



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

RECEIVED
JAN 28 2010
PUBLIC SERVICE
COMMISSION

E.ON U.S. LLC
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

Rick E. Lovekamp
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January 28, 2010

RE: *APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY FOR APPROVAL OF PURCHASED POWER AGREEMENTS AND RECOVERY OF ASSOCIATED COSTS*
CASE NO. 2009-00353

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 and Kentucky Utilities Company to the Commission Staff's Supplemental Data Request dated January 19, 2010, in the above-referenced matter.

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

Sincerely,

Rick E. Lovekamp

Enclosures

cc: Parties of Record

VERIFICATION

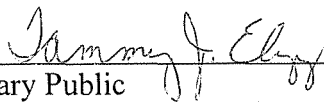
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of E.ON U.S. Services, Inc., and 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.



Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 28th day of January 2010.



Notary Public (SEAL)


My Commission Expires:

November 9, 2010

VERIFICATION

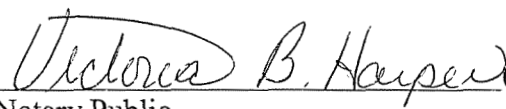
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Charles R. Schram**, being duly sworn, deposes and says that he is Director – Energy Planning, Analysis and Forecasting for E.ON U.S. Services, Inc., and 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.



Charles R. Schram

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 27th day of January 2010.



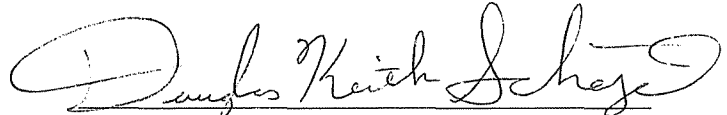
Notary Public (SEAL)

My Commission Expires:
Sept 20, 2010

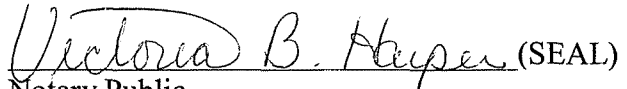
VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Douglas Keith Schetzel**, being duly sworn, deposes and says that he is Director of Business Development for E.ON U.S. Services, Inc., and 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.


Douglas Keith Schetzel

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 27th day of January 2010.


Notary Public

My Commission Expires:

Sept 20, 2010

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**APPLICATION OF LOUISVILLE GAS AND)
ELECTRIC COMPANY AND KENTUCKY) CASE NO.
UTILITIES COMPANY FOR APPROVAL OF) 2009-00353
PURCHASED POWER AGREEMENTS AND)
RECOVERY OF ASSOCIATED COSTS)**

**RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY
TO SUPPLEMENTAL DATA REQUEST OF COMMISSION STAFF
DATED JANUARY 19, 2010**

FILED: JANUARY 28, 2010

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

**Response to Supplemental Data Request
of Commission Staff
Dated January 19, 2010**

Case No. 2009-00353

Question No. 1

Witness: Lonnie E. Bellar / Counsel

- Q-1. Refer to the response to item 1 of Commission Staffs first data request (“Staffs first request”) and page 6, paragraph 11, of Joint Applicant’s application. Identify any states among those without a renewable portfolio standard in which the utility regulatory commission has approved renewable purchased power contracts, including the name of the utility and the location of the generation facilities.
- A-1. Joint Applicants performed a diligent but not exhaustive search of state renewable portfolio standards (“RPSes”) and state commission-approved renewable power purchase contracts, and located contracts approved in Michigan, Indiana, West Virginia and Idaho, as detailed below. (Joint Applicants note that in certain cases, factors other than RPS standards, such as small qualifying facilities (“QF”) and Green-e programs, applied.)
1. Michigan
 - a. Commission: Michigan Public Service Commission
 - b. Utility: Indiana Michigan Power Company
 - c. Location of wind facilities: Indiana
 - d. Docket number: U-15361
 - e. Approval date: December 4, 2007
 - f. Program: 21st Century Energy Plan
 2. Indiana
 - a. Commission: Indiana Utility Regulatory Commission
 - b. Utility: Indiana Michigan Power Company
 - c. Location of wind facilities: Indiana
 - d. Docket number: 43328 (cause number)
 - e. Approval date: November 28, 2007
 - f. Program: Self-imposed requirements

3. West Virginia
 - a. Commission: Public Service Commission of West Virginia
 - b. Utility: Appalachian Power Company and Wheeling Power Company
 - c. Location of wind facilities: West Virginia
 - d. Docket number: 08-1600-E-PC
 - e. Approval date: December 11, 2008
 - f. Program: Self-imposed requirements

4. Idaho
 - a. Commission: Idaho Public Utilities Commission
 - b. Utility: Idaho Power Company
 - c. Location of wind facilities: Idaho
 - d. Docket number: with Hot Springs Windfarm LLC, IPC-E-06-34; with Bennett Creek Windfarm LLC, IPC-E-06-35; with Idaho Winds LLC, IPC-E-06-36
 - e. Approval date: IPC-E-06-34, February 20, 2007; IPC-E-06-35, February 20, 2007; IPC-E-06-36, February 26, 2007
 - f. Program to satisfy: Small Qualifying Facility

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

**Response to Supplemental Data Request
of Commission Staff
Dated January 19, 2010**

Case No. 2009-00353

Question No. 2

Witness: Lonnie E. Bellar / Charles R. Schram

- Q-2. Refer to the response to item 3.b. of Staffs first request. Clarify whether the following characterization is accurate: If the sum of Joint Applicants' average system energy cost plus the cost of "alternative compliance payments" and any other costs that might be imposed on coal-fired generation through greenhouse gas legislation is lower than the delivered cost of energy under a renewable energy purchase power contract, it will be more economical to not execute such a contract.
- A-2. As stated, the above characterization is accurate; however, it makes at least two assumptions. First, it assumes there would be no limits on the use of alternative compliance payments to comply with an applicable renewable portfolio standard. Second, it assumes that the cost of alternative compliance payments for a future federal or Kentucky RPS would remain in the Waxman-Markey \$25/MWh range, which is not a certainty.

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

**Response to Supplemental Data Request
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Dated January 19, 2010**

Case No. 2009-00353

Question No. 3

Witness: Charles R. Schram

Q-3. Refer to the responses to item 4 of Staff's first request and item 10 of the first data request of the Attorney General and Kentucky Industrial Customers, Inc. In describing the contracts, both responses state that "[t]he Companies pay only for energy delivered. . . ." This appears to contradict page 10 of the Testimony of Lonnie E. Bellar, which indicates that if transmission service is curtailed, Joint Applicants must pay for energy that would have been generated absent the curtailment, plus compensate Invenergy for lost production credits. Clarify whether the response correctly describes the contract terms.

A-3. The Bellar Testimony correctly describes the contract terms; however, the cited responses also are accurate in their contexts. Item 4 of Staff's first request inquired about the reasonableness and support for the 31 percent capacity assumed in the first-year expense under the proposed contract. The Companies' response included a statement that "the Companies pay only for energy that is delivered, and therefore the developer bears all of the risk associated with under-delivery of energy". This statement accurately describes, from a generation perspective, that the Companies are not at risk of less-than-anticipated generation from the wind resource.

Item 10 of the Joint Intervenors' first request addressed the potential for hedging activities for wind generated power. The Companies accurately noted that the contract terms ensure that the wind developer bears all the financial risk associated with an uncertain generation profile. In addition, the per megawatt hour generated energy costs are certain over the full term of the contract. The response also noted the Companies' price risk associated with the potential congestion component of the transmission cost.

Transmission risk was completely addressed in the Testimony of Lonnie E. Bellar. The testimony discusses the Companies' responsibility for all transmission risk, including the requirements to a) pay for all energy that would have been produced without the transmission constraint and b) provide compensation for any production tax credits which the developer would have received if the energy would have been produced.

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

**Response to Supplemental Data Request
of Commission Staff
Dated January 19, 2010**

Case No. 2009-00353

Question No. 4

Witness: Douglas Keith Schetzel

- Q-4. Refer to the response to item 5.b. of Staffs first request.
- a. Explain why, among the 15 wind energy power agreements Joint Applicants studied that disclose the location of the generation facilities, none were located in the Illinois area where the Grand Ridge facilities are located.
 - b. Explain whether Joint Applicants believe location of the generation facilities pertinent to those agreements has any relevance to those agreements' terms.
- A-4. a. & b. Joint Applicants studied a number of Agreements that were publicly available while considering several potential bidders located in different states to be aware of the types of terms and conditions negotiated in wind power agreements. Joint Applicants do not believe the location of the generation facilities is pertinent to those Agreements, nor does it have any relevance to those Agreements' terms except for the specific transmission arrangements required to deliver the power. For that reason, the Companies did not believe it was necessary to study wind power agreements relating to facilities in Illinois.

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

**Response to Supplemental Data Request
of Commission Staff
Dated January 19, 2010**

Case No. 2009-00353

Question No. 5

Witness: Douglas Keith Schetzel

- Q-5. Refer to the responses to items 10 and 11 of Staffs first request. Given that Joint Applicants studied actual data from October 2008 through September 2009 to determine the amount and type of transmission service they should request, explain why they did not, or were unable to, review that data to compare Invenergy's forecasted production with its actual production to determine the reliability of its forecasts.
- A-5. The data studied by Joint Applicants was the actual historic data for Grand Ridge I for the hours in which the wind farm's output exceeded more than 90 percent of its combined nameplate rating. Because this was only a partial data set, Joint Applicants did not compare the actual data with Invenergy's production forecast.