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PUBLIC SERVICE
COMMISSION

Mr. 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
www.eon-us.com

Robert M. Conroy
Director - Rates
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robert.conroy@eon-us.com

September 22, 2009

**RE: *THE APPLICATION OF LOUISVILLE GAS AND ELECTRIC
COMPANY FOR CERTIFICATE OF PUBLIC CONVENIENCE
AND NECESSITY AND APPROVAL OF ITS 2009 COMPLIANCE
PLAN FOR RECOVERY BY ENVIRONMENTAL SURCHARGE
CASE NO. 2009-00198***

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and eight (8) copies of the Response of Louisville Gas and Electric Company to the Second Set of Data Requests of Kentucky Industrial Utility Customers, Inc. dated September 11, 2009, in the above-referenced matter.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'R. M. Conroy', with a large, sweeping flourish extending to the right.

Robert M. Conroy

Enclosures

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
SEP 22 2009
PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY) CASE NO.
AND APPROVAL OF ITS 2009 COMPLIANCE) 2009-00198
PLAN FOR RECOVERY BY ENVIRONMENTAL)
SURCHARGE)

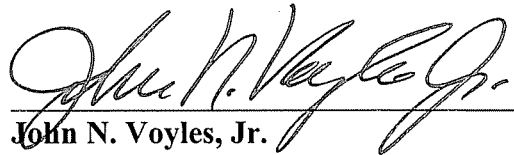
RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
KIUC SECOND SET OF DATA REQUESTS
DATED SEPTEMBER 11, 2009

FILED: September 22, 2009

VERIFICATION

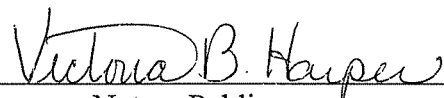
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **John N. Voyles, Jr.**, being duly sworn, deposes and says that he is the Vice President, Transmission and Generation Services, for Louisville Gas and Electric Company and an employee of E.ON U.S. Services, Inc., 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.



John N. Voyles, Jr.

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 22nd day of September, 2009.

 (SEAL)

Notary Public

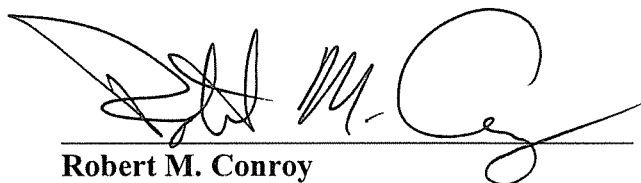
My Commission Expires:

Sept 20, 2010

VERIFICATION

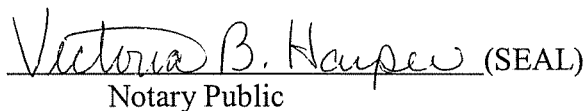
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is the Director, Rates, for E.ON U.S. Services, Inc., 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.



Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 22nd day of September, 2009.

 (SEAL)

Notary Public

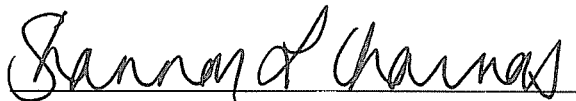
My Commission Expires:

Sept 20, 2010

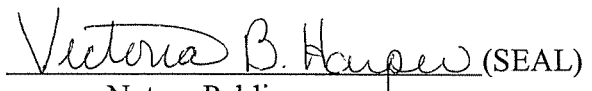
VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Shannon L. Charnas**, being duly sworn, deposes and says that she is Director, Utility Accounting and Reporting for E.ON U.S. Services Inc., 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.


Shannon L. Charnas

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 22nd day of September, 2009.

 (SEAL)
Notary Public

My Commission Expires:
Sept 20, 2010

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to KIUC Second Set of Data Requests
Dated September 11, 2009**

Case No. 2009-00198

Question No. 2-1

Witness: Robert M. Conroy

Q-2-1. Refer to the Company's response to KIUC 1-5(a).

- a. The spreadsheet provided indicates that amounts already have been spent on Project 22. Please provide the amount included in rate base in the Company's last base rate case. Provide this information by FERC account and/or FERC plant account.
- b. If there were amounts for this project already included in base rates, does the Company agree that the capital costs for the project should be reduced by the amount included in base rates to avoid double recovery?

A-2-1. a. LG&E incurred \$117,580 in capital expenditures on Project 22 that are included in its current base rates. This amount is not part of the project costs presented to the Commission in this filing in the Application Exhibit 1 and Exhibit JNV-1. The amount shown in response to KIUC Question 1-5(a) for 2008 for Project 22 is for expenses incurred after April 30, 2008. LG&E has not included in the filing any capital cost associated with this project that was incurred prior to the end of the test year used for establishing current base rates.

- b. LG&E agrees that capital costs for Project 22 included for recovery through the ECR will exclude all amounts in base rates. LG&E has not included in the filing any capital cost for this project that were incurred prior to the end of the test year for established current base rates.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to KIUC Second Set of Data Requests
Dated September 11, 2009**

Case No. 2009-00198

Question No. 2-2

Witness: Shannon L. Charnas / Robert M. Conroy

Q-2-2. Refer to the Company's response to KIUC 1-5(c).

- a. Please describe the basis for the Company's quantification of the actual O&M expense for the existing landfill at Cane Run. If the Company tracks these costs in separate accounts/subaccounts, please provide a description of and the amounts included in each account/subaccount that sum to the Company's quantification.
- b. Please provide a quantification of the amount of "landfill O&M included in LG&E's base rates," including all assumptions, data and computations and a copy of all source documents relied upon for this quantification. Please provide this information by account/subaccount if it is available at that level of detail.
- c. Please describe the Company's proposed methodology for tracking and quantifying the reduction to the incremental O&M for the amount already included in base rates to ensure that the Commission can verify the Company's quantifications.

A-2-2. a. The Company quantified the actual O&M expense for the existing landfill at Cane Run for the twelve month period ended July 31, 2009 using the project tracking function in the Oracle Financial Management System, which allows the Company to track costs by accounts and by particular project. The O&M expense for the existing landfill at Cane Run for the period was included in the following accounts:

502001 – Other Waste Disposal	\$ 2,359,933
512017 – Maintenance – Sludge Stabilization System	<u>1,205,572</u>
Total	\$ 3,565,505

LG&E clarifies that the O&M expenses previously provided inadvertently excluded costs incurred to transport fixated lime off-site for beneficial reuse

purposes. Those costs are included in the account 512017 total provided above.

- b. The table below summarizes the annual O&M expense for the existing landfill at Cane Run for the 12 month period ending April 30, 2008. See the Excel file on the compact disc included with this response for the details of the requested information.

502001 – Other Waste Disposal	\$ 2,029,254
512017 – Maintenance – Sludge Stabilization System	<u>963,812</u>
Total	\$ 2,993,066

- c. Consistent with past Commission orders, LG&E will establish a base line of ash disposal expense incurred at Cane Run during the test year used in the most recent base rate case. Currently, the O&M expense for ash disposal at Cane Run identified in part b above was incurred by LG&E during the period from May 1, 2007 through April 30, 2008. This amount will change if the Commission approves changes in base rates based on a different test period prior to the in-service date of the Cane Run landfill included in Project 22. Once Project 22 is placed in-service, LG&E will net the total ash disposal expense incurred at Cane Run with the monthly expense amount included in base rates. This net amount will be included on ES Form 2.50 and recovered/refunded through the ECR mechanism.

The Company has been adjusting various components of environmental costs to avoid possible double-recovery for several years, beginning in 1995 with the removal of various rate base items to account for the retirement of assets in base rates when such retirement resulted from investment in new environmental facilities. The Company continues to adjust for such retirements on ES Form 2.10. Further, LG&E adjusts its proceeds from the annual allowance auction to properly account for proceeds in base rates, as appropriate.

LG&E has consistently adjusted its current environmental costs for amounts included in base rates, and will continue to do so, by netting the base rate amounts in the monthly ECR filings, on the appropriate ES Forms. See the response to Question No. 2-5.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to KIUC Second Set of Data Requests
Dated September 11, 2009**

Case No. 2009-00198

Question No. 2-3

Witness: Robert M. Conroy

Q-2-3. Refer to the Company's response to KIUC 1-6(a).

- a. The spreadsheet provided indicates that amounts already have been spent on Project 24. Please provide the amount included in rate base in the Company's last base rate case. Provide this information by FERC account and/or FERC plant account.
- b. If there were amounts for this project already included in base rates, does the Company agree that the capital costs for the project should be reduced by the amount included in base rates to avoid double recovery?

A-2-3. a. LG&E incurred \$490,204 in capital expenditures on Project 24 that are included in its current base rates. This amount is not part of the project costs presented to the Commission in this filing in the Application Exhibit 1 and Exhibit JNV-1. The amount shown in response to KIUC Question No. 1-6(a) for 2008 for Project 24 is for expenses incurred after April 30, 2008. LG&E has not included in the filing any capital cost associated with this project that was incurred prior to the end of the test year used for establishing current base rates.

- b. LG&E agrees that capital costs for Project 24 included for recovery through the ECR will exclude all amounts in base rates. LG&E has not included in the filing any capital cost for this project that were incurred prior to the end of the test year for established current base rates.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to KIUC Second Set of Data Requests
Dated September 11, 2009**

Case No. 2009-00198

Question No. 2-4

Witness: Shannon L. Charnas / Robert M. Conroy

Q-2-4. Refer to the Company's response to KIUC 1-6(c).

- a. Please describe the basis for the Company's quantification of the actual O&M expense for the sluicing and impoundment at Trimble County. If the Company tracks these costs in separate accounts/subaccounts, please provide a description of and the amounts included in each account/subaccount that sum to the Company's quantification.
- b. Please provide a quantification of the amount of O&M expense for the sluicing and impoundment included in LG&E's base rates, including all assumptions, data and computations and a copy of all source documents relied upon for this quantification. Please provide this information by account/subaccount if it is available at that level of detail.
- c. Please describe the Company's proposed methodology for tracking and quantifying the reduction to the incremental O&M for the amount already included in base rates to ensure that the Commission can verify the Company's quantifications.

- A-2-4. a The Company quantified the actual O&M expense for the sluicing and impoundment for the twelve month period ended July 31, 2009 using the project tracking function in the Oracle Financial Management System, which allows the Company to track costs included by accounts and by particular project. The O&M expenses of \$259,798 for the existing landfill for the period was included in account 512100 – Maintenance – Boiler Plant.
- b. The annual O&M expense for the sluicing and impoundment at Trimble County for the 12 month period ending April 30, 2008 totaled \$380,577 and was booked to account 512100. See the Excel file on the compact disc included with this response for the details of the requested information.

- c. Consistent with past Commission orders, LG&E will establish a base line of ash disposal expense incurred at Trimble County during the test year in the most recent base rate case. Currently, the O&M expense for ash disposal at Trimble County identified in part b above was incurred by LG&E during the period from May 1, 2007 through April 30, 2008. This amount will change if the Commission approves changes in base rates based on a different test period prior to the in-service date of the Trimble County landfill included in Project 24. Once Project 24 is placed in-service, LG&E will net the total ash disposal expense incurred at Trimble County with the monthly expense amount included in base rates. This net amount will be included on ES Form 2.50 and recovered/refunded through the ECR mechanism.

See also the response to Question Nos. 2-2 and 2-5.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to KIUC Second Set of Data Requests
Dated September 11, 2009**

Case No. 2009-00198

Question No. 2-5

Witness: Shannon L. Charnas / Robert M. Conroy

Q-2-5. Refer to the Company's response to Staff 1-14 wherein the Company states that it will make ongoing comparisons to "ensure that there is no double recovery of O&M costs through the ECR mechanism and base rates." Please explain with specificity how the Company plans to make these ongoing comparisons and how it plans to demonstrate to the Commission that there is no double recovery.

A-2-5. The use of the phrase "ongoing comparisons" means that to the extent there are O&M costs currently included in base rates, LG&E will report those amounts in its monthly ECR filings to demonstrate to the Commission that the O&M costs recovered through the ECR are the net O&M amounts.

Consistent with how KU provides the baseline amounts for limestone and emission allowance inventories and emission allowance expense on ES Form 2.00 in its monthly filings, LG&E will provide the amounts currently in base rates for the O&M costs and provide those as baseline amounts in the monthly filings. Once base rates have been established, the amount of O&M costs included for the project will be known and fixed for purposes of making the monthly comparison for the ECR monthly filings.

LG&E proposes that the O&M baseline amount for each facility (for which O&M costs are proposed for ECR recovery) will be included as a line item on ES Form 2.50, and recoverable O&M included in the determination of the monthly jurisdictional E(m) will be net of the baseline amounts. Please see a proposed revised ES Form 2.50 attached to this response for the revision LG&E is proposing.

**LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT**

Pollution Control - Operations & Maintenance Expenses
For the Month Ended:

O&M Expense Account	Cane Run	Mill Creek	Trimble County	Total
2001 Plan				
506104 - NOx Operation -- Consumables				
506105 - NOx Operation -- Labor and Other				
512101 - NOx Maintenance				
Total 2001 Plan O&M Expenses				
2005 Plan				
502006-Scrubber Operations				
512005-Scrubber Maintenance				
Ashpond Dredging Expense				
Total 2005 Plan O&M Expenses				
2006 Plan				
506109 - Sorbent Injection Operation				
512102 - Sorbent Injection Maintenance				
506110 - Mercury Monitors Operation				
512103 - Mercury Monitors Maintenance				
502006 - Scrubber Operations				
512005 - Scrubber Maintenance				
506104 - NOx Operation -- Consumables				
506105 - NOx Operation -- Labor and Other				
512101 - NOx Maintenance				
506001 - Precipitator Operation				
512011 - Precipitator Maintenance				
Total 2006 Plan O&M Expenses				
2009 Plan				
512017 - Ash Handling Maintenance				
501251 - Ash Handling Operation				
501201 - Bottom Ash Disposal				
502001 - Other Waste Disposal				
O&M included in current Base Rates for Ash Disposal				
Net 2009 Plan O&M Expenses				
Current Month O&M Expense for All Plans				

Note 1: Trimble County projects for the 2009 Plan are proportionately shared by KU at 48% and LG&E at 52%.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to KIUC Second Set of Data Requests
Dated September 11, 2009**

Case No. 2009-00198

Question No. 2-6

Witness: John N. Voyles, Jr.

Q-2.6. Does the Company generate any sulfur combustion byproducts that can be used for soil fertilization in farming operations? If so, please describe these byproducts, the Company's disposal requirements and the Company's beneficial reuse opportunities and efforts. Provide a history of the Company's efforts and a schedule showing by account/subaccount the revenues and expenses/costs incurred to treat and/or dispose of and/or market such byproducts.

A-2-6. While coal combustion does generate by-products that can be used for soil fertilization in other regions, LG&E historically has not been actively engaged in such markets. However, LG&E is discussing the use of synthetic gypsum as a soil enhancer with a company that specializes in such marketing efforts.

LG&E generates gypsum as a by-product of coal combustion and historically has been successful in marketing under appropriate market conditions the synthetic gypsum as a raw material in the wallboard manufacturing industry.