LG&E
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 Third Data Request of Commission Staff 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 | ) | CASE NO. |
| ELECTRIC COMPANY FOR AN ADJUSTMENT | ) | 2009-00549 |
| OF ITS ELECTRIC AND GAS BASE RATES | ) | |

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO THE
THIRD DATA REQUEST OF COMMISSION STAFF
DATED MARCH 26, 2010

FILED: April 8, 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

## 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.

CHermann

**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, **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, **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, **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, **Butch Cockerill**, being duly sworn, deposes and says that he is Director – Revenue Collection 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.

Butch Cockerill
**Butch Cockerill**

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, **Shannon L. Charnas**, being duly sworn, deposes and says that she is Director – Utility Accounting and Reporting for 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.

Shannon L. Charnas
**Shannon L. Charnas**

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, **J. Clay Murphy**, being duly sworn, deposes and says that he is Director – Gas Management, Planning, and Supply for Louisville Gas and Electric Company, 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.

J Clay Murphy

**J. Clay Murphy**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 29th day of March 2010.

Rashelle W. Gaines (SEAL)
Notary Public

My Commission Expires:

Feb. 28, 2014

**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. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 1**

**Responding Witness: William Steven Seelye**

Q-1. Refer to Seelye Exhibit 7. Except for the Commercial Time-of-Day ("CTOD") class, for those classes that have a temperature normalization adjustment, the amount of the adjustment under proposed rates is different than under present rates. Explain why the amount changes from present to proposed rates for all classes except CTOD.

A-1. The amount of the adjustment under the proposed rates should be different than under the present rate for CTOD. An electronic version of the corrected spreadsheet is provided on the attached CD in the folder titled Question No. 1. The revised exhibit is included in the spreadsheet tab labeled "Proposed Detail".

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 2**

**Responding Witness: William Steven Seelye**

Q-2. Refer to Seelye Exhibit 11. Provide the calculations and supporting workpapers for the currently approved cable TV attachment ("CATV") rates.

A-2. Attached are the calculations and supporting workpapers for the currently approved cable TV ("CATV") attachment rates submitted as an exhibit to the direct testimony of Randall J. Walker in Case No. 90-158. Also attached are the pages from the Commission's Order in Case No. 90-158 approving the methodology proposed by Mr. Walker.

# LOUISVILLE GAS AND ELECTRIC COMPANY

## Calculation of Attachment Charges for CATV Using Method Prescribed by the Ky. PSC In Order #251 Dated September 17, 1982

| Pole Size | Quantity | Installed Cost | Average Installed Cost |
|---|---|---|---|
| **Weighted Average Bare Pole Cost as of 12/31/89*** | | | |
| 35' | 20,984 | $ 3,360,375 | $160.14 |
| 40' | 69,296 | 16,315,985 | 235.45 |
| | 90,280 | $19,676,360 | $217.95 |
| **Three-User Poles** | | | |
| 40' | 69,296 | $16,315,985 | $235.45 |
| 45' | 14,269 | 4,900,925 | 343.47 |
| | 83,565 | $21,216,910 | $253.90 |

### Two-User Pole Charge

$217.95 X .1224 Usage Space Factor = $26.68
$ 26.68 X .2420 Annual Carrying Charge = $6.46
$ 6.46 Annual Charge ÷ 12 = 53.83 cents
Monthly Charge - 54 cents

### Three-User Pole Charge

$253.90 X .0759 Usage Space Factor = $19.27
$ 19.27 X .2420 Annual Carrying Charge = $4.66
$ 4.66 Annual Charge ÷ 12 = 38.92 cents
Monthly Charge = 39 cents

* Bare pole costs are available on Company's property records for Account 364.

## LOUISVILLE GAS AND ELECTRIC COMPANY

### Calculation of Annual Carrying Charge

| | |
|---|---|
| Proposed Rate of Return (Case No. 90-158) | 10.32% |
| Depreciation - Sinking Fund | .34 |
| Income tax (1) | 4.27 |
| Property tax and insurance | .69 |
| Operation and Maintenance (Page 3) | 9.27 |
| Total | 24.20% |

(1) Derived from rates on equity capital, proposed in Case No. 90-158.

| | Capitalization Ratio | Annual Rate | Composite Rate |
|---|---|---|---|
| Common | 43.60% | 13.50% | 5.89% |
| Preferred | 8.28 | 8.09 | .67 |
| Total Equity | 51.88 | | 6.56% |
| Debt | 48.12 | 7.82 | 3.76 |
| Total Capitalization | 100.00% | | 10.32% |

Composite federal and state income taxes rate = 39.445%

Income Tax = [.39445/(1 - .39445)] X (.0656) = 4.27%

# LOUISVILLE GAS AND ELECTRIC COMPANY

## Operation and Maintenance Expenses for 1989

| | | |
|---|---|---|
| 1. Labor Charged to 593 - Poles, Towers | | |
| and Fixtures Subaccount | $473,518 | |
| - Tree Trimming | 94,826 | |
| | | $ 568,344 |
| 2. Total Labor | | $139,392,588 |
| 3. Total Administrative and General Expenses | | $ 39,173,953 |

### Assignment of a Portion of A & G Expenses to Poles

$$\frac{\$\ 568,344}{\$139,392,588} \times \$39,173,953 = \$159,724$$

### Expenses Assigned to Poles

| | |
|---|---|
| Maintenance of Poles, Towers and Fixtures Subaccount 593001 | $ 1,071,414 |
| Tree Trimming of Electric Distribution Routes 593004 | 3,740,120 |
| A & G Expenses Assigned to Poles | 159,724 |
| Total | $ 4,971,258 |

### Adder to Annual Carrying Charges for O & M Expenses

$$\frac{\$\ 4,971,258 \text{ Expenses Assigned to Poles}}{\$53,600,375 \text{ Plant in Service - Account 364}} = 9.27\%$$

small increment of energy sales associated with the capacity required to meet its air conditioning demands.[136] These summer load characteristics indicate that LG&E's temperature- sensitive load is a major contributor to its generating and transmission costs and point out the need for long-term reductions in peak demand that can translate into lower future costs.

The Commission considers reduced peak demand, improved system load factor, and lower unit costs to be common goals that are in the best interest of all parties. To that extent, we are not persuaded that LG&E's winter rate design should be modified. Increased off-peak loads can produce many of the same benefits as reduced on-peak loads.

In recognition of concerns about cost recovery, customer acceptance, and revenue stability we have chosen a moderate approach to the implementation of an inverted block summer rate. The summer energy rate will remain unchanged for the first 600 KWH usage; the summer energy charge increase will be assigned in total to the usage in excess of 600 KWH. Given the relatively small number of KWH sold in relation to the capacity needed to meet air conditioning demands, this increase should not affect LG&E's revenue stability.

Cable Television Attachment Charges ("CATV")

LG&E proposed increasing its charges for CATV pole attachments by approximately 35 percent. LG&E's calculation of these charges was based on the formula established by the

---

136 Walker Direct Testimony, page 22.

Commission in Administrative Case No. 251[137] with an added cost component for tree trimming expense.

KCTA opposed the increase contending that LG&E's allocation of the entire amount of tree trimming expense included in Account 593.004, Tree Trimming of Electric Distribution Routes, to poles was improper. KCTA opined that the vast majority of the expense goes not to clear space for poles, but to clear space for LG&E's overhead conductions and services and for clearing a path for the span of lines between the poles. KCTA proposed allocating the tree trimming expense based on LG&E's investment in poles compared to its combined investment in poles, overhead conductors, and services thereby increasing LG&E's pole attachment charges by approximately 14 percent. KCTA also proposed that the approved pole attachment rates be calculated using the overall rate of return approved by the Commission in this case.

LG&E argued that since the cable television lines are strung between the poles, those lines are benefited by the tree trimming that clears the path between the poles. LG&E also pointed out that pole attachment charges are assessed through a formula, based on the percentage of usable space, that uses an allocation factor to derive the appropriate charge.

The clearing of the span between the poles inures to the benefit of all parties whose lines cover the span, be they

---

137 Administrative Case No. 251, The Adoption of a Standard Methodology for Establishing Rates for CATV Pole Attachments, Order dated August 12, 1982.

electric, telephone, or CATV. As such, the full amount of the tree trimming expense is properly includible in calculating the O & M component of the annual carrying cost used to derive the pole attachment charge. Applying the annual carrying charge to an allocated fix cost component, derived using the percentage of usable space, effectively allocates the O&M component of the annual carrying charge. The result is a pole attachment charge which reflects an equitable allocation and recovery of LG&E's costs. The pole attachment charges proposed by LG&E, modified to reflect the overall rate of return of 9.89 percent, are granted.

Gas Rate Design

For the G-1 class, LG&E proposed to increase customer charges by approximately 24 percent and commodity charges by approximately 1.8 percent. This proposal reflected the results of LG&E's cost-of-service study and the need to improve the residential rate of return. LG&E maintains that since the average residential usage is significantly smaller than the usage of the commercial and industrial classes served under Rate G-1, the customer charge, rather than the commodity charge, is the appropriate rate to increase for the purpose of achieving a better balance between class rates of return.

The AG opposed the proposed increase in the residential customer charge from $4.35 to $5.40, taking issue with several of LG&E's cost allocators used in arriving at its customer costs. The AG argued that the proposal acted as a disincentive for conservation by placing the bulk of the increase on the fixed portion of the customer's bill. The AG calculated a customer cost

# LOUISVILLE GAS AND ELECTRIC COMPANY

## CASE NO. 2009-00549

## Response to Third Data Request of Commission Staff
## Dated March 26, 2010

## Question No. 3

## Responding Witness: William Steven Seelye

Q-3. Refer to Seelye Exhibit 11, LG&E's response to Item 119 of Commission Staff's Second Data Request ("Staff's Second Request"), and LG&E's response to Item 28 of the Initial Data Request of the Kentucky Cable Telecommunications Association.

a. With regard to the response to Item 119, explain in detail the difference between a levelized and non-levelized charge.

b. Recalculate the CATV attachment charges with the only change being the use of net plant investment costs and provide an updated Exhibit 11.

c. The response to Item 28 discusses the calculation of the operation and maintenance expenses used in the calculation of the CATV charges.

(1) Starting with the rates as calculated in the application, recalculate the CATV rates if tree trimming expenses related to services and overhead conductors is excluded from the calculation of the adder for operation and maintenance expenses. If the expenses related to services and overhead conductors cannot be excluded from account 593004, Tree Trimming of Electric Distribution, recalculate the CATV rates if the adder for operation and maintenance expenses is calculated by dividing the Expenses Assigned to Poles of $6,817,950 by the net book value of Accounts 364, 365, and 369. Include an updated Exhibit 11 in the response.

(2) Starting with the rates as calculated in response to part b. of this request, recalculate the CATV rates if tree trimming expenses related to services and overhead conductors is excluded from the calculation of the adder for operation and maintenance expenses. If the expenses related to services and overhead conductors cannot be excluded from account 593004, Tree Trimming of Electric Distribution, recalculate the CATV rates if the adder for operation and maintenance expenses is calculated by dividing the Expenses Assigned to Poles of $6,817,950 by the net book value of Accounts 364, 365, and 369. Include an updated Exhibit 11 in the response

A-3. a. A *levelized carrying* charge is a uniform series of payments calculated by applying a uniform series capital recovery factor to the gross original cost investment. A capital recovery factor is equal to the rate of return plus sinking fund depreciation. The calculation of a levelized carrying charge rate is identical to the calculation of a conventional mortgage payment on a home. In calculating a levelized carrying charge -- or a mortgage payment -- a capital recovery factor is applied to the original, un-depreciated investment ("gross investment"). Without considering income taxes, a levelized carrying charge (LCC) is therefore calculated by applying the return on investment (ROR) plus the sinking fund depreciation to the gross investment, as follows:

LCC = Gross Investment x [ROR + Sinking Fund Depreciation Rate]

Mathematically, it is not appropriate to apply a capital recovery factor (which is equal to rate of return plus sinking fund depreciation) to the depreciated investment ("net investment"). In the context of the proposed CATV attachment charge, applying a capital recovery factor – which reflects *sinking fund depreciation* as opposed to *straight line depreciation* – to net investment would result in a significant under-recovery of costs and would thus inappropriately shift these costs onto other customers.

A *non-levelized carrying charge* (NLCC) is a non-uniform series of payments calculated by applying the rate of return to net investment and then adding straight-line depreciation, as follows:

NLCC = Net Investment x ROR + Straight Line Depreciation

A non-levelized carrying charge calculation corresponds to the methodology used to determine revenue requirements in a rate case. Importantly, in a rate case *straight line depreciation* rather than *sinking fund depreciation* is used to calculate revenue requirements.

On a present value basis, levelized carrying charges are equivalent to non-levelized carrying charges over the life of the investment. This can be seen in the following attachment (Table I) which compares the present-value non-levelized carrying charges on a $1,000 investment to the present-value levelized carrying charges on the same $1,000 investment. Please note that for both calculations, the sum of present value revenue carrying charges is equal to the original $1,000 investment.

But if sinking fund depreciation rather than straight-line depreciation is applied to net investment then an incorrect result is obtained. As seen in Table II, calculating carrying charges by applying a *sinking fund depreciation* rate to the *net investment* results in significant under-recovery of carrying costs. When the levelized and non-levelized carrying charges are properly calculated, the sum of the present-value carrying charges for each series is equal to $1,000. But when sinking fund depreciation is applied to net investment, the sum of the present value carrying charges is only equal to $721.54. What this means is that if carrying charges are miscalculated in this manner, only 72.15% of cost will be recovered over the life of the investment.

The conclusion reached is that either methodology – either a levelized fixed charge calculation or non-levelized fixed charge calculation – is reasonable assuming that the methodologies are properly applied *and* assuming that the same methodology is consistently applied over time. While on a present value basis both methodologies will yield the same result over the life of the investment, during any particular year the carrying charges will likely be different. For this reason, generally it is not appropriate to switch back and forth between the two methodologies. While LG&E does not have a fundamental objection with using a non-levelized carrying charge calculation to determine the CATV attachment charges *as long as straight-line depreciation is used in the calculation*, the Company does not believe that it is appropriate to switch back and forth between the two methodologies.

The use of levelized versus non-levelized carrying charge rates has been considered extensively by the Federal Energy Regulatory Commission ("FERC"). The FERC will allow the application of a levelized carrying charge rate (with sinking fund depreciation) to gross plant – which it calls the "levelized gross plant method" -- or the application of a non-levelized carrying charge rate (with straight-line depreciation) to net plant – which it calls "nonlevelized net plant method". The FERC, however, is reluctant to allow a utility to switch back and forth between the two methodologies. In a series of cases involving levelized carrying charges, the FERC rejected attempts to switch from a "net plant" approach to a "levelized" approach in midstream, finding that "allowing Consumers to switch pricing methodologies from the nonlevelized approach … to the levelized approach … is inappropriate." *Consumers Energy Co., Opinion No. 429*, 85 FERC ¶ 61,100 at 61,366 (1998), *reh'g granted, Opinion No. 429-A,* 89 FERC ¶ 61,138 (1999), *reh'g denied, Opinion No. 429-B*, 95 FERC ¶ 61,084 (2001); *accord Ky. Utils. Co., Opinion No. 432*, 85 FERC ¶ 61,274 at 62,105 (1998). In the *Opinion 432*, the FERC did not allow Kentucky Utilities Company ("KU") to change methodologies, stating as follows:

> In conclusion, we believe that either a levelized gross plant or a non-levelized rate design can produce comparable, reasonable results if they are used consistently. Here, however, KU proposes

> to switch methods. In supporting such a switch, a utility must prove that its proposed method is reasonable in light of its past recovery of capital costs using a different method. Here, KU has not persuaded us that the switch is appropriate in the circumstances of this case.

Regarding CATV attachment charges, considering the historical practice of calculating the charges using the levelized gross plant methodology, the Company maintains that the historical practice should be continued in the current proceeding.

b. As indicated in response to LG&E KCTA 1-8, the Company does not have information concerning the net plant costs related to the types of poles (35 foot, 40 foot, and 45 foot poles) used to calculate the proposed CATV attachment charge. A *rough estimate* can be developed by applying the ratio of net plant to gross plant for Account 364 – Poles, Towers and Fixtures to the applicable gross plant unit costs for 35, 40, and 45 foot poles. As explained above, using net plant necessitates the application of straight line depreciation rather than sinking fund depreciation. A non-levelized carrying charge calculation using *roughly estimated* net plant data is attached.

c. (1) Expenses related to services and overhead conductors cannot be excluded from account 593004. Attached is a recalculation of Seelye Exhibit 11 with the operation and maintenance expense adder calculated by dividing the Expenses Assigned to Poles by the *net* book value of Accounts 364, 365, and 369. Because the operation and maintenance expense adder is applied to *gross* plant costs in Seelye Exhibit 11, a recalculation of Seelye Exhibit 11 is also attached, with the operation and maintenance expense adder calculated by dividing the Expenses Assigned to Poles by the *gross* book value of Accounts 364, 365, and 369.

(2) Attached is a recalculation of the attachment to the response to sub-part b of this Question, with the operation and maintenance expense adder calculated by dividing the Expenses Assigned to Poles by the *net* book value of Accounts 364, 365, and 369.

# Table I

| | | |
|---|---|---|
| (a) | Book Life | 35 Years |
| (b) | Straight Line Depreciation (1/(a)) | 2.86% |
| (c) | Sinking-Fund Depreciation (see formula) | 0.54% |
| (d) | Rate of Return | 8.32% |
| (e) | Capital Recovery Factor (CFR) [(c) + (d)] | 8.86% |

| | Non-Levelized Carrying Charges | | | | | Levelized Carrying Charges | | |
|---|---|---|---|---|---|---|---|---|
| Year (1) | Net Investment (2) | Return (3) | Straight Line Depreciation (4) | Non-Levelized Carrying Charges (5) | Present Value at 8.32% ROR (6) | Gross Investment (7) | Non-Levelized Carrying Charges (8) [(e) x (7)] | Present Value at 8.32% ROR (6) |
| 1 | $1,000.00 | $83.20 | $28.57 | $111.77 | $103.19 | $1,000.00 | $88.60 | $81.80 |
| 2 | 971.43 | 80.82 | 28.57 | 109.39 | 93.23 | 1,000.00 | 88.60 | 75.51 |
| 3 | 942.86 | 78.45 | 28.57 | 107.02 | 84.20 | 1,000.00 | 88.60 | 69.71 |
| 4 | 914.29 | 76.07 | 28.57 | 104.64 | 76.01 | 1,000.00 | 88.60 | 64.36 |
| 5 | 885.71 | 73.69 | 28.57 | 102.26 | 68.58 | 1,000.00 | 88.60 | 59.42 |
| 6 | 857.14 | 71.31 | 28.57 | 99.89 | 61.84 | 1,000.00 | 88.60 | 54.85 |
| 7 | 828.57 | 68.94 | 28.57 | 97.51 | 55.73 | 1,000.00 | 88.60 | 50.64 |
| 8 | 800.00 | 66.56 | 28.57 | 95.13 | 50.19 | 1,000.00 | 88.60 | 46.75 |
| 9 | 771.43 | 64.18 | 28.57 | 92.75 | 45.18 | 1,000.00 | 88.60 | 43.16 |
| 10 | 742.86 | 61.81 | 28.57 | 90.38 | 40.64 | 1,000.00 | 88.60 | 39.84 |
| 11 | 714.29 | 59.43 | 28.57 | 88.00 | 36.53 | 1,000.00 | 88.60 | 36.78 |
| 12 | 685.71 | 57.05 | 28.57 | 85.62 | 32.82 | 1,000.00 | 88.60 | 33.96 |
| 13 | 657.14 | 54.67 | 28.57 | 83.25 | 29.45 | 1,000.00 | 88.60 | 31.35 |
| 14 | 628.57 | 52.30 | 28.57 | 80.87 | 26.42 | 1,000.00 | 88.60 | 28.94 |
| 15 | 600.00 | 49.92 | 28.57 | 78.49 | 23.67 | 1,000.00 | 88.60 | 26.72 |
| 16 | 571.43 | 47.54 | 28.57 | 76.11 | 21.19 | 1,000.00 | 88.60 | 24.67 |
| 17 | 542.86 | 45.17 | 28.57 | 73.74 | 18.95 | 1,000.00 | 88.60 | 22.77 |
| 18 | 514.29 | 42.79 | 28.57 | 71.36 | 16.93 | 1,000.00 | 88.60 | 21.02 |
| 19 | 485.71 | 40.41 | 28.57 | 68.98 | 15.11 | 1,000.00 | 88.60 | 19.41 |
| 20 | 457.14 | 38.03 | 28.57 | 66.61 | 13.47 | 1,000.00 | 88.60 | 17.92 |
| 21 | 428.57 | 35.66 | 28.57 | 64.23 | 11.99 | 1,000.00 | 88.60 | 16.54 |
| 22 | 400.00 | 33.28 | 28.57 | 61.85 | 10.66 | 1,000.00 | 88.60 | 15.27 |
| 23 | 371.43 | 30.90 | 28.57 | 59.47 | 9.46 | 1,000.00 | 88.60 | 14.10 |
| 24 | 342.86 | 28.53 | 28.57 | 57.10 | 8.39 | 1,000.00 | 88.60 | 13.01 |
| 25 | 314.29 | 26.15 | 28.57 | 54.72 | 7.42 | 1,000.00 | 88.60 | 12.02 |
| 26 | 285.71 | 23.77 | 28.57 | 52.34 | 6.55 | 1,000.00 | 88.60 | 11.09 |
| 27 | 257.14 | 21.39 | 28.57 | 49.97 | 5.77 | 1,000.00 | 88.60 | 10.24 |
| 28 | 228.57 | 19.02 | 28.57 | 47.59 | 5.08 | 1,000.00 | 88.60 | 9.45 |
| 29 | 200.00 | 16.64 | 28.57 | 45.21 | 4.45 | 1,000.00 | 88.60 | 8.73 |
| 30 | 171.43 | 14.26 | 28.57 | 42.83 | 3.90 | 1,000.00 | 88.60 | 8.06 |
| 31 | 142.86 | 11.89 | 28.57 | 40.46 | 3.40 | 1,000.00 | 88.60 | 7.44 |
| 32 | 114.29 | 9.51 | 28.57 | 38.08 | 2.95 | 1,000.00 | 88.60 | 6.87 |
| 33 | 85.71 | 7.13 | 28.57 | 35.70 | 2.55 | 1,000.00 | 88.60 | 6.34 |
| 34 | 57.14 | 4.75 | 28.57 | 33.33 | 2.20 | 1,000.00 | 88.60 | 5.85 |
| 35 | 28.57 | 2.38 | 28.57 | 30.95 | 1.89 | 1,000.00 | 88.60 | 5.40 |
| Sum of Present Value Carrying Charges | | | | | $1,000.00 | | | $1,000.00 |

# Table II

| | | |
|---|---|---|
| (a) | Book Life | 35 Years |
| (b) | Straight Line Depreciation (1/(a)) | 2.86% |
| (c) | Sinking-Fund Depreciation (see formula) | 0.54% |
| (d) | Rate of Return | 8.32% |
| (e) | Capital Recovery Factor (CFR) [(c) + (d)] | 8.86% |

| | Non-Levelized Carrying Charges | | | | | *Misapplied* Levelized Carrying Charges | | |
|---|---|---|---|---|---|---|---|---|
| Year (1) | Net Investment (2) | Return (3) | Straight Line Depreciation (4) | Non-Levelized Carrying Charges (5) | Present Value at 8.32% ROR (6) | Net Investment (7) | Non-Levelized Carrying Charges (8) [(e) x (7)] | Present Value at 8.32% ROR (6) |
| 1 | $1,000.00 | $83.20 | $28.57 | $111.77 | $103.19 | $1,000.00 | $88.60 | $81.80 |
| 2 | 971.43 | 80.82 | 28.57 | 109.39 | 93.23 | 971.43 | 86.07 | 73.36 |
| 3 | 942.86 | 78.45 | 28.57 | 107.02 | 84.20 | 942.86 | 83.54 | 65.73 |
| 4 | 914.29 | 76.07 | 28.57 | 104.64 | 76.01 | 914.29 | 81.01 | 58.84 |
| 5 | 885.71 | 73.69 | 28.57 | 102.26 | 68.58 | 885.71 | 78.48 | 52.63 |
| 6 | 857.14 | 71.31 | 28.57 | 99.89 | 61.84 | 857.14 | 75.95 | 47.02 |
| 7 | 828.57 | 68.94 | 28.57 | 97.51 | 55.73 | 828.57 | 73.41 | 41.96 |
| 8 | 800.00 | 66.56 | 28.57 | 95.13 | 50.19 | 800.00 | 70.88 | 37.40 |
| 9 | 771.43 | 64.18 | 28.57 | 92.75 | 45.18 | 771.43 | 68.35 | 33.29 |
| 10 | 742.86 | 61.81 | 28.57 | 90.38 | 40.64 | 742.86 | 65.82 | 29.60 |
| 11 | 714.29 | 59.43 | 28.57 | 88.00 | 36.53 | 714.29 | 63.29 | 26.27 |
| 12 | 685.71 | 57.05 | 28.57 | 85.62 | 32.82 | 685.71 | 60.76 | 23.29 |
| 13 | 657.14 | 54.67 | 28.57 | 83.25 | 29.45 | 657.14 | 58.22 | 20.60 |
| 14 | 628.57 | 52.30 | 28.57 | 80.87 | 26.42 | 628.57 | 55.69 | 18.19 |
| 15 | 600.00 | 49.92 | 28.57 | 78.49 | 23.67 | 600.00 | 53.16 | 16.03 |
| 16 | 571.43 | 47.54 | 28.57 | 76.11 | 21.19 | 571.43 | 50.63 | 14.10 |
| 17 | 542.86 | 45.17 | 28.57 | 73.74 | 18.95 | 542.86 | 48.10 | 12.36 |
| 18 | 514.29 | 42.79 | 28.57 | 71.36 | 16.93 | 514.29 | 45.57 | 10.81 |
| 19 | 485.71 | 40.41 | 28.57 | 68.98 | 15.11 | 485.71 | 43.04 | 9.43 |
| 20 | 457.14 | 38.03 | 28.57 | 66.61 | 13.47 | 457.14 | 40.50 | 8.19 |
| 21 | 428.57 | 35.66 | 28.57 | 64.23 | 11.99 | 428.57 | 37.97 | 7.09 |
| 22 | 400.00 | 33.28 | 28.57 | 61.85 | 10.66 | 400.00 | 35.44 | 6.11 |
| 23 | 371.43 | 30.90 | 28.57 | 59.47 | 9.46 | 371.43 | 32.91 | 5.24 |
| 24 | 342.86 | 28.53 | 28.57 | 57.10 | 8.39 | 342.86 | 30.38 | 4.46 |
| 25 | 314.29 | 26.15 | 28.57 | 54.72 | 7.42 | 314.29 | 27.85 | 3.78 |
| 26 | 285.71 | 23.77 | 28.57 | 52.34 | 6.55 | 285.71 | 25.32 | 3.17 |
| 27 | 257.14 | 21.39 | 28.57 | 49.97 | 5.77 | 257.14 | 22.78 | 2.63 |
| 28 | 228.57 | 19.02 | 28.57 | 47.59 | 5.08 | 228.57 | 20.25 | 2.16 |
| 29 | 200.00 | 16.64 | 28.57 | 45.21 | 4.45 | 200.00 | 17.72 | 1.75 |
| 30 | 171.43 | 14.26 | 28.57 | 42.83 | 3.90 | 171.43 | 15.19 | 1.38 |
| 31 | 142.86 | 11.89 | 28.57 | 40.46 | 3.40 | 142.86 | 12.66 | 1.06 |
| 32 | 114.29 | 9.51 | 28.57 | 38.08 | 2.95 | 114.29 | 10.13 | 0.78 |
| 33 | 85.71 | 7.13 | 28.57 | 35.70 | 2.55 | 85.71 | 7.59 | 0.54 |
| 34 | 57.14 | 4.75 | 28.57 | 33.33 | 2.20 | 57.14 | 5.06 | 0.33 |
| 35 | 28.57 | 2.38 | 28.57 | 30.95 | 1.89 | 28.57 | 2.53 | 0.15 |
| Sum of Present Value Carrying Charges | | | | | $1,000.00 | | | $721.54 |

**LOUISVILLE GAS AND ELECTRIC COMPANY**

Calculation Of Attachment Charges for CATV

| Pole Size | Quantity | Gross Installed Cost | Gross Average Installed Cost | Net / Gross Factor for Account 364 | Estimate of Net Installed Cost |
|---|---|---|---|---|---|
| Weighted Average Bare Pole Cost as of 10/31/2009 | | | | | |
| 35' | 21,992 | $ 9,895,841 | $ 449.97 | 0.4413117 | $ 198.58 |
| 40' | 61,023 | 25,998,372 | 426.04 | 0.4413117 | 188.02 |
| | 83,015 | $ 35,894,213 | $ 432.38 | | 190.82 |
| Three-User Poles | | | | | |
| 40' | 61,023 | $ 25,998,372 | $ 426.04 | 0.4413117 | $ 188.02 |
| 45' | 22,136 | 23,008,391 | 1,039.41 | 0.4413117 | 458.70 |
| | 83,159 | $ 49,006,763 | $ 589.31 | | 260.07 |

| | Number of Attachments | Weighted Cost |
|---|---|---|
| Two-User Pole Charge | | |
| $190.82 x .1224 Usage Space Factor = $ 23.36 | | |
| $ 23.36 x .2075 Annual Carrying Charge = $ 4.85 | 17,699 | $ 85,774 |
| Three-User Pole Charge | | |
| $260.07 x .0759 Usage Space Factor = $19.74 | | |
| $ 19.74 x .2075 Annual Carrying Charge = $4.10 | 68,646 | $ 281,162 |
| Weighted Total | 86,345 | $ 366,937 |
| Weighted Average Monthly Cost | | $ 4.25 |

## LOUISVILLE GAS AND ELECTRIC COMPANY

Calculation Of Annual Carrying Charge

| | |
|---|---|
| Proposed Rate of Return | 8.32% |
| Depreciation - Straight Line | 2.86% |
| Income Tax (1) | 3.63% |
| Property Tax and Insurance | 0.22% |
| Operation and Maintenance (Page 3) | 5.73% |
| Total | 20.75% |

(1) Derived from rates of equity capital

| | Capitalization Ratio | Annual Rate | Composite Rate |
|---|---|---|---|
| Common | 53.86% | 11.50% | 6.19% |
| Preferred | 0.00% | 0.00% | 0.00% |
| Total Equity | 53.86% | | 6.19% |
| Debt | 46.14% | 4.61% | 2.13% |
| Total Capitalization | 100.00% | | 8.32% |

Composite Federal and State Income Taxes rate = 36.93%

Income Tax = (0.3693/(1-0.3693) x 0.0619 = 3.63%

**LOUISVILLE GAS AND ELECTRIC COMPANY**

Operation and Maintenance Expenses for
the 12 Months Ended October 31, 2009

| | | |
|---|---|---|
| (1) Labor Charged to 592 - Poles, Towers and Fixtures Subaccount | $ 289,969 | |
| - Tree Trimming | 225,900 | |
| | | $ 515,870 |
| Total Labor | | $ 56,166,593 |
| Total Administrative and General Expenses | | $ 73,557,685 |

Assignment of a Portion of A & G Expenses to Poles

($515,870/$56,166,593) x $73,557,685 = $675,600

Expenses Assigned to Poles

| | |
|---|---|
| Maintenance of Poles, Towers, and Fixtures Subaccount 593001 | $ 1,366,766 |
| Tree Trimming of Electric Distribution Routes 593004 | 4,775,583 |
| A & G Expenses Assigned to Poles | 675,600 |
| Total | $ 6,817,950 |

Adder to Annual Carrying Charges for O & M Expenses

| | | | |
|---|---|---|---|
| $ 6,817,950 | Expenses Assigned to Poles | = | 5.73% |
| 119,084,747 | Plant in Service - Account 364 | | |

Net Plant to Gross Plant Ratio for Account 364

| Gross Plant | Depreciation | Net Plant | Net to Gross Ratio |
|---|---|---|---|
| $ 119,084,747 | $ 66,531,254 | $ 52,553,493 | 44.131% |

**LOUISVILLE GAS AND ELECTRIC COMPANY**

Calculation Of Attachment Charges for CATV

| Pole Size | Quantity | Gross Installed Cost | Gross Average Installed Cost |
|---|---|---|---|
| Weighted Average Bare Pole Cost as of 10/31/2009 | | | |
| 35' | 21,992 | $ 9,895,841 | $ 449.97 |
| 40' | 61,023 | 25,998,372 | 426.04 |
| | 83,015 | $ 35,894,213 | $ 432.38 |
| Three-User Poles | | | |
| 40' | 61,023 | $ 25,998,372 | $ 426.04 |
| 45' | 22,136 | 23,008,391 | 1,039.41 |
| | 83,159 | $ 49,006,763 | $ 589.31 |

| | Number of Attachments | Weighted Cost |
|---|---|---|
| Two-User Pole Charge | | |
| $432.38 x .1224 Usage Space Factor = $ 52.92<br>$ 52.92 x .1465 Annual Carrying Charge = $ 7.75 | 17,699 | $ 137,222 |
| Three-User Pole Charge | | |
| $589.31 x .0759 Usage Space Factor = $44.73<br>$ 44.73 x .1465 Annual Carrying Charge = $6.55 | 68,646 | $ 449,804 |
| Weighted Total | 86,345 | $ 587,026 |
| Weighted Average Monthly Cost | | $ 6.80 |

## LOUISVILLE GAS AND ELECTRIC COMPANY

Calculation Of Annual Carrying Charge

| | |
|---|---|
| Proposed Rate of Return | 8.32% |
| Depreciation - Sinking Fund | 0.54% |
| Income Tax (1) | 3.63% |
| Property Tax and Insurance | 0.22% |
| Operation and Maintenance (Page 3) | 1.94% |
| Total | 14.65% |

(1) Derived from rates of equity capital

| | Capitalization Ratio | Annual Rate | Composite Rate |
|---|---|---|---|
| Common | 53.86% | 11.50% | 6.19% |
| Preferred | 0.00% | 0.00% | 0.00% |
| Total Equity | 53.86% | | 6.19% |
| Debt | 46.14% | 4.61% | 2.13% |
| Total Capitalization | 100.00% | | 8.32% |

Composite Federal and State Income Taxes rate = 36.93%

Income Tax = (0.3693/(1-0.3693) x 0.0619 = 3.63%

**LOUISVILLE GAS AND ELECTRIC COMPANY**

Operation and Maintenance Expenses for
the 12 Months Ended October 31, 2009

| | | |
|---|---|---|
| (1) Labor Charged to 592 - Poles, Towers and Fixtures Subaccount | $ 289,969 | |
| - Tree Trimming | 225,900 | |
| | | $ 515,870 |
| Total Labor | | $ 56,166,593 |
| Total Administrative and General Expenses | | $ 73,557,685 |

Assignment of a Portion of A & G Expenses to Poles

($515,870/$56,166,593) x $73,557,685 = $675,600

Expenses Assigned to Poles

| | |
|---|---|
| Maintenance of Poles, Towers, and Fixtures Subaccount 593001 | $ 1,366,766 |
| Tree Trimming of Electric Distribution Routes 593004 | 4,775,583 |
| A & G Expenses Assigned to Poles | 675,600 |
| Total | $ 6,817,950 |

Adder to Annual Carrying Charges for O & M Expenses

$$\frac{\$\ 6{,}817{,}950 \quad \text{Expenses Assigned to Poles}}{351{,}061{,}565 \quad \text{Plant in Service - 364 , 365, and 369}} = 1.94\%$$

Net Plant to Gross Plant Ratio for Accounts 364,365 and 369

| Gross Plant | Depreciation | Net Plant | Net to Gross Ratio |
|---|---|---|---|
| $ 351,061,565 | $ 173,586,068 | $ 177,475,497 | 50.554% |

**LOUISVILLE GAS AND ELECTRIC COMPANY**

Calculation Of Attachment Charges for CATV

| Pole Size | Quantity | Gross Installed Cost | Gross Average Installed Cost |
|---|---|---|---|
| Weighted Average Bare Pole Cost as of 10/31/2009 | | | |
| 35' | 21,992 | $ 9,895,841 | $ 449.97 |
| 40' | 61,023 | 25,998,372 | 426.04 |
| | 83,015 | $ 35,894,213 | $ 432.38 |
| Three-User Poles | | | |
| 40' | 61,023 | $ 25,998,372 | $ 426.04 |
| 45' | 22,136 | 23,008,391 | 1,039.41 |
| | 83,159 | $ 49,006,763 | $ 589.31 |

| | Number of Attachments | Weighted Cost |
|---|---|---|
| Two-User Pole Charge | | |
| $432.38 x .1224 Usage Space Factor = $ 52.92 | | |
| $ 52.92 x .1655 Annual Carrying Charge = $ 8.76 | 17,699 | $ 155,015 |
| Three-User Pole Charge | | |
| $589.31 x .0759 Usage Space Factor = $44.73 | | |
| $ 44.73 x .1655 Annual Carrying Charge = $7.40 | 68,646 | $ 508,129 |
| Weighted Total | 86,345 | $ 663,144 |
| Weighted Average Monthly Cost | | $ 7.68 |

**LOUISVILLE GAS AND ELECTRIC COMPANY**

Calculation Of Annual Carrying Charge

| | |
|---|---|
| Proposed Rate of Return | 8.32% |
| Depreciation - Sinking Fund | 0.54% |
| Income Tax (1) | 3.63% |
| Property Tax and Insurance | 0.22% |
| Operation and Maintenance (Page 3) | 3.84% |
| Total | 16.55% |

(1) Derived from rates of equity capital

| | Capitalization Ratio | Annual Rate | Composite Rate |
|---|---|---|---|
| Common | 53.86% | 11.50% | 6.19% |
| Preferred | 0.00% | 0.00% | 0.00% |
| Total Equity | 53.86% | | 6.19% |
| Debt | 46.14% | 4.61% | 2.13% |
| Total Capitalization | 100.00% | | 8.32% |

Composite Federal and State Income Taxes rate = 36.93%

Income Tax = (0.3693/(1-0.3693) x 0.0619 = 3.63%

**LOUISVILLE GAS AND ELECTRIC COMPANY**

Operation and Maintenance Expenses for
the 12 Months Ended October 31, 2009

| | | |
|---|---|---|
| (1) Labor Charged to 592 - Poles, Towers and Fixtures Subaccount | $ 289,969 | |
| - Tree Trimming | 225,900 | |
| | | $ 515,870 |
| Total Labor | | $ 56,166,593 |
| Total Administrative and General Expenses | | $ 73,557,685 |

Assignment of a Portion of A & G Expenses to Poles

($515,870/$56,166,593) x $73,557,685 = $675,600

Expenses Assigned to Poles

| | |
|---|---|
| Maintenance of Poles, Towers, and Fixtures Subaccount 593001 | $ 1,366,766 |
| Tree Trimming of Electric Distribution Routes 593004 | 4,775,583 |
| A & G Expenses Assigned to Poles | 675,600 |
| Total | $ 6,817,950 |

Adder to Annual Carrying Charges for O & M Expenses

| | | | |
|---|---|---|---|
| $ 6,817,950 | Expenses Assigned to Poles | = | 3.84% |
| 177,475,497 | Plant in Service - 364 , 365, and 369 | | |

Net Plant to Gross Plant Ratio for Accounts 364,365 and 369

| Gross Plant | Depreciation | Net Plant | Net to Gross Ratio |
|---|---|---|---|
| $ 351,061,565 | $ 173,586,068 | $ 177,475,497 | 50.554% |

**LOUISVILLE GAS AND ELECTRIC COMPANY**

Calculation Of Attachment Charges for CATV

| Pole Size | Quantity | Gross Installed Cost | Gross Average Installed Cost | Net Gross Factor for Account 364 | Estimate of Net Installed Cost |
|---|---|---|---|---|---|
| Weighted Average Bare Pole Cost as of 10/31/2009 | | | | | |
| 35' | 21,992 | $ 9,895,841 | $ 449.97 | 0.50554 | $ 227.48 |
| 40' | 61,023 | 25,998,372 | 426.04 | 0.50554 | 215.38 |
| | 83,015 | $ 35,894,213 | $ 432.38 | | 218.59 |
| Three-User Poles | | | | | |
| 40' | 61,023 | $ 25,998,372 | $ 426.04 | 0.50554 | $ 215.38 |
| 45' | 22,136 | 23,008,391 | 1,039.41 | 0.50554 | 525.46 |
| | 83,159 | $ 49,006,763 | $ 589.31 | | 297.92 |

| | Number of Attachments | Weighted Cost |
|---|---|---|
| Two-User Pole Charge | | |
| \$218.59 x .1224 Usage Space Factor = \$ 26.75<br>\$ 26.75 x .1887 Annual Carrying Charge = \$ 5.05 | 17,699 | $ 89,338 |
| Three-User Pole Charge | | |
| \$297.92 x .0759 Usage Space Factor = \$22.61<br>\$ 22.61 x .1887 Annual Carrying Charge = \$4.27 | 68,646 | $ 292,844 |
| Weighted Total | 86,345 | $ 382,181 |
| Weighted Average Monthly Cost | | $ 4.43 |

**LOUISVILLE GAS AND ELECTRIC COMPANY**

Calculation Of Annual Carrying Charge

| | |
|---|---|
| Proposed Rate of Return | 8.32% |
| Depreciation - Straight Line | 2.86% |
| Income Tax (1) | 3.63% |
| Property Tax and Insurance | 0.22% |
| Operation and Maintenance (Page 3) | 3.84% |
| Total | 18.87% |

(1) Derived from rates of equity capital

| | Capitalization Ratio | Annual Rate | Composite Rate |
|---|---|---|---|
| Common | 53.86% | 11.50% | 6.19% |
| Preferred | 0.00% | 0.00% | 0.00% |
| Total Equity | 53.86% | | 6.19% |
| Debt | 46.14% | 4.61% | 2.13% |
| Total Capitalization | 100.00% | | 8.32% |

Composite Federal and State Income Taxes rate = 36.93%

Income Tax = $(0.3693/(1-0.3693) \times 0.0619 = 3.63\%$

**LOUISVILLE GAS AND ELECTRIC COMPANY**

Operation and Maintenance Expenses for
the 12 Months Ended October 31, 2009

| | | |
|---|---|---|
| (1) Labor Charged to 592 - Poles, Towers and Fixtures Subaccount | $ 289,969 | |
| - Tree Trimming | 225,900 | |
| | | $ 515,870 |
| Total Labor | | $ 56,166,593 |
| Total Administrative and General Expenses | | $ 73,557,685 |

Assignment of a Portion of A & G Expenses to Poles

($515,870/$56,166,593) x $73,557,685 = $675,600

Expenses Assigned to Poles

| | |
|---|---|
| Maintenance of Poles, Towers, and Fixtures Subaccount 593001 | $ 1,366,766 |
| Tree Trimming of Electric Distribution Routes 593004 | 4,775,583 |
| A & G Expenses Assigned to Poles | 675,600 |
| Total | $ 6,817,950 |

Adder to Annual Carrying Charges for O & M Expenses

$$\frac{\$\ 6{,}817{,}950 \quad \text{Expenses Assigned to Poles}}{177{,}475{,}497 \quad \text{Plant in Service - 364 , 365, and 369}} = 3.84\%$$

Net Plant to Gross Plant Ratio for Accounts 364,365 and 369

| Gross Plant | Depreciation | Net Plant | Net to Gross Ratio |
|---|---|---|---|
| $ 351,061,565 | $ 173,586,068 | $ 177,475,497 | 50.554% |

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 4**

**Responding Witness: Robert M. Conroy/William Steven Seelye**

Q-4. Refer to the response to Item 2 of Staff's Second Request. For each of the average example customers to be served under the proposed Power Service Rate, provide the assumptions used in calculating the Average Demand for pricing the Summer and Winter demand charges and why each Average Demand under proposed rates on pages 1 or 2 is the same or different from the Average Usage in Summer and Winter under the current rates. To the extent the change in Average Usage is attributable to factors other than the addition of May as a summer month, explain the change in full.

A-4. The demands used for responding to KPSC 2-2, were calculated for an average customer under both the present and proposed rates in the same way. The change is wholly attributable to the shift of May from a winter month to a summer month.

Seelye Exhibit 7, Page 3 of 15, provides the billing for Commercial Power Service – Secondary customers. Demands used for responding to billing under the present rates are a simple arithmetic average for the season.

| | |
|---|---|
| Summer | 1,738,193 kW / ((32,244 Cust/Mos Billed/12)*4) = 162 kW |
| Winter | 3,206,893 kW / ((32,244 Cust/Mos Billed/12)*8) = 149 kW |

Demands used for responding to billing under the proposed rates are a simple arithmetic average for each season.

| | |
|---|---|
| Summer | 2,145,068 kW / ((32,244 Cust/Mos Billed/12)*5) = 160 kW |
| Winter | 2,800,018 kW / ((32,244 Cust/Mos Billed/12)*7) = 149 kW |

Seelye Exhibit 7, Page 3 of 15, provides the billing for Commercial Power Service – Primary customers. Demands used for responding to billing under the present rates are a simple arithmetic average for the season.

| | |
|---|---|
| Summer | 144,404 kW / ((634 Cust/Mos Billed/12)*4) = 683 kW |
| Winter | 237,702 kW / ((634 Cust/Mos Billed/12)*8) = 562 kW |

Demands used for responding to billing under the proposed rates are a simple arithmetic average for each season.

| | |
|---|---|
| Summer | 174,562 kW / ((634 Cust/Mos Billed/12)*5) = 661 kW |
| Winter | 207,544 kW / ((634 Cust/Mos Billed/12)*7) = 561 kW |

Seelye Exhibit 7, Page 3 of 15, provides the billing for Industrial Power Service – Secondary customers. In the attachment to KPSC-2 Question No. 2, 3,092 cust/mos was used in the calculation. The correct amount should have been 3,902 cust/mos. Demands used for responding to billing under the present rates are a simple arithmetic average for the season.

| | |
|---|---|
| Summer | 447,704 kW / ((3,902 Cust/Mos Billed/12)*4) = 344 kW |
| Winter | 882,709 kW / ((3,902 Cust/Mos Billed/12)*8) = 339 kW |

Demands used for responding to billing under the proposed rates are a simple arithmetic average for each season.

| | |
|---|---|
| Summer | 559,146 kW / ((3,902 Cust/Mos Billed/12)*5) = 344 kW |
| Winter | 771,267 kW / ((3,902 Cust/Mos Billed/12)*7) = 339 kW |

Seelye Exhibit 7, Page 3 of 15, provides the billing for Industrial Power Service – Primary customers. Demands used for responding to billing under the present rates are a simple arithmetic average for the season.

| | |
|---|---|
| Summer | 87,394 kW / ((526 Cust/Mos Billed/12)*4) = 498 kW |
| Winter | 193,112 kW / ((526 Cust/Mos Billed/12)*8) = 551 kW |

Demands used for responding to billing under the proposed rates are a simple arithmetic average for each season.

| | |
|---|---|
| Summer | 111,774 kW / ((526 Cust/Mos Billed/12)*5) = 510 kW |
| Winter | 168,732 kW / ((526 Cust/Mos Billed/12)*7) = 550 kW |

To assist the Commission, please see the attachment provided on CD in the folder titled Question No. 4 for an electronic version of the attachment to KPSC 2-2 with formulas intact and including the correction noted above for the Industrial Power Service – Secondary customer. A copy of the corrected attachment is also attached to this response.

# LOUISVILLE GAS and ELECTRIC COMPANY

Calculation of Proposed Increase on an Average Customer's Base Rate Billing

## Industrial Secondary Power Service

| | Current Rate | Average Usage | Billing Summer | Billing Winter | Billing Annual | Proposed Rate | Average Usage | Billing Summer | Billing Winter | Billing Annual | Increase Dollars | Increase Per Cent |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Customer Charge | $90.00 | | $90.00 | $90.00 | $1,080.00 | $90.00 | | $90.00 | $90.00 | $1,080.00 | $0.00 | 0.00% |
| Energy Charge | $0.02611 | 161,141 kWh | $4,207.39 | $4,207.39 | $50,488.68 | $0.03323 | 161,141 kWh | $5,354.72 | $5,354.72 | $64,256.64 | $13,767.96 | 27.27% |
| Demand Charge | | | | | | | | | | | | |
| Summer | $15.10 | 344 kW | $5,194.40 | | $20,777.60 | $15.57 | 344 kW | $5,356.08 | | $26,780.40 | | |
| Winter | $12.51 | 339 kW | | $4,240.89 | $33,927.12 | $13.22 | 339 kW | | $4,481.58 | $31,371.06 | | |
| Subtotal Demand | | | | | $54,704.72 | | | | | $58,151.46 | $3,446.74 | 6.30% |
| Total | | | | | $106,273.40 | | | | | $123,488.10 | $17,214.70 | 16.20% |

## Industrial Primary Power Service

| | Current Rate | Average Usage | Billing Summer | Billing Winter | Billing Annual | Proposed Rate | Average Usage | Billing Summer | Billing Winter | Billing Annual | Increase Dollars | Increase Per Cent |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Customer Charge | $90.00 | | $90.00 | $90.00 | $1,080.00 | $90.00 | | $90.00 | $90.00 | $1,080.00 | $0.00 | 0.00% |
| Energy Charge | $0.02611 | 209,992 kWh | $5,482.89 | $5,482.89 | $65,794.68 | $0.03323 | 209,992 kWh | $6,978.03 | $6,978.03 | $83,736.36 | $17,941.68 | 27.27% |
| Demand Charge | | | | | | | | | | | | |
| Summer | $13.34 | 498 kW | $6,643.32 | | $26,573.28 | $13.73 | 510 kW | $7,002.30 | | $35,011.50 | | |
| Winter | $10.75 | 551 kW | | $5,923.25 | $47,386.00 | $11.48 | 550 kW | | $6,314.00 | $44,198.00 | | |
| Subtotal Demand | | | | | $73,959.28 | | | | | $79,209.50 | $5,250.22 | 7.10% |
| Total | | | | | $140,833.96 | | | | | $164,025.86 | $23,191.90 | 16.47% |

# LOUISVILLE GAS and ELECTRIC COMPANY

Calculation of Proposed Increase on an Average Customer's Base Rate Billing

Commercial Secondary Power Service

| | Current Rate | Average Usage | Billing Summer | Billing Winter | Billing Total | Proposed Rate | Average Usage | Billing Summer | Billing Winter | Billing Total | Increase Dollars | Increase Per Cent |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Customer Charge | $65.00 | | $65.00 | $65.00 | $780.00 | $90.00 | | $90.00 | $90.00 | $1,080.00 | $300.00 | 38.46% |
| Energy Charge | $0.02956 | 60,862 kWh | $1,799.08 | $1,799.08 | $21,588.96 | $0.03323 | 60,862 kWh | $2,022.44 | $2,022.44 | $24,269.28 | $2,680.32 | 12.42% |
| Demand Charge | | | | | | | | | | | | |
| Summer | $14.99 | 162 kW | $2,428.38 | | $9,713.52 | $15.57 | 160 kW | $2,491.20 | | $12,456.00 | | |
| Winter | $11.93 | 149 kW | | $1,777.57 | $14,220.56 | $13.22 | 149 kW | | $1,969.78 | $13,788.46 | | |
| Subtotal Demand | | | | | $23,934.08 | | | | | $26,244.46 | $2,310.38 | 9.65% |
| Total | | | | | $46,303.04 | | | | | $51,593.74 | $5,290.70 | 11.43% |

Commercial Primary Power Service

| | Current Rate | Average Usage | Billing Summer | Billing Winter | Billing Total | Proposed Rate | Average Usage | Billing Summer | Billing Winter | Billing Total | Increase Dollars | Increase Per Cent |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Customer Charge | $65.00 | | $65.00 | $65.00 | $780.00 | $90.00 | | $90.00 | $90.00 | $1,080.00 | $300.00 | 38.46% |
| Energy Charge | $0.02956 | 267,917 kWh | $7,919.63 | $7,919.63 | $95,035.56 | $0.03323 | 267,917 kWh | $8,902.88 | $8,902.88 | $106,834.56 | $11,799.00 | 12.42% |
| Demand Charge | | | | | | | | | | | | |
| Summer | $13.15 | 683 kW | $8,981.45 | | $35,925.80 | $13.73 | 661 kW | $9,075.53 | | $45,377.65 | | |
| Winter | $10.35 | 562 kW | | $5,816.70 | $46,533.60 | $11.48 | 561 kW | | $6,440.28 | $45,081.96 | | |
| Subtotal Demand | | | | | $82,459.40 | | | | | $90,459.61 | $8,000.21 | 9.70% |
| Total | | | | | $178,274.96 | | | | | $198,374.17 | $20,099.21 | 11.27% |

## LOUISVILLE GAS AND ELECTRIC COMPANY

## CASE NO. 2009-00549

## Response to Third Data Request of Commission Staff
## Dated March 26, 2010

## Question No. 5

**Responding Witness: Robert M. Conroy/William Steven Seelye**

Q-5. Refer to the response to Item 3 of Staff's Second Request.

a. Confirm that the Proposed Rate of $5.50 is for the Peak Demand Period instead of the Base Demand Period and that $5.48 is for the Base Demand Period instead of the Peak Demand Period. Provide any necessary recalculations.

b. For the average example customer to be served under the proposed Industrial Time-of-Day Secondary Service tariff, provide the assumptions used in calculating the Demand Charge Average Usage for Base, Intermediate, and Peak (based on any recalculations).

A-5. a. The charges for the proposed Peak Demand Period and Base Demand Period were reversed. The corrected calculations are attached to this response and included in the attachment noted in part b.

b. The demands used for responding to KPSC 2-3, were calculated for an average customer under both the present and proposed rates in the same way. The recalculation of revenues in a. above had no effect.

Seelye Exhibit 7, Page 5 of 15, provides the billing for Industrial Time-of-Day Service – Secondary customers. Demands used for responding to billing under the present rates are a simple arithmetic average for the base and each season.

| | | |
|---|---|---|
| Base | 105,652 kW / (161 Cust/Mos Billed) | = 656 kW |
| Summer | 36,477 kW / ((161 Cust/Mos Billed/12)*4) | = 680 kW |
| Winter | 64,426 kW / ((161 Cust/Mos Billed/12)*8) | = 600 kW |

Demands used for responding to billing under the proposed rates are a simple arithmetic average for each season.

| | | |
|---|---|---|
| Base | 106,709 kVA / (161 Cust/Mos Billed) | = 663 kVA |
| Intermediate | 100,903 kVA / ((161 Cust/Mos Billed) | = 627 kVA |
| Peak | 99,716 kVA / ((161 Cust/Mos Billed) | = 619 kVA |

To assist the Commission, please see the attachment provided on CD in the folder titled Question No. 5 for an electronic version of the attachment to KPSC 2-3 with formulas intact and including the correction noted in part a.

# LOUISVILLE GAS and ELECTRIC COMPANY

Calculation of Proposed Increase on an Average Customer's Base Rate Billing

Industrial Secondary Time-of-Day Service

| | Average Usage | Current Rate | Billing Summer | Billing Winter | Billing Annual |
|---|---|---|---|---|---|
| Customer Charge | | $120.00 | $120.00 | $120.00 | $1,440.00 |
| Energy Charge | 262,059 kWh | $0.02616 | $6,855.46 | $6,855.46 | $82,265.52 |
| Demand Charge | | | | | |
| Basic | 656 kW | $4.91 | $3,220.96 | $3,220.96 | $38,651.52 |
| Summer | 680 kW | $10.05 | $6,834.00 | | $27,336.00 |
| Winter | 600 kW | $7.46 | | $4,476.00 | $35,808.00 |
| Subtotal Demand | | | | | $101,795.52 |
| Total | | | | | $185,501.04 |

| | Average Usage | Proposed Rate | Billing Annual | Increase Dollars | Increase Per Cent |
|---|---|---|---|---|---|
| Customer Charge | | $300.00 | $3,600.00 | $2,160.00 | 150.00% |
| Energy Charge | 262,059 kWh | $0.02936 | $92,328.63 | $10,063.11 | 12.23% |
| Demand Charge | | | | | |
| Base | 663 kW | $5.48 | $43,598.88 | | |
| Intermediate | 627 kW | $4.00 | $30,096.00 | | |
| Peak | 619 kW | $5.50 | $40,854.00 | | |
| Subtotal Demand | | | $114,548.88 | $12,753.36 | 12.53% |
| Total | | | $210,477.51 | $24,976.47 | 13.46% |

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 6**

**Responding Witness: Robert M. Conroy/William Steven Seelye**

Q-6. Refer to the response to Item 4 of Staff's Second Request. For the average example customer to be served under the proposed Commercial Time-of-Day Secondary Service tariff, provide the assumptions used in calculating the Demand Charge Average Usage for Base, Intermediate, and Peak.

A-6. The demands used for responding to KPSC 2-4, were calculated for an average customer under both the present and proposed rates in the same way.

Seelye Exhibit 7, Page 4 of 15, provides the billing for Commercial Time-of-Day Service – Secondary customers. Demands used for responding to billing under the present rates are a simple arithmetic average for the base and each season.

| | | |
|---|---|---|
| Base | 785,990 kW / (868 Cust/Mos Billed) | = 906 kW |
| Summer | 283,242 kW / ((868 Cust/Mos Billed/12)*4) | = 979 kW |
| Winter | 493,809 kW / ((868 Cust/Mos Billed/12)*8) | = 853 kW |

Demands used for responding to billing under the proposed rates are a simple arithmetic average for each time period.

| | | |
|---|---|---|
| Base | 793,850 kVA / (868 Cust/Mos Billed) | = 915 kVA |
| Intermediate | 777,051 kVA / ((868 Cust/Mos Billed) | = 895 kVA |
| Peak | 767,912 kVA / ((868 Cust/Mos Billed) | = 885 kVA |

To assist the Commission, please see the attachment provided on CD in the folder titled Question No. 6 for an electronic version of the attachment to KPSC 2-4 with formulas intact.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 7**

**Responding Witness: Robert M. Conroy/William Steven Seelye**

Q-7. Refer to the response to Item 5 of Staff's Second Request. For the average example customer to be served under the proposed Industrial Time-of-Day Primary Service tariff, provide the assumptions used in calculating the Demand Charge Average Usage for Base, Intermediate, and Peak.

A-7. The demands used for responding to KPSC 2-5, were calculated for an average customer under both the present and proposed rates in the same way.

Seelye Exhibit 7, Page 5 of 15, provides the billing for Industrial Time-of-Day Service – Primary customers. Demands used for responding to billing under the present rates are a simple arithmetic average for the base and each season.

| | | |
|---|---|---|
| Base | 3,320,227 kW / (503 Cust/Mos Billed) | = 6,601 kW |
| Summer | 1,239,053 kW / ((503 Cust/Mos Billed/12)*4) | = 7,390 kW |
| Winter | 2,016,530 kW / ((503 Cust/Mos Billed/12)*8) | = 853 kW |

Demands used for responding to billing under the proposed rates are a simple arithmetic average for each time period.

| | | |
|---|---|---|
| Base | 3,483,974 kVA / (503 Cust/Mos Billed) | = 6,926 kVA |
| Intermediate | 3,416,142 kVA / (503 Cust/Mos Billed) | = 6,792 kVA |
| Peak | 3,375,964 kVA / (503 Cust/Mos Billed) | = 6,712 kVA |

To assist the Commission, please see the attachment provided on CD in the folder titled Question No. 7 for an electronic version of the attachment to KPSC 2-5 with formulas intact.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 8**

**Responding Witness: Robert M. Conroy/William Steven Seelye**

Q-8. Refer to the response to Item 6 of Staff's Second Request. For the average example customer to be served under the proposed Commercial Time-of-Day Primary Service tariff, provide the assumptions used in calculating the Demand Charge Average Usage for Base, Intermediate, and Peak.

A-8. The demands used for responding to KPSC 2-6, were calculated for an average customer under both the present and proposed rates in the same way.

Seelye Exhibit 7, Page 4 of 15, provides the billing for Commercial Time-of-Day Service – Primary customers. Demands used for responding to billing under the present rates are a simple arithmetic average for the base and each season.

| | | |
|---|---|---|
| Base | 685,951 kW / (218 Cust/Mos Billed) | = 3,147 kW |
| Summer | 240,141 kW / ((218 Cust/Mos Billed/12)*4) | = 3,305 kW |
| Winter | 432,250 kW / ((218 Cust/Mos Billed/12)*8) | = 2,974 kW |

Demands used for responding to billing under the proposed rates are a simple arithmetic average for each time period.

| | | |
|---|---|---|
| Base | 692,810 kVA / (218 Cust/Mos Billed) | = 3,178 kVA |
| Intermediate | 672,391 kVA / ((218 Cust/Mos Billed) | = 3,084 kVA |
| Peak | 664,483 kVA / ((218 Cust/Mos Billed) | = 3,048 kVA |

To assist the Commission, please see the attachment provided on CD in the folder titled Question No. 8 for an electronic version of the attachment to KPSC 2-6 with formulas intact.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 9**

**Responding Witness: Robert M. Conroy/William Steven Seelye**

Q-9. Refer to the response to Item 7 of Staff's Second Request. For the average example customer served under Retail Transmission Service, provide the assumptions used in calculating the Demand Charge Average Usage for Base, Intermediate, and Peak.

A-9. The demands used for responding to KPSC 2-7, were calculated for an average customer under both the present and proposed rates in the same way.

Seelye Exhibit 7, Page 6 of 15, provides the billing for Retail Transmission Service customers. Demands used for responding to billing under the present rates are a simple arithmetic average for the base and each season.

| | | |
|---|---|---|
| Base | 923,067 kVA / (56 Cust/Mos Billed) | = 16,483 kVA |
| Summer | 331,383 kVA / ((56 Cust/Mos Billed/12)*4) | = 17,753 kVA |
| Winter | 584,639 kVA / ((56 Cust/Mos Billed/12)*8) | = 15,660 kVA |

Demands used for responding to billing under the proposed rates are a simple arithmetic average for each time period.

| | | |
|---|---|---|
| Base | 932,298 kVA / (56 Cust/Mos Billed) | = 16,648 kVA |
| Intermediate | 916,022 kVA / ((56 Cust/Mos Billed) | = 16,358 kVA |
| Peak | 905,249 kVA / ((56 Cust/Mos Billed) | = 16,165 kVA |

To assist the Commission, please see the attachment provided on CD in the folder titled Question No. 9 for an electronic version of the attachment to KPSC 2-7 with formulas intact.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 10**

**Responding Witness: William Steven Seelye**

Q-10. Explain why the Base Demand Period Demand Charge is lowest in some Time-of-Day tariffs, and why the Intermediate Demand Period Demand Charge is lowest in others.

A-10. The rate design is structured in a manner such that (i) *production* and *transmission* demand costs are recovered through the Peak Demand Charge, Intermediate Demand Charge and Base Demand Charge, but (ii) *distribution* demand costs are recovered predominately through the base component of the rate. It is important to note that, consistent with both the current and proposed time-of-day rates, the Base Demand Charge is not an off-peak charge, but a charge applicable to the maximum monthly demand whenever the demand occurs. Because distribution facilities are installed to meet the customer's maximum demand, distribution demand-related costs are more properly recovered through the Base Demand Charge. The demand-related distribution unit costs of providing service to secondary voltage customers are higher than the demand-related unit costs of providing service to primary customers. One reason for this is that because primary voltage customers are responsible for any step-down transformation from primary to secondary voltage, utility-owned line transformers are not required to provide service to primary customers, resulting in lower unit costs.

The level of the Base Demand Charge therefore depends on the applicable service voltage. The Base Demand Charge for secondary voltage service will thus be higher than the Base Demand Charge for primary voltage service, which will in turn be higher than the Base Charge for transmission voltage service. The recovery of costs associated with the secondary distribution system causes the Base Demand Charge to exceed the Intermediate Demand Charge for the ITOD-Secondary and for CTOD-Secondary.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 11**

**Responding Witness: William Steven Seelye**

Q-11. Refer to the response to Item 11 of Staff's Second Request. The verbiage from the Kentucky Utilities Company ("KU") tariff was initially accepted pursuant to the Commission's decision in Administrative Case No. 251.[1] Explain whether LG&E was aware that, since 2000, as reflected by the proceedings in Case No. 2000-00359,[2] the Commission has held that CATV attachment charges are not nonrecurring charges and, as such, may only be adjusted via an application filed pursuant to 807 KAR 5:001, Section 10 , General Rate Applications.

A-11. The Company was not aware of the Commission's Order regarding Cumberland Valley Electric Inc. in Case No. 2000-00359. Therefore, the Company proposes to delete the "Attachment Charge Adjustment" section and the annual adjustment provision from the "Attachment Charge" section of the rate schedule.

---

[1] Administrative Case No. 251, The Adoption of a Standard Methodology for Establishing Rates for Cable Television Pole Attachments (Ky. PSC Sept. 17, 1982).
[2] Case No. 2000-00359, Application of Cumberland Valley Electric Inc. to Adjust its Rates (Ky. PSC Feb. 26, 2001).

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 12

Responding Witness: Butch Cockerill

Q-12. Refer to the response to Item 12 of Staff's Second Request. LG&E states that "[t]he change in language is to clarify the existing practice of requiring the customer to pay for each pulse received." Attached to this data request is the Meter Pulse Cost Justification filed in LG&E's most recent rate case, Case No. 2008-00252.[3] The cost justification identifies the charge as per pulse per meter per month; however, the total cost of $531.65 was divided by 60 months resulting in $8.86. The charge was proposed and approved at $9.00.

a. Since the total cost was divided by 60 months, explain why the resultant charge is a per pulse charge rather than a per month charge.

b. The total was divided by 60 months as it appears that LG&E anticipated customers using this service would enter into five year contracts. Does LG&E require customers using this service to enter into contracts? If yes, provide the length of the contract.

c. Provide the number of customers currently using the meter pulse service.

d. For customers using this service, provide the average number of meter pulses received per month.

A-12. a. The charge of $9.00 is per month per set of installed pulse-generating equipment, not per pulse. To clarify the tariff language, LG&E now proposes to change the current tariff language, "$9.00 per month," to "$9.00 per month per installed set of pulse-generating equipment," not "$9.00 per pulse per month."

b. LG&E does not currently require a contract for this service, though it is preparing a contract which will be required. That document will deal primarily with the technical aspects of providing and receiving service. There will be no term of

[3] Case No. 2008-00252, Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Base Rates (Ky. PSC Feb. 5, 2009).

contract but it is anticipated there will be a provision for a thirty-day notice of termination.

c. Currently 49 customers are using the meter pulse service.

d. Pulses are proportional to the energy consumed and will vary from customer to customer. A customer, with one set of pulse providing equipment, may typically receive 500 to 1,500 pulses every 15 minutes during a 30 day month for which the customer would be charged $9.00 for the set of pulse providing equipment.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 13**

**Responding Witness: Paul W. Thompson**

Q-13. Refer to the response to Item 24 of Staff's Second Request. Based on its current long-range planning, and assuming no existing generating units are retired, in what year do LG&E and KU forecast the need for additional generating capacity?

A-13. Based on its current long-range plan, existing environmental regulations, and assuming no existing generating units are retired, additional generating capacity will be needed in 2016 to maintain a 14% reserve margin.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 14**

**Responding Witness: Paul W. Thompson**

Q-14. Refer to the response to Item 25 of Staff's Second Request, which states that it is difficult to calculate the full demand reduction due to LG&E's and KU's demand-side management ("DSM'') programs, but indicates that 103 Megawatts ("MW") was the estimate associated with the companies' Direct Load Control program. Reconcile the difficulty described in the response with the response to Item 24 of Staff's Second Request, which shows 225 MW as the estimated reduction in peak demand in 2010 associated with DSM programs.

A-14. The estimate for the 225 MW reduction in 2010 is comprised of 177 MW from Direct Load Control (DLC), and 48 MW from non-DLC programs. The estimate achieved in 2009 was 103 MW from DLC and 32 MW from non-DLC programs, for a total of 135 MW. Therefore the total DSM variance is 90 MW, 135 MW achieved in 2009 compared to 225 MW estimated for 2010. The total variance of 90 MW consists of an estimated 35 MW difference due to temperature normalization (89 degrees in 2009 vs. the "optimal" 97 degrees), and 55 MW that is targeted to be achieved through additional program efforts in 2010.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 15**

**Responding Witness: Paul W. Thompson**

Q-15. Refer to the response to Item 28 of Staff's Second Request, which shows that LG&E/KU's Contingency Reserve Requirement ("CRR") under the reserve sharing agreement with East Kentucky Power Cooperative, Inc. and the Tennessee Valley Authority was 201 MW on January 1, 2010 and went to 233 MW on January 29, 2010. Under the terms of this sharing agreement, how often is the CRR subject to change?

A-15. Typically the Contingency Reserve Requirement (CRR) of the Parties is adjusted once a year based on the previous year's load of each Balancing Authority (BA). However, the CRR may be adjusted more frequently when the Contingency Reserve Group's parameters change.

Parameters that can change are 1) the Most Severe Single Contingency of the group (a change in the rating of the largest contingency of the group – a generating unit or transmission facility), 2) a notable change in the load of a BA in the group (such as a new Load Serving Entity (LSE) joining or leaving a BA), or, 3) a change in deliverability of the transmission systems.

The reason for the change from 201 MW to 233 MW was due to a discussion among the parties involved as to whether "gross" or "net" should be used for the largest contingency. Whereas "net" was being used in the calculation of the 201 MW, it was agreed by the parties to include the auxiliary load for each party's share of the largest contingency, thus shifting to "gross". With Trimble County Unit 1 having 32 MW of auxiliary load, the CRR went from 201 MW to 233 MW (201 MW + 32 MW).

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 16**

**Responding Witness: Robert M. Conroy**

Q-16. Refer to the response to Item 33.c. of Staff's Second Request. Explain whether LG&E agrees that the calculation included in the response provides greater accuracy than the calculation in Rives Reference Schedule 1.07.

A-16. LG&E has consistently used the methodology initially accepted by the Commission. While either method is generally reasonable, LG&E agrees that the calculation provided in response to Item 33-c is a mathematically more accurate result. Whichever methodology is determined appropriate, it should be consistently applied in future proceedings and not be subject to change depending on the end result.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 17**

**Responding Witness: Lonnie E. Bellar/Robert M. Conroy**

Q-17. Refer to the response to Item 34 of Staff's Second Request and Rives Reference Schedule 1.10. LG&E's proposed adjustment to eliminate DSM revenues and expenses from the test year for ratemaking purposes has the effect of increasing its revenue requirements for both its electric and gas operations. The magnitude of the net gas adjustment is consistent with the electric and gas adjustments proposed in LG&E's previous general rate case. Provide a detailed explanation for why the test year electric DSM revenues, at $12.2 million, so greatly exceed the test year electric DSM expenses of $7.3 million.

A-17. The purpose of the adjustment contained in Reference Schedule 1.10 of Rives Exhibit 1 is to remove the revenues and expenses associated with separate full-recovery cost trackers (Demand-Side Management Cost Recovery Mechanism) from the revenues and expenses recorded on the books during the test year. Therefore, the adjustment removes the impact of the DSM mechanism and neither increases nor decreases the revenue requirement for determining base rates.

Notwithstanding, the difference between the DSM revenues and DSM expenses is primarily the result of the timing difference between when the revenues are collected and when the expenditures are incurred. Any differences are reconciled and adjusted during the Annual DSM Mechanism Balancing Adjustment filed with the Commission. As it relates to the timing of expenditures within the test year ended October 31, 2009, the implementation of programs from KPSC Case No. 2007-00319 approved on March 31, 2008 extended through the first quarter of 2009 due to procurement and contractual issues with the various third-party service contractors and the hiring of Company personnel. This delay resulted in revenue collections out pacing expenditures. As previously stated, this has been resolved through both the 2008 and 2009 Annual DSM Mechanism Balancing Adjustment.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 18**

**Responding Witness: William Steven Seelye**

Q-18. Refer to the response to Item 37.a. of Staff's Second Request.

a. Explain how LG&E determined that October system demands are driven more by cooling than heating demand if there are 5.5 times more Heating Degree Days than Cooling Degree Days, and given the fact that October is not included as a summer month in the Power Service and Time-of-Day tariffs.

b. Provide the effect on the proposed weather normalization if October is included as a heating month.

A-18. a. As stated in the response to Question 37.a. of the Staff's Second Data Request, October is a shoulder month with both heating and cooling characteristics. While there are 5.5 times more Heating Degree Days than Cooling Degree Days for October, it is important to consider that there are 2.7 times more Heating Degree Days for the year than there are Cooling Degree Days. Another factor to consider is that since approximately 80 percent of the fuel used for heating in the LG&E service territory is natural gas (Source: 2007 Residential Appliance Saturation Study) electric energy response to cold weather is nominal, particularly in a shoulder month.

b. See attached.

LOUISVILLE GAS AND ELECTRIC COMPANY
Adjustment to Reflect Weather Normalized Electric Sales Margins
12 Months Ended October 31, 2009

| HDD65 AND CDD65 | (1) kiloWatt-Hour Adjustment to Usage | (2) Energy Rate | (3) Revenue Adjustment | (4) Revenue Adjustment |
|---|---|---|---|---|
| | | | (2) * (1) | (3) |
| Residential Rate RS | 62,390,000 | 0.06714 | $ 4,188,865 | $ 4,188,865 |
| General Service Rate GS | 5,978,000 | 0.07580 | $ 453,132 | $ 453,132 |
| Industrial Power Service IPS | - | | $ - | $ - |
| Secondary | - | 0.02611 | $ - | |
| Primary | - | 0.02611 | $ - | |
| Commercial Power Service CPS | 9,141,000 | | $ 270,208 | $ 270,208 |
| Secondary | 8,358,000 | 0.02956 | $ 247,062 | |
| Primary | 783,000 | 0.02956 | $ 23,145 | |
| Industrial Time-of-Day Service ITOD | - | | $ - | $ - |
| Secondary | - | 0.02616 | $ - | |
| Primary | - | 0.02616 | $ - | |
| Commercial Time-of-Day Service CTOD | 2,286,000 | | $ 67,666 | $ 67,666 |
| Secondary | 1,365,000 | 0.02960 | $ 40,404 | |
| Primary | 921,000 | 0.02960 | $ 27,262 | |
| Retail Transmission Service RTS | - | 0.02616 | $ - | $ - |
| Industrial Service IS | - | | $ - | $ - |
| Secondary | - | 0.02616 | $ - | |
| Primary | - | 0.02616 | $ - | |
| Transmission | - | 0.02616 | $ - | |
| Special Contracts | 1,473,000 | | $ 38,578 | $ 38,578 |
| Fort Knox | 1,473,000 | 0.02619 | $ 38,578 | |
| Louisville Water Company | - | 0.02618 | $ - | |
| Total | 81,268,000 | | $ 5,018,448 | $ 5,018,448 |
| Expenses (variable only) | 81,268,000 | 0.02275 | $ 1,849,242 | $ 1,849,242 |
| ADJUSTMENT TO NET OPERATING INCOME BEFORE TAXES | | | | $ 3,169,206 |

NOTES: Seasonal Adjustments with Monthly Banding
October kWh calculated by HDD, not CDD

LGE Weather Adjustments (MWh)

| Year | Month | Class Order<br>1<br>Residential | 100<br>General Service | 210<br>CPS-Primary | 220<br>CPS-Secondary | 230<br>CTOD-Primary | 240<br>CTOD-Secondary | 300<br>IPS-Secondary | 320<br>IPS-Primary | 400<br>ITOD-Secondary | 420<br>ITOD-Primary | 600<br>RTS | 801<br>Louisville H2O | 802<br>Ft. Knox | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2008 | 12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2009 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2009 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2009 | 3 | 907 | 139 | 5 | 105 | 0 | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 22 | 1,188 |
| 2009 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2009 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2009 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2009 | 7 | 62,316 | 5,895 | 767 | 8,083 | 921 | 1,354 | 0 | 0 | 0 | 0 | 0 | 0 | 1,454 | 80,790 |
| 2009 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2009 | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2009 | 10 | -833 | -56 | 11 | 170 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -3 | (710) |
| TOTAL | | 62,390 | 5,978 | 783 | 8,358 | 921 | 1,365 | 0 | 0 | 0 | 0 | 0 | 0 | 1,473 | 81,268 |

plus sign '+' will increase sales
minus sign '-' will decrease sales

This spreadsheet has October values calculated by way of HDD, not CDD. The change was made to answer question 18 from the Commission Staff dated March 26, 2010

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 19**

**Responding Witness: Valerie L. Scott**

Q-19. Refer to the response to Item 40.a. of Staff's Second Request. Carrying the calculations provided in the attachment to the response through in the manner done in Rives Reference Schedule 1.17 results in $28,368,800 in total annualized pension, post-retirement and post-employment expense per the 2010 Mercer Study, $1,373,218 less than the test year expense. Confirm that the amount of this expense decrease will replace the total adjustment shown on line 3 of the reference schedule.

A-19. See attached revised schedule. In addition to the $1,373,218 for electric, there is $343,304 that should be adjusted related to gas.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**To Adjust for Pension, Post Retirement and Post Employment**
**For the Twelve Months Ended October 31, 2009**

| | | | Pension | Post Retirement | Post Employment | Total |
|---|---|---|---|---|---|---|
| 1 | Pension, Post Retirement and Post Employment expenses in test year | | $ 23,053,282 | $ 6,837,641 | $ 194,399 | $ 30,085,322 |
| 2 | Pension, Post Retirement, and Post Employment expenses annualized for 2010 Mercer Study | | 21,685,162 | 5,981,097 | 702,541 | 28,368,800 |
| 3 | Total adjustment (Line 2 - Line 1) | | $ (1,368,120) | $ (856,544) | $ 508,142 | $ (1,716,522) |
| 4 | Electric Department | 80% | | | | $ (1,373,218) |
| 5 | Gas Department | 20% | | | | (343,304) |
| 6 | Total Adjustment | | | | | $ (1,716,522) |

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 20**

**Responding Witness: Valerie L. Scott**

Q-20. Refer to the response to Item 48 of Staff's Second Request.

a. It appears the bad debt factor has been somewhat volatile, with it changing more than 40 percent from 2006 to 2007 and from 2007 to 2008. Describe, generally, the factors that contribute to these changes.

b. Per parts c. and d. of the response – provide, for the test year and the 12 months immediately preceding the test year, an end-of-period comparison of the level of customer accounts receivable that were 30, 60 and 90 days old.

A-20. a. The Company does not agree that the bad debt factor is volatile and considers the amount in the test period to be representative. The bad debt factor is computed by dividing net charge offs (charge offs less recoveries) by annual revenue. Consequently, this factor changes based on the variability of annual revenue and customers' payment practices. The underlying drivers behind these amounts include, but are not limited to, economic conditions, weather and fuel prices.

b. Refer to table below.

**LG&E Customer Accounts Receivable by Days Outstanding:**

| Period Ending | 0 - 30 Days | 31 - 60 Days | 61 - 90 Days | > 90 Days | Total Open A/R |
|---|---|---|---|---|---|
| Oct-09 | $40,904,797 | $3,388,550 | $1,627,028 | $4,889,227 | $50,809,602 |
| Oct-08 | $35,986,332 | $13,870,991 | $2,910,854 | $3,405,265 | $56,173,442 |

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 21**

**Responding Witness: Robert M. Conroy**

Q-21. Refer to the response to Item 75 of Staff's Second Request, which states that the unamortized balance of the Mill Creek Ash Pond Dredging regulatory asset and the monthly amortization expense have been included in LG&E's monthly environmental surcharge filings since May 2006. If the regulatory asset is included in LG&E's environmental rate base for recovery through its environmental surcharge, explain why it is also included in the rate base in Rives Exhibit 3.

A-21. Rives Exhibit 3 presents LG&E's Total Company, Total Electric, and Total Gas rate bases. Total electric rate base as presented on Rives Exhibit 3 includes 100% of LG&E's environmental surcharge rate base as of the end of the test year. The proportionate share of Electric rate base to Total Company rate base is used to allocate Total Company Capitalization between Electric and Gas on Rives Exhibit 2. It is necessary to include all rate base, including ECR, when determining the percentage allocation between electric and gas for capitalization. The exclusion of the appropriate amount of environmental surcharge rate base from LG&E's electric capitalization is included on Rives Exhibit 2, page 1 of 2 in column (7). This adjustment reduces electric capitalization by the amount of environmental surcharge rate base that will continue to be recovered through the monthly ECR billing factors as shown on Rives Exhibit 2, page 2 of 2 in column (6). In addition, the amount that will continue to be included in the environmental surcharge is removed through the adjustment in Reference Schedule 1.05 of Rives Exhibit 1.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 22**

**Responding Witness: Chris Hermann/William Steven Seelye**

Q-22. Refer to the response to Item 93 of Staff's Second Request, which discusses the effect of the proposal to bill primary voltage customers on a kVA basis rather than a kW basis. The response states that, with everything else being equal, a customer with a lower than average power factor would experience a relatively larger increase as a result of the proposal.

a. For an average primary service customer served under each applicable rate class, with all billing factors other than power factor constant, provide the billing calculations (two calculations for each rate class) showing power factors at the extreme high and extreme low that LG&E has observed, or believes attainable under the rates. Include the percentage increases for both rate classes for each calculation.

b. LG&E states that customers with low load factors will likely determine it is less costly to install capacitor banks than continue to pay higher demand charges as a result of maintaining low power factors. Explain whether LG&E believes this conclusion should be intuitive to the customer, or if it would expect to notify the customer of the alternative.

A-22. a. See attached.

b. LG&E believes that for most if not all customers served under ITOD-P and CTOD-P it will be obvious to these customers that their power factors can be improved by installing capacitor banks. Customers eligible for this rate are already served on a power factor correction rate, and therefore are already familiar with the power factor correction concept. This rate is applicable to customers with demands of at least 250 KVA, and many customers served under this rate have demands far in excess of this level. Therefore, these are not small customers, but are among the largest customers on LG&E's system. Many of these customers have electrical engineers on their staff with responsibilities for managing their energy facilities and energy costs. Furthermore, customers under these rates are assigned account executives who regularly communicate with most of the customers served under ITOD-P and CTOD-P. All of the account executives at LG&E are aware of this change and many have already had discussions with a number of primary voltage customers who would be affected by the change. The Company's account executives will provide notice to customers on their options for improving power factor.

# LOUISVILLE GAS and ELECTRIC COMPANY

Calculation of Proposed Increase on an Average Customer's Base Rate Billing

## Typical Power Factor

**Power Factor =** 0.95

Industrial Primary Time-of-Day Service

| | Average Usage | | Current Rate | Billing Summer | Billing Winter | Billing Annual |
|---|---|---|---|---|---|---|
| Customer Charge | | | $120.00 | $120.00 | $120.00 | $1,440.00 |
| Energy Charge | 3,121,800 | kWh | $0.02616 | $81,666.29 | $81,666.29 | $979,995.48 |
| Demand Charge | | | | | | |
| Basic | 6,601 | kW | $3.85 | $25,413.85 | $25,413.85 | $304,966.20 |
| Summer | 7,390 | kW | $9.35 | $69,096.50 | | $276,386.00 |
| Winter | 6,014 | kW | $6.76 | | $40,654.64 | $325,237.12 |
| Subtotal Demand | | | | | | $906,589.32 |
| Total | | | | | | $1,888,024.80 |

| | Average Usage | | Proposed Rate | Billing Annual | Increase Dollars | Increase Per Cent |
|---|---|---|---|---|---|---|
| Customer Charge | | | $300.00 | $3,600.00 | $2,160.00 | 150.00% |
| Energy Charge | 3,121,800 | kWh | $0.02936 | $1,099,872.58 | $119,877.10 | 12.23% |
| Demand Charge | | | | | | |
| Base | 6,926 | kVA | $4.12 | $342,421.44 | | |
| Intermediate | 6,792 | kVA | $3.42 | $278,743.68 | | |
| Peak | 6,712 | kVA | $4.92 | $396,276.48 | | |
| Subtotal Demand | | | | $1,017,441.60 | $110,852.28 | 12.23% |
| Total | | | | $2,120,914.18 | $232,889.38 | 12.34% |

# LOUISVILLE GAS and ELECTRIC COMPANY

Calculation of Proposed Increase on an Average Customer's Base Rate Billing

## High Power Factor

**Power Factor =** 1.00

Industrial Primary Time-of-Day Service

| | Average Usage | | Current Rate | Billing Summer | Billing Winter | Billing Annual |
|---|---|---|---|---|---|---|
| Customer Charge | | | $120.00 | $120.00 | $120.00 | $1,440.00 |
| Energy Charge | 3,121,800 | kWh | $0.02616 | $81,666.29 | $81,666.29 | $979,995.48 |
| Demand Charge | | | | | | |
| Basic | 6,601 | kW | $3.85 | $25,413.85 | $25,413.85 | $304,966.20 |
| Summer | 7,390 | kW | $9.35 | $69,096.50 | | $276,386.00 |
| Winter | 6,014 | kW | $6.76 | | $40,654.64 | $325,237.12 |
| Subtotal Demand | | | | | | $906,589.32 |
| Total | | | | | | $1,888,024.80 |

| | Average Usage | | Proposed Rate | Billing Annual | Increase Dollars | Increase Per Cent |
|---|---|---|---|---|---|---|
| Customer Charge | | | $300.00 | $3,600.00 | $2,160.00 | 150.00% |
| Energy Charge | 3,121,800 | kWh | $0.02936 | $1,099,872.58 | $119,877.10 | 12.23% |
| Demand Charge | | | | | | |
| Base | 6,580 | kVA | $4.12 | $325,300.37 | | |
| Intermediate | 6,452 | kVA | $3.42 | $264,806.50 | | |
| Peak | 6,376 | kVA | $4.92 | $376,462.66 | | |
| Subtotal Demand | | | | $966,569.53 | $59,980.21 | 6.62% |
| Total | | | | $2,070,042.11 | $182,017.31 | 9.64% |

Note: The power factor adjustment in the current rate is based on average monthly power factor, while the power factor adjustment in the proposed rate (i.e. kVA billing) is effectively based on power factor at the time of the maximum demand. This spreadsheet assumes that the power factor at the time of the applicable maximum demand is 1.00 but the average power factor is unchanged.

# LOUISVILLE GAS and ELECTRIC COMPANY

Calculation of Proposed Increase on an Average Customer's Base Rate Billing

## High Power Factor

**Power Factor =** 0.80

Industrial Primary Time-of-Day Service

| | Average Usage | | Current Rate | Billing Summer | Billing Winter | Billing Annual |
|---|---|---|---|---|---|---|
| Customer Charge | | | $120.00 | $120.00 | $120.00 | $1,440.00 |
| Energy Charge | 3,121,800 | kWh | $0.02616 | $81,666.29 | $81,666.29 | $979,995.48 |
| Demand Charge | | | | | | |
| Basic | 6,601 | kW | $3.85 | $25,413.85 | $25,413.85 | $304,966.20 |
| Summer | 7,390 | kW | $9.35 | $69,096.50 | | $276,386.00 |
| Winter | 6,014 | kW | $6.76 | | $40,654.64 | $325,237.12 |
| Subtotal Demand | | | | | | $906,589.32 |
| Total | | | | | | $1,888,024.80 |

| | Average Usage | | Proposed Rate | Billing Annual | Increase Dollars | Increase Per Cent |
|---|---|---|---|---|---|---|
| Customer Charge | | | $300.00 | $3,600.00 | $2,160.00 | 150.00% |
| Energy Charge | 3,121,800 | kWh | $0.02936 | $1,099,872.58 | $119,877.10 | 12.23% |
| Demand Charge | | | | | | |
| Base | 8,225 | kVA | $4.12 | $406,625.46 | | |
| Intermediate | 8,066 | kVA | $3.42 | $331,008.12 | | |
| Peak | 7,971 | kVA | $4.92 | $470,578.32 | | |
| Subtotal Demand | | | | $1,208,211.90 | $301,622.58 | 33.27% |
| Total | | | | $2,311,684.48 | $423,659.68 | 22.44% |

Note: The power factor adjustment in the current rate is based on average monthly power factor, while the power factor adjustment in the proposed rate (i.e. kVA billing) is effectively based on power factor at the time of the maximum demand. This spreadsheet assumes that the power factor at the time of the applicable maximum demand is 0.70 but the average power factor is unchanged.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 23**

**Responding Witness: Lonnie E. Bellar**

Q-23. Refer to the response to Item 97 of Staff's Second Request. Have the proposed changes to the curtailable service riders been part of the "various aspects of the filing" that have been discussed? If so, provide details of the discussion and the customers' reactions and responses.

A-23. Yes. LG&E has had discussions with the two current CSR customers since the filing through the normal course of account relationships. One customer questioned the need to move to 500 hours of interruption. Another topic discussed was the proposed 10-minute notice provision. One customer had no issue with the proposed 10-minute notice period, while the other expressed concerns related to their ability to comply with the proposed shorten notice period, based on their specific operations. Additionally, one customer questioned why, in the proposed CSR, credits would only be offered for interruptions in the intermediate time period.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 24**

**Responding Witness: William Steven Seelye**

Q-24. Refer to the response to Item 103.b. of Staff's Second Request. LG&E states that the currently approved Excess Facilities charges were determined using a different methodology than that used in the present case. Provide the reason for the change in methodology.

A-24. The methodology was changed to address a problem with the current approach. Under the current Excess Facilities Rider, customers are responsible for the cost of replacing the facilities in the event that the facilities fail. The Company is responsible for performing operation and maintenance on the facilities. The problem that could occur under the current Excess Facilities Rider is that in the event of a failure of the facilities a customer could claim that the Company had not adequately operated or maintained the facilities. Although this scenario has not occurred, the Company determined that the current approach creates too many avenues for disputes. Under the revised Excess Facilities Rider, the Company will continue to be responsible for operating and maintaining the facilities and the customer will be relieved of the responsibility for replacing the facilities in the event of a failure. This change should reduce the potential for disputes under the tariff. However, this modification also necessitates that a replacement component be included in the carrying charge calculation for the rate. Therefore, in addition to the carrying costs on the cost of the original equipment, a depreciation and cost of capital component is also included that is designed to capture the effect of an Iowa-type replacement dispersion related to the cost of replacement. This is the only change to the methodology. This approach has been approved by the Virginia State Corporation Commission for KU/ODP and a number of other utilities in Virginia.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 25**

**Responding Witness: William Steven Seelye**

Q-25. Refer to the responses to Items 104.a. and b. of Staff's Second Request.

a. Is it correct that the approach used by LG&E for many years to calculate non-temperature-sensitive volumes for the test year will tend to understate those volumes in this case due to the relatively lower level of customers as compared to the test year number of customers?

b. If the answer to part a. of this request is yes, provide the results of the gas weather normalization using the methodology suggested in Item 104.b.

A-25. a. Not necessarily. To some extent seasonal variations in the number of customers taking service could also be temperature dependent. It is likely that some customers disconnect gas service during the summer months due to the absence of cold weather and will not reconnect service until temperatures become cold enough to require gas space heating. Some customers might even choose to use electric strip heaters for a period of time rather than reconnecting gas service. Mr. Seelye has heard reports of this behavior from a number of his gas utility clients. It is therefore difficult to estimate the impact that such behavior would have on the temperature normalization adjustment.

b. Because the response to the previous subpart is not an unqualified "no", the requested analysis is attached.

# LOUISVILLE GAS AND ELECTRIC COMPANY
## TEMPERATURE NORMALIZATION CALCULATIONS
## 12-MONTHS ENDED OCTOBER 31, 2009

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total Number of Bills (Test Year) | Total Sales & Trans. (Test Year) | Number of Bills (Jul - Aug) | Non-Temp Sales & Trans. (Jul - Aug) | Total Non-Temp Sales & Trans. (Test Year) | Temp Sensitive Sales & Trans. (Test Year) | Actual Degree Days | Mcf per Degree Day | Normal Degree Days | Departure From Normal | Normal Temp Adjustment | Revenue Per Mcf Sold | Net Revenue Adjustment |
| | | | | | ((4) / (3)) * (1) | (2) - (5) | | (6) / (7) | | (9) - (7) | (8) * (10) | | |
| Industrial Rate IGS | 2,558 | 995,514 | 439 | 75,004 | 437,340.40 | 558,173 | 4,252 | 131 | 4,163 | (89) | (11,683) | 1.6524 | $ (19,306) |
| As Available Gas Service (AAGS) | 177 | 291,983 | 30 | 27,373 | 161,498.30 | 130,484 | 4,279 | 30 | 4,168 | (111) | (3,385) | 0.5252 | $ (1,778) |
| Rate FT | 824 | 7,590,002 | 138 | 1,069,824 | 6,387,937.00 | 1,202,065 | 4,279 | 281 | 4,168 | (111) | (31,182) | 0.4300 | $ (13,408) |
| Special Contracts | | | | | | | | | | | | | |
| Customer 1 | 12 | 591,360 | 2 | 943 | 5,656.20 | 585,704 | 4,279 | 137 | 4,168 | (111) | (15,194) | 0.0487 | $ (740) |
| Customer 2 | 12 | 1,710,388 | 2 | 93,431 | 560,583.00 | 1,149,805 | 4,279 | 269 | 4,168 | (111) | (29,827) | 0.3200 | $ (9,545) |
| Customer 3 | 24 | 437,214 | 4 | 71,205 | 427,229.40 | 9,985 | 4,279 | 2 | 4,168 | (111) | (259) | 0.2253 | $ (58) |
| Total Net Temperature Normalization Adjustment for Customers Not Billed Under the WNA | | | | | | | | | | | | | $ (44,834) |

Calculations for two Special Contract Customers were not included since each has no temperature sensitive load.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 26**

**Responding Witness: William Steven Seelye**

Q-26. Refer to the attachment to the response to Item 104.c. of Staff's Second Request.

a. Explain why Transportation Service – Industrial Gas Service volumes are included in the temperature normalization when the load characteristics do not indicate temperature sensitive usage.

b. Explain why the volumes of Special Contract customers 1 and 3 are included in the temperature normalization when their load characteristics do not indicate temperature sensitive usage.

A-26. a. Because stand-by transportation and sales customers are served under the same net margin rate, the temperature normalization adjustment is performed for the class as a whole, including both stand-by transportation and sales volumes.

b. As explained in the response to KPSC 2-105, these two special contract customers should not have been included in the analysis.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 27**

**Responding Witness: William Steven Seelye**

Q-27. Refer to the response to Item 114 of Staff's Second Request. The response to each subpart provides a narrative explanation for the item as requested. For each subpart, provide the calculations described in the response.

A-27. See attached, page 1 for the calculation of the investment per unit as presented in Seelye Exhibit 4.

See attached, page 2 for the calculation of the fixed charge rate as presented in Seelye Exhibit 4.

See table below for the calculation of the operation and maintenance as presented in Seelye Exhibit 4:

| | 16,000 Lumen Directional HPS | 28,500 Lumen Directional HPS | 50,000 Lumen Directional HPS |
|---|---|---|---|
| Bulb cost | $ 8.93 | $ 19.43 | $ 19.43 |
| Photocell cost | $ 3.15 | $ 3.15 | $ 3.15 |
| Labor rate | $31/hour | $31/hour | $31/hour |
| Total labor cost, 2-staff crew once every six years | $ 10.33 | $ 10.33 | $ 10.33 |
| Total Operation & Maintenance once every six years | $ 12.35 | $ 14.10 | $ 14.10 |

**Louisville Gas and Electric Company**
**Case No. 2009-00549**
**HPS Contemporary Lighting Fixtures**

| | Contemporary 9,500 LUMEN | | Material | LABOR | |
|---|---|---|---|---|---|
| FIXTURE | Luminaire | | $224.64 | $50.00 | |
| | Lamp - 100 Watt | | $8.59 | | |
| | Photocell | | $4.09 | | |
| | Contemporary mounting arm | | $0.00 | | |
| | Slip fitter | | $0.00 | | |
| | compression connectors (2) | | $15.06 | $55.00 | |
| | Fuse & Holder | | $29.01 | $38.00 | |
| | | Subtotal: | $281.39 | $143.00 | |
| | | Stores Overhead | $0.00 | - | |
| | | Labor Overhead: | - | $0.00 | |
| | | Total Stores & Labor | - | - | $424.39 |
| | | Construction Overhead: | - | - | $0.00 |
| | | Total Stores, Labor & OH | - | - | $424.39 Fixture Only |

| | Contemporary 22,000 LUMEN | | Material | LABOR | |
|---|---|---|---|---|---|
| FIXTURE | Luminaire | | $224.64 | $50.00 | |
| | Lamp - 200 Watt | | $8.99 | | |
| | Photocell | | $4.09 | | |
| | Contemporary mounting arm | | $0.00 | | |
| | Slip fitter | | $0.00 | | |
| | compression connectors (2) | | $15.06 | $55.00 | |
| | Fuse & Holder | | $29.01 | $38.00 | |
| | | Subtotal: | $281.79 | $143.00 | |
| | | Stores Overhead | $0.00 | - | |
| | | Labor Overhead: | - | $0.00 | |
| | | Total Stores & Labor | - | - | $424.79 |
| | | Construction Overhead: | - | - | $0.00 |
| | | Total Stores, Labor & OH | - | - | $424.79 Fixture Only |

| | Contemporary 50,000 LUMEN | | Material | LABOR | |
|---|---|---|---|---|---|
| FIXTURE | Luminaire | | $224.64 | $50.00 | |
| | Lamp - 400 Watt | | $10.23 | | |
| | Photocell | | $4.09 | | |
| | Contemporary mounting arm | | $0.00 | | |
| | Slip fitter | | $0.00 | | |
| | compression connectors (2) | | $15.06 | $55.00 | |
| | Fuse & Holder | | $29.01 | $38.00 | |
| | | Subtotal: | $283.03 | $143.00 | |
| | | Stores Overhead | $0.00 | - | |
| | | Labor Overhead: | - | $0.00 | |
| | | Total Stores & Labor | - | - | $426.03 |
| | | Construction Overhead: | - | - | $0.00 |
| | | Total Stores, Labor & OH | - | - | $426.03 Fixture Only |

**Louisville Gas and Electric Company**
**Case No. 2009-00549**
**Levelized Fixed Charge Rate**

## Weighted Average Cost of Capital (WACC)

Per PSC Order in Case # 2003-00434

| | Capitalization Ratio | Annual R.O.E. | Annual Cost | Weighted Cost |
|---|---|---|---|---|
| Common | 53.86% | 11.50% | - | 6.19% |
| Preferred | 0.00% | 0.00% | - | 0.00% |
| Total Equity | **53.86%** | | - | **6.19%** |
| Short Term | **0.00%** | 0.22% | | 0.00% |
| Long Term | **46.14%** | 4.61% | | 2.13% |
| Total Debt | **46.14%** | | | |
| **Total WACC** | 100.00% | | | **8.32%** Overall Cost of Capital |

## Carrying Charge Income Tax Calculation

Corporate Tax Rate: 40.3625%

Carrying (Weighted Cost of Equity / (1- CORPORATE TAX RATE)) x CORPORATE TAX RATE

( **6.19%** / (**1** - **40.3625%** )) **40.3625%**

**4.19%**

## Calculation of Annual Carrying Char * THIS IS THE "FIXED CHARGE"

| | | |
|---|---|---|
| Overall Rate of Return | * THIS IS OUR OVERALL RATE OF RETURN | 8.32% |
| Straight Line Depreciation | | |
| 26 year useful life | * THESE AMOUNTS ARE OUR COSTS | 3.85% |
| Income Taxes | * THESE AMOUNTS ARE OUR COSTS | 4.19% |
| Property Tax | | 1.16% |
| **TOTAL FIXED CHARGE** | | 17.52% |

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 28**

**Responding Witness: William Steven Seelye**

Q-28. Refer to the response to Item 117 of Staff's Second Request. The response states that, "[t]he proposed 'Minimum Energy' revenues are calculated using a ratio of current demand and energy revenues to proposed demand and energy revenues. These calculations are performed on Seelye Exhibit 7." In the electronic copy of Exhibit 7 filed in response to Item 125 of Staff's Second Request, the cells for the proposed minimum energy include only amounts, not formulas. Provide the formula used for each rate class for the proposed minimum energy.

A-28. It has come to Mr. Seelye's attention that for a number of rate schedules the values included in the proposed revenues for Minimum Energy are incorrect. The amounts have been corrected in the spreadsheet provided in response to Question No. 1. The formulas are also included in the spreadsheet. Please see the spreadsheet tab labeled "Proposed Detail".

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 29**

**Responding Witness: Shannon L. Charnas**

Q-29. Refer to the attachment to the response to Item 128 of Staff's Second Request. Provide a detailed explanation for the increase in maintenance contracts expenses from $12 to 14 million annually incurred in 2006 and 2007 to $24 to $25 million annually incurred in 2008 and during the test year.

A-29. In responding to this question, it was determined that some vendors were categorized inconsistently in 2006 and 2007. This difference in the way the vendors were categorized contributed to the large variance between 2006 and the test year. The attached spreadsheet includes revised information for 2006 and 2007, including a variance explanation of the significant differences between the revised 2006 amounts and the test year amounts. The variance explanation for the difference between the original 2006 amounts and the revised 2006 amounts is that certain vendors that were categorized in "maintenance contracts" in 2008 and 2009, were categorized in "other" or "storm damage" in 2006 and 2007. The recategorization of these vendors results in a more accurate representation of the maintenance contract costs in those years.

LOUISVILLE GAS AND ELECTRIC
CONTRACTED LABOR - MAINTENANCE CONTRACTS

| Vendor | Test Year | 2008 | Revised 2007 | Original 2007 | Revised 2006 | Original 2006 | Variances Test Year vs Revised 2006 | Explanation of Test Year vs Revised 2006 Variances |
|---|---|---|---|---|---|---|---|---|
| A and A Mechanical Inc | $ 105,563 | $ 126,198 | $ 75,764 | $ - | $ 53,297 | $ - | $ 52,266 | |
| A and D Constructors Inc | 349,996 | 440,692 | 377,701 | - | 171,880 | - | 178,116 | Increase due to Mill Creek outage in the test year. |
| A and T Industrial Services Inc | 935,101 | 521,293 | 389,474 | - | 434,872 | - | 500,229 | Major work scope changes for outages on power plants due to high pressure cleaning, primarily at the Cane Run Units 4, 5, and 6. This work was previously performed by Veolia Environmental Services. |
| Aastra USA Inc | - | 1,454 | - | - | - | - | - | |
| Advantica Inc | - | - | - | - | 6,935 | 6,935 | (6,935) | |
| Aetna Building Maintenance Inc | - | - | 377 | 377 | 934 | 934 | (934) | |
| Alg Software | - | - | - | - | 10,015 | 10,015 | (10,015) | |
| Alstom Power Air Preheater | 3,552 | 3,402 | 9,092 | - | 12,131 | - | (8,579) | |
| Alstom Power Inc | 148,991 | 508,871 | 313,098 | - | 435,730 | - | (286,739) | Cane Run Unit 6 boiler tubing project and Cane Run boiler inspections included in 2006 and not in test year. |
| American Roofing And Metal Co Inc | 28,000 | 28,000 | - | - | - | - | 28,000 | |
| American Scale Corp | 3,012 | 1,295 | 605 | - | 255 | - | 2,757 | |
| Associated Railroad Contractors Inc | 3,310 | 13,485 | 11,579 | - | 46,067 | - | (42,757) | |
| Assured Asset Protection Inc | 342,890 | 267,746 | 211,839 | - | 220,503 | - | 122,387 | Fire protection provided by this vendor was used in more locations during the test year. |
| Atlas Machine And Supply Inc | 289,627 | 321,536 | 235,345 | - | 208,116 | - | 81,511 | |
| Avaya Inc | 112,231 | 117,715 | 63,684 | 63,684 | 60,530 | 60,530 | 51,701 | |
| B And B Electric Co Inc | 5,745 | 8,087 | - | - | - | - | 5,745 | |
| Barts Lawn Service | - | 1,015 | - | - | - | - | - | |
| Beacon Pointe Corp | - | 41,765 | 2,913 | 2,913 | - | - | - | |
| Bray Electric Services Inc | 144,298 | 138,264 | 166,087 | 166,087 | 224,654 | 224,654 | (80,356) | |
| C E Power Solutions LLC | 949,239 | 853,768 | 684,658 | 684,658 | - | - | 949,239 | Increase due to distribution substation corrective maintenance and generation outage work, primarily at Mill Creek Unit 3, previously provided by other vendors. |
| Charah Inc | 16,089 | 11,713 | 26,764 | 26,764 | 25,825 | 25,825 | (9,736) | |
| Conam Inspection And Engineering Services Inc | 96,377 | 217,856 | 6,130 | - | - | - | 96,377 | Boiler inspection services at Mill Creek Unit 1 and the three Cane Run units performed in the test year and not in 2006. |
| Concrete Coring & Cutting | - | 68 | 950 | - | - | - | - | |

| Vendor | Test Year | 2008 | Revised 2007 | Original 2007 | Revised 2006 | Original 2006 | Variances Test Year vs Revised 2006 | Explanation of Test Year vs Revised 2006 Variances |
|---|---|---|---|---|---|---|---|---|
| Construction 2000 Inc | 315,259 | 449,724 | 408,043 | - | 347,234 | - | (31,975) | |
| Crane America Services Inc | 76,268 | 70,130 | 142,447 | - | 46,381 | - | 29,887 | |
| Data Processing Sciences Corp | - | - | 131 | 131 | - | - | - | |
| Davis H Elliot Company Inc | 99,765 | 52,306 | 61,458 | - | 213,698 | - | (113,933) | |
| Dll Solutions Inc | - | - | 990 | 990 | - | - | - | |
| Document Control Systems Inc | 12,054 | 2,446 | 19,779 | 19,779 | 53,460 | 53,460 | (41,406) | |
| Donnie Jones Lawn Care LLC | 515 | 550 | 826 | - | 1,382 | - | (867) | |
| Duncan Machinery Movers Inc | 4,910 | - | - | - | - | - | 4,910 | |
| Ecken Technical Services | - | 1,480 | 10,937 | 10,937 | 1,101 | 1,101 | (1,101) | |
| Eco Electric LLC | 1,172 | - | - | - | - | - | 1,172 | |
| Emerson Process Management LLLP | - | 2,065 | - | - | - | - | - | |
| Energy Economics Inc | 277,593 | 307,046 | 156,559 | 156,559 | 69,083 | 69,083 | 208,510 | Increase due to replacement of gas regulators and ongoing surveying. |
| Enspiria Solutions Inc | - | - | 65,942 | 65,942 | - | - | - | |
| Evans Construction Co Inc | 3,151,839 | 2,893,503 | 2,867,240 | 2,867,240 | 3,050,860 | 3,050,860 | 100,979 | Increase from 2006 to test year due to increases in janitorial support and outage work, some of which had been previously performed by other vendors. |
| Falco Electric Inc | 2,895 | 6,744 | 3,159 | - | 61,516 | - | (58,621) | |
| Fishel Co | 1,210,744 | 1,115,580 | 746,221 | - | 1,267,084 | - | (56,340) | |
| Fuellgraf Chimney And Tower Inc | 4,472 | - | 12,047 | - | - | - | 4,472 | |
| G And G Utility Construction Inc | - | - | - | - | 312 | 312 | (312) | |
| GE Energy Management Services Inc | - | - | - | - | 2,500 | 2,500 | (2,500) | |
| Geoghegan Roofing | 8,706 | 14,618 | 36,640 | - | 9,868 | - | (1,162) | |
| Harshaw Trane Services | 9,819 | 15,402 | 15,937 | - | 51,984 | - | (42,165) | |
| Highland Roofing Co Inc | 5,396 | - | - | - | - | - | 5,396 | |
| Huntington Testing And Technology Inc | 2,789 | 17,307 | 15,480 | - | 20,039 | - | (17,250) | |
| Hussung Mechanical Contractors Inc | - | 3,384 | - | - | - | - | - | |
| Incorp Inc | 185,227 | 181,515 | - | - | - | - | 185,227 | Increase due to high energy piping inspections at Mill Creek Unit 1. |
| Industrial Tube Cleaning Inc | 29,680 | 27,763 | 29,680 | - | 29,995 | - | (315) | |
| Information Intellect Inc | - | - | 2,160 | 2,160 | - | - | - | |
| Intermec Technologies Corp | - | - | 718 | 718 | - | - | - | |
| Itron Inc | 2,644 | 4,500 | 8,749 | 8,749 | 9,969 | 9,969 | (7,325) | |
| Ivey Mechanical LLC | 25,183 | - | - | - | - | - | 25,183 | |

| Vendor | Test Year | 2008 | Revised 2007 | Original 2007 | Revised 2006 | Original 2006 | Variances Test Year vs Revised 2006 | Explanation of Test Year vs Revised 2006 Variances |
|---|---|---|---|---|---|---|---|---|
| Kessinger Service Industries LLC | - | 7,052 | 122,736 | - | - | - | - | |
| Larrys Heating And A C Service Inc | 84 | - | - | - | - | - | 84 | |
| Leveelift Inc | - | 20,095 | 35,115 | - | 8,042 | - | (8,042) | |
| Liebert Global Services | - | - | 18,391 | 18,391 | 16,299 | 16,299 | (16,299) | |
| Louisville And Jefferson County Metropolitan | - | 186 | - | - | - | - | - | |
| Louisville Sealcoat Co Inc | - | 4,870 | - | - | - | - | - | |
| Matrix Integration LLC | - | 46,202 | 45,771 | 45,771 | 45,378 | 45,378 | (45,378) | |
| Mechanical Construction Services Inc | 699,914 | 798,395 | 1,096,931 | 1,096,931 | 679,205 | 679,205 | 20,709 | |
| Mechanical Dynamics And Analysis LLC | 374,866 | 1,998,381 | 42,912 | 42,912 | 23,311 | 23,311 | 351,555 | Vendor was awarded maintenance contract that was previously held by other vendors, resulting in increased outage work. |
| Meiners Electric | 102,616 | 201,178 | 136,752 | - | 89,100 | - | 13,516 | |
| Meteoriogix LLC | - | - | 2,775 | 2,775 | 2,700 | 2,700 | (2,700) | |
| Midwest Switchgear Services LLC | 24,365 | 8,384 | 23,465 | - | 745 | - | 23,620 | |
| Miller Pipeline Corp | 3,942,381 | 3,245,775 | 2,821,823 | 2,821,823 | 1,493,043 | 1,493,043 | 2,449,338 | Larger portion of gas main work expensed versus capitalized in the test year. |
| Moore Security LLC | 33,213 | 81,404 | 85,606 | 85,606 | 96,592 | 96,592 | (63,379) | |
| Motorola | - | - | - | - | 1,217 | 1,217 | (1,217) | |
| MPW Industrial Services Inc | 74,991 | 312,800 | 155,509 | - | 34,152 | - | 40,839 | |
| Murphy Elevator Co Inc | 149,459 | 114,886 | 183,053 | - | 184,094 | - | (34,635) | |
| National Environmental Contracting Inc | 577,850 | 787,292 | 581,792 | 581,792 | 746,283 | 746,283 | (168,433) | Reduced asbestos abatement work scope in the test year. |
| Net IQ Corp | - | 4,501 | - | - | - | - | - | |
| New Energy Associates LLC | - | - | - | - | 9,061 | 9,061 | (9,061) | |
| Oracle Corp | - | - | - | - | 1,729 | 1,729 | (1,729) | |
| Oracle Elevator Co | - | 111 | - | - | 29,236 | 29,236 | (29,236) | |
| Oracle USA Inc | (4,394) | 4,394 | 4,895 | 4,895 | - | - | (4,394) | |
| Osmose Utilities Services Inc | - | 13,770 | - | - | 22,092 | 22,092 | (22,092) | |
| Overhead Door Co Of Louisville | 1,246 | 14,222 | 6,730 | - | 27,477 | - | (26,231) | |
| Padgett Inc | 5,820 | 14,285 | 43,345 | - | 5,742 | - | 78 | |
| Payformance Corp | - | - | - | - | 343 | 343 | (343) | |
| Perkins Scale Corp | - | 350 | 21,968 | - | 1,250 | - | (1,250) | |
| Petrochem Insulation Inc | 369,843 | 435,001 | 771,586 | - | 379,005 | - | (9,162) | |
| Pic Energy Services Inc | - | 1,565,399 | 2,106,129 | 2,106,129 | 2,082,875 | 2,082,875 | (2,082,875) | See below (Pic Energy Services Inc. changed its name to Pic Group Inc.) |

| Vendor | Test Year | 2008 | Revised 2007 | Original 2007 | Revised 2006 | Original 2006 | Variances Test Year vs Revised 2006 | Explanation of Test Year vs Revised 2006 Variances |
|---|---|---|---|---|---|---|---|---|
| Pic Group Inc | 2,614,213 | 635,688 | - | - | - | - | 2,614,213 | The increase from 2006 to the test year is related to a new contract for outage work at Mill Creek and Cane Run. |
| Pike Electric Inc | 1,595,064 | 1,451,702 | 1,429,794 | - | 1,290,832 | - | 304,232 | Increase in scope of work related to equipment repair/replacement in the areas of overhead lines and pole replacements. |
| Pipe Eyes LLC | - | 264,520 | 425,818 | 425,818 | - | - | - | |
| Powerplan Consultants Inc | 2,064 | - | 5,714 | 5,714 | - | - | 2,064 | |
| Precipitator Services Group Inc | 398,968 | 25,163 | 600,577 | - | 34,470 | - | 364,498 | Trimble County had an major overhaul in test year. |
| Precision Services Inc | 133,867 | 182,470 | 111,309 | - | 83,470 | - | 50,397 | |
| Pro Turf Inc | 64,092 | 43,579 | - | - | - | - | 64,092 | |
| Prosys Information Systems Inc | 510 | 2,428 | 2,943 | 2,943 | - | - | 510 | |
| R And K Contracting LLC | 22,627 | 9,000 | 1,399 | - | - | - | 22,627 | |
| R And P Industrial Chimney Co Inc | 36,941 | 93,913 | 246,097 | - | 327,925 | - | (290,984) | Higher expenses in 2006 due to chimney maintenance. |
| R Houston And Son Sandblasting Specialists Inc | 54,614 | 39,546 | 9,800 | - | 8,500 | - | 46,114 | |
| Radio Communications Systems | 14,101 | 13,415 | 13,531 | 13,531 | 13,664 | 13,664 | 437 | |
| Real Resume Corporation | - | - | 1,404 | 1,404 | 1,404 | 1,404 | (1,404) | |
| Reynolds Inc | 525 | 33,316 | - | - | - | - | 525 | |
| Rotating Equipment Repair Inc | 78,856 | 98,034 | 112,043 | - | 195,264 | - | (116,408) | In 2006, Mill Creek had work on boiler feed pump and Cane Run Unit 6 had work done on a circulating water pump. These costs were not incurred in the test year. |
| Rus Sales | 10,663 | 5,203 | 10,258 | 10,258 | 10,296 | 10,296 | 367 | |
| Samac Painting Inc | 211,268 | 247,908 | 112,227 | - | - | - | 211,268 | Increase due to absorber tank cleaning and painting at Muldraugh as well as work at Magnolia |
| Securitas Security Services USA Inc | 48,083 | - | - | - | - | - | 48,083 | |
| Siemens Power Generation Inc | (22,975) | 399,076 | 51,997 | 51,997 | 492,956 | 492,956 | (515,931) | Siemens previously had the maintenance contract for turbine/generator outage work. This work was awarded to another vendor. |
| Southeast Boiler And Rigging Inc | 7,761 | - | - | - | - | - | 7,761 | |
| Southern Cross Corp | 678,435 | 760,402 | 664,071 | 664,071 | 758,798 | 758,798 | (80,363) | |
| Southern Pipeline Const Co | 21,370 | 9,061 | - | - | - | - | 21,370 | |
| Southern Plumbing And Heating Inc | 6,139 | 11,066 | 8,107 | - | 5,605 | - | 534 | |

| Vendor | Test Year | 2008 | Revised 2007 | Original 2007 | Revised 2006 | Original 2006 | Variances Test Year vs Revised 2006 | Explanation of Test Year vs Revised 2006 Variances |
|---|---|---|---|---|---|---|---|---|
| Sterling Commerce Inc | 8,748 | 8,343 | 7,261 | 7,261 | 5,482 | 5,482 | 3,266 | |
| Stoll Construction And Paving Co Inc | 302,180 | 195,005 | 117,474 | 117,474 | 77,668 | 77,668 | 224,512 | Increase in gas facility paving due to corrosion control locating and gas leak repair, a larger portion of which was expensed versus capitalized during the test year. |
| Storagetek | - | - | - | - | 1,595 | 1,595 | (1,595) | |
| Sungard Avantgard LLC | 118 | - | - | - | - | - | 118 | |
| Symantec Corp | 15,091 | 66,054 | - | - | 69,300 | 69,300 | (54,209) | |
| Technical Toolboxes | - | - | 12,000 | 12,000 | - | - | - | |
| Televox Software Inc | - | - | - | - | 39,441 | 39,441 | (39,441) | |
| Total Resource Management Inc | - | - | 2,253 | 2,253 | - | - | - | |
| Trans Ash Inc | 107,664 | 64,308 | 65,901 | 65,901 | 193,645 | 193,645 | (85,981) | |
| United Conveyor Corp (Services) | - | 7,378 | - | - | 2,079 | - | (2,079) | |
| Veolia Environmental Services | 92,452 | 259,528 | 461,537 | - | 340,902 | - | (248,450) | Industrial cleaning on the Mill Creek units in 2006 is now being performed by another vendor. |
| Veramark Technologies Inc | - | - | - | - | 3,340 | 3,340 | (3,340) | |
| Whayne Supply Co | 15,658 | 38,260 | 37,877 | - | - | - | 15,658 | |
| Youngblood Construction Inc | 1,972,899 | 2,058,503 | 1,880,792 | 1,880,792 | 1,765,603 | 1,765,603 | 207,296 | Increase due to Trimble County outage in test year. |
| Total Maintenance Contracts by Vendor | $ 23,805,201 | $ 25,492,088 | $ 21,880,671 | $ 14,146,130 | $ 18,849,420 | $ 12,198,734 | $ 4,955,781 | |

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 30**

**Responding Witness: J. Clay Murphy**

Q-30. Refer to the response to Item 17 of the First Data Request of the Kroger Company. The response confirms that Firm Transportation ("FT") customers receiving service under rate Distributed Generation Gas Service will be subject to the Gas Supply Cost Component. Explain how the cost of gas will be recovered from grandfathered FT customers with gas-fired generation who continue to be served under rate FT.

A-30. There appears to be a misunderstanding of LG&E's response to the referenced question.

In the case of customers served under Rate FT with grandfathered gas-fired generation installations, these gas-fired generation installations will not be served under Rate DGGS and hence volumes of gas used by those gas-fired generation installations will not be subject to the Gas Supply Cost Component.

In the case of customers served under Rate FT whose generation facilities are not grandfathered under Rate FT and therefore receive service under Rate DGGS, the gas-fired generation gas loads will be subject to the Gas Supply Cost Component, and that cost of gas will be assessed on those volumes because the gas volumes used by those gas-fired generation installations will be metered separately from any gas transport volumes under Rate FT.

# LOUISVILLE GAS AND ELECTRIC COMPANY

## CASE NO. 2009-00549

## Response to Third Data Request of Commission Staff Dated March 26, 2010

## Question No. 31

**Responding Witness: Butch Cockerill**

Q-31. Refer to the table in the response to Item 8.b. of the First Data Request of Association of Community Ministries ("ACM's First Request"). The number of deposit installment defaults shown in the table indicate a default rate "among all types of deposit installment plans" of 80 to 82 percent. The response to Item 7 of ACM's First Request indicates that 13,634 gas and electric customers who were reconnected after non-pay disconnects were charged in installments, and 12,249 paid the installments in full.

a. Confirm that the default rate for non-pay disconnects on deposit installments was approximately 10 percent for April through December 2009.

b. Confirm that the default rate for non-pay disconnect customers paying deposits in a lump sum is 15.6 percent.

c. If the deposit installments granted to and defaulted by non-pay disconnect customers are subtracted from the results in the table in 8.b., confirm that the default rate for all other customers' deposits is 76.6 percent. If this is not correct, provide the default rate for budget installments granted to all other customers excluding non-pay disconnects.

d. Based on the responses to a. through c. above confirm that, based on the data, LG&E believes non-pay disconnect customers have proven that they will default on deposit installment plans.

e. Identify the procedure taken when deposit installment customers who were reconnected after non-pay disconnects default on their installment plans.

f. Does the procedure differ if deposit installment customers other than those reconnected after non-pay disconnects default on their installment plans? If so, how?

A-31. a. Confirmed.

b. Confirmed.

c. Based upon a further review of the data available, the Company believes that the response originally provided in the First Data Response of Association of Community Ministries 8.b was overstated. The "80 to 82 percent" default rate for all types of deposit installments indicated a customer that defaulted on any portion of a 1, 2, 3 or 4 month deposit installment. What the original report did not take into account was whether the customer subsequently paid the entire deposit due at a later date. As a result, the Company believes there is no need to change the deposit installment options currently available to customers required to make a deposit as a condition of reconnection.

d. See response to 31-c.

e. A customer, reconnected following a non-pay disconnect, who defaults on a deposit installment plan, would be subject to disconnection without further notice.

f. The procedure is the same for customers defaulting on deposit installments, regardless of whether the customer was billed a deposit following application for service (an initial deposit) or was billed a deposit as a condition of reconnection following non-pay disconnect.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 32**

**Responding Witness: Butch Cockerill**

Q-32. Refer to the response to Item 1 of the AG's First Request. Attachment 1, page 1 of 1 of the response, indicates that LG&E has a policy for installment plans. Provide this policy.

A-32. Please see attached.

**Policy for Installment Plans** *Revised 10-2007, 11-2009

A. Overview

The Company is obligated, per PSC regulations, to work with customers experiencing problems in payment of their utility bill, and to arrive at a mutually agreeable credit arrangement. The guiding philosophy in negotiating an installment plan is to collect as much as possible up front and amortize the balance over as short a time period as possible. HEA commitments should be handled similar to confirmed assistance vouchers in that payment arrangement should be made on the balance less the HEA commitment amount.

Installment plans may be negotiated with any responsible party listed on the account. We assume we are dealing with a responsible party if the contact can provide the account number, and /or the account name, and /or the social security number of the customer of record as referenced in the Customer Identification policy.

B. Definitions

N/A

C. Applicability

See Kentucky Public Service Commission Regulation 807 KAR 5:006. General Rules, Section 13, Subsection (2)

D. SERVICE MEMBERS CIVIL RELIEF ACT

Service Members Civil Relief Act covers installment contracts for personal property. If a service member makes a payment under the installment contract before starting active duty, the contract cannot be terminated for nonpayment once the service member starts active duty. Service should not be discontinued for failure to make payments on the payment plan. This could also apply to budget billing depending on timing.

E. Terms of the Installment Plan Policy

The following guidelines should be used when negotiating an installment plan. Installment plans for residential customers should be established by determining the largest amount of the delinquent balance the customer can pay at the time the installment plan is established.

- Customers should be strongly encouraged to make some "good faith" payment towards their arrears when negotiating arrangements.
- Only in extreme circumstances should a new installment plan be negotiated if the prior installment plan is in default.
- Customers should be limited to no more than three to six billing periods for collecting the balance.
- The roll in of budget arrears should be carefully examined, prior to agreeing to including this in the installment plan..

These terms are subject to limitations during winter months as ordered by the Public Service Commission which are discussed in detail in Section 7, "Special Circumstances."

Thirty (30) Day Partial Payments

The Kentucky PSC states that any partial payment plan extending beyond 30 days must be documented in writing, with the customer's signature.

Partial Payment Plans for KU, ODP and LG&E made in the Business Offices:

- Customer Reps will complete PPP and have the customer sign while present. Customer should be provided with a copy of the signed agreement.

Partial Payment Plans for KU, and ODP made through the Call Center:

- Customer Reps will complete the PPP, mail it to the customer for their signature, along with a return envelope.

Partial Payment Plans for LG&E made through the Call Center:

- Customer Reps will complete the PPP. Each Monday an Adhoc report will run sending out the agreement with a return envelope for the customer's signature.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 33**

**Responding Witness: Butch Cockerill**

Q-33. Refer to the response to Item 10 of the AG's First Request. This response shows that prior to May 2009, the highest level of complaints occurred September 2008 and February 2009.

a. Does LG&E attribute these complaint levels to Hurricane Ike and the ice storm, respectively? If not, to what does LG&E attribute these relatively high complaint levels?

b. To what does LG&E attribute the highest level of complaints experienced in May 2009?

A-33. a. Yes.

b. The highest level of complaints in May 2009 can be attributed to the elimination of the Extendicare and Select Due Date programs, extended call center wait times, and the change to number of days in the billing cycle approved in the Commission's February 5, 2009 Order in LG&E's most recent base rate proceeding, Case No. 2008-00252.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2009-00549**

**Response to Third Data Request of Commission Staff**
**Dated March 26, 2010**

**Question No. 34**

**Responding Witness: Butch Cockerill**

Q-34. Refer to the response to Item 11 of the AG's First Request. What are the restrictions on the FLEX program, and what are the eligibility requirements?

A-34. The restrictions and eligibility requirements for the FLEX program are:

1. Must be a residential customer who received monthly income check, such as social security or similar government payments, about same time each month;

2. Historically a good paying customer who cannot pay their bill by the "original" due date but could pay the amount if the date were extended to a point in time after receive monthly income check; and

3. Will face this situation every month for the foreseeable future.

For additional information on this program, see attached.

**Louisville Gas and Electric Company**
**Kentucky Utilities Company**

**Alternate Due Date Proposal**
**December 10, 2009**

## Objective

To allow residential customers who indicate that they are on a limited income an option, at the Companies' discretion, to receive a payment due date that more closely coincides with the receipt of their monthly income check.

- Provide customers an alternate due date option to avoid Late Payment Charge
- Minimize issuance of disconnection notice (brown bill) to these customers

## Proposal

Provide an option that would allow a customer the option of having an alternate payment term, permitting 28 days in each billing cycle for the customer to pay.

In short, the alternate payment term option would move the due date from the current 12 days from the issuance of the invoice (as provided under the Companies' tariffs) to 28 days from invoicing (effectively extending their original due date by 16 days).

The balance of invoicing and dunning procedures (brown bill, disconnect orders, Late Payment Charges, etc.) would remain unchanged. If applicable, a Late Payment Charge would be applied 31 days from the issuance of the bill.

## Eligibility & Requirements

1. Customer may be eligible if Customer is on a Residential Rate and if Customer indicates to Company that Customer

    1.1. Cannot pay the amount due by the "original" due date, and

    1.2. Could ordinarily pay the amount due if the date were extended to a point in time after receipt of a monthly check (including but not limited to Social Security or similar governmental payments), and

    1.3. Will face this situation every month for the foreseeable future (i.e. not a one-time incident but a recurrent monthly issue)

2. Company may review Customer payment history to determine eligibility.

3. Company may require Customer to provide some form of verification of eligibility.

4. Company may deny Customer participation for good cause.

    We will defer to the company without demanding their guidelines or policies. However, if the customer is denied access to the program and contacts the AG or the PSC, the company will make a good faith commitment to work with us.

5. Company may remove Customer from participation if customer fails to make timely payments.

    The credit history before the program was implemented, on or about April 1, 2009, will be used. Moreover, and again, the company will work with the PSC and the AG if there is a dispute if the customer complains to either of us.

6. Initial Participation will be offered to

    6.1. Customers who participated in the LG&E Select Due Date or Extendicare program <u>or</u>

    6.2. Customers who contacted LG&E, KU, Kentucky PSC Consumer Affairs, or Office of the Attorney General regarding this issue.

    The company will contact all prior participants by way of an initial telephone call but will also ultimately use a letter.

    Moreover, if future individuals are eligible, they may likewise contact LG&E and KU for participation. However, paragraph 7 will apply to participation.

7. Company reserves the right to monitor this offering and to revisit this issue in a future proceeding before the Commission, including customer issues and cost recovery issues, if appropriate. One trigger for such revisiting shall be if participation in either the LG&E or the KU offering reaches 10,000 Customers.

8. Company will provide refunds to LG&E Customers who participated in the Select Due Date or Extendicare programs for any Late Payment Charges incurred during the period between April 1, 2009 and the implementation of this offering.

9. Company will not formalize this offering in a filed tariff. Promotion of any kind should be aimed at inviting Customers to contact LG&E or KU to inquire about which Company offerings are available to assist them given their unique circumstances.

This document shall be filed with the Commission and serve to memorialize this agreement.