388)
Taxes Other Than Income Taxes	11,150,704	14,413,444	12,116,698	16,156,368	12,518,238	16,817,523
Income Taxes - Federal	50,593,914	50,374,808	43,400,338	65,017,075	34,579,236	40,909,403
- State	6,669,492	8,469,571	8,080,232	11,386,147	7,830,027	8,498,320
Provision for Deferred Income Taxes	21,621,929	36,447,953	32,073,333	37,364,627	21,308,249	35,238,106
(Less) Provision for Deferred Income Taxes - Cr.	(28,382,383)	(37,736,832)	(35,197,040)	(48,557,599)	(21,571,240)	(31,016,120)
Investment Tax Credit Adj. - Net	(2,927,293)	(3,904,755)	(2,896,646)	(3,869,016)	5,934,806	7,982,899
Gain (Loss) from Disposition of Allowances	(867,263)	(867,263)	(1,004,606)	(1,004,606)	(553,093)	(553,093)
Accretion Expense	525,717	690,084	957,502	1,132,741	1,020,661	1,340,752
Total Utility Operating Expenses	620,797,849	795,091,621	595,459,262	808,424,751	590,742,477	797,096,941
Net Utility Operating Income	\$ 120,354,727	\$ 143,919,338	\$ 108,801,783	\$ 142,079,351	\$ 127,262,514	\$ 159,307,534

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00456

Response to Second Data Request of Commission Staff Dated November 26, 2008

Comparative Balance Sheets as of September 30, 2008

Assets and Other Debits		Liabilities and Other Credits	
Utility Plant		Common Stock	425,170,424.09
at Original Cost	4,465,001,599.27	Common Stock Expense	(835,888.64)
Less Reserves for Depreciation and Amortization	1,938,506,310.03	Paid-In Capital	60,000,000.00
Total	2,526,495,169.24	Other Comprehensive Income	(11,013,046.35)
		Retained Earnings	722,843,931.85
Investments		Total Common Equity	1,196,165,420.95
Ohio Valley Electric Corporation	594,286.00	Pollution Control Bonds - Net of Reacquired Bonds	315,104,000.00
Nonutility Property-Less Reserve	11,879.20	LT Notes Payable to Associated Companies	435,000,000.00
Special Funds	13,050,793.25	Total Long-term Debt	750,104,000.00
Other	14,921,226.00	Total Capitalization	1,946,369,420.95
Total	28,578,184.45		
Current and Accrued Assets		Current and Accrued Liabilities	
Cash	3,723,553.27	Long-term Debt Due in 1 Year	344,663,200.00
Special Deposits	8,919,712.52	ST Notes Payable to Associated Companies	
Temporary Cash Investments	36,650.67	Notes Payable to Associated Companies	109,164,037.27
Accounts Receivable-Less Reserve	164,968,288.10	Accounts Payable	30,269,979.28
Notes Receivable from Associated Companies		Customer Deposits	21,041,464.52
Accounts Receivable from Associated Companies	74,557.53	Taxes Accrued	13,819,750.99
Materials and Supplies-At Average Cost		Interest Accrued	10,766,538.00
Fuel	35,020,104.32	Dividends Declared	118,248.56
Plant Materials and Operating Supplies	27,926,692.63	ST Obligations Under Capital Leases	13,055,609.05
Stores Expense	4,436,313.75	Miscellaneous Current and Accrued Liabilities	
Gas Stored Underground	127,180,582.13	Total	542,900,837.67
Allowance Inventory	9,620.41	Deferred Credits and Other	
Prepayments	4,167,284.71	LT Obligations Under Capital Leases	402,121,254.65
Miscellaneous Current and Accrued Assets	1,176,872.46	Accumulated Deferred Income Taxes	49,321,730.72
Total	377,640,232.50	Investment Tax Credit	56,690,668.67
Deferred Debits and Other		Regulatory Liabilities	14,075,698.31
Unamortized Debt Expense	4,060,476.26	Customer Advances for Construction	30,745,892.65
Unamortized Loss on Bonds	24,016,680.51	Asset Retirement Obligations	38,565,173.13
Accumulated Deferred Income Taxes	40,214,532.25	Other Deferred Credits	29,628,082.55
Deferred Regulatory Assets	153,465,505.03	Miscellaneous Long-term Liabilities	93,263,093.42
Other Deferred Debits	49,091,092.48	Accum Provision for Postretirement Benefits	
Total	270,868,286.53	Total	714,411,614.10
Total Assets and Other Debits	3,203,381,872.72	Total Liabilities and Other Credits	3,203,381,872.72

LOUISVILLE GAS AND ELECTRIC COMPANY
CASE NO. 2008-00456
Response to Second Data Request of Commission Staff Dated November
26, 2008

	Utility Plant at Original Cost	Reserves for Depreciation and Amortization
Electric	3,594,472,524.92	1,631,254,830.56
Gas	638,292,097.31	217,164,302.11
Common	232,236,977.04	90,087,297.36
	<u>4,465,001,599.27</u>	<u>1,938,506,430.03</u>

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Supplemental Data Request of Commission Staff
Dated November 26, 2008**

Case No. 2008-00456

Question No. 3

Witness: Chris Hermann / Valerie L. Scott

- Q-3. Refer to parts c. and d. of the response to Item 4 of Staff's first request, which emphasize that LG&E will only seek recovery of actual costs and not for estimates or contingencies. Identify the point in time by which LG&E expects to know all actual costs and describe what steps will be involved in reaching that point.
- A-3. In the Ike Storm Report that was filed on November 26, 2008 LG&E anticipated that all final costs would be determined on or about March 31, 2009. Though there may be some minimal costs that are not received until March 31, 2009, the Company anticipates that the majority of actual costs will be known as of the 2008 accounting closing period in early January. LG&E is tracking the receipt of invoices from companies utilized during the storm in order to determine when all outside invoices have been received.