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NOV 20 2009

**PUBLIC SERVICE
COMMISSION**

Via Overnight Mail

November 19, 2009

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

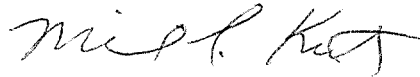
Re: Case No. 2009-00329

Dear Mr. Derouen:

Please find enclosed the original and twelve (12) copies each of: 1) RESPONSES OF THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC TO KENTUCKY UTILITIES COMPANY AND LOUISVILLE GAS AND ELECTRIC COMPANY'S FIRST REQUEST FOR INFORMATION; and 2) RESPONSES OF THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC TO COMMISSION STAFF'S FIRST DATA REQUEST filed in the above-referenced matter. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment
cc: Certificate of Service

CERTIFICATE OF SERVICE

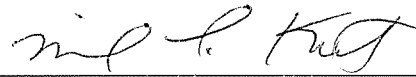
I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by electronic mail (when available) and overnight mail (unless otherwise noted) to all parties on the 19th day of November, 2009.

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State Regulation and Rates
E.ON U.S. LLC
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Louisville, KY 40202

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Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In re the Matter of:

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

KIUC Responses to Kentucky Utilities Company and
Louisville Gas and Electric Company
First Request for Information

1. Has Mr. Kollen ever prepared a depreciation study? If the response is “yes”, state the date, the client or person for whom it was prepared and provide a complete copy of the study and all supporting documentation in electronic format.

RESPONSE:

Yes. Mr. Kollen has conducted and submitted analyses of selected depreciation issues in the numerous proceedings in various states and before FERC. These depreciation issues include: interim retirements, net negative salvage, life spans of generating units, dismantling costs, capital recovery, and ELG versus ALG procedures. These proceedings are listed and copies of the testimonies are provided on the attached CD. In addition to the testimonies on the attached CD, Mr. Kollen has testified in numerous proceedings regarding the recoveries of stranded costs, which represent generally a form of accelerated depreciation that does not reflect estimated useful service lives. These testimonies are identified on Mr. Kollen’s Exhibit__ (LK-1) attached to his Direct Testimony. These additional testimonies are numerous and voluminous; copies of these additional testimonies will be made available or provided upon request by the Company to KIUC counsel.

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FOR TRIMBLE COUNTY UNIT 2)

**KIUC Responses to Kentucky Utilities Company and
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First Request for Information**

2. Has Mr. Kollen ever prepared a depreciation study for the Industrial Companies and Groups listed as “Clients Served” in Exhibit ___ LK-1? If the response is “yes”, state the date, the client or person for whom it was prepared and provide a complete copy of the study and all supporting documentation in electronic format.

RESPONSE:

Please refer to the response to Item 1.

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FOR TRIMBLE COUNTY UNIT 2)

**KIUC Responses to Kentucky Utilities Company and
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First Request for Information**

3. Has Mr. Kollen ever prepared a depreciation study for the Regulatory Commissions and Government Agencies listed as “Clients Served” in Exhibit ___ LK-1? If the response is “yes”, state the date, the client or person for whom it was prepared and provide a complete copy of the study and all supporting documentation in electronic format.

RESPONSE:

Please refer to the response to Item 1.

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BEFORE THE PUBLIC SERVICE COMMISSION

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APPROVAL OF DEPRECIATION RATES) **CASE NO. 2009-00329**
FOR TRIMBLE COUNTY UNIT 2)**

**KIUC Responses to Kentucky Utilities Company and
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First Request for Information**

4. Has Mr. Kollen ever prepared a depreciation study for the Utilities listed as “Clients Served” in Exhibit ___LK-1? If the response is “yes”, state the date, the client or person for whom it was prepared and provide a complete copy of the study and all supporting documentation in electronic format.

RESPONSE:

Please refer to the response to Item 1.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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First Request for Information**

5. Has Mr. Kollen ever prepared and submitted testimony on a depreciation study submitted by another party in any regulatory proceeding? If the response is “yes”, indicate the jurisdiction and docket number and provide a copy of all the testimony (ies) and exhibits.

RESPONSE:

Yes. Please refer to the response to Item 1.

COMMONWEALTH OF KENTUCKY

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**KIUC Responses to Kentucky Utilities Company and
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First Request for Information**

6. Has Mr. Kollen ever prepared and submitted testimony on the inclusion or omission or otherwise use of interim retirements, terminal retirements or salvage value in a depreciation study submitted by another party or a depreciation study prepared by him in any regulatory proceeding? If the response is “yes”, indicate the jurisdiction and docket number and provide a copy of all the testimony (ies) and exhibits.

RESPONSE:

Yes. Refer to the response to Item 1.

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APPROVAL OF DEPRECIATION RATES)	CASE NO. 2009-00329
FOR TRIMBLE COUNTY UNIT 2)	

KIUC Responses to Kentucky Utilities Company and
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First Request for Information

7. Is Mr. Kollen now or has he ever been a member of the Society of Depreciation Professionals?

RESPONSE:

No.

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FOR TRIMBLE COUNTY UNIT 2)**

**KIUC Responses to Kentucky Utilities Company and
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8. Has Mr. Kollen ever taken the certification examination administered by the Society of Depreciation Professionals? If so, please state each time Mr. Kollen took the examination and the results.

RESPONSE:

No.

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9. Has Mr. Kollen attended any specific classes on or training in the preparation of depreciation studies or depreciation rates? If so, please state each time, including date and location, Mr. Kollen attended the specific classes on or training in the preparation of depreciation studies or depreciation rates.

RESPONSE:

No, except for the accounting classes for his undergraduate degree that addressed depreciation and the recovery of capital costs over the service life of the asset.

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**KIUC Responses to Kentucky Utilities Company and
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10. Is Mr. Kollen a member of any utility industry professional organization that has adopted a code of ethics or standards of professional conduct for its members? If so, please state each such organization and provide a copy of its code of ethics or standards of professional conduct for its members.

RESPONSE:

Yes. Please refer to the following links for each professional organization:

American Institute of Certified Public Accountants:

Code of Ethics: <http://www.aicpa.org/about/code/index.html>

Guide for Complying with Rules 102-505:

http://www.aicpa.org/download/Guide_for_Complying_with_Rules_102_Through_505_11_10_08_Edited.pdf

Georgia Society of CPAs:

Code of Conduct: <http://www.gscpa.org/Content/AboutGSCPA/Bylaws.aspx#11>

Institute of Management Accountants

Code of Conduct: http://www.imanet.org/about_ethics_statement.asp

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**KIUC Responses to Kentucky Utilities Company and
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First Request for Information**

11. Provide a complete copy of all of Mr. Kollen's work papers, including electronic copies of Excel spreadsheets with formulas, cell references, macros, and any VBA code intact, and any source documents, handwritten notes and calculations. Such work papers should include all schedules and underlying computations and work papers developed in the analysis by KIUC of KU's and LG&E's proposed depreciation rates for Trimble County 2 and for all units relied upon in the development of the rates for Trimble County 2.

RESPONSE:

Please see the electronic spreadsheets used for the tables in Mr. Kollen's Direct Testimony on the attached CD.

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FOR TRIMBLE COUNTY UNIT 2)

KIUC Responses to Kentucky Utilities Company and
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12. In reference to page 9, lines 17-19 of Mr. Kollen's testimony, please provide all testimony and documentation from Case No. 2007-00564 which demonstrate the KIUC strongly opposed LG&E's proposed net salvage rates and argued that they were significantly overstated.

RESPONSE:

Please see Mr. Kollen's testimony in the referenced case provided in response to Item 1.

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**KIUC Responses to Kentucky Utilities Company and
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13. When preparing his testimony, did Mr. Kollen consult any authoritative treatises, books or papers on the subject of depreciation? If so, please state each and every authority consulted Mr. Kollen and state specifically the portion(s) of the authority consulted.

RESPONSE:

Mr. Kollen is familiar with and consults the NARUC “Public Utility Depreciation Practices” manual during rate proceedings in which depreciation is an issue. For example, Mr. Kollen is familiar with Chapter XI entitled “Estimating Salvage and Cost of Removal,” which addresses salvage for life span categories and estimating the effects on future interim retirements versus future final retirements. In that Chapter, the manual explains that “Life table values are used to factor down the amount surviving at the time of the study to reflect expected (interim) retirements for each vintage between the time of the study and the time of final retirement. The calculated interim and final retirement amounts can then be used to weight the estimated future interim and future final gross salvage, and the cost of removal percentages to estimate average net salvage for the life span category as follows: [example follows].” The NARUC manual recognizes that there is a distinction between interim retirements and final retirements and the related net salvage rates for long-lived assets, such as power plants. The present TC1 net

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FOR TRIMBLE COUNTY UNIT 2)	

**KIUC Responses to Kentucky Utilities Company and
Louisville Gas and Electric Company
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negative salvage rate, as explained by Mr. Kollen in his Direct Testimony, fails to “factor down” the amount surviving to reflect only interim retirements and instead applies the interim net negative salvage rate to the entire plant balance (interim plus final retirements).

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PUBLIC SERVICE
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BEFORE THE

KENTUCKY PUBLIC SERVICE COMMISSION

IN RE: THE JOINT APPLICATION OF)
 KENTUCKY UTILITIES COMPANY)
 AND LOUISVILLE GAS AND ELECTRIC) CASE NO. 2009-00329
 COMPANY FOR APPROVAL OF)
 DEPRECIATION RATES FOR TRIMBLE)
 COUNTY UNIT 2)

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

1. Refer to the Direct Testimony and Exhibits of Lane Kollen ("Kollen Testimony") at pages 9-10, specifically his discussion of the manner in which Louisville Gas and Electric Company's ("LG&E") depreciation rates for Trimble County Unit No. 1 ("TC1") were addressed in LG&E's two most recent general rate cases.
 - a. Were the depreciation rates included in the settlement in LG&E's most recent case, Case No. 2008-00252, based on the Average Service Life ("ASL") method or the Equal Group Life ("ELG") method?
 - b. Were the depreciation rates included in the settlement in LG&E's 2003 rate case, Case No. 2003-00433, based on the ASL method or the ELG method?
 - c. The TC1 depreciation rates currently in effect, which were part of the settlement in Case No. 2008-00252, are already in the record of this proceeding. Provide the TC1 depreciation rates that KIUC agreed to in Case No. 2003-00433.

RESPONSE:

- a. The settlement in the referenced proceeding adopted depreciation rates based on the ASL procedure, according to Section 3.2 of the settlement agreement.
- b. The depreciation rates adopted in Case No. 2001-00141 were developed using the ASL procedure.
- c. KIUC agreed to continue to use the depreciation rates adopted in Case No. 2001-00141 in conjunction with the settlement in Case No. 2003-00433. The TC1 depreciation rates adopted in Case No. 2001-00141 were reflected as the "present depreciation rates" in the AUS study filed by LG&E in Case No. 2003-00433. A copy of the relevant schedule from the AUS study is provided on the attached CD. The same TC1 depreciation rates adopted in Case No. 2001-00141 were reflected as the "current rates in the Gannett Fleming

**BEFORE THE
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IN RE: THE JOINT APPLICATION OF)	
KENTUCKY UTILITIES COMPANY)	
AND LOUISVILLE GAS AND ELECTRIC)	CASE NO. 2009-00329
COMPANY FOR APPROVAL OF)	
DEPRECIATION RATES FOR TRIMBLE)	
COUNTY UNIT 2)	

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

study filed by LG&E in Case No. 2008-00564. A copy of the relevant schedule from the Gannett Fleming study is provided on the attached CD. The rates were 2.41% for TC1 and 3.47% for the TC1 scrubber.

Louisville Gas and Electric Company
 Comparison of Current to Recommended Depreciation Rates
 Plant in Service as of December 31, 2006
 Electric Plant

APPLICATION EXHIBIT 2
 Page 1 of 6

Account No. (a)	Description (b)	Original Cost	Current Rates		Proposed Rates		Increase or (Decrease) (h)
		12/31/2006 (c)	Rate (d)	Annual Accrual (e)	Rate (f)	Annual Accrual (g)	
STEAM PRODUCTION PLANT							
311 00	Structures and Improvements						
	Cane Run Unit 1	4,233,982	0.00%	-	0.00%	-	-
	Cane Run Unit 2	2,102,942	0.00%	-	0.00%	-	-
	Cane Run Unit 3	3,532,141	0.00%	-	0.00%	-	-
	Cane Run Unit 4	3,819,018	2.94%	112,279	1.26%	48,090	(64,189)
	Cane Run Unit 4 Scrubber	760,360	0.00%	-	1.11%	8,419	8,419
	Cane Run Unit 5	5,165,918	2.87%	176,882	2.00%	123,433	(53,629)
	Cane Run Unit 5 Scrubber	1,696,435	1.77%	30,027	1.66%	28,165	(1,862)
	Cane Run Unit 6	19,346,502	3.06%	592,003	2.22%	429,786	(162,217)
	Cane Run Unit 6 Scrubber	1,894,852	2.18%	41,308	2.13%	40,312	(996)
	Mill Creek Unit 1	19,166,217	2.39%	458,120	1.71%	327,762	(130,358)
	Mill Creek Unit 1 Scrubber	1,716,996	3.90%	68,963	1.74%	29,820	(37,143)
	Mill Creek Unit 2	10,812,788	2.23%	247,613	1.50%	162,336	(85,277)
	Mill Creek Unit 2 Scrubber	1,393,404	3.99%	55,697	1.89%	26,311	(29,286)
	Mill Creek Unit 3	24,963,587	3.03%	756,397	1.58%	394,688	(361,709)
	Mill Creek Unit 3 Scrubber	362,867	4.54%	16,474	1.53%	5,587	(10,907)
	Mill Creek Unit 4	60,311,414	2.82%	1,700,784	1.92%	1,158,787	(541,997)
	Mill Creek Unit 4 Scrubber	5,307,313	5.38%	285,533	1.82%	96,858	(188,675)
	Trimble County Unit 1	160,498,044	2.41%	3,868,003	2.15%	3,452,800	(415,203)
	Trimble County Unit 1 Scrubber	511,309	3.47%	17,742	2.35%	12,010	(5,732)
	Total Account 311	328,598,157		8,425,805		6,345,144	(2,080,661)
312 00	Boiler Plant Equipment						
	Cane Run Locomotive	51,549	0.00%	-	4.79%	2,470	2,470
	Cane Run Rail Cars	1,501,773	2.27%	34,090	3.59%	53,867	19,777
	Cane Run Unit 1	1,053,743	0.00%	-	0.00%	-	-
	Cane Run Unit 2	132,837	0.00%	-	0.00%	-	-
	Cane Run Unit 3	711,483	0.00%	-	0.00%	-	-
	Cane Run Unit 4	30,277,227	2.94%	890,150	6.66%	2,018,040	1,125,890
	Cane Run Unit 4 Scrubber	17,091,728	0.00%	-	5.74%	981,260	981,260
	Cane Run Unit 5	34,767,159	2.87%	997,817	6.71%	2,332,399	1,334,582
	Cane Run Unit 5 Scrubber	28,107,438	1.77%	497,502	4.62%	1,298,757	801,255
	Cane Run Unit 6	47,135,674	3.06%	1,442,352	5.78%	2,726,434	1,284,082
	Cane Run Unit 6 Scrubber	32,184,157	2.18%	701,815	4.97%	1,600,158	898,343
	Mill Creek Locomotive	613,424	2.15%	13,189	4.04%	24,762	11,573
	Mill Creek Rail Cars	3,593,112	2.17%	77,971	3.58%	128,750	50,779
	Mill Creek Unit 1	47,559,198	2.39%	1,136,665	4.72%	2,246,257	1,109,592
	Mill Creek Unit 1 Scrubber	42,349,731	3.90%	1,651,639	4.98%	2,101,740	450,101
	Mill Creek Unit 2	47,357,148	2.28%	1,084,479	5.22%	2,472,523	1,388,044
	Mill Creek Unit 2 Scrubber	34,424,938	3.99%	1,373,655	4.71%	1,621,216	247,661
	Mill Creek Unit 3	137,324,678	3.03%	4,160,938	4.48%	6,148,975	1,988,037
	Mill Creek Unit 3 Scrubber	63,097,999	4.54%	2,884,849	4.38%	2,782,215	(102,434)
	Mill Creek Unit 4	237,804,471	2.82%	6,700,448	4.45%	10,573,987	3,873,541
	Mill Creek Unit 4 Scrubber	113,648,646	5.38%	6,114,287	4.14%	4,709,202	(1,405,085)
	Trimble County Unit 1	246,928,939	2.41%	5,950,987	4.04%	9,975,426	4,024,439
	Trimble County Unit 1 Scrubber	63,158,342	3.47%	2,191,629	4.10%	2,590,120	398,491
	Total Account 312	1,230,676,390		37,883,970		56,366,558	18,482,588
314 00	Turbogenerator Units						
	Cane Run Unit 1	106,009	0.00%	-	0.00%	-	-
	Cane Run Unit 2	19,999	0.00%	-	0.00%	-	-
	Cane Run Unit 3	581,178	0.00%	-	0.00%	-	-
	Cane Run Unit 4	9,122,982	2.94%	268,216	3.40%	308,780	41,564
	Cane Run Unit 5	7,375,385	2.87%	211,673	2.42%	178,552	(33,121)
	Cane Run Unit 6	14,984,950	3.06%	458,539	3.47%	519,788	61,249
	Mill Creek Unit 1	14,332,085	2.39%	342,537	2.30%	330,036	(12,501)
	Mill Creek Unit 2	16,826,880	2.28%	380,756	2.62%	434,898	54,142
	Mill Creek Unit 3	27,112,329	3.03%	821,504	2.28%	618,480	(203,024)
	Mill Creek Unit 4	42,108,819	2.82%	1,187,469	2.45%	1,032,197	(155,272)
	Trimble County Unit 1	66,954,099	2.41%	1,613,594	2.68%	1,796,816	183,222
	Total Account 314	199,324,693		5,284,287		5,220,547	(63,740)
315 00	Accessory Electric Equipment						
	Cane Run Unit 1	1,891,013	0.00%	-	0.00%	-	-
	Cane Run Unit 2	1,277,223	0.00%	-	0.00%	-	-
	Cane Run Unit 3	767,324	0.00%	-	0.00%	-	-
	Cane Run Unit 4	5,474,319	2.94%	160,945	3.40%	185,974	25,029
	Cane Run Unit 4 Scrubber	987,949	0.00%	-	1.12%	11,019	11,019
	Cane Run Unit 5	6,856,291	2.87%	196,776	3.12%	214,025	17,249
	Cane Run Unit 5 Scrubber	2,216,499	1.77%	39,232	1.67%	36,996	(2,236)
	Cane Run Unit 6	8,571,587	3.06%	262,290	2.93%	251,391	(10,899)
	Cane Run Unit 6 Scrubber	2,124,667	2.18%	46,318	1.61%	34,157	(12,161)
	Mill Creek Unit 1	14,425,286	2.39%	344,764	2.84%	410,132	65,368
	Mill Creek Unit 1 Scrubber	5,541,695	3.90%	216,126	1.60%	99,693	(116,433)
	Mill Creek Unit 2	6,428,715	2.29%	147,218	2.13%	136,760	(10,458)
	Mill Creek Unit 2 Scrubber	4,505,053	3.99%	178,752	1.83%	82,399	(97,353)
	Mill Creek Unit 3	13,482,711	3.03%	408,525	1.64%	221,163	(187,363)
	Mill Creek Unit 3 Scrubber	2,531,773	4.54%	114,942	1.62%	41,010	(73,932)
	Mill Creek Unit 4	20,755,278	2.82%	585,299	1.85%	383,791	(201,508)
	Mill Creek Unit 4 Scrubber	5,864,979	5.38%	315,536	1.81%	105,878	(209,658)
	Trimble County Unit 1	58,268,846	2.41%	1,356,103	2.28%	1,281,579	(74,524)
	Trimble County Unit 1 Scrubber	2,736,920	3.47%	94,971	2.28%	62,279	(32,692)
	Total Account 315	162,709,108		4,468,798		3,558,246	(910,552)

Louisville Gas and Electric Company
Comparison of Current to Recommended Depreciation Rates
Plant in Service as of December 31, 2008
Electric Plant

Account No. (a)	Description (b)	Original Cost	Current Rates		Proposed Rates		Increase or (Decrease) (h)
		12/31/2008 (c)	Rate (d)	Annual Accrual (e)	Rate (f)	Annual Accrual (g)	
316 00	Miscellaneous Plant Equipment						
	0112 Cane Run Unit 1	38,746	0 00%	-	0 00%	-	-
	0131 Cane Run Unit 3	11,564	0 00%	-	0 00%	-	-
	0141 Cane Run Unit 4	71,143	2 94%	2,092	6 50%	4,624	2,532
	0142 Cane Run Unit 4 Scrubber	6,464	0 00%	-	3 15%	204	204
	0151 Cane Run Unit 5	80,866	2 87%	2,321	5 53%	4,473	2,152
	0152 Cane Run Unit 5 Scrubber	47,299	1 77%	837	3 12%	1,478	641
	0161 Cane Run Unit 6	2,707,943	3 06%	82,863	4 51%	122,063	39,200
	0162 Cane Run Unit 6 Scrubber	31,589	2 18%	688	2 98%	942	254
	0211 Mill Creek Unit 1	696,198	2 39%	16,639	3 37%	23,454	6,815
	0221 Mill Creek Unit 2	112,008	2 29%	2,565	3 10%	3,474	909
	0231 Mill Creek Unit 3	318,625	3 03%	9,654	2 79%	8,883	(771)
	0241 Mill Creek Unit 4	5,198,585	2 82%	146,600	3 28%	170,528	23,928
	0242 Mill Creek Unit 4 Scrubber	53,007	5 38%	2,852	3 02%	1,602	(1,250)
	0311 Trimble County Unit 1	2,574,447	2 41%	62,044	3 16%	81,361	19,317
	Total Account 316	11,948,545		329,155		423,086	93,931
	Total Steam Production Plant	1,933,256,893		56,392,014		71,913,581	15,521,567
	HYDRAULIC PRODUCTION PLANT						
331 00	Structures and Improvements - Project 289	5,412,308	1 81%	97,963	0 08%	4,152	(93,811)
331 00	Structures and Improvements - Non-Project	65,796	1 76%	1,158	0 55%	359	(799)
332 00	Reservoirs, Dams & Waterways - Project 289	4,949,177	1 81%	89,580	3 30%	163,256	73,676
333 00	Water Wheels, Turbines and Generators - Project 289	2,674,580	1 81%	48,410	0 25%	6,624	(41,786)
334 00	Accessory Electric Equipment - Project 289	4,392,876	1 81%	79,511	2 95%	129,626	50,115
335 00	Misc Power Plant Equipment - Project 289	171,179	1 81%	3,098	2 31%	3,953	855
335 00	Misc Power Plant Equipment - Non-Project	7,814	1 75%	138	1 68%	131	(7)
336 00	Roads, Railroads and Bridges - Project 289	178,647	1 81%	3,237	0 00%	-	(3,237)
336 00	Roads, Railroads and Bridges - Non-Project	1,134	1 76%	20	0 00%	-	(20)
	Total Hydraulic Production Plant	17,853,710		323,115		308,101	(15,014)
	OTHER PRODUCTION PLANT						
341 00	Structures and Improvements						
	Cane Run GT 11	68,932	0 49%	338	2 33%	1,807	1,269
	Zorn and River Road Gas Turbine	8,241	1 24%	102	1 59%	131	29
	Paddys Run Generator 12	42,865	1 34%	574	1 58%	678	104
	Paddys Run Generator 13	2,168,698	3 43%	74,043	3 15%	67,965	(6,078)
	Brown CT 5	858,539	3 43%	29,448	3 15%	27,030	(2,418)
	Brown CT 6	105,978	3 45%	3,656	3 29%	3,484	(172)
	Brown CT 7	144,356	3 33%	4,807	3 23%	4,668	(141)
	Trimble County CT 5	1,555,655	3 43%	53,359	3 27%	50,808	(2,551)
	Trimble County CT 6	1,467,924	3 43%	50,350	3 25%	47,676	(2,674)
	Trimble County CT 7	2,083,688	3 43%	71,471	3 45%	71,971	500
	Trimble County CT 8	2,075,527	3 43%	71,191	3 45%	71,689	498
	Trimble County CT 9	2,137,402	3 43%	73,313	3 45%	73,826	513
	Trimble County CT 10	2,132,790	3 43%	73,155	3 45%	73,667	512
	Total Account 341	14,840,604		505,607		495,199	(10,609)
342 00	Fuel Holders, Producers and Accessories						
	Cane Run GT 11	118,874	0 49%	592	4 89%	5,816	5,234
	Zorn and River Road Gas Turbine	12,802	1 24%	159	1 69%	218	57
	Paddys Run Generator 11	9,238	1 26%	118	1 69%	156	40
	Paddys Run Generator 12	12,197	1 34%	163	1 96%	239	76
	Paddys Run Generator 13	2,255,338	3 43%	77,358	3 21%	72,314	(5,044)
	Brown CT 5	822,681	3 43%	28,215	3 20%	26,341	(1,874)
	Brown CT 6	363,762	3 45%	12,550	3 11%	11,331	(1,219)
	Brown CT 7	102,055	3 33%	3,399	3 11%	3,179	(220)
	Trimble County CT 5	97,997	3 43%	3,361	3 29%	3,225	(135)
	Trimble County CT 6	97,882	3 43%	3,357	3 29%	3,222	(135)
	Trimble County CT Pipeline	1,998,391	3 43%	68,545	3 32%	66,290	(2,255)
	Trimble County CT 7	338,423	3 43%	11,608	3 50%	11,833	225
	Trimble County CT 8	337,096	3 43%	11,562	3 50%	11,787	225
	Trimble County CT 9	347,147	3 43%	11,907	3 50%	12,138	231
	Trimble County CT 10	346,397	3 43%	11,881	3 50%	12,112	231
	Total Account 342	7,260,169		244,764		240,199	(4,565)
343 00	Prime Movers						
	Paddys Run Generator 13	19,700,979	3 43%	675,744	4 60%	905,539	229,795
	Brown CT 5	14,310,574	3 43%	490,853	4 61%	659,452	168,599
	Brown CT 6	15,937,078	3 45%	549,829	4 68%	745,907	196,078
	Brown CT 7	22,687,247	3 33%	752,155	4 60%	1,039,091	286,936
	Trimble County CT 5	12,521,829	3 43%	429,499	4 67%	584,956	155,457
	Trimble County CT 6	12,417,419	3 43%	425,917	4 67%	579,749	153,832
	Trimble County CT 7	13,328,714	3 43%	457,175	4 88%	650,517	193,342
	Trimble County CT 8	13,203,749	3 43%	452,889	4 88%	644,950	192,061
	Trimble County CT 9	13,094,378	3 43%	449,137	4 88%	639,592	190,455
	Trimble County CT 10	13,055,899	3 43%	447,810	4 88%	637,706	189,896
	Total Account 343	150,157,665		5,131,008		7,087,459	1,956,451
344 00	Generators						
	Cane Run GT 11	2,492,496	0 49%	12,213	5 73%	142,925	130,712
	Zorn and River Road Gas Turbine	1,827,581	1 24%	22,662	2 70%	49,379	26,717

KWalton

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**LOUISVILLE GAS AND ELECTRIC
ELECTRIC DIVISION**

Depreciation Study
as of December 31, 2002

AUS
AUS CONSULTANTS
Utility Services
Weber Fick Wilson Division

Table 1

**Louisville Gas and Electric
Electric Division**

**Summary of Original Cost of Utility Plant in Service as of December 31, 2002
and Related Annual Depreciation Expense Under Present and Proposed Rates**

Account No. (a)	Description (b)	Original Cost 12/31/02 (c)	Present Rates		Proposed Rates		Net Change Depr. Exp. (h)
			Rate % (d)	Annual Accrual (e)	Rate % (f)	Annual Accrual (g)	
DEPRECIABLE PLANT							
STEAM PLANT							
311.00	Structures and Improvements	321,615,851.53	2.56%	8,233,365.80	2.21%	7,107,710.32	-1,125,655.48
312.00	Boiler Plant Equipment	1,121,811,543.02	3.07%	34,433,474.37	3.73%	41,836,110.55	7,402,636.18
314.00	Turbogenerator Units	188,594,179.55	2.64%	4,978,886.34	2.46%	4,639,416.82	-339,469.52
315.00	Accessory Electric Equipment	163,988,443.18	2.74%	4,493,283.34	2.74%	4,493,283.34	0.00
316.00	Miscellaneous Power Plant Equipment	9,532,034.04	2.69%	258,411.72	3.48%	331,714.78	75,303.07
	Total Steam Production Plant	1,805,342,051.32	2.90%	52,395,421.57	3.24%	58,408,235.82	6,012,814.25
HYDRAULIC PLANT							
Project 289							
331.10	Structures and Improvements	4,995,148.82	1.81%	90,412.19	0.38%	18,981.57	-71,430.63
332.10	Reservoirs, Dams and Waterways	303,530.35	1.81%	5,493.90	2.35%	7,132.96	1,639.06
333.10	Waterwheel, Turbines and Generators	2,316,031.31	1.81%	41,920.17	0.17%	3,937.25	-37,982.91
334.10	Accessory Electric Equipment	1,304,908.02	1.81%	23,618.84	1.73%	22,574.91	-1,043.93
335.10	Miscellaneous Power Plant Equipment	151,460.86	1.81%	2,741.44	1.21%	1,832.68	-908.77
336.10	Roads, Railroads and Bridges	178,846.99	1.81%	3,237.13	0.17%	304.04	-2,933.09
	Total Project 289	9,249,926.45	1.81%	167,423.67	0.59%	54,763.41	-112,660.26
Other Than Project 289							
331.00	Structures and Improvements	65,796.14	1.76%	1,158.01	2.09%	1,375.14	217.13
335.00	Miscellaneous Power Plant Equipment	7,813.67	1.76%	137.52	5.98%	467.26	329.74
336.00	Roads, Railroads and Bridges	1,133.98	1.76%	19.86	1.60%	18.14	-1.81
	Total Other Than Project 289	74,743.79	1.76%	1,315.49	2.49%	1,860.54	545.05
	Total Hydraulic Plant	9,324,670.24	1.81%	168,739.16	0.61%	56,623.95	-112,115.21
OTHER PRODUCTION PLANT							
341.00	Structures and Improvements	6,641,030.83	3.25%	215,833.50	3.66%	243,061.73	27,228.23
342.00	Fuel Holders, Producers and Accessory	5,833,515.86	3.31%	193,089.38	3.77%	219,923.55	26,834.17
343.00	Prime Movers	100,745,869.68	3.36%	3,385,061.22	3.60%	3,626,851.31	241,790.09
344.00	Generators	28,258,224.54	2.59%	680,088.02	3.84%	1,008,315.82	328,227.81
345.00	Accessory Electric Equipment	9,281,384.05	3.26%	302,573.12	3.74%	347,123.76	44,550.64
346.00	Miscellaneous Power Plant Equipment	3,678,700.81	3.41%	125,443.70	3.75%	137,951.28	12,507.58
	Total Other Production Plant	152,438,725.77	3.22%	4,902,088.93	3.66%	5,583,227.45	681,138.52
TRANSMISSION PLANT							
Project 289							
353.10	Station Equipment - Non Sys. Control/Com.	0.00	2.25%	0.00	0.00%	0.00	0.00
356.10	Overhead Conductors and Devices	0.00	2.25%	0.00	0.00%	0.00	0.00
	Total Project 289	0.00	0.00%	0.00	0.00%	0.00	0.00
Other Than Project 289							
350.10	Land Rights	2,592,773.81	1.31%	33,865.34	1.27%	32,928.23	-1,037.11
352.10	Struct. and Improve. - Non Sys. Control/Com.	2,907,082.83	2.02%	58,723.07	1.82%	52,908.91	-5,814.17
353.10	Station Equipment - Non Sys. Control/Com.	116,591,836.76	2.10%	2,448,428.57	1.85%	2,158,948.88	-291,479.59
354.00	Towers and Fixtures	23,879,707.58	2.40%	573,112.88	2.27%	542,069.36	-31,043.62
355.00	Poles and Fixtures	28,398,367.92	2.95%	778,751.85	2.86%	754,993.32	-23,758.53
356.00	Overhead Conductors and Devices	33,372,312.49	2.91%	971,134.29	2.69%	897,715.21	-73,419.09
357.00	Underground Conduit	1,868,318.57	1.98%	36,992.71	1.93%	36,058.55	-934.16
358.00	Underground Conductors and Devices	5,312,495.53	2.47%	131,218.64	4.45%	236,408.05	105,187.41
	Total Other Than Project 289	212,922,895.49		5,032,327.46		4,710,028.61	-322,298.85
	Total Transmission Plant	212,922,895.49	2.36%	5,032,327.46	2.21%	4,710,028.61	-322,298.85
DISTRIBUTION PLANT							
361.00	Structures and Improvements	5,969,141.37	2.21%	131,918.02	2.12%	126,545.80	-5,372.23
362.00	Station Equipment	77,088,050.08	2.57%	1,981,162.89	2.31%	1,780,733.96	-200,428.93

Table 1-Plant Site

**Louisville Gas and Electric
Electric Division**

**Summary of Original Cost of Utility Plant in Service as of December 31, 2002
And Related Annual Depreciation Expense (Plant Site) Under Present and Proposed Rates**

Account No.	Location Code	Probable Retirement Date	Description	Original Cost 12/31/02	Present Rates		Proposed Rates		Net Change Dcpr. Exp.
					Rate %	Annual Accrual	Rate %	Annual Accrual	
(a)	(b)	(c)	(d)	(e)	(d)	(e)	(f)	(g)	(h)
Mill Creek Unit 2 Scrubber									
311.00	222	2022	Structures and Improvements	1,393,403.87	3.99%	55,596.81	2.72%	37,900.58	(17,696.23)
312.00	222	2018	Boiler Plant Equipment	34,412,558.24	3.99%	1,373,061.07	4.68%	1,610,507.73	237,446.66
315.00	222	2018	Accessory Electric Equipment	4,461,153.72	3.99%	177,601.03	2.30%	102,376.54	(75,224.49)
Total Mill Creek Unit 2 Scrubber				40,257,115.83	3.99%	1,606,258.91	4.35%	1,750,764.85	144,525.94
Mill Creek Unit 3									
311.00	231	2026	Structures and Improvements	24,487,440.44	3.03%	741,969.45	2.10%	514,236.25	(227,733.20)
312.00	231	2026	Boiler Plant Equipment	65,259,053.22	3.03%	1,977,349.31	2.67%	1,742,416.72	(234,932.59)
312.00	231	2026	Mandated NOX Proj.-2004 Closing	65,597,028.00	3.03%	1,987,589.95	6.18%	4,040,776.92	2,053,186.97
312.00	231	2026	Mandated NOX Proj.-2005 Closing	3,198,000.00	3.03%	98,899.40	6.50%	207,870.00	110,970.60
314.00	231	2026	Turbogenerator Units	26,232,206.52	3.03%	794,835.86	2.18%	574,485.32	(220,350.54)
315.00	231	2026	Accessory Electric Equipment	13,482,711.35	3.03%	408,528.15	2.11%	284,485.21	(124,040.94)
316.00	231	2026	Misc. Power Plant Equipment	318,625.29	3.03%	9,654.35	2.22%	7,073.48	(2,580.87)
Total Mill Creek Unit 3				188,575,064.82	3.03%	6,016,824.47	3.71%	7,371,343.80	1,354,519.43
Mill Creek Unit 3 Scrubber									
311.00	232	2028	Structures and Improvements	362,868.58	4.54%	16,474.14	2.16%	7,837.92	(8,636.22)
312.00	232	2021	Boiler Plant Equipment	52,369,621.74	4.54%	2,377,580.83	4.37%	2,288,552.47	(89,028.36)
315.00	232	2021	Accessory Electric Equipment	2,631,772.82	4.54%	114,942.49	1.80%	45,571.91	(69,370.58)
Total Mill Creek Unit 3 Scrubber				55,284,261.14	4.54%	2,508,997.46	4.24%	2,341,962.30	-167,035.16
Mill Creek Unit 4									
311.00	241	2030	Structures and Improvements	56,594,172.76	2.82%	1,595,955.67	2.25%	1,273,368.89	(322,586.78)
312.00	241	2030	Boiler Plant Equipment	154,787,100.00	2.82%	4,384,998.22	3.17%	4,906,751.07	541,754.85
312.00	241	2030	Mandated NOX Proj.-2004 Closing	63,382,718.00	2.82%	1,787,392.65	5.10%	3,232,518.62	1,445,125.97
312.00	241	2030	Mandated NOX Proj.-2005 Closing	1,402,000.00	2.82%	39,538.40	5.34%	74,868.80	35,330.40
312.00	241	2030	Mandated NOX Proj.-2006 Closing	3,000,000.00	2.82%	84,600.00	5.60%	168,000.00	83,400.00
314.00	241	2030	Turbogenerator Units	40,475,497.49	2.82%	1,141,409.03	2.45%	991,649.69	(149,759.34)
315.00	241	2030	Accessory Electric Equipment	21,428,489.73	2.82%	604,283.41	2.57%	550,712.19	(53,571.22)
316.00	241	2030	Misc. Power Plant Equipment	3,926,266.27	2.82%	110,720.71	3.47%	136,241.44	25,520.73
Total Mill Creek Unit 4				344,996,244.27	2.82%	9,726,894.09	3.29%	11,334,108.70	1,605,214.61
Mill Creek Unit 4 Scrubber									
311.00	242	2030	Structures and Improvements	5,079,085.85	5.38%	273,254.81	2.43%	123,421.78	(149,833.03)
312.00	242	2023	Boiler Plant Equipment	105,450,790.06	5.38%	5,673,252.51	4.48%	4,724,195.39	(949,057.12)
315.00	242	2023	Accessory Electric Equipment	5,811,079.36	5.38%	312,836.07	2.51%	145,858.09	(166,977.98)
316.00	242	2023	Misc. Power Plant Equipment	41,441.04	5.38%	2,229.53	3.47%	1,438.00	(791.53)
Total Mill Creek Unit 4 Scrubber				116,382,396.11	5.38%	6,261,372.92	4.29%	4,994,913.26	-1,266,459.66
Trimble County Unit 1									
311.00	311	2034	Structures and Improvements	181,248,919.71	2.41%	3,886,098.97	2.44%	3,934,473.64	48,374.67
312.00	311	2034	Boiler Plant Equipment	235,442,385.84	2.41%	5,674,161.50	3.33%	7,840,231.45	2,166,069.95
312.00	311	2034	Mandated NOX Proj.-2004 Closing	2,832,801.00	2.41%	68,270.50	4.47%	126,626.20	58,355.70
314.00	311	2034	Turbogenerator Units	66,238,375.14	2.41%	1,596,296.64	2.75%	1,821,500.32	225,203.68
315.00	311	2034	Accessory Electric Equipment	56,332,123.79	2.41%	1,357,604.18	2.67%	1,616,731.95	259,127.77
316.00	311	2034	Misc. Power Plant Equipment	2,332,701.72	2.41%	56,218.11	3.61%	84,210.53	27,992.42
Total Trimble County Unit 1				524,425,307.20	2.41%	12,838,649.80	2.94%	15,423,774.09	2,765,124.19
Total Trimble County Unit 1 Scrubber									
311.00	312	2034	Structures and Improvements	450,053.78	3.47%	15,616.87	2.28%	10,261.23	(5,355.64)
312.00	312	2027	Boiler Plant Equipment	54,528,851.05	3.47%	1,892,151.13	2.81%	1,532,260.71	(359,890.42)
315.00	312	2027	Accessory Electric Equipment	2,736,920.21	3.47%	94,971.13	2.38%	65,138.70	(29,832.43)
Total Trimble County Unit 1 Scrubber				57,715,825.04	3.47%	2,002,739.13	2.76%	1,607,660.64	-395,078.49
Total Steam Production Plant				1,805,351,053.32	2.90%	52,344,086.03	3.24%	58,430,721.54	6,086,655.51

**BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION**

**IN RE: THE JOINT APPLICATION OF)
KENTUCKY UTILITIES COMPANY)
AND LOUISVILLE GAS AND ELECTRIC) CASE NO. 2009-00329
COMPANY FOR APPROVAL OF)
DEPRECIATION RATES FOR TRIMBLE)
COUNTY UNIT 2)**

**KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST**

- 2. Refer to page 14 of the Kollen Testimony. Provide a narrative description and supporting work papers that show the derivation of the percentages in the column headed "Corrected TC2 Net Salvage %" in the table on page 14.**

RESPONSE:

Please refer to the excel spreadsheet labeled "TC2 Corrected Salvage Depr" on the attached CD for the derivation of the percentages in the referenced table. First, Mr. Kollen multiplied the interim net negative salvage times the interim retirement rates to determine the gross-up for the depreciation rate excluding net negative salvage. Second, Mr. Kollen removed the interim net negative salvage from the depreciation rates proposed by Gannett Fleming and then grossed up the depreciation rates without the interim net negative salvage for the corrected interim net negative salvage.

Plant Account	TC2 Original Cost	Proposed TC2 Net Salvage %	Gannet Fleming Interim Retire Rates	Corrected TC2 Net Salvage %	Corrected Depreciation Rate	Corrected Depr Rate Salv	Corrected Depr Exp Salvage
311	\$212,662,443	-10.00%	10.15%	-1.02%	1.93%	0.02%	\$41,208
312	\$409,567,087	-30.00%	57.99%	-17.40%	3.87%	0.57%	\$2,345,848
314	\$88,433,510	-10.00%	41.56%	-4.16%	2.63%	0.11%	\$92,885
315	\$77,936,610	-5.00%	25.70%	-1.29%	2.40%	0.03%	\$23,750
316	\$3,400,350	-5.00%	91.73%	-4.59%	2.99%	0.13%	\$4,456
Total	\$792,000,000			-9.88%			\$2,508,146

GF Proposed TC2 Depr Rates	GF Proposed TC2 Net Sal %
2.10%	0.19%
4.28%	0.99%
2.78%	0.25%
2.49%	0.12%
3.00%	0.14%

BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION

IN RE: THE JOINT APPLICATION OF)
KENTUCKY UTILITIES COMPANY)
AND LOUISVILLE GAS AND ELECTRIC) CASE NO. 2009-00329
COMPANY FOR APPROVAL OF)
DEPRECIATION RATES FOR TRIMBLE)
COUNTY UNIT 2)

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
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3. **Refer to page 16 of the Kollen Testimony, specifically the recommendation that the Commission approve “interim depreciation rates” for Trimble County Unit No. 2 (“TC2”) in the proceeding and review all components of depreciation in the future. Explain why Mr. Kollen believes that the depreciation rates authorized in this proceeding should only be authorized on an interim basis.**

RESPONSE:

There are several reasons. First, KIUC does not affirmatively agree with the present depreciation rates; it only agreed to those rates in conjunction with a settlement of various issues. Thus, the present depreciation rates are not a valid basis to establish permanent depreciation rates for TC2. Second, the present depreciation rates are overstated for the reasons cited by KIUC in Case Nos. 2007-00564, 2007-00565, 2008-00251, and 2008-00252. Third, although Mr. Kollen’s testimony in the present proceeding is limited to TC2 due to the limited scope of the proceeding, the TC1 error that the Company proposes be incorporated in the TC2 depreciation rate also is evident in the Gannett Fleming study rates for other plants and accounts adopted via the settlement in the prior proceeding. Fourth, KIUC limited its testimony in the present proceeding to the TC2 interim net negative salvage issue, but may take issue with other aspects of the TC1, TC2 and other depreciation rates in the next base rate proceeding. Fifth, the proposed TC2 depreciation rates inexplicably are greater than the existing TC1 depreciation rates, despite the longer life span for TC2 compared to TC1.

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- 4. In item 4.b. of its second data request to LG&E and Kentucky Utilities Company, Commission Staff asked whether any consideration was given to using TC1's depreciation rates for TC2. The response indicated that consideration was given, but went on to explain why the companies believed that would be inappropriate.**
- a. Explain whether KIUC agrees that it would be inappropriate to use the TC1 depreciation rates to TC2.**
 - b. If the Commission were to adopt Mr. Kollen's recommendation and establish depreciation rates in this proceeding on an interim basis and determine that all components of the companies' depreciation rates should be reviewed in their next base rate cases, what would KIUC's position be on using the TC1 depreciation rates for TC2 strictly on an interim basis?**

RESPONSE:

- a. No. That would be reasonable in lieu of the proposed increase in the TC2 rates compared to TC1 despite the longer TC2 life span.

However, it would be more reasonable to use the TC1 rates as a starting point and then to adjust those rates to correct the interim net negative salvage error and to reflect the longer TC2 life span. As Mr. Kollen noted in his Direct Testimony, the present TC1 depreciation rates are erroneous and excessive, as are the proposed TC2 depreciation rates. Even if the interim net negative salvage error is corrected for the TC2 rates, the corrected rates still are greater in the aggregate than the present TC1 rates, which include that same error. This is evidence of other problems in the proposed TC2 rates compared to the present TC1 rates, all else equal.

If the TC1 rates are used on an interim basis, the TC1 rates should be

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corrected for the interim net salvage issue before the rates are approved for TC2. The TC1 interim net negative salvage error should not be perpetuated in the TC2 depreciation rates. The Gannett Fleming computation of the TC1 interim net negative salvage is inconsistent with the requirements set forth in the NARUC “Public Utility Depreciation Practices” manual (“NARUC Manual”), which requires that net salvage for interim retirements and for final retirements be separately determined and describes the methodology to do so. The NARUC manual states:

[I]n order for the life span method to be applied properly, individual records of additions and retirements associated with each building and large installation [power plant] must be maintained. Such records allow for data on interim and final retirements, gross salvage, and the cost of removal to be separately identified. This facilitates their analysis in the process of estimating future interim and final net salvage. The breakdown between future interim and future final retirements can be determined by applying the interim retirement life table to surviving balances . . . Life table values are used to factor down the amount surviving at the time of the study to reflect expected (interim) retirements for each vintage between the time of the study and the time of final retirement.” [NARUC Manual at 161-162].

As Mr. Kollen noted in his Direct Testimony, the Gannett Fleming study failed to “factor down” the amounts surviving at the time of the study to reflect only interim retirements for the interim net negative salvage. The Gannett Fleming study incorrectly assumed that all plant would be retired on an interim basis, which is not a valid assumption and is inconsistent with the survivor curve that Gannett Fleming used to determine the surviving plant amount at the date of final retirement.

b. KIUC would not oppose using the TC1 depreciation rates for TC2 on an interim basis, but proposes that the TC1 rates be adjusted to correct the interim net negative salvage error in the TC1 rates and to reflect the longer TC2 life span.