an e·on company

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

RECEIVED

APR 08 2010

PUBLIC SERVICE
COMMISSION

Louisville Gas and Electric Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

Lonnie E. Bellar
Vice President
T 502-627-4830
F 502-217-2109
lonnie.bellar@eon-us.com

April 8, 2010

RE: ***Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Base Rates*** **– Case No. 2009-00549**

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and ten (10) copies of the Response of Louisville Gas and Electric Company to the Second Set of Data Requests of Kentucky Industrial Utility Customers, Inc. dated March 26, 2010, in the above-referenced matter.

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

Sincerely,

Lonnie E. Bellar

cc: Parties of Record

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS BASE RATES	)))	CASE NO. 2009-00549

RESPONSE OF LOUISVILLE GAS AND ELECTRIC COMPANY TO THE SECOND SET OF DATA REQUESTS OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. DATED MARCH 26, 2010

FILED: April 8, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Daniel K. Arbough**, being duly sworn, deposes and says that he is Treasurer for 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.

Daniel K. Arbough

Daniel K. Arbough

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 7st day of April 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

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 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

Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 5th day of April 2010.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Director - Rates 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.

Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 5th day of April 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Chris Hermann**, being duly sworn, deposes and says that he is Senior Vice President, Energy Delivery for 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.

Chris Hermann

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 5th day of April 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **Ronald L. Miller**, being duly sworn, deposes and says that he is Director – Corporate Tax 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.

Ronald L. Miller

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 5th day of April 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 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
Charles R. Schram

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 1st day of April 2009.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **Valerie L. Scott**, being duly sworn, deposes and says that she is Controller for Louisville Gas and Electric Company and an employee of E.ON U.S. Services, Inc., and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

Valerie L. Scott
Valerie L. Scott

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 5th day of April 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **William Steven Seelye**, being duly sworn, deposes and states that he is a Principal and Senior Analyst with The Prime Group, LLC, 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.

W. Seelye

William Steven Seelye

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 31st day of March 2010.

Victoria B. Hayes (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Paul W. Thompson**, being duly sworn, deposes and says that he is Senior Vice President, Energy Services for 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.

Paul W. Thompson

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 1st day of April 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Second Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated March 26, 2010

Question No. 1

Responding Witness: Lonnie E. Bellar/Counsel

Q-1. Referring to LG&E's response to KIUC Data Request 1-1d, please note that the request only addresses alternatives that were considered but rejected—not the basis for KU's decision to reject any alternative that was not included in its application. Therefore, please provide the requested information.

A-1. As previously stated in response to KIUC Data Request 1-1(d), any response to this question necessarily requires the Company to reveal the contents of its communications with counsel and the mental impressions of counsel, which information is protected from disclosure by the attorney-client privilege and work product doctrine.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Second Set of Data Requests of Kentucky Industrial Utility Customers, Inc. Dated March 26, 2010

Question No. 2

Responding Witness: Lonnie E. Bellar/William Steven Seelye

Q-2. Referring to LG&E's response to KIUC Data Request 1-3:

a. Please provide the information requested in KIUC Data Request 1-3b for each physical curtailment.

b. Please provide the information provided in response to KIUC Data Request 1-3c in native format (preferably Excel).

A-2. a. The contract with the customer under the CSR is for a "firm" demand level and not a curtailable amount. When a curtailment is requested, the request is for the customer to curtail its load down to the contract firm amount. Therefore, the "MW of load curtailment requested" for each physical curtailment is not known and could not be provided as requested. Only under a "buy-through" curtailment is the amount the customer desires to purchase known. That information was provided in the attachment to the response.

b. An electronic version of the attachment to the response to KIUC 1-3 is included on the CD in the file folder titled Question No. 2.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Second Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated March 26, 2010

Question No. 3

Responding Witness: Lonnie E. Bellar

Q-3. Referring to LG&E's response to KIUC Data Request 1-4, please explain in detail why LG&E has not attempted to learn from customers why they have not taken service under Rider CSR2.

A-3. The parameters of Rider CSR2 are the result of a settlement agreement from the Company's 2008 rate case and reflect the input of the consumer representatives who participated in that case. This rate schedule has been effective since February 6, 2009 or slightly more than a year. During this time, the customers who are eligible for this rider have experienced significant challenges from the changes in the economy. Company account representatives routinely meet with these customers to review their energy requirements and expected operations, and the various rate schedules applicable. To the extent that customers inquire about service under Rider CSR2 or it appears to be a viable option, the Company discusses pros and cons of taking service under this rider with the customer.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Second Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated March 26, 2010

Question No. 4

Responding Witness: Charles R. Schram

Q-4. Referring to LG&E's response to KIUC Data Request 1-12, please provide all workpapers, studies, analyses, and documents supporting and/or underlying the statement regarding Oglethorpe Power Corporation's purchase of CT capacity.

A-4. See attached.

Louisville Gas and Electric Company
Case No. 2009-00549

Supporting Data for CT Capacity Purchases

Announce Date	Plant Name	Owner	Ultimate Parent	Fuel Type	Generation Technology	Year First Unit in Service	Current Operating Capacity (MW)	Total Deal Installed Nameplate Capacity (MW)	State	NERC Region Code	Buyer Name	Seller Name	Completed Transaction Value ($000)	Announced Deal Transaction Value/ Nameplate Cap ($/KW)	Deal Summary
7/24/2009	Hartwell Energy Facility	Hartwell Energy Ltd. Partnership	Oglethorpe Power Corporation	Gas	Combustion Turbine	1994	300	360	GA	SERC	Oglethorpe Power Corporation	Investor group	148,500	413	Tucker, Ga.-based Oglethorpe Power Corp. has acquired Hartwell, Ga.-based Hartwell Energy Limited Partnership from an investor group, consisting of London-based International Power PLC, Irving, Texas-based Natural Gas Partners LLC and Paul Prager, a private investor. Hartwell owns a 360 MW peaking power plant, located in Hart County, Georgia.
2/25/2009	Hawk Road Energy Facility	Heard County Power, LLC	Oglethorpe Power Corporation	Gas	Combustion Turbine	2001	566	495	GA	SERC	Oglethorpe Power Corporation	Dynegy Inc.	203,100	410	Tucker, Ga.-based Oglethorpe Power Corp. has acquired Heard County power facility from a subsidiary of Houston-based Dynegy Inc. Heard County is a 495 MW natural gas-fired peaking facility, located in Heard County, Ga.

Source: SNL Financial

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Second Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated March 26, 2010

Question No. 5

Responding Witness: Chris Hermann

Q-5. Please refer to the Company's response to KIUC 1-40(b). The response does not answer the question asked. Please respond to the question. If there are no analyses that are responsive to the question, then please so state. If there are, then provide a copy of each such analysis.

A-5. As indicated in LG&E's response to KIUC 1-40(b), an analysis performed by or on behalf of the Company comparing cycle-based vegetation management to a multi-cycle strategy is not available.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Second Set of Data Requests of Kentucky Industrial Utility Customers, Inc. Dated March 26, 2010

Question No. 6

Responding Witness: Chris Hermann

Q-6. Refer to the Company's response to KIUC 1-42. Please provide a copy of all cost/benefit studies and analyses that were performed and/or otherwise quantified benefits from replacing the Company's prior customer information system with the CCS, including, but not limited to, any construction authorization requests and supporting documentation.

A-6. See response to AG 1-38.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Second Set of Data Requests of Kentucky Industrial Utility Customers, Inc. Dated March 26, 2010

Question No. 7

Responding Witness: Ronald L. Miller

Q-7. Refer to the Company's response to KIUC 1-44(d). The question was addressed to the situation whereby the coal tax credit was applied to reduce the Kentucky state income tax. Please respond to the question that was asked.

A-7. The Company expects the 2009 coal tax credit that will be recognized in 2010 to be applied against the 2010 Property Tax. If the coal tax credit were applied to Kentucky state income tax, the state tax credit (less the loss of applicable federal tax benefit) would be grossed-up to quantify the revenue requirements.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

**Response to First Second Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated March 26, 2010**

Question No. 8

Responding Witness: Paul W. Thompson/Ronald L. Miller

Q-8. Refer to the Company's response to KIUC 1-45.

a. Is there any reason the Company believes that it will not qualify for the $2 per ton credit for eligible Kentucky coal purchases for new clean coal facilities?

b. Will the coal used at TC2 be subject to the tax imposed under KRS 143.020 as referenced in KRS 141.428(1)(d)? If not, please explain why it will not be.

c. Is the Company or its parent subject to tax under KRS 136.120 as referenced in KRS 141.428(2)(a) and (b)? If not, please explain why it will not be.

d. Please describe the taxes imposed by: i) KRS 136.070, ii) KRS 136.120, and iii) KRS 141.020 or 141.040, and 141.041 as referenced in KRS 141.428(3)(a).

e. To the extent the Company qualifies for the $2 per ton credit for eligible Kentucky coal purchases for new clean coal facilities and the credit is applied to reduce the Company's Kentucky state income tax, please confirm that the Company agrees that the revenue requirement effect is the amount of the credit grossed-up for income taxes. If the Company does not agree with this statement, then please explain why it disagrees and provide a copy of all research and/or source documents upon which it relies for such disagreement.

f. Please provide the number of tons of coal that the Company will burn at TC2 at an 85% assumed capacity factor. Please provide all assumptions necessary to replicate the Company's quantification.

g. Please provide the Btu content of the coal that the Company will burn at TC2.

h. Please provide the projected heat rate of TC2.

A-8. a. As stated in the response to KIUC 1-45 b and c, the Kentucky Department of Energy and Environment has not formulated the qualification criteria or procedures for certification. Without knowing the criteria and procedures, qualification is not known at this time.

b. KRS 143.020 imposes a tax on the severance and/or processing of coal in the state of Kentucky. LG&E expects that Kentucky sourced coal used at TC2 will be subject to the severance tax imposed under KRS 143.020. The remaining coal purchased will originate outside of Kentucky and will not be subject to the tax imposed under KRS 143.020.

c. Yes, LG&E is subject to tax under KRS 136.120 which imposes state property taxes on operating property of public service corporations, including gas and electric power companies.

d. i) KRS 136.070 imposed a corporation license tax on corporations either having a commercial domicile in this state or foreign corporations owning or leasing property within the State of Kentucky. This tax ended for tax periods ending on 12/31/05 and later. As a public service corporation LG&E was not subject to the tax under KRS 136.070 prior to its expiration under KRS 136.0701.

ii) KRS 136.120 imposes state property taxes on operating property for public service corporations, including gas and electric power companies. LG&E is a public service corporation that is centrally assessed property taxes under KRS 136.120.

iii) KRS 141.020 is the imposition of Kentucky state income taxes on individuals. KRS 141.040 is the imposition of Kentucky income taxes on corporations. KRS 141.041 is the imposition of Kentucky limited liability entity taxes. LG&E is subject to KRS 141.040.

e. If LG&E receives the new clean coal incentive tax credit and if the credit were applied to reduce Kentucky income taxes, the revenue requirement effect of the state credit (less the loss of applicable federal tax benefit) would be grossed up for income taxes. However, LG&E has not applied for nor received the new clean coal incentive tax credit.

f. The Company does <u>not</u> anticipate operating TC2 at an 85% capacity factor, particularly in the first year of operation. The tons burned for total Trimble County 2 at an 85% capacity factor is estimated at 2,500,000 per year. That is based on 6,942 MMBTU per hour, an 85% capacity factor, and a BTU content per pound of 10,340. Therefore the BTU calculation is 6,942 X 24 hours X 365 days X 85% Capacity Factor X 1,000,000 = 51,690,132,000,000 BTU's.

BTU's per ton = 10,340 BTU's per pound X 2000 pounds = 20,680,000.

Tons per year = 51,690,132,000,000 divided by 20,680,000 = approx. 2,500,000.

Tons Calculated Above	2,500,000
Adjustment for 25% IMEA/IMPA ownership	0.75
KU/LG&E ownership tons	1,875,000
LG&E ownership percentage	0.19
LG&E tons	356,250
Estimated Kentucky Purchases	0.53
LG&E Kentucky purchases	188,813

g. The expected BTU content of the coal is 10,340 BTU per Pound.

h. The projected average net heat rate for the unit is 8,774 (BTU/kWh) for the year 2010, and 8,753 (BTU/kWh) for the year 2011.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Second Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated March 26, 2010

Question No. 9

Responding Witness: Valerie L. Scott

Q-9. Refer to the Company's response to KIUC 1-51. Please provide the amount of the Company's postretirement benefit obligation for each month December 2008 through the most current month for which information is available by FERC account/subaccount using the same definition for this amount as used by S&P's for debt equivalent purposes.

A-9. See attached.

Louisville Gas & Electric
S&P Postretirement Benefit Obligation

	(1) Pension Burdening 184096	(2) Pension Interest Burdening 184119	(3) Pension Liability 228304	(4) Postretirement Burdening 184097	(5) Postretirement Int. Burdening 184120	(6) Postretirement Liability 228301	(7) Postretirement Current Liability 242021	(8) Sum (1)-(7) Gross Total	(9) (8) x 35% Tax Effect	(10) (8)-(9) S&P Net Total
December 2008 [1,2]	-	-	(143,135,667)	-	-	(82,092,797)	(3,411,968)	(228,640,432)	(80,024,151)	(148,616,281)
January 2009	(929,332)	557,876	(143,135,667)	(267,983)	(423,222)	(80,115,741)	(3,411,968)	(227,726,037)	(79,704,113)	(148,021,924)
February 2009	(1,811,225)	1,087,167	(143,135,667)	(522,300)	(824,930)	(80,090,514)	(3,411,968)	(228,709,437)	(80,048,303)	(148,661,134)
March 2009	(5,568,596)	(927,325)	(143,135,667)	(899,527)	(1,305,252)	(80,065,357)	(3,411,968)	(235,313,692)	(82,359,792)	(152,953,900)
April 2009	(7,390,071)	(1,015,357)	(135,235,667)	(1,074,320)	(1,655,562)	(78,478,235)	(3,411,968)	(228,261,180)	(79,891,413)	(148,369,767)
May 2009	(9,237,503)	(1,269,148)	(135,235,667)	(1,342,872)	(2,069,409)	(78,478,074)	(3,411,968)	(231,044,641)	(80,865,624)	(150,179,017)
June 2009	(11,084,723)	(1,522,977)	(135,235,667)	(1,611,446)	(2,483,291)	(78,478,074)	(3,411,968)	(233,828,146)	(81,839,851)	(151,988,295)
July 2009	(12,932,135)	(1,776,802)	(135,235,667)	(1,880,018)	(2,897,168)	(76,865,910)	(3,411,968)	(234,999,668)	(82,249,884)	(152,749,784)
August 2009	(14,779,927)	(2,030,698)	(135,235,667)	(2,148,640)	(3,311,123)	(76,816,164)	(3,411,968)	(237,734,187)	(83,206,965)	(154,527,222)
September 2009	(16,791,081)	(2,314,117)	(135,235,667)	(2,438,928)	(3,758,304)	(76,816,164)	(3,411,968)	(240,766,229)	(84,268,180)	(156,498,049)
October 2009	(18,310,395)	(2,508,645)	(135,235,667)	(2,663,984)	(4,105,449)	(75,310,319)	(3,411,968)	(241,546,427)	(84,541,249)	(157,005,178)
November 2009	(20,321,887)	(2,792,125)	(135,235,667)	(2,954,318)	(4,552,699)	(74,468,296)	(3,411,968)	(243,736,960)	(85,307,936)	(158,429,024)
December 2009 [2]	-	-	(115,839,112)	-	-	(81,864,530)	(3,411,766)	(201,115,408)	(70,390,393)	(130,725,015)
January 2010	(1,645,199)	(141,700)	(95,939,112)	(218,255)	(384,360)	(80,398,720)	(3,411,766)	(182,139,112)	(63,748,689)	(118,390,423)
February 2010	(3,374,077)	(295,893)	(95,939,112)	(447,628)	(786,643)	(80,384,406)	(3,411,766)	(184,639,525)	(64,623,834)	(120,015,691)

[1] The S&P Net Total amount reported was calculated using amounts rounded to the millions rather than the precise amounts used above.
[2] The burden accounts are cleared in December when actual liabilities are recorded to agree with amounts reported by Mercer.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Second Set of Data Requests of Kentucky Industrial Utility Customers, Inc. Dated March 26, 2010

Question No. 10

Responding Witness: Daniel K. Arbough

Q-10. Refer to the Company's response to KIUC 1-52. Please confirm that the Company has no written guidelines or policies for the use of short term debt or provide a copy of all such guidelines as requested in the question that was asked.

A-10. LG&E does not have a written policy or guideline for the use of short-term debt. As noted in the response to KIUC 1-49, the Company does have a well established operating practice of keeping short-term debt below $100 million (excluding debt incurred to acquire tax-exempt bonds) to preserve liquidity availability to respond to unanticipated cash needs or adverse long-term debt market conditions. The outstanding balances will move daily within this range as a result of working capital and capital project funding needs.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Second Set of Data Requests of Kentucky Industrial Utility Customers, Inc. Dated March 26, 2010

Question No. 11

Responding Witness: Lonnie E. Bellar

Q-11. Refer to the Company's response to KIUC 1-56.

a. Please provide a copy of the settlement agreement with SPP concerning its provision of ITO services to the Companies.

b. Please provide all support for the Company's estimate of \$3-\$4 million to self-provide ITO services after August 2010. In addition, please demonstrate that this estimate is incremental to the amounts included in the test year expense. If the entirety of the estimate is not incremental to the amounts included in the test year expense, please provide the incremental expense and the assumptions and computations of the incremental expense amount.

A-11. a. See attached CD in folder titled Question No. 11.

b. See attached for the support for the Company's estimate to self-provide ITO services. The information was provided to the Commission in Case No. 2009-00427. The amount of SPP ITO test year expense is \$1,202,400 for LG&E and \$2,137,600 for KU. The combined total test year expense is \$3,340,000. The Company's estimate is not incremental to the amounts included in the test year expense. The Companies will incur the expenses to self-provide ITO services when SPP no longer provides these services. However, the proceeding before FERC to gain approval to self-perform these ITO functions is still pending. The current contract with SPP expires September 1, 2010, unless extended another six months under the terms of that agreement. Should the FERC not approve the Companies' application by September 1, 2010, the Companies anticipate extending the contract with SPP for the additional six month period. Should the FERC deny the Companies' application, the Companies will have to seek third-party services similar to those provided by SPP.

KENTUCKY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Commission Staff's First Data Request
Dated December 3, 2009

Case No. 2009-00427

Question No. 4

Witness: Edwin R. "Ed" Staton, Director, Transmission

Q-4. Refer to page 8 of the joint application, paragraph No. 17.

a. Provide a narrative description and numerical breakdown of the projected annual cost of $3 to $4 million for the Joint Applicants to self-provide ITO services. This should reflect all categories of cost; i.e. labor, IT, etc.

b. Provide a narrative description and numerical breakdown of the projected $2 million in start-up costs related to Joint Applicants commencing to self- provide ITO services. This should reflect all categories of cost; i.e. labor, IT, etc.

A-4.

a. The costs associated with transferring the OATT functions to LG&E/KU are estimated based on activities and IT processes to successfully replicate those functions currently performed by the ITO. Those functions primarily include granting and denying transmission service requests, performing system impact studies, maintaining and posting transmission information on the OASIS, and performing large and small generation interconnect studies.

Estimated annual costs (in millions):

<u>O&M</u>

Labor	$1.62
Software Support	$0.15
Administrative Support	$0.25
Technical Consulting	$0.50
Market Monitor	<u>$0.50</u>
Annual Operating Costs	$3.02

Capital

IT (Software/hardware)	$0.10
Annual Ongoing Capital Cost	$0.10

The labor component is the largest of the annual estimated costs. The labor estimate comprises the costs to hire additional staff as follows:

- Two planning engineers to perform the system impact studies, facilities studies, interconnection studies, and process all transmission service requests;

- Six total coordinators, analysts, and managers to man a 24 hour desk to monitor, approve, and manage the interchange schedules and to administer the OASIS; and

- One administrative assistant to support the various functions

The remaining categories of costs (software support, administrative support, technical consulting, as well as capital costs related to IT) are non-labor, external costs to support LG&E/KU's administration of the OASIS, including the development of automated systems for transaction evaluations, review of Available Transfer Capacity ("ATC") development and posting processes/procedures, development of procedures for all other posting requirements of the tariff, management of OASIS historical data, and the cost for a vendor to host OASIS and electronic tagging systems.

Costs associated with the Market Monitor function is included in anticipation of a potential requirement that an independent Market Monitor be in place in order to obtain FERC's conditional approval to transfer the function to LG&E/KU.

The total annual costs were estimated to escalate at the normal rate of inflation.

b. The estimated start up costs associated with the transition of the current ITO functions are as follows (in millions):

		2009	2010
Transaction Costs:			
	FERC	$0.30	$0.70
	KPSC	$0.25	$0.25

	2009	2010
Capital		
I.T. – Software		$0.25
I.T. - Hardware		$0.25
Total Start Up Costs:	$0.55	$1.45

The transaction costs include estimates of legal and regulatory support to effectuate the transfer of the functions to LG&E/KU.

The capital costs are associated with initial investments for software and associated hardware to operate the OASIS in-house, including license agreement fees for the OATI (Open Access Technology International Inc.) system for OASIS operation, server purchases, and other costs of initial implementation

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Second Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated March 26, 2010

Question No. 12

Responding Witness: Robert M. Conroy

Q-12. Refer to the Company's response to KIUC 1-57(c). Please answer the question asked. The Company's response to Staff 2-33 does not answer this question.

A-12. As stated in response to KPSC 2-33, the Company followed the methodology adopted by the Commission in prior cases. While LG&E is not opposed to the use of a weighted monthly average methodology instead of the current simple average methodology, the Company will continue to be guided by the methodology accepted by the Commission. Whichever methodology is determined appropriate, it should be consistently applied in future proceedings and not be subject to change depending on the end result. See also the response to KPSC 3-16.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

**Response to First Second Set of Data Requests of
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Dated March 26, 2010**

Question No. 13

Responding Witness: Lonnie E. Bellar

Q-13. Refer to the spreadsheet provided in response to KIUC 1-61.

a. The spreadsheet amounts are all range valued or input. The question asked the Company to provide all assumptions, data, computations and electronic spreadsheets with formulas intact. The Company's spreadsheet does not provide the information that was requested. Please provide this information for each line item in the spreadsheet provided, including, but not limited to, the forward price curves relied on for the OSS revenues.

b. Please explain why the Company believes that it should subtract the MISO RSG and transmission costs from the OSS revenues if the OSS revenues do not include recovery of these amounts from the purchasers.

A-13. a. In response to KIUC 1-61 a reference to attachment Question No. 61(b) was made and the associated file was included on the attached Confidential CD under the folder titled Question No. 61-Confidential. This file contains the requested input assumptions (including the forward price curve) used in the PROSYM production costing model from which the primary information in KIUC 1-61 was derived. There are no formulas or calculations in the spreadsheet. The information is output from the PROSYM production costing model.

The attachment provided on the CD in the folder titled Question No. 61 contained one revenue line and four expense lines as components of the calculation of OSS margins. The **OSS Revenue** line is derived from the PROSYM production costing model with a key input being the forward price curve assumption noted above. Likewise, the **OSS Fuel Expense** line is derived from PROSYM with the key inputs detailed in the attachment to KIUC 1-61, Confidential CD under the folder titled Question No. 61-Confidential. The **OSS Losses Expense** line is calculated as 1% of the fuel cost associated with OSS to align with the transmission line loss calculation in the Companies' FAC. The **OSS MISO RSG Expense** line is derived from the hourly results of the PROSYM production costing model utilizing the projected hourly sales and an estimate of RSG costs which varies by hour for both weekdays and weekends. The estimated RSG costs are based on historical values and range from $0.10/MWh to $7/MWh. Finally, the **OSS Transmission Expense** line is based on an annual firm transmission cost of $1.159 M for the first 100 MW/hr and above 100 MW/hr transmission is costed at $2.99/MWh On-Peak and $1.45/MWh Off-Peak.

b. MISO RSG and transmission costs represent incremental costs that are directly associated with the Companies' OSS activity. Thus it is appropriate to subtract these cost items from OSS revenues to determine OSS margins.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Second Set of Data Requests of Kentucky Industrial Utility Customers, Inc. Dated March 26, 2010

Question No. 14

Responding Witness: Valerie L. Scott

Q-14. Refer to the Company's response to Staff 2-30(b).

a. Please provide a further breakdown of internal labor into straight time labor, overtime labor, benefits loading with straight time labor, benefits loading with overtime labor, payroll taxes on straight time labor, and payroll taxes on overtime labor.

b. To the extent the Company used different benefits loading on straight time labor and overtime labor, please provide an explanation for the different benefits loading rates.

c. To the extent the Company used different payroll taxes loading on straight time labor and overtime labor, please provide an explanation for the different payroll taxes loading rates.

A-14. a. See attached.

b. All benefits are applied to straight time labor. The Team Incentive Award is the only benefit applied to overtime labor.

c. The same payroll tax rates are applied to straight time labor and overtime labor.

Louisville Gas and Electric Company
Detail of Internal Labor Costs for Storm Restorations
$ in Thousands

Capital

	A	B	C	D	E	F	G	H	I	J	K
							= C + E	= D + F	= A + G	= B + H	= I + J
	Raw Internal Labor		Internal Labor Payroll Taxes		Internal Labor Benefits		Internal Labor Burdens		Burdened Internal Labor		
	ST Labor	OT Labor	ST Labor	OT Labor	ST Labor	OT Labor	ST Labor	OT Labor	ST Labor	OT Labor	Total
2008 Windstorm - LG&E to LG&E	$ 62	$ 209	$ 5	$ 21	$ 55	$ 50	$ 60	$ 71	$ 122	$ 280	$ 402
2008 Windstorm - KU to LG&E	8	160	1	14	7	30	8	44	16	204	220
2008 Windstorm - Servco to LG&E	12	-	1	-	9	-	10	-	22	-	22
2008 Windstorm - Internal Labor	$ 82	$ 369	$ 7	$ 35	$ 71	$ 80	$ 78	$ 115	$ 160	$ 484	$ 644
2009 Winter Storm - LG&E to LG&E	$ 70	$ 168	$ 6	$ 12	$ 77	$ 40	$ 83	$ 52	$ 153	$ 220	$ 373
2009 Winter Storm - KU to LG&E	1	6	-	-	-	2	-	2	1	8	9
2009 Winter Storm - Servco to LG&E	1	-	-	-	-	-	-	-	1	-	1
2009 Winter Storm - Internal Labor	$ 72	$ 174	$ 6	$ 12	$ 77	$ 42	$ 83	$ 54	$ 155	$ 228	$ 383
Total Internal Labor Charged to Capital	$ 154	$ 543	$ 13	$ 47	$ 148	$ 122	$ 161	$ 169	$ 315	$ 712	$ 1,027

Expense

	Raw Internal Labor		Internal Labor Payroll Taxes		Internal Labor Benefits		Internal Labor Burdens		Burdened Internal Labor		
	ST Labor	OT Labor	ST Labor	OT Labor	ST Labor	OT Labor	ST Labor	OT Labor	ST Labor	OT Labor	Subtotal
2008 Windstorm - LG&E to LG&E	$ 327	$ 1,277	$ 32	$ 129	$ 240	$ 109	$ 272	$ 238	$ 599	$ 1,515	$ 2,114
2008 Windstorm - KU to LG&E	76	1,038	7	93	54	76	61	169	137	1,207	1,344
2008 Windstorm - Servco to LG&E	365	81	29	6	252	12	281	18	646	99	745
2008 Windstorm - Internal Labor	$ 768	$ 2,396	$ 68	$ 228	$ 546	$ 197	$ 614	$ 425	$ 1,382	$ 2,821	$ 4,203
2009 Winter Storm - LG&E to LG&E	$ 455	$ 1,618	$ 37	$ 116	$ 364	$ 147	$ 401	$ 263	$ 856	$ 1,881	$ 2,737
2009 Winter Storm - KU to LG&E	6	56	1	1	4	8	5	9	11	65	76
2009 Winter Storm - Servco to LG&E	407	68	34	5	278	10	312	15	719	83	802
2009 Winter Storm - Internal Labor	$ 868	$ 1,742	$ 72	$ 122	$ 646	$ 165	$ 718	$ 287	$ 1,586	$ 2,029	$ 3,615
Total Internal Labor Charged to Expense	$ 1,636	$ 4,138	$ 140	$ 350	$ 1,192	$ 362	$ 1,332	$ 712	$ 2,968	$ 4,850	$ 7,818

Total

	Raw Internal Labor		Internal Labor Payroll Taxes		Internal Labor Benefits		Internal Labor Burdens		Burdened Internal Labor		
	ST Labor	OT Labor	ST Labor	OT Labor	ST Labor	OT Labor	ST Labor	OT Labor	ST Labor	OT Labor	Subtotal
2008 Windstorm - LG&E to LG&E	$ 389	$ 1,486	$ 37	$ 150	$ 295	$ 159	$ 332	$ 309	$ 721	$ 1,795	$ 2,516
2008 Windstorm - KU to LG&E	84	1,198	8	107	61	106	69	213	153	1,411	1,564
2008 Windstorm - Servco to LG&E	377	81	30	6	261	12	291	18	668	99	767
2008 Windstorm - Internal Labor	$ 850	$ 2,765	$ 75	$ 263	$ 617	$ 277	$ 692	$ 540	$ 1,542	$ 3,305	$ 4,847
2009 Winter Storm - LG&E to LG&E	$ 525	$ 1,786	$ 43	$ 128	$ 441	$ 187	$ 484	$ 315	$ 1,009	$ 2,101	$ 3,110
2009 Winter Storm - KU to LG&E	7	62	1	1	4	10	5	11	12	73	85
2009 Winter Storm - Servco to LG&E	408	68	34	5	278	10	312	15	720	83	803
2009 Winter Storm - Internal Labor	$ 940	$ 1,916	$ 78	$ 134	$ 723	$ 207	$ 801	$ 341	$ 1,741	$ 2,257	$ 3,998
Total Internal Labor	$ 1,790	$ 4,681	$ 153	$ 397	$ 1,340	$ 484	$ 1,493	$ 881	$ 3,283	$ 5,562	$ 8,845

Attachment to Response to LGE KIUC-2 Question No. 14
Page 1 of 1
Scott