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PUBLIC SERVICE
COMMISSION

Mr. Jeff DeRouen
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40601

E.ON U.S. LLC
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
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Robert M. Conroy
Director - Rates
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August 6, 2009

2009-00329

RE: *In the Matter of: The Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for Approval of Depreciation Rates for Trimble County Unit 2, Case No. 2009-00* _____

Dear Mr. DeRouen:

Enclosed please find and accept for filing the original and ten (10) copies of Kentucky Utilities Company's and Louisville Gas and Electric Company's Joint Application in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed copy and return to me in the enclosed, self-addressed stamped envelope.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Robert M. Conroy

cc: Dennis G. Howard, Assistant Attorney General
Michael L. Kurtz, Boehm, Kurtz & Lowry

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

THE JOINT APPLICATION OF KENTUCKY)
UTILITIES COMPANY AND LOUISVILLE GAS)
AND ELECTRIC COMPANY FOR APPROVAL)
OF DEPRECIATION RATES FOR TRIMBLE)
COUNTY UNIT 2)

CASE NO. 2009-00329

JOINT APPLICATION

Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively, "Companies"), hereby petition the Kentucky Public Service Commission ("Commission") by application to issue an order by December 1, 2009, approving depreciation rates for the new coal-fired baseload electric generating unit the Companies are building at the Trimble County Generating Station, Trimble County Unit 2 ("TC2"). The Companies file this Joint Application pursuant to 807 KAR 5:001 and KRS 278.220, the latter of which authorizes the Commission to prescribe the accounting to be used by any public utility subject to its jurisdiction.

In support of this Application, the Companies state as follows:

1. Addresses: Applicant KU's full name and business address is: Kentucky Utilities Company, One Quality Street, Lexington, Kentucky 40507. KU's mailing address is Kentucky Utilities Company c/o Louisville Gas and Electric Company, Post Office Box 32010, 220 West Main Street, Louisville, Kentucky 40232.

Applicant LG&E's full name and post office address is: Louisville Gas and Electric Company, 220 West Main Street, Post Office Box 32010, Louisville, Kentucky 40202.

2. Articles of Incorporation: A certified copy of KU's current Articles of Incorporation is on file with the Commission in Case No. 2005-00471, *In the Matter of: Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Authority to Transfer Functional Control of their Transmission System*, filed on November 18, 2005, and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).

Likewise, a certified copy of LG&E's Articles of Incorporation is on file with the Commission in Case No. 2005-00471, *In the Matter of: Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Authority to Transfer Functional Control of their Transmission System*, filed on November 18, 2005, and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).

3. KU is a public utility, as defined in KRS 278.010(3)(a), engaged in the electric business. KU generates and purchases electricity, and distributes and sells electricity at retail in the following counties in Central, Northern, Southeastern and Western Kentucky:

Adair	Edmonson	Jessamine	Ohio
Anderson	Estill	Knox	Oldham
Ballard	Fayette	Larue	Owen
Barren	Fleming	Laurel	Pendleton
Bath	Franklin	Lee	Pulaski
Bell	Fulton	Lincoln	Robertson
Bourbon	Gallatin	Livingston	Rockcastle
Boyle	Garrard	Lyon	Rowan
Bracken	Grant	Madison	Russell
Bullitt	Grayson	Marion	Scott
Caldwell	Green	Mason	Shelby
Campbell	Hardin	McCracken	Spencer
Carlisle	Harlan	McCreary	Taylor
Carroll	Harrison	McLean	Trimble
Casey	Hart	Mercer	Union
Christian	Henderson	Montgomery	Washington
Clark	Henry	Muhlenberg	Webster
Clay	Hickman	Nelson	Whitley
Crittenden	Hopkins	Nicholas	Woodford
Daviess			

4. LG&E is a public utility, as defined in KRS 278.010(3)(a), engaged in the electric and gas business. LG&E generates and purchases electricity, and distributes and sells electricity at retail in Jefferson County and portions of Bullitt, Hardin, Henry, Meade, Oldham, Shelby, Spencer, and Trimble Counties. LG&E also purchases, stores and transports natural gas and distributes and sells natural gas at retail in Jefferson County and portions of Barren, Bullitt, Green, Hardin, Hart, Henry, Larue, Marion, Meade, Metcalfe, Nelson, Oldham, Shelby, Spencer, Trimble, and Washington Counties.

5. On November 1, 2005, the Commission issued an order granting the Companies a Certificate of Public Convenience and Necessity (“CPCN”) for the construction of TC2,¹ now an 838 MW (generator nameplate rating) coal-fired baseload unit to be located adjacent to the existing coal-fired baseload unit at the Trimble County Generating Station. In addition to granting the CPCN, the Commission’s order established ownership shares of 81% and 19% for KU and LG&E, respectively, for the Companies’ collective 75% share of the unit. (The other 25% is owned by the Indiana Municipal Power Agency and the Illinois Municipal Electric Agency.)

6. On February 5, 2009, the Commission issued orders in the Companies’ most recent base rate application and depreciation study filing proceedings, in which orders the Commission approved depreciation rates for the Companies.² The depreciation rates the Commission approved were based on the service lives from the Companies’ applications and the Average Service Life methodology.

¹ *In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity, and a Site Compatibility Certificate, For the Expansion of the Trimble County Generating Station*, Case No. 2004-00507, Order (Nov. 1, 2005).

² *In the Matter of: Application of Kentucky Utilities Company for an Adjustment of Electric Base Rates*, Case No. 2008-00251, Order (Feb. 5, 2009); *In the Matter of: Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Base Rates*, Case No. 2008-00252, Order (Feb. 5, 2009).

7. The Companies now apply for the Commission's approval of the depreciation rates set forth in Application Exhibit 1 (attached hereto), which the Companies will use to depreciate their TC2-related assets when unit testing begins (currently expected to be in December 2009). If the Commission approves them, the Companies will use such depreciation rates until the Commission approves new depreciation rates for the Companies.

8. The Companies asked the depreciation expert who testified for the Companies in their most recent base rate and depreciation proceedings, John J. Spanos of Gannett Fleming, Inc., to develop depreciation rates for TC2, which are the rates set out in Application Exhibit 1. The depreciation rates Mr. Spanos provided, which the Companies have accepted and propose herein, are consistent with the Average Service Life methodology and the service lives the Commission approved in the Companies' most recent base rate and depreciation study proceedings.³

9. The Companies are requesting that the Commission issue an order by December 1, 2009, approving the proposed depreciation rates because they anticipate that unit testing will begin in December 2009. Unless the Commission has approved rates for depreciating the Companies' TC2-related assets before that testing begins, the Companies will have to use the most recently approved depreciation rates for their generating units. For KU, the depreciation rates would be those used for the Ghent Generating Station, which are:

³ *Id.*

Ghent:

Account 311 – Structures and Improvements – 1.41%
Account 312 – Boiler Plant Equipment – 2.79%
Account 314 – Turbogenerator Units – 2.20%
Account 315 – Accessory Electric Equipment – 1.22%
Account 316 – Miscellaneous Power Plant Equipment – 2.03%

Ghent Flue Gas Desulfurization System (“FGD”):

Account 311 – Structures and Improvements – 2.65%
Account 312 – Boiler Plant Equipment – 3.87%
Account 315 – Accessory Electric Equipment – 2.70%
Account 316 – Miscellaneous Power Plant Equipment – 2.87%

For LG&E, the depreciation rates would be those used for the existing generating unit at the Trimble County Generating Station (Trimble County Unit 1), which are:

Trimble County Unit 1:

Account 311 – Structures and Improvements – 2.08%
Account 312 – Boiler Plant Equipment – 3.62%
Account 314 – Turbogenerator Units – 2.48%
Account 315 – Accessory Electric Equipment – 2.13%
Account 316 – Miscellaneous Power Plant Equipment – 2.89%

Trimble County Unit 1 FGD:

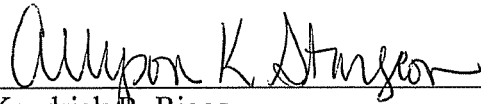
Account 311 – Structures and Improvements – 2.28%
Account 312 – Boiler Plant Equipment – 3.62%
Account 315 – Accessory Electric Equipment – 2.12%

Therefore, in order to avoid having to use different depreciation rates for the Companies’ ownership interests in the same TC2 assets, the Companies respectfully request that the Commission issue an order approving the proposed depreciation rates by December 1, 2009.

WHEREFORE, Kentucky Utilities Company and Louisville Gas and Electric Company request that the Commission issue an order by December 1, 2009, approving the proposed TC2 depreciation rates.

Dated: August 6, 2009

Respectfully submitted,



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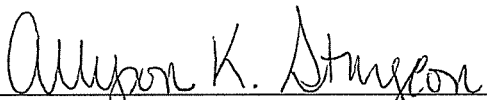
Counsel for Kentucky Utilities Company and
Louisville Gas and Electric Company

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Application was served on the following persons on the 6th day of August 2009, U.S. mail, postage prepaid:

Dennis G. Howard II
Lawrence W. Cook
Assistant Attorneys General
Office of the Attorney General
Office of Rate Intervention
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Frankfort, KY 40601-8204

Michael L. Kurtz
Boehm, Kurtz & Lowry
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Counsel for Kentucky Utilities Company and
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March 13, 2009

Ms. Shannon Charnas
Director, Utility Accounting and Reporting
E.ON Services, Inc.
220 W. Main Street
Louisville, KY 40202

Dear Shannon:

Per your request, we have recommended depreciation accrual rates for the Trimble County Unit 2 facility when it comes on line in 2010. The developed depreciation rates should be applied when the assets are initially placed in service.

Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU) will construct an advanced coal-based generating facility, Trimble County Unit 2. This new facility will be located at the Trimble County Station in Bedford, Kentucky, along the Ohio River, next to the site of Trimble County Unit 1. Trimble County Unit 2 will be a 750 MW supercritical pulverized coal facility with the latest coal combustion technology as well as the latest technological advances in efficiency and environmental controls. This new facility will be a joint project between KU and LG&E, which will own 75% of the facility, and Indiana Municipal Power Agency (IMPA) and the Illinois Municipal Electric Agency (IMEA), which will jointly own the remaining 25% of the facility. The estimated total cost of this project is approximately \$1.1 billion.

The recommended depreciation rates for each steam production plant account are based on an interim survivor curve, net salvage percent and probable retirement date. Each of these parameters are established with the general understanding of



Ms. Shannon Charnas
Louisville, KY 40202

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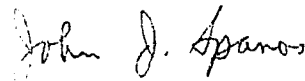
March 13, 2009

the new facility and the estimates of other comparable facilities across the United States. The overall life span of the facility is 55 years. The table below sets forth the interim survivor curve, net salvage percent and resultant depreciation accrual rate for each account:

<u>Account</u>	<u>Interim Survivor Curve</u>	<u>Net Salvage Percent</u>	<u>Accrual Rate</u>
311	100-S1.5	(10)	2.10
312	60-R1.5	(30)	4.28
314	50-S1.5	(10)	2.78
315	50-S2	(5)	2.49
316	40-S2	(5)	3.00

The above depreciation rates should be utilized until the next depreciation study is conducted and additional information is available about the facility.

Very truly yours,



JOHN J. SPANOS
Vice President
Valuation and Rate Division

JJS:krm