



Jeff DeRouen
Executive Director
Kentucky Public Service Commission
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January 26, 2010

**RE: 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**

Dear Mr. DeRouen:

Enclosed please find an original and seven (7) copies of the Response of Kentucky Utilities Company and Louisville Gas and Electric Company to the Commission Staff's Data Request on Joint Applicants' Rebuttal Testimony dated January 12, 2010, in the above-referenced proceeding.

Please contact me if you have any questions concerning this filing.

Sincerely,

Robert M. Conroy

Enclosure

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF CUMBERLAND)

The undersigned, **John J. Spanos**, being duly sworn, deposes and says that he is the Vice President, Valuation and Rate Division for Gannett Fleming, 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 J. Spanos

JOHN J. SPANOS

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 19th day of January, 2010.

Cheryl Ann Rutter (SEAL)

Notary Public

My Commission Expires:

February 20, 2011

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Cheryl Ann Rutter, Notary Public
East Pennsboro Twp., Cumberland County
My Commission Expires Feb. 20, 2011
Member, Pennsylvania Association of Notaries

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

RESPONSE OF
KENTUCKY UTILITIES COMPANY
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
COMMISSION STAFF'S DATA REQUEST ON
JOINT APPLICANTS' REBUTTAL TESTIMONY
DATED JANUARY 12, 2010

FILED: January 26, 2010

**KENTUCKY UTILITIES COMPANY
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Data Request
on Joint Applicants' Rebuttal Testimony
Dated January 12, 2010**

Case No. 2009-00329

Question No. 1

Witness: John J. Spanos

- Q-1. Refer to page 2 of the Rebuttal Testimony of John J. Spanos ("Spanos Testimony") and Appendix JJS-R3. On page 2 of his testimony, Mr. Spanos references the most recent four years' experience of LG&E and KU regarding plant retirements and the cost of removal for Account 312, Boiler Plant Equipment. Mr. Spanos states that "This historical data is a much better indication of net salvage percents for Trimble County 2 than focusing on a smaller and older data sample, such as the AUS results through 2002."
- a. Given his preference for using more current data, explain why the four most recent years referred to by Mr. Spanos are 2003-2006, when the appendix includes data for 2007 and when data should be available for 2008.
 - b. In his testimony, Mr. Spanos emphasizes the averages for the most recent four years. The appendix includes a 16-year combined average for LG&E and KU, a 34-year average for LG&E, a 19-year average for KU, individual and combined three-year moving averages and five-year averages for 2002-2006. Beyond reflecting his experience and judgment, describe how Mr. Spanos determines how to rank, or weigh, the various average results to determine which, if any, are the more relevant.
 - c. Other than for Account 316, Miscellaneous Plant Equipment, Mr. Kollen, the witness for Kentucky Industrial Utility Customers, Inc. ("KIUC"), derived substantially different net salvage percents for Trimble County 2 ("TC 2") than the percents recommended by Mr. Spanos. Explain why the Spanos Testimony does not address any TC 2 plant accounts except for Account 312, Boiler Plant Equipment, and provide the data for Accounts 311, 314 and 315 in the same format as was provided for Account 312 in Appendix JJS-R3.
- A-1. a. Mr. Spanos' preference is to utilize all available data when determining net salvage percentages. In many cases, the most recent data more closely correlates to future expectations and in this particular case, the most recent

five years represents about two-thirds of the historical experience, which is why it was discussed in his rebuttal. The reason Mr. Spanos refers to the 2003-2006 time period is because at the time he determined the net salvage percent for Trimble County Unit 2, 2007 and 2008 data was not available to him. However, at the time rebuttal testimony was written, 2007 data was available, so it was considered in the evaluation and added to Appendix JJS-R3. The 2008 net salvage data has since been reviewed and supports the estimates recommended by Mr. Spanos.

- b. There is no standard method utilized in each and every account to determine the most appropriate net salvage percent. Mr. Spanos, like all depreciation professionals, collects all the available information and data which includes industry information, to arrive at the most reasonable estimate. Thus, the best estimate is not just a statistical result.

In the case of Account 312, Boiler Plant Equipment, Mr. Spanos reviewed the historical 34-year data for Louisville Gas and Electric (LG&E) and the 19-year data for Kentucky Utilities (KU). The overall net salvage for LG&E is negative 33 percent and the overall net salvage for KU is negative 22 percent. However, in focusing on the individual year data and the three-year moving averages, the last 20 years for LG&E and last 15 years for KU were the most significant data to establish the most appropriate estimate. For consistency purposes between the two Companies, Mr. Spanos combined the analyses and developed results for the common years available and added 2007, to arrive at the 1992-2007 period shown in Appendix JJS-R3. This analysis sets forth an overall average of negative 24 percent, a most recent five-year average of negative 30 percent, and the most recent three-year rolling average around negative 35 percent. These areas became the most reliant in my final determination of negative 30 percent.

- c. Account 312, Boiler Plant Equipment, is the largest of the plant accounts related to Trimble County Unit 2. The process of determining net salvage percents by Mr. Spanos is consistent for all accounts, and utilizing one account as an example to emphasize his point has been his practice in writing testimony. The salvage analyses for Accounts 311, 314, 315 and 316 have been conducted and set forth in the same fashion as Account 312 was set forth in Appendix JJS-R3. See attached. As the data shows, the combined analyses for Accounts 311, 314, 315 and 316 support the estimates recommended by Mr. Spanos.

LOUISVILLE GAS AND ELECTRIC
ELECTRIC PLANT

ACCOUNT 311 STRUCTURES AND IMPROVEMENTS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1972	5,380	162	3		0	162-	3-
1973	9,301		0	775	8	775	8
1974	166,455	30,008	18	552	0	29,456-	18-
1975	4,816	2,201	46		0	2,201-	46-
1976	17,364	2,461	14	148	1	2,313-	13-
1977	9,993	3,390	34		0	3,390-	34-
1978	706		0		0		0
1979	35,088	9,102	26	1,550	4	7,552-	22-
1980	4,245		0		0		0
1981	336,223	1,656	0		0	1,656-	0
1982	3,566	335	9		0	335-	9-
1983	527,107	734	0	11	0	723-	0
1984	7,999,955	139,134	2		0	139,134-	2-
1985	27,301	57,960	212		0	57,960-	212-
1986	83,061	29,750	36	10,787	13	18,963-	23-
1987	125,887	20,183	16	69	0	20,114-	16-
1988	19,638		0		0		0
1989	4,499		0		0		0
1990							
1991	67,462	17,694	26		0	17,694-	26-
1992	141,612	1,588	1		0	1,588-	1-
1993	279,758	44,837	16		0	44,837-	16-
1994	52,490		0		0		0
1995	258,855	21,365	8	1,279	0	20,086-	8-
1996	135,288	53,923	40	6,329	5	47,594-	35-
1997	70,532	8,504	12	8,625	12	121	0
1998	448,015	207,901	46		0	207,901-	46-
1999	110,093	36,068	33	697	1	35,371-	32-
2000	40,964		0		0		0
2001	171,276	990	1		0	990-	1-
2002	111,468		0		0		0
2003	865,133	100,649	12		0	100,649-	12-
2004	629,199	260,812	41		0	260,812-	41-
2005	921,450	114,744	12		0	114,744-	12-
2006	697,724	278,680	40		0	278,680-	40-
TOTAL	14,381,904	1,444,831	10	30,822	0	1,414,009-	10-

LOUISVILLE GAS AND ELECTRIC
ELECTRIC PLANT

ACCOUNT 311 STRUCTURES AND IMPROVEMENTS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
THREE-YEAR MOVING AVERAGES							
72-74	60,379	10,057	17	442	1	9,615-	16-
73-75	60,191	10,736	18	442	1	10,294-	17-
74-76	62,878	11,557	18	233	0	11,324-	18-
75-77	10,724	2,684	25	49	0	2,635-	25-
76-78	9,354	1,950	21	49	1	1,901-	20-
77-79	15,262	4,164	27	517	3	3,647-	24-
78-80	13,346	3,034	23	517	4	2,517-	19-
79-81	125,185	3,586	3	517	0	3,069-	2-
80-82	114,678	664	1		0	664-	1-
81-83	288,965	908	0	4	0	904-	0
82-84	2,843,543	46,734	2	4	0	46,730-	2-
83-85	2,851,454	65,943	2	4	0	65,939-	2-
84-86	2,703,439	75,615	3	3,596	0	72,019-	3-
85-87	78,750	35,964	46	3,619	5	32,345-	41-
86-88	76,195	16,644	22	3,619	5	13,025-	17-
87-89	50,008	6,728	13	23	0	6,705-	13-
88-90	8,046		0		0		0
89-91	23,987	5,898	25		0	5,898-	25-
90-92	69,691	6,427	9		0	6,427-	9-
91-93	162,944	21,373	13		0	21,373-	13-
92-94	157,953	15,475	10		0	15,475-	10-
93-95	197,034	22,067	11	426	0	21,641-	11-
94-96	148,878	25,096	17	2,536	2	22,560-	15-
95-97	154,892	27,931	18	5,411	3	22,520-	15-
96-98	217,945	90,109	41	4,985	2	85,124-	39-
97-99	209,547	84,158	40	3,107	1	81,051-	39-
98-00	199,691	81,323	41	232	0	81,091-	41-
99-01	107,444	12,353	11	232	0	12,121-	11-
00-02	107,903	330	0		0	330-	0
01-03	382,626	33,880	9		0	33,880-	9-
02-04	535,267	120,487	23		0	120,487-	23-
03-05	805,261	158,735	20		0	158,735-	20-
04-06	749,457	218,078	29		0	218,078-	29-
FIVE-YEAR AVERAGE							
02-06	644,995	150,977	23		0	150,977-	23-

LOUISVILLE GAS AND ELECTRIC
ELECTRIC PLANT

ACCOUNT 314 TURBOGENERATOR UNITS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1974	5,300	3,167	60		0	3,167-	60-
1975	5,583		0		0		0
1976							
1977							
1978	17,277	2,051	12	2,818	16	767	4
1979	1,527,611		0		0		0
1980	8,705		0		0		0
1981	3,710,700		0		0		0
1982	6,074	620	10		0	620-	10-
1983	2,465,234		0		0		0
1984	2,791,319		0		0		0
1985	7,690,532	899	0		0	899-	0
1986	18,073	813	4		0	813-	4-
1987	43,600	2,606	6	17	0	2,589-	6-
1988	122,693		0		0		0
1989							
1990	15,000		0		0		0
1991	1,406,443		0		0		0
1992	15,000		0		0		0
1993	22,000	524	2		0	524-	2-
1994	110,318	22,262	20		0	22,262-	20-
1995	4,566,240	376,869	8	22,567	0	354,302-	8-
1996	1,314,385	528,263	40	61,486	5	466,777-	36-
1997	612,710	73,876	12	74,929	12	1,053	0
1998							
1999	5,000	1,782	36	34	1	1,748-	35-
2000							
2001							
2002	94,480		0		0		0
2003	3,077,538	277,920	9		0	277,920-	9-
2004	1,160,157	373,601	32		0	373,601-	32-
2005	464,123	60,425	13		0	60,425-	13-
2006	2,965,022	532,312	18		0	532,312-	18-
TOTAL	34,241,117	2,257,990	7	161,851	0	2,096,139-	6-

LOUISVILLE GAS AND ELECTRIC
ELECTRIC PLANT

ACCOUNT 314 TURBOGENERATOR UNITS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
THREE-YEAR MOVING AVERAGES							
74-76	3,628	1,056	29		0	1,056-	29-
75-77	1,861		0		0		0
76-78	5,759	684	12	939	16	255	4
77-79	514,963	684	0	939	0	255	0
78-80	517,864	684	0	939	0	255	0
79-81	1,749,005		0		0		0
80-82	1,241,826	207	0		0	207-	0
81-83	2,060,669	207	0		0	207-	0
82-84	1,754,209	207	0		0	207-	0
83-85	4,315,695	300	0		0	300-	0
84-86	3,499,975	571	0		0	571-	0
85-87	2,584,068	1,439	0	6	0	1,433-	0
86-88	61,455	1,140	2	6	0	1,134-	2-
87-89	55,431	869	2	6	0	863-	2-
88-90	45,898		0		0		0
89-91	473,814		0		0		0
90-92	478,814		0		0		0
91-93	481,148	175	0		0	175-	0
92-94	49,106	7,595	15		0	7,595-	15-
93-95	1,566,186	133,218	9	7,522	0	125,696-	8-
94-96	1,996,981	309,131	15	28,018	1	281,113-	14-
95-97	2,164,445	326,336	15	52,994	2	273,342-	13-
96-98	642,365	200,713	31	45,472	7	155,241-	24-
97-99	205,903	25,219	12	24,988	12	231-	0
98-00	1,667	594	36	11	1	583-	35-
99-01	1,667	594	36	11	1	583-	35-
00-02	31,493		0		0		0
01-03	1,057,339	92,640	9		0	92,640-	9-
02-04	1,444,058	217,174	15		0	217,174-	15-
03-05	1,567,273	237,316	15		0	237,316-	15-
04-06	1,529,767	322,113	21		0	322,113-	21-
FIVE-YEAR AVERAGE							
02-06	1,552,264	248,852	16		0	248,852-	16-

LOUISVILLE GAS AND ELECTRIC
ELECTRIC PLANT

ACCOUNT 315 ACCESSORY ELECTRIC EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1972	33,729	502	1		0	502-	1-
1973	7,724		0	1,966	25	1,966	25
1974	10,311	417	4		0	417-	4-
1975	11,172	521	5	2,381	21	1,860	17
1976	3,903	38,121	977	2,393	61	35,728-	915-
1977	22,153	794	4		0	794-	4-
1978	23,703	1,238	5	4,573	19	3,335	14
1979	140,861	388	0	123	0	265-	0
1980	127,304	1,849	1		0	1,849-	1-
1981	963,033		0	1,261	0	1,261	0
1982	8,574	993	12	999	12	6	0
1983	302,710	13-	0	688	0	701	0
1984	1,628,052	4,221	0		0	4,221-	0
1985	1,108,851	2,002	0		0	2,002-	0
1986	13,971		0		0		0
1987	807,408	95,681	12	926	0	94,755-	12-
1988	12,928	3,297	26	10-	0	3,307-	26-
1989	97,796		0		0		0
1990	76,484	16,433-	21-	2,100	3	18,533	24
1991	313,936	1,028	0		0	1,028-	0
1992	61,486	10,547	17		0	10,547-	17-
1993	473,682	6,732-	1-		0	6,732	1
1994	22,000		0		0		0
1995	822,779	67,907	8	4,066	0	63,841-	8-
1996	348,770	140,174	40	16,315	5	123,859-	36-
1997	1,032,181	124,452	12	126,227	12	1,775	0
1998							
1999	2,918	1,040	36	21	1	1,019-	35-
2000	671,474	16,128	2		0	16,128-	2-
2001	34,589		0		0		0
2002	102,272		0		0		0
2003	74,452		0		0		0
2004	829,101	26,830	3		0	26,830-	3-
2005							
2006	1,043,304	59,113	6		0	59,113-	6-
TOTAL	11,233,611	574,065	5	164,029	1	410,036-	4-

LOUISVILLE GAS AND ELECTRIC
ELECTRIC PLANT

ACCOUNT 315 ACCESSORY ELECTRIC EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE		
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT	
THREE-YEAR MOVING AVERAGES								
72-74	17,255	306	2	655	4	349	2	
73-75	9,736	313	3	1,449	15	1,136	12	
74-76	8,462	13,020	154	1,591	19	11,429	135-	
75-77	12,409	13,145	106	1,591	13	11,554	93-	
76-78	16,586	13,384	81	2,322	14	11,062	67-	
77-79	62,239	807	1	1,565	3	758	1	
78-80	97,289	1,158	1	1,565	2	407	0	
79-81	410,399	746	0	461	0	285	0	
80-82	366,304	947	0	753	0	194	0	
81-83	424,772	327	0	983	0	656	0	
82-84	646,445	1,734	0	562	0	1,172	0	
83-85	1,013,204	2,070	0	229	0	1,841	0	
84-86	916,958	2,074	0		0	2,074	0	
85-87	643,410	32,561	5	309	0	32,252	5-	
86-88	278,102	32,993	12	305	0	32,688	12-	
87-89	306,044	32,993	11	305	0	32,688	11-	
88-90	62,403	4,379	7-	697	1	5,076	8	
89-91	162,739	5,135	3-	700	0	5,835	4	
90-92	150,635	1,619	1-	700	0	2,319	2	
91-93	283,035	1,614	1		0	1,614	1-	
92-94	185,723	1,272	1		0	1,272	1-	
93-95	439,487	20,392	5	1,355	0	19,037	4-	
94-96	397,850	69,360	17	6,794	2	62,566	16-	
95-97	734,577	110,844	15	48,869	7	61,975	8-	
96-98	460,317	88,209	19	47,514	10	40,695	9-	
97-99	345,033	41,831	12	42,083	12	252	0	
98-00	224,797	5,723	3	7	0	5,716	3-	
99-01	236,327	5,723	2	7	0	5,716	2-	
00-02	269,445	5,376	2		0	5,376	2-	
01-03	70,438		0		0		0	
02-04	335,275	8,943	3		0	8,943	3-	
03-05	301,184	8,943	3		0	8,943	3-	
04-06	624,135	28,648	5		0	28,648	5-	
FIVE-YEAR AVERAGE								
02-06	409,826	17,189	4		0	17,189	4-	

LOUISVILLE GAS AND ELECTRIC
ELECTRIC PLANT

ACCOUNT 316 MISCELLANEOUS PLANT EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1972	985	62	6		0	62-	6-
1973							
1974	2,625		0	2,800	107	2,800	107
1975	2,166		0		0		0
1976	3,217		0		0		0
1977	4,112		0		0		0
1978	2,193		0	48	2	48	2
1979	33,145	43	0		0	43-	0
1980	1,734		0		0		0
1981	15,052		0	7,500	50	7,500	50
1982	350		0		0		0
1983	309		0		0		0
1984	344,269		0		0		0
1985	68,016		0	53	0	53	0
1986	7,808		0		0		0
1987	5,311		0		0		0
1988	1,311		0		0		0
1989	318		0	175	55	175	55
1990	17,214	1,000-	6-		0	1,000	6
1991	15,986		0		0		0
1992	5,162		0		0		0
1993	137,323		0		0		0
1994							
1995	114,896	9,483	8	568	0	8,915-	8-
1996	386,595	155,376	40	18,085	5	137,291-	36-
1997	63,113	7,610	12	7,719	12	109	0
1998							
1999							
2000							
2001							
2002		537				537-	
2003	1,600	437	27		0	437-	27-
2004	159,413	4,944	3		0	4,944-	3-
2005							
2006	85,294	1,237	1		0	1,237-	1-
TOTAL	1,479,517	178,729	12	36,948	2	141,781-	10-

LOUISVILLE GAS AND ELECTRIC
ELECTRIC PLANT

ACCOUNT 316 MISCELLANEOUS PLANT EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL AMOUNT PCT	GROSS SALVAGE AMOUNT PCT	NET SALVAGE AMOUNT PCT
THREE-YEAR MOVING AVERAGES				
72-74	1,203	21 2	933 78	912 76
73-75	1,597	0	933 58	933 58
74-76	2,669	0	933 35	933 35
75-77	3,165	0	0	0
76-78	3,174	0	16 1	16 1
77-79	13,150	14 0	16 0	2 0
78-80	12,357	14 0	16 0	2 0
79-81	16,644	14 0	2,500 15	2,486 15
80-82	5,712	0	2,500 44	2,500 44
81-83	5,237	0	2,500 48	2,500 48
82-84	114,976	0	0	0
83-85	137,531	0	18 0	18 0
84-86	140,031	0	18 0	18 0
85-87	27,045	0	18 0	18 0
86-88	4,810	0	0	0
87-89	2,313	0	58 3	58 3
88-90	6,281	333- 5-	58 1	391 6
89-91	11,173	333- 3-	58 1	391 3
90-92	12,787	333- 3-	0	333 3
91-93	52,824	0	0	0
92-94	47,495	0	0	0
93-95	84,073	3,161 4	189 0	2,972- 4-
94-96	167,164	54,953 33	6,218 4	48,735- 29-
95-97	188,201	57,490 31	8,791 5	48,699- 26-
96-98	149,903	54,329 36	8,601 6	45,728- 31-
97-99	21,038	2,537 12	2,573 12	36 0
98-00				
99-01				
00-02		179		179-
01-03	533	325 61	0	325- 61-
02-04	53,671	1,973 4	0	1,973- 4-
03-05	53,671	1,794 3	0	1,794- 3-
04-06	81,569	2,060 3	0	2,060- 3-
FIVE-YEAR AVERAGE				
02-06	49,261	1,431 3	0	1,431- 3-

KENTUCKY UTILITIES

ACCOUNT 311 STRUCTURES AND IMPROVEMENTS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1988	6,045		0		0		0
1989	2,547		0		0		0
1990	54,378		0		0		0
1991							
1992							
1993							
1994							
1995	86,278	10,005	12	2,930	3	7,075-	8-
1996	2,936	609	21	3,210	109	2,601	89
1997	103,244	8,046	8		0	8,046-	8-
1998	32,510	16,167	50		0	16,167-	50-
1999	5,858-	1,967-	34		0	1,967	34-
2000	11,626		0		0		0
2001	144,193	33,335	23		0	33,335-	23-
2002	2,737,193	20,477	1	241,345	9	220,868	8
2003							
2004	1,425,228	46,180	3		0	46,180-	3-
2005							
2006	137,959	47,675	35		0	47,675-	35-
TOTAL	4,738,279	180,527	4	247,485	5	66,958	1

THREE-YEAR MOVING AVERAGES

88-90	20,990		0		0		0
89-91	18,975		0		0		0
90-92	18,126		0		0		0
91-93							
92-94							
93-95	28,759	3,335	12	977	3	2,358-	8-
94-96	29,738	3,538	12	2,047	7	1,491-	5-
95-97	64,153	6,220	10	2,047	3	4,173-	7-
96-98	46,230	8,274	18	1,070	2	7,204-	16-
97-99	43,299	7,415	17		0	7,415-	17-
98-00	12,759	4,733	37		0	4,733-	37-
99-01	49,987	10,456	21		0	10,456-	21-
00-02	964,337	17,937	2	80,448	8	62,511	6
01-03	960,462	17,937	2	80,448	8	62,511	7
02-04	1,387,474	22,219	2	80,448	6	58,229	4
03-05	475,076	15,393	3		0	15,393-	3-
04-06	521,062	31,285	6		0	31,285-	6-

FIVE-YEAR AVERAGE

02-06	860,076	22,866	3	48,269	6	25,403	3
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KENTUCKY UTILITIES

ACCOUNT 314 TURBOGENERATOR UNITS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1994	1,285,265	314,381	24		0	314,381-	24-
1995	1,942,977	374,438	19	110,477	6	263,961-	14-
1996	1,313,231	452,454	34	2,403,674	183	1,951,220	149
1997	3,603,445	466,687	13		0	466,687-	13-
1998	210,345	173,846	83		0	173,846-	83-
1999	152,655	85,180	56		0	85,180-	56-
2000	32,604		0		0		0
2001	100,327	27,123	27		0	27,123-	27-
2002	2,170,155	42,556	2	314,790	15	272,234	13
2003	3,275,422	878,306	27	61,337	2	816,969-	25-
2004	4,387,542	449,310	10		0	449,310-	10-
2005	771,200	302,941	39		0	302,941-	39-
2006	3,934,128	1,012,073	26		0	1,012,073-	26-
TOTAL	23,179,296	4,579,295	20	2,890,278	12	1,689,017-	7-

THREE-YEAR MOVING AVERAGES

94-96	1,513,824	380,424	25	838,051	55	457,627	30
95-97	2,286,551	431,193	19	838,051	37	406,858	18
96-98	1,709,007	364,329	21	801,225	47	436,896	26
97-99	1,322,148	241,904	18		0	241,904-	18-
98-00	131,868	86,342	65		0	86,342-	65-
99-01	95,195	37,434	39		0	37,434-	39-
00-02	767,695	23,226	3	104,930	14	81,704	11
01-03	1,848,635	315,995	17	125,376	7	190,619-	10-
02-04	3,277,706	456,724	14	125,376	4	331,348-	10-
03-05	2,811,388	543,519	19	20,446	1	523,073-	19-
04-06	3,030,957	588,108	19		0	588,108-	19-

FIVE-YEAR AVERAGE

02-06	2,907,689	537,037	18	75,225	3	461,812-	16-
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KENTUCKY UTILITIES

ACCOUNT 315 ACCESSORY ELECTRIC EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1991	6,329		0		0		0
1992							
1993	37,232	74,358	200	396,748-		471,106-	
1994	9,852	977	10		0	977-	10-
1995	145,075	11,330	8	7,322	5	4,008-	3-
1996	76,925	10,741	14	124,975	162	114,234	149
1997	38,297	2,010	5		0	2,010-	5-
1998							
1999							
2000							
2001	16,118	6,569	41		0	6,569-	41-
2002	513,319		0	64,999	13	64,999	13
2003	836		0		0		0
2004	620,681	7,603	1		0	7,603-	1-
2005							
2006	108,356	11,238	10		0	11,238-	10-
TOTAL	1,573,020	124,826	8	199,452-	13-	324,278-	21-

THREE-YEAR MOVING AVERAGES

91-93	14,520	24,786	171	132,249-911-		157,035-	
92-94	15,695	25,112	160	132,249-843-		157,361-	
93-95	64,053	28,888	45	129,809-203-		158,697-248-	
94-96	77,284	7,683	10	44,099	57	36,416	47
95-97	86,766	8,027	9	44,099	51	36,072	42
96-98	38,407	4,250	11	41,658	108	37,408	97
97-99	12,766	670	5		0	670-	5-
98-00							
99-01	5,373	2,190	41		0	2,190-	41-
00-02	176,479	2,190	1	21,666	12	19,476	11
01-03	176,758	2,190	1	21,666	12	19,476	11
02-04	378,279	2,534	1	21,666	6	19,132	5
03-05	207,172	2,534	1		0	2,534-	1-
04-06	243,012	6,280	3		0	6,280-	3-

FIVE-YEAR AVERAGE

02-06	248,638	3,768	2	13,000	5	9,232	4
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KENTUCKY UTILITIES

ACCOUNT 316 MISCELLANEOUS POWER PLANT EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1988	7,815		0	100	1	100	1
1989	20,616		0	4,480	22	4,480	22
1990	4,249,398		0	164,118	4	164,118	4
1991	4,929		0		0		0
1992	55,521	958	2		0	958	2
1993	11,206	383	3	37,633	336	37,250	332
1994	24,722	42	0	337	1	295	1
1995	52,493	70	0	6,472	12	6,402	12
1996	50,369	120	0	7,529	15	7,409	15
1997	244,396	219	0	3,617	1	3,398	1
1998	65,320	374	1	12,212	19	12,586	19
1999	111,838	432	0	5,234	5	4,802	4
2000	472		0		0		0
2001	25,187		0		0		0
2002	206,066		0	23,399	11	23,399	11
2003							
2004	292,039	10,310	4		0	10,310	4
2005							
2006	122,613	3,804	3	567	0	3,237	3
TOTAL	5,545,000	16,712	0	241,274	4	224,562	4

THREE-YEAR MOVING AVERAGES

88-90	1,425,943		0	56,233	4	56,233	4
89-91	1,424,981		0	56,199	4	56,199	4
90-92	1,436,616	319	0	54,706	4	54,387	4
91-93	23,885	447	2	12,544	53	12,097	51
92-94	30,483	461	2	12,657	42	12,196	40
93-95	29,474	165	1	14,814	50	14,649	50
94-96	42,528	77	0	4,779	11	4,702	11
95-97	115,753	137	0	5,872	5	5,735	5
96-98	120,028	238	0	356	0	594	0
97-99	140,518	342	0	1,121	1	1,463	1
98-00	59,210	269	0	2,326	4	2,595	4
99-01	45,832	144	0	1,745	4	1,601	3
00-02	77,242		0	7,800	10	7,800	10
01-03	77,084		0	7,800	10	7,800	10
02-04	166,035	3,437	2	7,800	5	4,363	3
03-05	97,346	3,437	4		0	3,437	4
04-06	138,217	4,705	3	189	0	4,516	3

FIVE-YEAR AVERAGE

02-06	124,144	2,823	2	4,793	4	1,970	2
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LOUISVILLE GAS AND ELECTRIC
KENTUCKY UTILITIES

ACCOUNT 311 STRUCTURES AND IMPROVEMENTS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1992	141,612	1,588	1		0	1,588-	1-
1993	279,758	44,837	16		0	44,837-	16-
1994	52,490		0		0		0
1995	345,133	31,370	9	4,209	1	27,161-	8-
1996	138,224	54,532	39	9,539	7	44,993-	33-
1997	173,776	16,550	10	8,625	5	7,925-	5-
1998	480,525	224,068	47		0	224,068-	47-
1999	104,235	34,101	33	697	1	33,404-	32-
2000	52,590		0		0		0
2001	315,469	34,325	11		0	34,325-	11-
2002	2,848,661	20,477	1	241,345	8	220,868	8
2003	865,133	100,649	12		0	100,649-	12-
2004	2,054,427	306,992	15		0	306,992-	15-
2005	921,450	114,744	12		0	114,744-	12-
2006	835,683	326,354	39		0	326,354-	39-
2007	2,302,267	781,228	34		0	781,228-	34-
TOTAL	11,911,433	2,091,815	18	264,415	2	1,827,400-	15-

THREE-YEAR MOVING AVERAGES

92-94	157,953	15,475	10		0	15,475-	10-
93-95	225,794	25,402	11	1,403	1	23,999-	11-
94-96	178,616	28,634	16	4,583	3	24,051-	13-
95-97	219,044	34,150	16	7,458	3	26,692-	12-
96-98	264,175	98,383	37	6,055	2	92,328-	35-
97-99	252,845	91,573	36	3,107	1	88,466-	35-
98-00	212,450	86,056	41	232	0	85,824-	40-
99-01	157,431	22,809	14	232	0	22,577-	14-
00-02	1,072,240	18,267	2	80,448	8	62,181	6
01-03	1,343,088	51,817	4	80,448	6	28,631	2
02-04	1,922,740	142,706	7	80,448	4	62,258-	3-
03-05	1,280,337	174,128	14		0	174,128-	14-
04-06	1,270,520	249,363	20		0	249,363-	20-
05-07	1,353,133	407,442	30		0	407,442-	30-

FIVE-YEAR AVERAGE

03-07	1,395,792	325,993	23		0	325,993-	23-
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LOUISVILLE GAS AND ELECTRIC
KENTUCKY UTILITIES

ACCOUNT 314 TURBOGENERATOR UNITS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1992	15,000		0		0		0
1993	22,000	524	2		0	524-	2-
1994	1,395,583	336,643	24		0	336,643-	24-
1995	6,509,217	751,307	12	133,044	2	618,263-	9-
1996	2,627,616	980,717	37	2,465,160	94	1,484,443	56
1997	4,216,155	540,563	13	74,929	2	465,634-	11-
1998	210,345	173,846	83		0	173,846-	83-
1999	157,655	86,962	55	34	0	86,928-	55-
2000	32,604		0		0		0
2001	100,327	27,123	27		0	27,123-	27-
2002	2,264,635	42,556	2	314,790	14	272,234	12
2003	6,352,960	1,156,226	18	61,337	1	1,094,889-	17-
2004	5,547,699	822,911	15		0	822,911-	15-
2005	1,235,323	363,366	29		0	363,366-	29-
2006	6,899,150	1,544,384	22		0	1,544,384-	22-
2007	2,478,866	142,027	6		0	142,027-	6-
TOTAL	40,065,135	6,969,155	17	3,049,294	8	3,919,861-	10-

THREE-YEAR MOVING AVERAGES

92-94	477,528	112,389	24		0	112,389-	24-
93-95	2,642,267	362,825	14	44,348	2	318,477-	12-
94-96	3,510,805	689,556	20	866,068	25	176,512	5
95-97	4,450,996	757,529	17	891,045	20	133,516	3
96-98	2,351,372	565,042	24	846,696	36	281,654	12
97-99	1,528,052	267,123	17	24,988	2	242,135-	16-
98-00	133,535	86,936	65	11	0	86,925-	65-
99-01	96,862	38,028	39	11	0	38,017-	39-
00-02	799,189	23,226	3	104,930	13	81,704	10
01-03	2,905,974	408,635	14	125,376	4	283,259-	10-
02-04	4,721,765	673,898	14	125,376	3	548,522-	12-
03-05	4,378,661	780,835	18	20,446	0	760,389-	17-
04-06	4,560,724	910,221	20		0	910,221-	20-
05-07	3,537,780	683,259	19		0	683,259-	19-

FIVE-YEAR AVERAGE

03-07	4,502,800	805,783	18	12,267	0	793,516-	18-
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LOUISVILLE GAS AND ELECTRIC
KENTUCKY UTILITIES

ACCOUNT 315 ACCESSORY ELECTRIC EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1992	61,486	10,547	17		0	10,547-	17-
1993	510,914	67,626	13	396,748-	78-	464,374-	91-
1994	31,852	977	3		0	977-	3-
1995	967,854	79,237	8	11,388	1	67,849-	7-
1996	425,695	150,915	35	141,290	33	9,625-	2-
1997	1,070,478	126,462	12	126,227	12	235-	0
1998							
1999	2,918	1,040	36	21	1	1,019-	35-
2000	671,474	16,128	2		0	16,128-	2-
2001	50,707	6,569	13		0	6,569-	13-
2002	615,591		0	64,999	11	64,999	11
2003	75,288		0		0		0
2004	1,449,783	34,434	2		0	34,434-	2-
2005							
2006	1,151,660	70,351	6		0	70,351-	6-
2007	1,373,741	94,368	7		0	94,368-	7-
TOTAL	8,459,441	658,654	8	52,823-	1-	711,477-	8-

THREE-YEAR MOVING AVERAGES

92-94	201,417	26,383	13	132,249-	66-	158,632-	79-
93-95	503,540	49,280	10	128,453-	26-	177,733-	35-
94-96	475,134	77,043	16	50,893	11	26,150-	6-
95-97	821,342	118,871	14	92,968	11	25,903-	3-
96-98	498,724	92,459	19	89,172	18	3,287-	1-
97-99	357,799	42,501	12	42,083	12	418-	0
98-00	224,797	5,723	3	7	0	5,716-	3-
99-01	241,700	7,912	3	7	0	7,905-	3-
00-02	445,924	7,566	2	21,666	5	14,100	3
01-03	247,195	2,190	1	21,666	9	19,476	8
02-04	713,554	11,478	2	21,666	3	10,188	1
03-05	508,357	11,478	2		0	11,478-	2-
04-06	867,147	34,928	4		0	34,928-	4-
05-07	841,800	54,906	7		0	54,906-	7-

FIVE-YEAR AVERAGE

03-07	810,094	39,830	5		0	39,830-	5-
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LOUISVILLE GAS AND ELECTRIC
KENTUCKY UTILITIES

ACCOUNT 316 MISCELLANEOUS POWER PLANT EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1992	60,683	958	2		0	958-	2-
1993	148,529	383	0	37,633	25	37,250	25
1994	24,722	42	0	337	1	295	1
1995	167,389	9,553	6	7,040	4	2,513-	2-
1996	436,964	155,496	36	25,614	6	129,882-	30-
1997	307,509	7,829	3	11,336	4	3,507	1
1998	65,320	374	1	12,212-	19-	12,586-	19-
1999	111,838	432	0	5,234	5	4,802	4
2000	472		0		0		0
2001	25,187		0		0		0
2002	206,066	537	0	23,399	11	22,862	11
2003	1,600	437	27		0	437-	27-
2004	451,452	15,254	3		0	15,254-	3-
2005							
2006	207,907	5,041	2	567	0	4,474-	2-
2007	282,015	737	0		0	737-	0
TOTAL	2,497,653	197,073	8	98,948	4	98,125-	4-

THREE-YEAR MOVING AVERAGES

92-94	77,978	461	1	12,657	16	12,196	16
93-95	113,547	3,326	3	15,004	13	11,678	10
94-96	209,692	55,030	26	10,997	5	44,033-	21-
95-97	303,954	57,626	19	14,663	5	42,963-	14-
96-98	269,931	54,567	20	8,246	3	46,321-	17-
97-99	161,556	2,879	2	1,452	1	1,427-	1-
98-00	59,210	269	0	2,326-	4-	2,595-	4-
99-01	45,832	144	0	1,745	4	1,601	3
00-02	77,242	179	0	7,800	10	7,621	10
01-03	77,618	325	0	7,800	10	7,475	10
02-04	219,706	5,409	2	7,800	4	2,391	1
03-05	151,017	5,230	3		0	5,230-	3-
04-06	219,786	6,765	3	189	0	6,576-	3-
05-07	163,307	1,926	1	189	0	1,737-	1-

FIVE-YEAR AVERAGE

03-07	188,595	4,294	2	113	0	4,181-	2-
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**KENTUCKY UTILITIES COMPANY
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Data Request
on Joint Applicants' Rebuttal Testimony
Dated January 12, 2010**

Case No. 2009-00329

Question No. 2

Witness: John J. Spanos

Q-2. Refer to pages 3-4 of the Spanos Testimony where the issue of interim net salvage versus terminal net salvage is discussed.

- a. Provide a thorough explanation of why the fact that the TC 2 depreciation rates are for interim net salvage, not terminal net salvage, means that "[M]r. Kollen's Discussion in his testimony about factoring down or segregating the amounts for final net salvage is not applicable."
- b. Identify and describe the parameters that typically govern whether to include a terminal net salvage component in a depreciation rate and identify which of those parameters are applicable to developing depreciation rates for TC 2.

A-2. a. Mr. Spanos' testimony on pages 3 and 4 discusses the fact that his estimates only include an interim net salvage component, not a terminal net salvage component. He emphasizes on page 4 the entire life cycle of a new facility and the bases for his development of the interim net salvage percent, which does not include the added costs of terminal net salvage at the end of life.

If Mr. Kollen is going to factor down, or segregate, the amounts for final net salvage, then he must also include the overall recovery of the terminal net salvage component. Thus, he should include a component of terminal net salvage in his rates to insure his estimates establish full recovery of the service value of the assets.

- b. Ideally each production unit will have a terminal net salvage component included to insure full recovery of the total service value of the asset. However, the absence of site specific data for dismantlement does not preclude a reasonable depreciation rate if interim net salvage is properly considered. Therefore, for the proper establishment of the terminal net

salvage or dismantling cost of a unit, a company should conduct a dismantling study or utilize the studies of comparable facilities. Additionally, the company needs to have a specific plan as to how the dismantlement will occur and when. If a company or depreciation professional cannot reasonably establish an understanding of each of these components, then a terminal net salvage percent is too speculative to include in the depreciation rate. Thus, only the interim net salvage component is applied to the recovery methodology.

**KENTUCKY UTILITIES COMPANY
LOUISVILLE GAS AND ELECTRIC COMPANY**

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Case No. 2009-00329

Question No. 3

Witness: John J. Spanos

- Q-3. Refer to pages 4-6 of the Spanos Testimony, specifically, page 4 at lines 14 through 21, and page 5, line 23 through page 6, line 2.
- a. Confirm whether the following is an accurate characterization of the text on page 4:
- “Because there is no terminal net salvage component in the TC 2 depreciation rates, the interim net salvage component should be established at a level great enough for the ultimate depreciation rates to cover the life of the plant and cover both interim and terminal net salvage accruals.”
- b. If the characterization in part a. of this request item is accurate in whole or in part, explain how the statement on pages 5-6 concerning “[a] larger amount of depreciation expense being estimated for Florida Power and Light than is estimated in this scenario....” can also be accurate.
- A-3. a. No. Please see Mr. Spanos’ testimony on pages 4 through 6.
- b. Some of the issues that differ, which make the characterization of the statement in part (a) above inaccurate, is that terminal net salvage is projected to the retirement date. When you have a facility already in service, such as the case in Florida Power and Light, you can more specifically assign the plant amounts that will be part of the interim net salvage and those that are related to terminal net salvage. This distinction will raise the plant value of assets for terminal net salvage which are projected to a later date. This in turn will most likely produce a larger amount of depreciation expense.