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PUBLIC SERVICE
COMMISSION

Ms. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

**Louisville Gas and
Electric Company**
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
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Manager - Regulatory Affairs
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June 15, 2009

**RE: *APPLICATION OF LOUISVILLE GAS AND ELECTRIC
COMPANY FOR AN ORDER APPROVING THE
ESTABLISHMENT OF A REGULATORY ASSET
CASE NO. 2009-00175***

Dear Mr. Derouen:

Please find enclosed and accept for filing the original and seven (7) copies of the Response of Louisville Gas and Electric Company to the Initial Data Request of Commission Staff dated June 2, 2009, in the above-referenced matter.

Should you have any questions concerning the enclosed, please contact me at your convenience.

Sincerely,

Rick E. Lovekamp / DJH

Rick E. Lovekamp

Enclosures

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) 2009-00175**

**RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
INITIAL DATA REQUEST OF COMMISSION STAFF
DATED JUNE 2, 2009**

FILED: JUNE 15, 2009

VERIFICATION

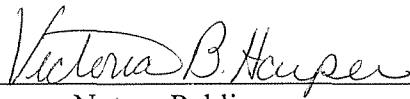
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Chris Hermann**, being duly sworn, deposes and says 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 12th day of June, 2009.

 (SEAL)

Notary Public

My Commission Expires:

Sept 20, 2010

VERIFICATION

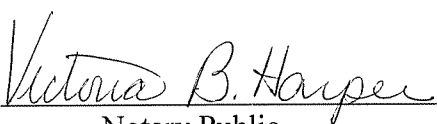
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Valerie L. Scott**, being duly sworn, deposes and says she is Controller for Kentucky Utilities 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 12th day of June, 2009.

 (SEAL)

Notary Public

My Commission Expires:
Sept 20, 2010

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Initial Data Request of Commission Staff
Dated June 2, 2009**

Case No. 2009-00175

Question No. 1

Witness: Chris Hermann / Valerie L. Scott

- Q-1. Refer to the second paragraph in Section 7 of LG&E's application.
- a. Of the transmission system damage to lines, line segments and towers and poles that are listed on a combined basis for LG&E and its sister company, Kentucky Utilities Company ("KU"), provide the LG&E-specific levels.
 - b. The paragraph's last two sentences state that nearly 95 percent of the cost to repair the combined transmission systems of LG&E and KU was related to capital investment in transmission facilities and the LG&E's capital cost is not included as part of its application. In order to have a complete picture of the total cost incurred as a result of the January 2009 ice storm, provide, by account, the capital costs recorded by LG&E for repair of its transmission system.
 - c. To the extent that there were any capitalized costs recorded for the repair of LG&E's distribution system, provide, by account, the amounts so recorded.

- A-1. a. LG&E Transmission:
- | | |
|---------------|----|
| Wood Poles | 5 |
| Line Segments | 14 |
| Spans of Wire | 28 |

- b. Capitalized costs to repair LG&E's transmission system include both capital investment (Account 107001) and capital removal (Account 108901). Costs in the below table are estimated as of May 31, 2009.

Account Number	Actual Costs	Estimated Costs	Total Costs
107001	\$449,965	\$35,057	\$485,022
108901	\$195,262	\$30,056	\$225,318
Total	\$645,227	\$65,113	\$710,340

- c. Capitalized costs to repair LG&E's distribution system include both capital investment (Account 107001) and capital removal (Account 108901). Costs in the below table are estimated as of May 31, 2009.

Account Number	Actual Costs	Estimated Costs	Total Costs
107001	\$6,122,568	\$1,168,561	\$7,291,129
108901	\$1,427,248	\$ 292,140	\$1,719,388
Total	\$7,549,816	\$1,460,701	\$9,010,517

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Initial Data Request of Commission Staff
Dated June 2, 2009**

Case No. 2009-00175

Question No. 2

Witness: Chris Hermann

- Q-2. Refer to the last paragraph in Section 8 of LG&E's application.
- a. Of the total 6,016 workers involved in restoring service, provide the number that were not employees of LG&E, KU or SERVCO.
 - b. Provide a comparison of the number of restoration workers involved in this event to the numbers of workers used for the Hurricane Ike-related outages and any other major outages experienced by LG&E or KU in the past 20 years.
 - c. Provide the names of the contractors, mutual assistance crews and the 59 utilities that supplied non-employee restoration workers.
 - d. Was LG&E able to employ as many restoration workers as it believed were necessary for this outage event or was the number of workers limited in any way? If limited, explain the response.
 - e. To what extent does LG&E believe that having access to a greater number of restoration workers would have reduced the overall level of outage hours?
- A-2.
- a. Of the total 6,016 restoration workers, 5,595 were not employees of KU, LG&E, or SERVCO.
 - b. In the past twenty years, there were three major outages for which the Companies sought regulatory asset treatment of the restoration costs:
 - i. 2009 Winter Storm: 6016 restoration workers.
 - ii. September 2008 Hurricane Ike: 2412 restoration workers
 - iii. 2003 Ice Storm: 2334 restoration workers

- c. See attached. There were 59 line and tree trimming contractors (including mutual assistance crews from various utilities) and an additional eight contractors for Public Safety Response Teams (“PSRTs”).
- d. LG&E acquired resources needed throughout the restoration process to respond effectively to this outage event. The Companies were able to ramp up restoration workers quickly in a mutual assistance environment challenged by the regional storm impact.
- e. LG&E believes that access to workers was commensurate with managing a safe and efficient restoration.

**Distribution & Transmission -- External contractors/Mutual
Assistance/Other Utilities --- 2009 Winter Storm**

AEP
ALABAMA POWER COMPANY
ALLEGHENY POWER COMPANY
ASPLUNDH CONSTRUCTION
ASPLUNDH TREE EXPERTS
B AND B ELECTRIC CO INC
BALTIMORE ELECTRIC
BOWLIN ENERGY LLC
BRAY ELECTRIC SERVICES INC
C E POWER SOLUTIONS LLC
CITY LIGHTS ELECTRICAL CO INC
CLECO
COMED
CW WRIGHT CONSTRUCTION CO INC
DAVIS H ELLIOT COMPANY INC
DAYTON POWER & LIGHT
DELTA SERVICES LLC
DETROIT EDISON
DILLARD SMITH
DOMINION POWER
E AND R INC
EAST KENTUCKY POWER COOPERATIVE INC
ECI TREE
ERTEL CONSTRUCTION INC
FIRST ENERGY
FISHEL CO
GAYLOR INC
GEORGIA POWER
GREGORY ELECTRIC
HAMBY CONSTRUCTION INC
HENDRIX
HENKEL & MCCOY
IRBY CONSTRUCTION CO
JF ELECTRIC
JUST ENGINEERING AND INSPECTION SERVICES
JW DIDADO ELECTRIC INC
LE MYERS
LEE ELECTRIC
MASTEC NORTH AMERICA INC
MB HAYNES CORP
MEADE ELECTRIC CO INC
MICHELS POWER
MJ ELECTRIC
NELSON TREE SERVICE INC
NORTHEAST UTILITIES
OPS PLUS INC
PHILLIPS TREE EXPERTS INC
PIKE ELECTRIC INC
PROGRESS ENERGY
QUALITY LINES INC
SERCO INC
SPE UTILITY CONTRACTORS LLC
SUMTER
SYNERGETIC DESIGN
THOMPSON ELECTRIC INC
TOWNSEND
TRU CHECK INC
UNITED ELECTRIC CO INC

**Distribution & Transmission -- External contractors/Mutual
Assistance/Other Utilities --- 2009 Winter Storm**

UTEC CONSTRUCTION INC
UTILITY LINES/UTILCO
WESTAR
WILLIAM E GROVES CONSTRUCTION INC
WILLIAMS ELECTRIC COMPANY
WILLIS LANE CONSTRUCTION CO INC
WOLF TREE
WRIGHT TREE SERVICE INC
XTREME POWERLINE CONSTRUCTION INC

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Initial Data Request of Commission Staff
Dated June 2, 2009**

Case No. 2009-00175

Question No. 3

Witness: Chris Hermann / Valerie L. Scott

- Q-3. Refer to Section 10 of LG&E's application.
- a. LG&E's estimate of 2009 Winter Storm related costs contains actual and estimated costs as of April 20, 2009 and an estimate of contingencies. Provide an update of the cost estimate based on the most recent information available and, using the same classifications as in Exhibit 1, provide the amounts of LG&E's actual known (not estimated) storm-related costs. Show the date on which the updated costs are based.
 - b. Provide a detailed description, with supporting calculations as necessary, which identifies the amounts characterized as estimates of contingencies and which shows their derivations.
 - c. What is LG&E's expectation of when the final actual costs related to restoring service in the aftermath of the 2009 Winter Storm will be known?
- A-3.
- a. See attached. The updated actual costs, revised estimates, and remaining contingencies are provided as of May 31, 2009.
 - b. A financial model was utilized to estimate storm costs. The estimate initially provided for a 10% distribution contingency and an 8% transmission contingency, which has proven reasonable, in order to allow for differences between actual and estimated costs. As invoices are received the contingency is used to offset those differences. Thus, the contingency amount will vary over time until a substantial amount of invoices has been received and the overall estimate can be refined. The Company will seek recovery only for actual costs incurred and not for any estimates or contingencies.
 - c. LG&E expects the final actual operations and maintenance costs related to the 2009 Winter Storm to be known by September 30, 2009.

2009 Winter Storm Restoration Cost Detail - Combined Distribution & Transmission

LG&E 2009 Winter Storm Restoration Estimate Detail Summary					
	May 31st Year-to-Date		Totals	Estimated Remaining Costs	Total LG&E Operating Expenses
	Actuals	Estimated Costs Incurred			
Internal Labor LGE	2,927,134	-	2,927,134	-	2,927,134
Internal Labor KU	73,813	-	73,813	-	73,813
Internal Labor SERVCO	812,150	-	812,150	-	812,150
Subtotal Employee Labor	3,813,097	-	3,813,097	-	3,813,097
Lineman Contractors	22,392,028	8,277,308	30,669,337	-	30,669,337
Tree Trimming Contractors	2,382,996	43,697	2,426,693	-	2,426,693
PSRT Contractors	1,761,933	10,000	1,771,933	-	1,771,933
Call Center Contractors	348,782	30,392	379,174	-	379,174
Staging Area Contractors	789,466	2,153,095	2,942,560	-	2,942,560
Oil Spill Contractors	-	45,105	45,105	-	45,105
All Other Contractors	152,355	78,560	230,915	-	230,915
Subtotal Contractors	27,827,560	10,638,157	38,465,718	-	38,465,718
Materials	496,080	-	496,080	-	496,080
Miscellaneous	2,758,608	-	2,758,608	-	2,758,608
Contingency	-	16,020	16,020	1,757,489	1,773,508
Total Storm Cost total	34,895,344	10,654,177	45,549,522	1,757,489	47,307,010

Estimated Amount considered Normal Operations:

Contractor Resource Costs - PSRT	(212,316)
Contractor Resource Costs - Operations	(284,703)
Contractor Resource Costs - Call Center	(37,000)
Internal Employee Resource Costs - LG&E Labor/Transportation charged to LG&E	(856,115)
Internal Employee Resource Costs - Servco Labor/Transportation charged to LG&E	(391,853)
Internal Employee Resource Costs - LG&E Labor/Transportation charged to KU	(103,947)
Internal Employee Resource Costs - Servco Labor/Transportation charged to KU	(198,326)
Total Estimated Amount considered Normal Operation:	(2,084,260)

Total Regulatory Asset Reclass for PSC

	45,222,750
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* This amount is \$524 greater than the amount for LG&E's normal operations contained in Exhibit 1 to LG&E's Application in this proceeding due to the inclusion of Transportation Management System costs for transmission, which were inadvertently omitted from the normal operations amount contained in Application Exhibit 1.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Initial Data Request of Commission Staff
Dated June 2, 2009**

Case No. 2009-00175

Question No. 4

Witness: Valerie L. Scott

- Q-4. Refer to Section I 1 of LG&E's application.
- a. The text states that property and casualty insurance for distribution and transmission storm damage is prohibitively expensive. Provide the most recent estimate of the premium and deductible that LG&E would expect to incur for storm damage coverage and indicate the date of that estimate.
 - b. Explain whether LG&E, given its experience related to Hurricane Ike, had revisited the issue of carrying storm insurance prior to incurring the additional costs related to the ice storm. Were any quotes sought from providers of such insurance, and if so, provide the annual premiums and deductibles that were submitted.
- A-4.
- a. The most recent estimate for property and casualty insurance was received in 2004 when LG&E received a quote for coverage with the following terms and conditions: \$15 million per occurrence insurance limit with a \$15 million annual aggregate limit. The policy had a \$2 million per occurrence deductible and the annual premium was \$3 million. To LG&E's knowledge, there is no insurance for distribution and transmission storm damage available in the commercial insurance market today. This is primarily due to the hurricane damage over the last several years.
 - b. There is a new electric utility industry program designed to provide catastrophic coverage. The program currently provides coverage for wind storm damage only; no other perils are covered at this time. The premium and deductible structure are determined by modeling each company's exposure profile, asset values and historical loss experience. The model structures the insurance based on the 75 year high loss level. There is currently only one utility participating in this program and it has a deductible of \$100 million. LG&E is exploring the process for performing the underwriting modeling to get an indication of the premium cost and deductible structure under this program for LG&E.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Initial Data Request of Commission Staff
Dated June 2, 2009**

Case No. 2009-00175

Question No. 5

Witness: Valerie L. Scott

- Q-5. Refer to the last paragraph in Section 13 of LG&E's application. Information provided by electric cooperatives during the Commission's disaster preparedness and restoration efforts review indicates that they will be reimbursed for some of their storm-related costs by the Federal Emergency Management Agency ("FEMA"). However, no investor-owned electric utility has indicated that it expects to receive any reimbursement from FEMA. What is LG&E's understanding of the conditions or rules governing whether an electric utility is eligible to receive such funds from FEMA?
- A-5. In 1988, the Robert T. Stafford Disaster Relief and Emergency Assistance Act was enacted to support local governments when disasters strike. The support is delivered through FEMA. The Act provides funds for repair, restoration, reconstruction, or replacement of facilities damaged or destroyed by a major disaster. Eligible recipients for assistance include state and local governments and certain private nonprofit facilities. The Company's understanding of the Act is that the nonprofit status of the cooperatives allows them to qualify for aid whereas the investor-owned utilities do not.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Initial Data Request of Commission Staff
Dated June 2, 2009**

Case No. 2009-00175

Question No. 6

Witness: Chris Hermann / Valerie L. Scott

- Q-6. Refer to page 12, Table 2 of LG&E's application. Provide the costs to be credited by each account referenced in Table 2, listing each primary and sub-account included in the journal entry.
- A-6. See attached. The updated actual costs and revised estimates are recorded in the Company's books as of May 31, 2009. The amounts by FERC account exclude the remaining contingencies which have not been accrued pending more accurate estimates or final invoices. The amounts by FERC account include normal operations costs which will be removed from the amount requested for recovery on a pro-rata basis once actual costs are known. The Company will request recovery only for actual non-recurring costs attributable to the storm.

2009 Winter Storm Restoration Cost Detail - Combined Distribution & Transmission

LG&E 2009 Winter Storm Restoration Estimate Detail Summary			
May 31st Year-to-Date			
FERC Account	Actuals	Estimated Costs Incurred	Totals
	52,487	16,020	68,507
Mtce of Overhead Lines			
571100	2,175,355	40,392	2,215,746
580100	481,090	993,277	1,474,367
583001	38,592	-	38,592
588100	121,116	-	121,116
590100	1,085,154	248,319	1,333,473
593001	23,726,011	7,035,712	30,761,723
593002	227,230	-	227,230
593003	2,431,654	43,697	2,475,351
593004	9,798	-	9,798
594002	1,249,085	45,105	1,294,191
595100	3,108,867	2,231,655	5,340,522
598100	32,359	-	32,359
834100	87,042	-	87,042
880900	69,505	-	69,505
925001			
Total Storm Cost	34,895,344	10,654,177	45,549,522

Estimated Remaining Costs:

Estimated Amount considered Normal Operations:

Total Regulatory Asset

1,757,489
(2,084,260)

45,222,750

* This amount is \$524 greater than the amount for LG&E's normal operations contained in Exhibit 1 to LG&E's Application in this proceeding due to the inclusion of Transportation Management System costs for transmission, which were inadvertently omitted from the normal operations amount contained in Application Exhibit 1.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Initial Data Request of Commission Staff
Dated June 2, 2009**

Case No. 2009-00175

Question No. 7

Witness: Chris Hermann

- Q-7. Refer to Exhibit 1 of LG&E's application.
- a. Costs of \$2,609,697 are identified as "Miscellaneous". Provide a breakdown of these costs showing separately the actual known amounts and estimated amounts as of the same time used to respond to Item 3.a., above.
 - b. Explain why the \$236,640 of "Internal Employee Resource Costs - SERVCO Labor/Transportation charged to LG&E Storm" would be credited against KU's distribution costs.
- A-7. a. See table below showing the breakdown of LG&E's "Miscellaneous" costs. These costs are actual costs incurred and are higher than the amount originally estimated. See also the Company's response to 3(a).

Minor Contractors	\$ 214,674
Security	\$ 60,736
Office Supplies	\$ 11,391
Fuel	\$ 144,726
Safety	\$ 13,878
Vehicle expenses	\$ 210,684
Advertising	\$ 96,724
Telecommunications	\$ 24,034
Mileage reimbursement	\$ 5,809
Travel Expenses	\$ 1,158,543
Meals	\$ 740,384
Freight	\$ 968
Claims Reimbursement	\$ 70,447
All Others	\$ 5,610
Miscellaneous Total	\$ 2,758,608

- b. The Company determined that these costs represent SERVCO employees that were charging LG&E for storm related O&M work. These cost credits are recovered through the embedded base rates of Kentucky Utilities as these amounts would have been charged to KU O&M expense without the storm event.