

a PPL company

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

RECEIVED

JUN 28 2012

PUBLIC SERVICE
COMMISSION

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.lge-ku.com

Robert M. Conroy
Director - Rates
T 502-627-3324
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robert.conroy@lge-ku.com

June 28, 2012

**RE: *AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION
OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF
KENTUCKY UTILITIES COMPANY FOR THE SIX-MONTH
BILLING PERIODS ENDING OCTOBER 31, 2011 AND APRIL 30,
2012
CASE NO. 2012-00207***

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and seven (7) copies of the Direct Testimony of Robert M. Conroy and the Response of Kentucky Utilities Company to the First Request for Information in Appendix B of the Commission's Order dated June 13, 2012, in the above-referenced matter.

Also enclosed are an original and ten (10) copies of a Petition for Confidential Protection regarding certain information contained in response to Question No. 5(b).

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

Sincerely,

Robert M. Conroy

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF KENTUCKY)
UTILITIES COMPANY FOR THE SIX-MONTH)
BILLING PERIODS ENDING OCTOBER 31, 2011)
AND APRIL 30, 2012)**

**CASE NO.
2012-00207**

DIRECT TESTIMONY OF
ROBERT M. CONROY
DIRECTOR - RATES
LG&E AND KU SERVICES COMPANY

Filed: June 28, 2012

1 **Q. Please state your name, title, and business address.**

2 A. My name is Robert M. Conroy. I am the Director – Rates for LG&E and KU
3 Services Company, which provides services to Kentucky Utilities Company (“KU” or
4 “Company”) and Louisville Gas and Electric Company (“LG&E”) (collectively “the
5 Companies”). My business address is 220 West Main Street, Louisville, Kentucky,
6 40202. A complete statement of my education and work experience is attached to
7 this testimony as Appendix A.

8 **Q. Have you previously testified before this Commission?**

9 A. Yes. I have previously testified before this Commission in proceedings concerning
10 the Companies’ most recent rate cases, fuel adjustment clauses, and environmental
11 cost recovery (“ECR”) surcharge mechanisms.

12 **Q. What is the purpose of this proceeding?**

13 A. The purpose of this proceeding is to review the past operation of KU’s environmental
14 surcharge during the six-month billing periods ending October 31, 2011 (expense
15 months of March 2011 through August 2011), and April 30, 2012 (expense months of
16 September 2011 through February 2012), and to determine whether the surcharge
17 amounts collected during the periods are just and reasonable.

18 **Q. What is the purpose of your testimony?**

19 A. The purpose of my testimony is to summarize the operation of KU’s environmental
20 surcharge during the billing periods under review, demonstrate that the amounts
21 collected during the periods were just and reasonable, present and discuss KU’s
22 proposed adjustment to the Environmental Surcharge Revenue Requirement based on

1 the operation of the surcharge during the periods and explain how the environmental
2 surcharge factors were calculated during the periods under review.

3 **Q. Please summarize the operation of the environmental surcharge for the billing**
4 **periods included in this review.**

5 A. KU billed an environmental surcharge to its customers from May 1, 2011 through
6 April 30, 2012. For purposes of the Commission's examination in this case, the
7 monthly KU environmental surcharges are considered as of the six-month billing
8 periods ending October 31, 2011 and April 30, 2012. In each month of the six-month
9 periods under review in this proceeding, KU calculated the environmental surcharge
10 factors in accordance with its tariff ECR, and the requirements of the Commission's
11 previous orders concerning KU's environmental surcharge. The calculations were
12 made in accordance with the Commission-approved monthly forms and filed with the
13 Commission ten days before the new monthly charge was billed by the Company.

14 **Q. What costs were included in the calculation of the environmental surcharge**
15 **factors for the billing periods under review?**

16 A. The capital and operating costs included in the calculation of the environmental
17 surcharge factors for the six-month billing periods were the costs incurred each month
18 by KU from March 2011 through February 2012, as detailed in the attachment in
19 response to Question No. 2 of the Commission Staff's Request for Information,
20 incorporating all required revisions.

21 The monthly environmental surcharge factors applied during the billing
22 periods under review were calculated consistent with the Commission's Orders in
23 KU's previous applications to assess or amend its environmental surcharge

1 mechanism and plan, as well as Orders issued in previous review cases. The monthly
2 environmental surcharge reports filed with the Commission during this time reflect
3 the various changes to the reporting forms ordered by the Commission from time to
4 time.

5 **Q. Has the Commission recently approved changes to KU's ECR Compliance Plan?**

6 A. Yes. In Case No. 2011-00161, the Commission approved KU's 2011 ECR
7 Compliance Plan that included two new projects and associated operation and
8 maintenance costs, amended Project 29 (2009 Plan) to convert the Brown Main Ash
9 Pond to a Landfill, and approved recovery of operation and maintenance costs
10 associated with sorbent injection approved with the 2006 Plan for Ghent Units 1, 3,
11 and 4 as part of the 2011 Plan. Pursuant to the Commission's December 15, 2011
12 Order approving the Settlement Agreement in Case No 2011-0161, KU began
13 including the approved projects in the monthly filing for the December 2011 expense
14 month that was billed in February 2012 with separate authorized rates of return for
15 the Pre-2011 and 2011 ECR Plans. In addition, the Commission approved the use of
16 net (non-fuel) revenues to calculate the jurisdictional revenue requirement for non-
17 residential customers defined as Group 2 in the ECR tariff. The use of net revenues
18 for Group 2 customers was implemented in Case No. 2011-00231 as discussed below.

19 **Q. Has the Commission recently approved changes to the environmental surcharge
20 mechanism and the monthly ES Forms?**

21 A. Yes. In Case No. 2011-00231, KU's most recent ECR two-year review, the
22 Commission implemented of the use of net revenues to calculate the jurisdictional
23 revenue requirement for non-residential customers defined as Group 2 in the ECR

1 Tariff in conjunction with the ECR Roll-in, and revisions to the monthly reporting
2 forms to reflect the implementation of Group 1 and Group 2 billing factors. Pursuant
3 to the Commission's January 31, 2012 Order in that case, the changes were
4 implemented with the January 2012 expense month that was billed in March 2012.

5 **Q. Are there any changes or adjustments in Rate Base from the originally filed**
6 **expense months?**

7 A. No. During the periods under review, there were no changes to Rate Base from the
8 originally filed billing periods as summarized in KU's response to the Commission
9 Staff's Request for Information, Question No. 1. In addition, there were no changes
10 identified as a result of preparing responses to the requests for information in this
11 review.

12 **Q. Are there any changes necessary to the jurisdictional revenue requirement**
13 **(E(m))?**

14 A. Yes. Adjustments to E(m) are necessary for compliance with the Commission's
15 Order in Case No. 2000-00439 to reflect the actual changes in the overall rate of
16 return on capitalization that is used in the determination of the return on
17 environmental rate base. For the six-month billing period ending October 31, 2011
18 and the billing months of November 2011 through January 2012, the weighted
19 average cost of capital was based on the balances as of October 31, 2011 and January
20 31, 2012, respectively. Pursuant to the terms of the Settlement Agreement approving
21 the 2011 ECR Plan, KU calculated the short- and long-term debt rate using average
22 daily balances and daily interest rates in the calculation of the overall rate of return
23 true-up adjustment for the February 2012 through April 2012 billing months. The

1 details of and support for this calculation are shown in KU's response to Question
2 No. 1 of the Commission Staff's Request for Information.

3 **Q. Are there corrections to information provided in the monthly filings during the**
4 **billing periods under review?**

5 A. No.

6 **Q. As a result of the operation of the environmental surcharge during the billing**
7 **periods under review, is an adjustment to the revenue requirement necessary?**

8 A. Yes. KU experienced a cumulative over-recovery of \$2,998,160 for the billing
9 periods ending October 31, 2011 and April 30, 2012. KU's response to Question No.
10 2 of the Commission Staff's Request for Information shows the calculation of the
11 cumulative over-recovery. An adjustment to the revenue requirement is necessary to
12 reconcile the collection of past surcharge revenues with the actual costs for the billing
13 periods under review.

14 **Q. Has KU identified the causes of the net over-recovery during the billing periods**
15 **under review?**

16 A. Yes. KU has identified the components that make up the net over-recovery during
17 the billing periods under review. The components are (1) changes in overall rate of
18 return as previously discussed, and (2) the use of 12 month average revenues to
19 determine the billing factor. The details and support of the components that make up
20 the net over-recovery during the billing periods under review are shown in KU's
21 response to Question No. 2 of the Commission Staff's Request for Information.

22 **Q. Please explain how the function of the ECR mechanism contributes to the net**
23 **over-recovery in the billing periods under review?**

1 A. The use of 12-month average revenues to calculate the monthly billing factors and
 2 then applying those same billing factors to the actual monthly revenues will result in
 3 an over- or under-collection of ECR revenues. The table below shows a comparison
 4 of the 12-month average revenues used in the monthly filings to determine the ECR
 5 billing factors and the actual revenues to which the ECR billing factors were applied
 6 in the billing month.

Expense Month	12-Month Average Revenues	Billing Month	Actual Revenues Subject to ECR Billing Factors
March 2011	\$ 107,050,264	May 2011	\$ 91,980,703
April 2011	107,531,674	June 2011	107,968,505
May 2011	108,246,609	July 2011	113,758,668
June 2011	109,115,040	August 2011	123,043,043
July 2011	109,303,925	September 2011	115,894,324
August 2011	109,140,745	October 2011	100,772,017
September 2011	108,584,502	November 2011	89,304,719
October 2011	108,871,982	December 2011	97,878,004
November 2011	108,673,513	January 2012	110,285,253
December 2011	107,595,608	February 2012	112,626,035
January 2012*	78,334,593	March 2012	76,746,194
February 2012*	77,916,193	April 2012	66,763,761
*Effective with the January 2012 expense month, the 12-month average revenues and the Actual Revenues subject to ECR Billing Factors reflect net revenues for Group 2.			

7
 8 Generally, an under-recovery will occur when actual revenues for the billing month
 9 are less than the 12-month average revenues used for the expense month. Likewise,
 10 an over-recovery will occur when actual revenues for the billing month are greater
 11 than the 12-month average revenues used for the expense month.

12 **Q. What kind of adjustment is KU proposing in this case as a result of the operation**
 13 **of the environmental surcharge during the billing periods?**

1 A. KU is proposing that the net over-recovery be distributed over the six months
2 following the Commission's Order in this proceeding. Specifically, KU recommends
3 that the Commission approve a decrease to the Environmental Surcharge Revenue
4 Requirement of \$499,693 for four months and \$499,694 for two months, beginning in
5 the second full billing month following the Commission's Order in this proceeding.
6 This method is consistent with the method of implementing previous over- or under-
7 recovery positions in prior ECR review cases.

8 **Q. What is the bill impact on a residential customer for the proposed distribution of**
9 **the over-recovery?**

10 A. The inclusion of the distribution reflecting the over-recovery position in the
11 determination of the ECR billing factor will decrease the billing factor by
12 approximately 1.23%. For a residential customer using 1,000 kWh, the impact of the
13 adjusted ECR billing factor would be a decrease of approximately \$0.89 per month
14 for six months (using rates and adjustment clause factors in effect for the April 2012
15 billing month).

16 **Q. What rate of return is KU proposing to use for all ECR Plans upon the**
17 **Commission's Order in this proceeding?**

18 A. KU is recommending an overall rate of return on capital of 10.58%, including the
19 currently approved 10.63% return on equity and adjusted capitalization for the 2005,
20 2006, and 2009 Plans, and an overall rate of return on capital of 10.14%, including
21 the currently approved 10.10% return on equity and adjusted capitalization for the
22 2011 Plan, to be used to calculate the environmental surcharge. This is based on
23 capitalization as of February 29, 2012 and the Commission's Order of December 15,

1 2011 in Case No. 2011-00161. Please see the response and attachment to
2 Commission Staff's Request for Information Question No. 5 following this testimony.

3 **Q. What is your recommendation to the Commission in this case?**

4 A. KU makes the following recommendations to the Commission in this case:

5 a) The Commission should approve the proposed decrease to the Environmental
6 Surcharge Revenue Requirement of \$499,693 for four months and \$499,694
7 for two months beginning in the second full billing month following the
8 Commission's Order in this proceeding;

9 b) The Commission should determine the environmental surcharge amounts for
10 the six-month billing periods ending October 31, 2011 and April 30, 2012 to
11 be just and reasonable;

12 c) The Commission should approve the use of an overall rate of return on capital
13 of 10.58% using a return on equity of 10.63% for the 2005, 2006 and 2009
14 Plans, and an overall rate of return on capital of 10.14% using a return on
15 equity of 10.10% for the 2011 Plan, beginning in the second full billing month
16 following the Commission's Order in this proceeding.

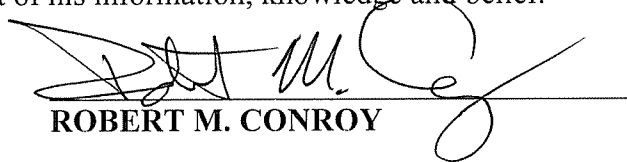
17 **Q. Does this conclude your testimony?**

18 A. Yes.

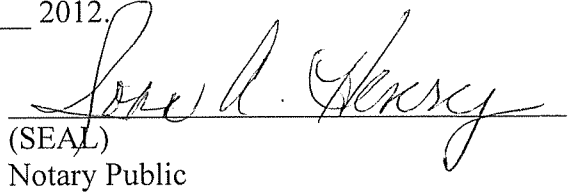
VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says he is the Director – Rates for LG&E and LG&E Services Company, and that he has personal knowledge of the matters set forth in the foregoing testimony, 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 27th day of June 2012.


(SEAL)
Notary Public

My Commission Expires:
July 21, 2015

APPENDIX A

Robert M. Conroy

Director – Rates
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
(502) 627-3324

Education

Masters of Business Administration
Indiana University (Southeast campus), December 1998. GPA: 3.9.
Bachelor of Science in Electrical Engineering;
Rose Hulman Institute of Technology, May 1987. GPA: 3.3
Essentials of Leadership, London Business School, 2004.
Center for Creative Leadership, Foundations in Leadership program, 1998.
Registered Professional Engineer in Kentucky, 1995.

Previous Positions

Manager, Rates	April 2004 – Feb. 2008
Manager, Generation Systems Planning	Feb. 2001 – April 2004
Group Leader, Generation Systems Planning	Feb. 2000 – Feb. 2001
Lead Planning Engineer	Oct. 1999 – Feb. 2000
Consulting System Planning Analyst	April 1996 – Oct. 1999
System Planning Analyst III & IV	Oct. 1992 - April 1996
System Planning Analyst II	Jan. 1991 - Oct. 1992
Electrical Engineer II	Jun. 1990 - Jan. 1991
Electrical Engineer I	Jun. 1987 - Jun. 1990

Professional/Trade Memberships

Registered Professional Engineer in Kentucky, 1995.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	
SURCHARGE MECHANISM OF KENTUCKY)	CASE NO.
UTILITIES COMPANY FOR THE TWO-YEAR)	2012-00207
BILLING PERIOD ENDING OCTOBER 31, 2011)	
AND APRIL 30, 2012)	

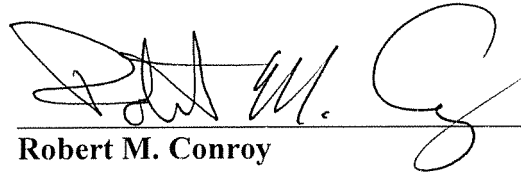
RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION IN
APPENDIX B OF COMMISSION'S ORDER
DATED JUNE 13, 2012

FILED: June 28, 2012

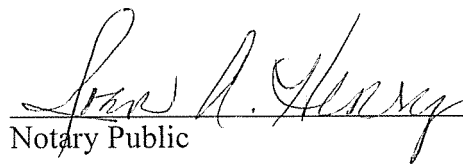
VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Director - Rates for LG&E and KU Services 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.


Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 27th day of June 2012.

 (SEAL)
Notary Public

My Commission Expires:

July 21, 2015

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated June 13, 2012**

Case No. 2012-00207

Question No. 1

Witness: Robert M. Conroy

Q-1. Concerning the rate of return on the four amendments to the environmental compliance plan, for the period under review, calculate any true-up adjustment needed to recognize changes in KU's cost of debt, preferred stock, accounts receivable financing (if applicable), or changes in KU's jurisdictional capital structure. Include all assumptions and other supporting documentation used to make this calculation. Any true-up adjustment is to be included in the determination of the over- or under-recovery of the surcharge for the corresponding billing period under review.

A-1. Please see the attachment.

KU calculated the true-up adjustment to recognize changes in the cost of debt and capital structure in two steps, shown on Pages 1 and 2 of the attachment to this response. Page 1 reflects the true-up required due to the changes between the Rate Base as filed and the Rate Base as Revised through the Monthly Filings. However, during the period under review there were no revisions to reflect. Page 2 represents the true-up in the Rate of Return as filed compared to the actual Rate of Return calculations. No further revisions to Rate Base were identified in preparation of this response.

Page 3 provides the adjusted weighted average cost of capital for the period under review ending October 31, 2011. Page 4 provides the adjusted weighted average cost of capital for the period ending January 31, 2012 to true-up the months in the review period ending April 30, 2012 that were not calculated using the daily average balances and daily interest rates for short- and long-term debt.

Pages 5 and 6 provide the weighted average cost of capital for the Pre-2011 and 2011 Plans for the period ending April 30, 2012. KU calculated the short- and long-term debt rates using average daily balances and daily interest rates pursuant to the Commission's Order in Case No. 2011-00161. The Pre-2011 and 2011 Plans are also shown separately to reflect the different rates of returns approved by the Commission in Case No. 2011-00161.

KU did not engage in accounts receivable financing or have any preferred stock during the period under review.

Kentucky Utilities Company
Overall Rate of Return True-up Adjustment - Revised Rate Base
Impact on Calculated E(m)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Billing Month	Expense Month	Rate of Return as Filed	Rate Base as Filed	Rate Base As Revised	Change in Rate Base	True-up Adjustment	Jurisdictional Allocation, ES Form 1 10	Jurisdictional True up Adjustment
					(5) - (4)	(3) * (6) / 12		(7) * (8)
May-11	Mar-11	11 04%	\$ 1,214,135,093	\$1,214,135,093	\$ -	\$ -	86 01%	\$ -
Jun-11	Apr-11	11 04%	1,212,576,264	1,212,576,264	-	-	87 31%	-
Jul-11	May-11	11 04%	1,211,354,448	1,211,354,448	-	-	84 19%	-
Aug-11	Jun-11	11 04%	1,214,206,242	1,214,206,242	-	-	84 42%	-
Sep-11	Jul-11	11 04%	1,212,691,706	1,212,691,706	-	-	85 70%	-
Oct-11	Aug-11	11 04%	1,213,318,388	1,213,318,388	-	-	87 18%	-
						\$ -		\$ -
Pre-2011 Plans								
Nov-11	Sep-11	11 04%	\$ 1,210,886,436	\$1,210,886,436	\$ -	\$ -	87 51%	\$ -
Dec-11	Oct-11	11 04%	1,227,064,849	1,227,064,849	-	-	85 36%	-
Jan-12	Nov-11	11 04%	1,225,988,797	1,225,988,797	-	-	86 51%	-
Feb-12	Dec-11	11 04%	1,241,656,918	1,241,656,918	-	-	83 93%	-
Mar-12	Jan-12	10 56%	1,242,892,839	1,242,892,839	-	-	84 75%	-
Apr-12	Feb-12	10 56%	1,244,978,286	1,244,978,286	-	-	87 48%	-
						\$ -		\$ -
2011 Plan								
Nov-11	Sep-11							
Dec-11	Oct-11							
Jan-12	Nov-11							
Feb-12	Dec-11	10 59%	19,369,355	19,369,355	-	-	83 93%	-
Mar-12	Jan-12	10 13%	19,986,822	19,986,822	-	-	84 75%	-
Apr-12	Feb-12	10 13%	20,805,672	20,805,672	-	-	87 48%	-
						\$ -		\$ -
Cumulative Impact of Changes in Rate Base						\$ -		\$ -

Note: Pursuant to the Commission's Order dated December 15, 2011 approving the Settlement Agreement in Case No. 2011-00161, KU calculated the short- and long-term debt rates using average daily balances and daily interest rates in connection with the ECR true-up calculation shown above and used separate rates of return for the Pre-2011 and 2011 ECR Plans beginning with the December 2011 expense month

Kentucky Utilities Company
Overall Rate of Return True-up Adjustment - Revised Rate of Return
Impact on Calculated E(m)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Billing Month	Expense Month	Rate of Return as Filed	Rate of Return as Revised	Change in Rate of Return	Rate Base as Revised	True-up Adjustment	Jurisdictional Allocation, ES Form 1 10	Jurisdictional True up Adjustment
				(4) - (3)		(5) * (6) / 12		(7) * (8)
May-11	Mar-11	11 04%	10 59%	-0 45%	\$ 1,214,135,093	(455,301)	86 01%	(391,604)
Jun-11	Apr-11	11 04%	10 59%	-0 45%	1,212,576,264	(454,716)	87 31%	(397,013)
Jul-11	May-11	11 04%	10 59%	-0 45%	1,211,354,448	(454,258)	84 19%	(382,440)
Aug-11	Jun-11	11 04%	10 59%	-0 45%	1,214,206,242	(455,327)	84 42%	(384,387)
Sep-11	Jul-11	11 04%	10 59%	-0 45%	1,212,691,706	(454,759)	85 70%	(389,729)
Oct-11	Aug-11	11 04%	10 59%	-0 45%	1,213,318,388	(454,994)	87 18%	(396,664)
						(2,729,356)		(2,341,837)
Pre-2011 Plans								
Nov-11	Sep-11	11 04%	10 58%	-0 46%	\$ 1,210,886,436	(464,173)	87 51%	(406,198)
Dec-11	Oct-11	11 04%	10 58%	-0 46%	1,227,064,849	(470,375)	85 36%	(401,512)
Jan-12	Nov-11	11 04%	10 58%	-0 46%	1,225,988,797	(469,962)	86 51%	(406,564)
Feb-12	Dec-11	11 04%	10 60%	-0 44%	1,241,656,918	(455,274)	83 93%	(382,112)
Mar-12	Jan-12	10 56%	10 60%	0 04%	1,242,892,839	41,430	84 75%	35,112
Apr-12	Feb-12	10 56%	10 60%	0 04%	1,244,978,286	41,499	87 48%	36,304
						(1,776,856)		(1,524,971)
2011 Plan								
Nov-11	Sep-11							
Dec-11	Oct-11							
Jan-12	Nov-11							
Feb-12	Dec-11	10 59%	10 15%	-0 44%	19,369,355	(7,102)	83 93%	(5,961)
Mar-12	Jan-12	10 13%	10 15%	0 02%	19,986,822	333	84 75%	282
Apr-12	Feb-12	10 13%	10 15%	0 02%	20,805,672	347	87 48%	303
						(6,422)		(5,375)
Cumulative Impact of Changes in Rate of Return						\$ (4,512,634)		\$ (3,872,183)

Note: Pursuant to the Commission's Order dated December 15, 2011 approving the Settlement Agreement in Case No. 2011-00161, KU calculated the short- and long-term debt rates using average daily balances and daily interest rates in connection with the ECR true-up calculation shown above and used separate rates of return for the Pre-2011 and 2011 ECR Plans beginning with the December 2011 expense month

KENTUCKY UTILITIES

**Adjusted Electric Rate of Return on Common Equity
As of October 31, 2011**

	Balance at 10-31-11 (1)	Capital Structure (2)	Undistributed Subsidiary Earnings (3)	Investment in EEI (Col 2 x Col 4 Line 4) (4)	Investments in OVEC and Other (Col 2 x Col 5 Line 4) (5)	Adjustments to Total Co. Capitalization (Sum of Col 3 - Col 5) (6)	Adjusted Total Company Capitalization (Col 1 + Col 6) (7)	Jurisdictional Rate Base Percentage (8)	Kentucky Jurisdictional Capitalization (Col 7 x Col 8) (9)
1. Short Term Debt	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	87.36%	\$ -
2. Long Term Debt	1,840,485,686	46.29%	-	(599,826)	(198,640)	(798,466)	1,839,687,220	87.36%	1,607,150,755
3. Common Equity	2,135,768,403	53.71%	(7,311,454)	(695,974)	(230,481)	(8,237,909)	2,127,530,494	87.36%	1,858,610,640
4. Total Capitalization	<u>\$ 3,976,254,089</u>	<u>100.000%</u>	<u>\$ (7,311,454)</u>	<u>\$ (1,295,800)</u>	<u>\$ (429,121)</u>	<u>\$ (9,036,375)</u>	<u>\$ 3,967,217,714</u>		<u>\$ 3,465,761,395</u>

	Kentucky Jurisdictional Capitalization (9)	Capital Structure (10)	Environmental Compliance Plans (Col 10 x Col 11 Line 4) (11)	Adjusted Kentucky Jurisdictional Capitalization (Col 9 + Col 11) (12)	Adjusted Capital Structure (13)	Annual Cost Rate (14)	Cost of Capital (Col 14 x Col 13) (15)
1. Short Term Debt	\$ -	0.00%	\$ -	\$ -	0.00%	0.00%	0.00%
2. Long Term Debt	1,607,150,755	46.37%	(497,069,638)	1,110,081,117	46.37%	3.70%	1.72%
3. Common Equity	1,858,610,640	53.63%	(574,894,214)	1,283,716,426	53.63%	10.63%	5.70%
4. Total Capitalization	<u>\$ 3,465,761,395</u>	<u>100.000%</u>	<u>\$ (1,071,963,852)</u>	<u>\$ 2,393,797,543</u>	<u>100.000%</u>		<u>7.42%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect (ROR + (ROR - DR) x [TR / (1 - TR)])							<u>10.59%</u>

KENTUCKY UTILITIES

**Adjusted Electric Rate of Return on Common Equity
As of January 31, 2012**

	Balance at 01-31-12 (1)	Capital Structure (2)	Undistributed Subsidiary Earnings (3)	Investment in EEI (Col 2 x Col 4 Line 4) (4)	Investments in OVEC and Other (Col 2 x Col 5 Line 4) (5)	Adjustments to Total Co. Capitalization (Sum of Col 3 - Col 5) (6)	Adjusted Total Company Capitalization (Col 1 + Col 6) (7)	Jurisdictional Rate Base Percentage (8)	Kentucky Jurisdictional Capitalization (Col 7 x Col 8) (9)
1. Short Term Debt	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	87.43%	\$ -
2. Long Term Debt	1,840,644,499	46.21%	-	(598,789)	(198,297)	(797,086)	1,839,847,413	87.43%	1,608,578,593
3. Common Equity	2,142,831,536	53.79%	(3,979,256)	(697,011)	(230,824)	(4,907,091)	2,137,924,445	87.43%	1,869,187,342
4. Total Capitalization	<u>\$ 3,983,476,035</u>	<u>100.000%</u>	<u>\$ (3,979,256)</u>	<u>\$ (1,295,800)</u>	<u>\$ (429,121)</u>	<u>\$ (5,704,177)</u>	<u>\$ 3,977,771,858</u>		<u>\$ 3,477,765,935</u>

	Kentucky Jurisdictional Capitalization (9)	Capital Structure (10)	Environmental Surcharge (Col 10 x Col 11 Line 4) (11)	Adjusted Kentucky Jurisdictional Capitalization (Col 9 + Col 11) (12)	Adjusted Capital Structure (13)	Annual Cost Rate (14)	Cost of Capital (Col 14 x Col 13) (15)
1. Short Term Debt	\$ -	0.00%	\$ -	\$ -	0.00%	0.00%	0.00%
2. Long Term Debt	1,608,578,593	46.25%	(510,662,756)	1,097,915,837	46.25%	3.67%	1.70%
3. Common Equity	1,869,187,342	53.75%	(593,472,932)	1,275,714,410	53.75%	10.63%	5.71%
4. Total Capitalization	<u>\$ 3,477,765,935</u>	<u>100.000%</u>	<u>\$ (1,104,135,688)</u>	<u>\$ 2,373,630,247</u>	<u>100.000%</u>		<u>7.41%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}							<u>10.58%</u>

KENTUCKY UTILITIES

**Adjusted Electric Rate of Return on Common Equity - Pre-2011 ECR Plans
As of April 30, 2012**

	Balance at 04-30-12 (1)	Capital Structure (2)	Undistributed Subsidiary Earnings (3)	Investment in EEI (Col 2 x Col 4 Line 4) (4)	Investments in OVEC and Other (Col 2 x Col 5 Line 4) (5)	Adjustments to Total Co. Capitalization (Sum of Col 3 - Col 5) (6)	Adjusted Total Company Capitalization (Col 1 + Col 6) (7)	Jurisdictional Rate Base Percentage (8)	Kentucky Jurisdictional Capitalization (Col 7 x Col 8) (9)
1. Short Term Debt	\$ 13,158 (a)	0.00%	\$ -	\$ -	\$ -	\$ -	\$ 13,158	87.43%	\$ 11,504
2. Long Term Debt	1,840,696,740 (a)	46.20%	-	(598,660)	(198,254)	(796,914)	1,839,899,826	87.43%	1,608,624,418
3. Common Equity	2,143,724,067	53.80%	(2,643,552)	(697,140)	(230,867)	(3,571,559)	2,140,152,508	87.43%	1,871,135,338
4. Total Capitalization	<u>\$ 3,984,433,965</u>	<u>100.000%</u>	<u>\$ (2,643,552)</u>	<u>\$ (1,295,800)</u>	<u>\$ (429,121)</u>	<u>\$ (4,368,473)</u>	<u>\$ 3,980,065,492</u>		<u>\$ 3,479,771,260</u>

	Kentucky Jurisdictional Capitalization (9)	Capital Structure (10)	Environmental Surcharge (Col 10 x Col 11 Line 4) (11)	Adjusted Kentucky Jurisdictional Capitalization (Col 9 + Col 11) (12)	Adjusted Capital Structure (13)	Annual Cost Rate (14)	Cost of Capital (Col 14 x Col 13) (15)
1. Short Term Debt	\$ 11,504	0.00%	\$ -	\$ 11,504	0.00%	0.42%	0.00%
2. Long Term Debt	1,608,624,418	46.23%	(517,551,403)	1,091,073,015	46.23%	3.68%	1.70%
3. Common Equity	1,871,135,338	53.77%	(601,962,771)	1,269,172,567	53.77%	10.63%	5.72%
4. Total Capitalization	<u>\$ 3,479,771,260</u>	<u>100.000%</u>	<u>\$ (1,119,514,174)</u>	<u>\$ 2,360,257,086</u>	<u>100.000%</u>		<u>7.42%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}							<u>10.60%</u>

(a) Average daily balance.

KENTUCKY UTILITIES

**Adjusted Electric Rate of Return on Common Equity - 2011 ECR Plan
As of April 30, 2012**

	Balance at 04-30-12 (1)	Capital Structure (2)	Undistributed Subsidiary Earnings (3)	Investment in EEI (Col 2 x Col 4 Line 4) (4)	Investments in OVEC and Other (Col 2 x Col 5 Line 4) (5)	Adjustments to Total Co. Capitalization (Sum of Col 3 - Col 5) (6)	Adjusted Total Company Capitalization (Col 1 + Col 6) (7)	Jurisdictional Rate Base Percentage (8)	Kentucky Jurisdictional Capitalization (Col 7 x Col 8) (9)
1. Short Term Debt	\$ 13,158 (a)	0.00%	\$ -	\$ -	\$ -	\$ -	\$ 13,158	87.43%	\$ 11,504
2. Long Term Debt	1,840,696,740 (a)	46.20%	-	(598,660)	(198,254)	(796,914)	1,839,899,826	87.43%	1,608,624,418
3. Common Equity	2,143,724,067	53.80%	(2,643,552)	(697,140)	(230,867)	(3,571,559)	2,140,152,508	87.43%	1,871,135,338
4. Total Capitalization	<u>\$ 3,984,433,965</u>	<u>100.000%</u>	<u>\$ (2,643,552)</u>	<u>\$ (1,295,800)</u>	<u>\$ (429,121)</u>	<u>\$ (4,368,473)</u>	<u>\$ 3,980,065,492</u>		<u>\$ 3,479,771,260</u>

	Kentucky Jurisdictional Capitalization (9)	Capital Structure (10)	Environmental Surcharge (Col 10 x Col 11 Line 4) (11)	Adjusted Kentucky Jurisdictional Capitalization (Col 9 + Col 11) (12)	Adjusted Capital Structure (13)	Annual Cost Rate (14)	Cost of Capital (Col 14 x Col 13) (15)
1. Short Term Debt	\$ 11,504	0.00%	\$ -	\$ 11,504	0.00%	0.42%	0.00%
2. Long Term Debt	1,608,624,418	46.23%	(517,551,403)	1,091,073,015	46.23%	3.68%	1.70%
3. Common Equity	1,871,135,338	53.77%	(601,962,771)	1,269,172,567	53.77%	10.10%	5.43%
4. Total Capitalization	<u>\$ 3,479,771,260</u>	<u>100.000%</u>	<u>\$ (1,119,514,174)</u>	<u>\$ 2,360,257,086</u>	<u>100.000%</u>		<u>7.13%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}							<u>10.15%</u>

(a) Average daily balance.

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated June 13, 2012**

Case No. 2012-00207

Question No. 2

Witness: Robert M. Conroy

- Q-2. Prepare a summary schedule showing the calculation of Total E(m), Net Retail E(m), and the surcharge factor for the expense months covered by the applicable billing period. Include the expense months for the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included for the billing period under review. The summary schedule is to incorporate all corrections and revisions to the monthly surcharge filings KU has submitted during the billing period under review. Include a calculation of any additional over- or under-recovery amount KU believes needs to be recognized for the six-month review. Include all supporting calculations and documentation for any such additional over- or under-recovery.
- A-2. Please see the attachment to this response for the summary schedule and cumulative components which make up the net over-recovery.
- For the period under review, KU experienced a net over-recovery of \$2,998,160.

Kentucky Utilities Company
 Calculation of E(m) and Jurisdictional Surcharge Billing Factor
 Summary Schedule for Expense Months March 2011 through February 2012

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Expense Month	Rate Base as Revised	Monthly Rate Base as Revised	Rate of Return as Revised	Operating Expenses (net of allowance proceeds)	Total E(m)	Jurisdictional Allocation Ratio	Retail E(m)	Comments: As Revised in This Review
	ES Form 2.00	(2) / 12		ES Form 2.00	(3) * (4) + (5)	ES Form 1.10	(6) * (7)	
Mar-11	\$ 1,214,135,093	101,177,924	10.59%	\$ 5,992,096	16,706,838	86.01%	14,369,551	
Apr-11	1,212,576,264	101,048,022	10.59%	5,623,331	16,324,317	87.31%	14,252,761	
May-11	1,211,354,448	100,946,204	10.59%	5,865,737	16,555,940	84.19%	13,938,446	
Jun-11	1,214,206,242	101,183,854	10.59%	6,103,676	16,819,046	84.42%	14,198,639	
Jul-11	1,212,691,706	101,057,642	10.59%	5,974,461	16,676,465	85.70%	14,291,731	
Aug-11	1,213,318,388	101,109,866	10.59%	6,556,599	17,264,133	87.18%	15,050,871	
Pre-2011 Plans								
Sep-11	\$ 1,210,886,436	100,907,203	10.58%	\$ 5,920,213	16,596,196	87.51%	14,523,331	
Oct-11	1,227,064,849	102,255,404	10.58%	5,767,324	16,585,946	85.36%	14,157,763	
Nov-11	1,225,988,797	102,165,733	10.58%	6,090,400	16,899,535	86.51%	14,619,787	
Dec-11	1,241,656,918	103,471,410	10.60%	5,246,793	16,214,763	83.93%	13,609,050	
Jan-12	1,242,892,839	103,574,403	10.60%	5,350,057	16,328,943	84.75%	13,838,780	
Feb-12	1,244,978,286	103,748,191	10.60%	5,352,748	16,350,057	87.48%	14,303,030	
2011 Plan								
Sep-11								
Oct-11								
Nov-11								
Dec-11	19,369,355	1,614,113	10.15%	936,843	1,100,676	83.93%	923,797	
Jan-12	19,986,822	1,665,569	10.15%	901,392	1,070,447	84.75%	907,204	
Feb-12	20,805,672	1,733,806	10.15%	631,013	806,994	87.48%	705,959	

Note: In Case No. 2011-00161, the Commission approved the 2011 ECR Plan and the use of separate rates of return for the Pre-2011 and 2011 ECR Plans for use beginning with the December 2011 expense month.

Kentucky Utilities Company
 Calculation of E(m) and Jurisdictional Surcharge Billing Factor
 Summary Schedule for Expense Months March 2011 through February 2012

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Expense Month	Retail E(m) for All ECR Plans Page 1 Col (8)	Adjustment to Retail E(m) for Over-Collection Case Nos. 10-474 & 11-231	Retail E(m) Including all Adjustments to be billed as ECR (2) + (3)	Monthly Billing Factor (Group 1) As Filed	Monthly Billing Factor (Group 2) As Filed	ECR Revenue Recovered Through Base Rates As Filed	Billing Period	ECR Billing Factor Revenues (Group 1) As Filed	ECR Billing Factor Revenues (Group 2) As Filed	Combined Total Over/(Under) Recovery (7) + (9) + (10) - (4)
Mar-11	14,369,551	\$ (881,730)	13,487,821	2.70%		\$ 10,993,252	May-11	\$ 2,471,733		\$ (22,837)
Apr-11	14,252,761	(881,730)	13,371,031	3.46%		10,044,427	Jun-11	3,699,167		372,564
May-11	13,938,446	(881,730)	13,056,716	3.53%		9,618,565	Jul-11	4,011,785		573,634
Jun-11	14,198,639	(881,730)	13,316,909	2.46%		11,018,257	Aug-11	3,072,496		773,845
Jul-11	14,291,731	(881,730)	13,410,001	1.87%		11,760,729	Sep-11	2,188,184		538,913
Aug-11	15,050,871	(881,732)	14,169,139	1.92%		12,465,088	Oct-11	1,928,584		224,533
		\$	\$ 80,811,617			\$ 65,900,319		\$ 17,371,950		\$ 2,460,652
Sep-11	\$ 14,523,331	\$ -	\$ 14,523,331	3.12%		\$ 11,546,729	Nov-11	\$ 2,749,517		\$ (227,085)
Oct-11	14,157,763	-	14,157,763	3.63%		10,611,735	Dec-11	3,531,568		(14,460)
Nov-11	14,619,787	-	14,619,787	5.13%		9,449,751	Jan-12	5,588,609		418,573
Dec-11	14,532,847	-	14,532,847	3.92%		10,705,782	Feb-12	4,527,378		700,312
Jan-12	14,745,983	(596,811)	14,149,172	2.36%	4.13%	11,614,699	Mar-12	996,613	1,511,947	(25,914)
Feb-12	15,008,988	(596,811)	14,412,177	2.28%	3.99%	11,968,252	Apr-12	722,261	1,407,746	(313,918)
		\$	\$ 86,395,078			\$ 65,896,948		\$ 18,115,946	\$ 2,919,692	\$ 537,508
Net Over-Recovery to be returned to customers for the 6-month billing periods ending August 31, 2011 & February 29, 2012:										\$ 2,998,160

Note: In Case No. 2011-00161, the Commission approved the 2011 ECR Plan and the use of separate rates of return for the Pre-2011 and 2011 ECR Plans for use beginning with the December 2011 expense month.

Kentucky Utilities Company
Reconciliation of Combined Over/(Under) Recovery
Summary Schedule for Expense Months March 2011 through February 2012

(1) Billing Month	(2) Expense Month	(3) Rate of Return as Filed	(4) Rate of Return as Revised	(5) Change in Rate of Return (4) - (3)	(6) Rate Base as Revised	(7) Impact of change in Rate of Return (5) * (6) / 12	(8) Jurisdictional Allocation, ES Form 110	(9) Jurisdictional Impact (7) * (8)
May-11	Mar-11	11.04%	10.59%	-0.45%	\$ 1,214,135,093	(455,301)	86.01%	(391,604)
Jun-11	Apr-11	11.04%	10.59%	-0.45%	1,212,576,264	(454,716)	87.31%	(397,013)
Jul-11	May-11	11.04%	10.59%	-0.45%	1,211,354,448	(454,258)	84.19%	(382,440)
Aug-11	Jun-11	11.04%	10.59%	-0.45%	1,214,206,242	(455,327)	84.42%	(384,387)
Sep-11	Jul-11	11.04%	10.59%	-0.45%	1,212,691,706	(454,759)	85.70%	(389,729)
Oct-11	Aug-11	11.04%	10.59%	-0.45%	1,213,318,388	(454,994)	87.18%	(396,664)
Pre-2011 Plans (Note 1)								
Nov-11	Sep-11	11.04%	10.58%	-0.46%	\$ 1,210,886,436	(464,173)	87.51%	(406,198)
Dec-11	Oct-11	11.04%	10.58%	-0.46%	1,227,064,849	(470,375)	85.36%	(401,512)
Jan-12	Nov-11	11.04%	10.58%	-0.46%	1,225,988,797	(469,962)	86.51%	(406,564)
Feb-12	Dec-11	11.04%	10.60%	-0.44%	1,241,656,918	(455,274)	83.93%	(382,112)
Mar-12	Jan-12	10.56%	10.60%	0.04%	1,242,892,839	41,430	84.75%	35,112
Apr-12	Feb-12	10.56%	10.60%	0.04%	1,244,978,286	41,499	87.48%	36,304
2011 Plan (Note 1)								
Nov-11	Sep-11							
Dec-11	Oct-11							
Jan-12	Nov-11							
Feb-12	Dec-11	10.59%	10.15%	-0.44%	19,369,355	(7,102)	83.93%	(5,961)
Mar-12	Jan-12	10.13%	10.15%	0.02%	19,986,822	333	84.75%	282
Apr-12	Feb-12	10.13%	10.15%	0.02%	20,805,672	347	87.48%	303
Cumulative Impact of Changes in Rate of Return					\$ (4,512,634)			\$ (3,872,183)

(1) Billing Month	(2) Expense Month	(3) Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11)	(4) ROR Trueup (Pre-2011 Plans)	(5) ROR Trueup (2011 Plan)	(6) Use of 12 Month Average Revenues
May-11	Mar-11	\$ (22,837)	391,604		(414,441)
Jun-11	Apr-11	372,564	397,013		(24,449)
Jul-11	May-11	573,634	382,440		191,194
Aug-11	Jun-11	773,845	384,387		389,457
Sep-11	Jul-11	538,913	389,729		149,184
Oct-11	Aug-11	224,533	396,664		(172,131)
Nov-11	Sep-11	(227,085)	406,198	\$ -	(633,283)
Dec-11	Oct-11	(14,460)	401,512	-	(415,972)
Jan-12	Nov-11	418,573	406,564	-	12,008
Feb-12	Dec-11	700,312	382,112	5,961	312,240
Mar-12	Jan-12	(25,914)	(35,112)	(282)	9,480
Apr-12	Feb-12	(313,918)	(36,304)	(303)	(277,311)
Total Over-Recovery for 6-month billing period		2,998,160	3,866,807	5,375	(874,023)

OVER/(UNDER) RECONCILIATION	
Combined Over/(Under) Recovery	2,998,160
Due to Change in ROR (Pre-2011 Plans)	3,866,807
Due to Change in ROR (2011 Plan)	5,375
Use of 12 Month Average Revenues	(874,023)
Subtotal	<u>2,998,160</u>
Unreconciled Difference	-

NOTE 1: Pursuant to the KPSC's Order dated December 15, 2011 approving the Settlement Agreement in Case No. 2011-00161, the 2011 ECR Plan, KU calculated the short- and long-term debt rates using average daily balances and daily interest rates in connection with the ECR true-up calculation shown above and used a separate rate of return for the Pre-2011 and 2011 Plans beginning with the December 2011 expense month.

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated June 13, 2012**

Case No. 2012-00207

Question No. 3

Witness: Robert M. Conroy

Q-3. Provide the calculations, assumptions, workpapers, and other supporting documents used to determine the amounts KU has reported during each billing period under review for Pollution Control Deferred Income Taxes.

A-3. KU calculates Deferred Income Taxes as the taxable portion of the difference between book depreciation, using straight line depreciation, and tax depreciation, generally using 20 year MACRS accelerated depreciation or 5 or 7 year rapid amortization. Accelerated depreciation results in a temporary tax savings to the Company and the Accumulated Deferred Tax balance reflects the value of those temporary savings as a reduction to environmental rate base.

See the attachment for the calculation of Deferred Income Taxes and the balance of Accumulated Deferred Income Taxes reported each month of the period under review.

Kentucky Utilities Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project

2005 - Plan
Project 19 -- Ash Handling at Ghent 1 and Ghent Station

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							76,901	
Mar-11	835,046	1,941	5,977	4,036	38.9000%	1,570	78,471	79,280
Apr-11	835,046	1,941	5,977	4,036	38.9000%	1,570	80,041	79,280
May-11	835,046	1,941	5,977	4,036	38.9000%	1,570	81,611	79,280
Jun-11	835,046	1,941	5,977	4,036	38.9000%	1,570	83,181	79,280
Jul-11	835,046	1,941	5,977	4,036	38.9000%	1,570	84,751	79,280
Aug-11	835,046	1,941	5,977	4,036	38.9000%	1,570	86,321	79,280
Sep-11	835,046	1,941	5,977	4,036	38.9000%	1,570	87,891	79,280
Oct-11	835,046	1,941	5,977	4,036	38.9000%	1,570	89,461	79,280
Nov-11	835,046	1,941	5,990	4,049	38.9000%	1,575	91,036	79,280
Dec-11	835,046	1,941	5,977	4,036	38.9000%	1,570	92,606	79,280
Jan-12	835,046	1,941	5,746	3,805	38.9000%	1,480	94,086	79,280
Feb-12	835,046	1,941	5,746	3,805	38.9000%	1,480	95,565	79,280

**Kentucky Utilities Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project**

2005 - Plan
Project 20 -- Ash Treatment Basin at E.W. Brown

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							2,676,292	
Mar-11	34,655,229	75,401	423,103	347,702	38.9000%	135,256	2,811,548	-
Apr-11	34,655,229	75,401	423,103	347,702	38.9000%	135,256	2,946,804	-
May-11	34,655,229	75,401	423,103	347,702	38.9000%	135,256	3,082,060	-
Jun-11	34,655,229	75,401	423,103	347,702	38.9000%	135,256	3,217,316	-
Jul-11	34,655,229	75,401	423,103	347,702	38.9000%	135,256	3,352,572	-
Aug-11	34,655,229	75,401	423,103	347,702	38.9000%	135,256	3,487,828	-
Sep-11	34,655,229	75,401	423,103	347,702	38.9000%	135,256	3,623,085	-
Oct-11	34,655,229	75,401	423,103	347,702	38.9000%	135,256	3,758,341	-
Nov-11	34,655,229	75,401	423,103	347,702	38.9000%	135,256	3,893,597	-
Dec-11	34,655,229	75,401	423,103	347,702	38.9000%	135,256	4,028,853	-
Jan-12	34,655,229	75,401	417,365	341,964	38.9000%	133,024	4,161,877	-
Feb-12	34,655,229	75,401	417,365	341,964	38.9000%	133,024	4,294,898	-

Kentucky Utilities Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project

2005 - Plan
Project 21 -- FGD's

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							55,566,422	
Mar-11	1,023,399,907	3,153,044	10,642,615	7,489,571	38.9000%	2,913,443	58,479,865	761,567
Apr-11	1,023,399,907	3,153,044	10,642,615	7,489,571	38.9000%	2,913,443	61,393,308	761,567
May-11	1,023,399,907	3,153,044	10,642,615	7,489,571	38.9000%	2,913,443	64,306,751	761,567
Jun-11	1,033,492,091	3,168,617	10,635,036	7,466,419	38.9000%	2,904,437	67,211,188	764,949
Jul-11	1,033,492,091	3,184,852	10,697,120	7,512,268	38.9000%	2,922,272	70,133,461	764,949
Aug-11	1,033,492,091	3,184,852	10,697,120	7,512,268	38.9000%	2,922,272	73,055,733	764,949
Sep-11	1,033,492,091	3,184,852	10,695,919	7,511,067	38.9000%	2,921,805	75,977,538	764,949
Oct-11	1,033,492,091	3,184,852	10,695,919	7,511,067	38.9000%	2,921,805	78,899,343	764,949
Nov-11	1,033,492,091	3,184,852	10,695,919	7,511,067	38.9000%	2,921,805	81,821,148	764,949
Dec-11	1,076,601,003	3,253,708	11,690,101	8,436,393	38.9000%	3,281,757	85,102,905	764,949
Jan-12	1,076,601,003	3,322,564	10,992,744	7,670,180	38.9000%	2,983,700	88,086,605	764,949
Feb-12	1,076,601,003	3,322,564	12,165,700	8,843,136	38.9000%	3,439,980	91,526,585	764,949

**Kentucky Utilities Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project**

2006 - Plan**Project 23 - TC2 AQCS Equipment**

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							613,992	
Mar-11	183,727,239	644,555	1,272,609	628,054	38.9000%	244,313	858,305	-
Apr-11	183,727,239	644,555	1,272,609	628,054	38.9000%	244,313	1,102,618	-
May-11	183,727,239	644,555	1,272,609	628,054	38.9000%	244,313	1,346,931	-
Jun-11	185,111,959	647,365	1,280,028	632,663	38.9000%	246,106	1,593,037	-
Jul-11	185,111,959	650,175	1,280,028	629,853	38.9000%	245,013	1,838,050	-
Aug-11	185,111,959	650,175	1,280,028	629,853	38.9000%	245,013	2,083,063	-
Sep-11	185,111,959	650,175	1,280,028	629,853	38.9000%	245,013	2,328,075	-
Oct-11	185,111,959	650,175	1,280,028	629,853	38.9000%	245,013	2,573,088	-
Nov-11	185,111,959	650,175	1,280,028	629,853	38.9000%	245,013	2,818,101	-
Dec-11	185,111,959	650,175	1,280,028	629,853	38.9000%	245,013	3,063,114	-
Jan-12	185,111,959	650,175	1,453,268	803,093	38.9000%	312,403	3,375,517	-
Feb-12	185,111,959	650,175	1,437,951	787,776	38.9000%	306,445	3,681,962	-

Kentucky Utilities Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project

2006 - Plan
Project 24 - Sorbent Injection

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							835,759	
Mar-11	12,751,272	29,598	131,658	102,060	38.9000%	39,701	875,461	6,147
Apr-11	12,954,833	29,835	142,208	112,373	38.9000%	43,713	919,175	6,147
May-11	12,954,833	30,072	142,314	112,242	38.9000%	43,662	962,838	6,147
Jun-11	12,954,833	30,072	142,314	112,242	38.9000%	43,662	1,006,500	6,147
Jul-11	12,954,833	30,072	142,314	112,242	38.9000%	43,662	1,050,162	6,147
Aug-11	12,954,833	30,072	142,314	112,242	38.9000%	43,662	1,093,824	6,147
Sep-11	12,954,833	30,072	142,314	112,242	38.9000%	43,662	1,137,486	6,147
Oct-11	12,954,833	30,072	142,314	112,242	38.9000%	43,662	1,181,148	6,147
Nov-11	12,954,833	30,072	142,314	112,242	38.9000%	43,662	1,224,810	6,147
Dec-11	12,954,833	30,072	142,314	112,242	38.9000%	43,662	1,268,473	6,147
Jan-12	12,954,833	30,072	130,231	100,159	38.9000%	38,962	1,307,434	6,147
Feb-12	12,954,833	30,072	130,226	100,154	38.9000%	38,960	1,346,395	6,147

Kentucky Utilities Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project

2006 - Plan
Project 25 - Mercury Monitors

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							58,301	
Mar-11	1,031,953	3,424	7,822	4,398	38.9000%	1,711	60,013	-
Apr-11	1,031,953	3,424	7,822	4,398	38.9000%	1,711	61,725	-
May-11	1,031,953	3,424	7,822	4,398	38.9000%	1,711	63,436	-
Jun-11	1,031,953	3,424	7,822	4,398	38.9000%	1,711	65,148	-
Jul-11	1,031,953	3,424	7,822	4,398	38.9000%	1,711	66,859	-
Aug-11	1,031,953	3,424	7,822	4,398	38.9000%	1,711	68,570	-
Sep-11	1,031,953	3,424	7,822	4,398	38.9000%	1,711	70,281	-
Oct-11	1,031,953	3,424	7,822	4,398	38.9000%	1,711	71,992	-
Nov-11	1,031,953	3,424	7,822	4,398	38.9000%	1,711	73,702	-
Dec-11	1,031,953	3,424	6,789	3,365	38.9000%	1,309	75,011	-
Jan-12	1,031,953	3,424	6,439	3,015	38.9000%	1,173	76,184	-
Feb-12	1,031,953	3,424	6,439	3,015	38.9000%	1,173	77,357	-

**Kentucky Utilities Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project**

2006 - Plan
Project 27 - E.W. Brown Electrostatic Precipitators

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							42,353	
Mar-11	1,349,165	3,376	7,795	4,419	38.9000%	1,719	44,072	7,850
Apr-11	1,349,165	3,376	7,795	4,419	38.9000%	1,719	45,791	7,850
May-11	1,349,165	3,376	7,795	4,419	38.9000%	1,719	47,510	7,850
Jun-11	1,349,165	3,376	7,330	3,954	38.9000%	1,538	49,048	7,850
Jul-11	1,349,165	3,376	7,330	3,954	38.9000%	1,538	50,586	7,850
Aug-11	1,349,165	3,376	7,330	3,954	38.9000%	1,538	52,124	7,850
Sep-11	1,349,165	3,376	7,330	3,954	38.9000%	1,538	53,662	7,850
Oct-11	1,349,165	3,376	7,330	3,954	38.9000%	1,538	55,201	7,850
Nov-11	1,349,165	3,376	7,330	3,954	38.9000%	1,538	56,739	7,850
Dec-11	1,349,165	3,376	7,330	3,954	38.9000%	1,538	58,277	7,850
Jan-12	1,349,165	3,376	6,767	3,391	38.9000%	1,319	59,596	7,850
Feb-12	1,349,165	3,376	6,777	3,401	38.9000%	1,323	60,919	7,850

Kentucky Utilities Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project

2009 - Plan
Project 31 - Trimble County Ash Treatment Basin (BAP/GSP)

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							-	
Mar-11	-	-	-	-	-	-	-	-
Apr-11	-	-	-	-	-	-	-	-
May-11	-	-	-	-	-	-	-	-
Jun-11	-	-	-	-	-	-	-	-
Jul-11	-	-	-	-	-	-	-	-
Aug-11	-	-	-	-	-	-	-	-
Sep-11	-	-	-	-	-	-	-	-
Oct-11	-	-	-	-	-	-	-	-
Nov-11	-	-	-	-	-	-	-	-
Dec-11	9,102,469	9,707	341,342	331,635	38.9000%	129,006	129,006	-
Jan-12	9,102,469	19,413	54,760	35,347	38.9000%	13,750	142,756	-
Feb-12	9,102,469	19,413	54,760	35,347	38.9000%	13,750	156,505	-

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated June 13, 2012**

Case No. 2012-00207

Question No. 4

Witness: Robert M. Conroy

- Q-4. Refer to ES Form 2.50, Pollution Control - Operations & Maintenance Expenses, for the March 2011 through February 2012 expense months. For each expense account number listed on this schedule, explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent.
- A-4. Attached please find a schedule showing the changes in the operations and maintenance expense accounts for March 2011 through February 2012 expense months. The changes in the expense levels are reasonable and generally occurred as a part of routine plant operations and maintenance or normal annual testing expenses.

2005 Plan

Fluctuations in the scrubber operation expenses, account 502056, are the result of regular operation of the FGDs for Ghent, and E.W. Brown. These are variable production expenses and fluctuate with generation, coal quality and the SO₂ removal rate. Fluctuations in April are also due to Ghent Unit 3 being offline for a planned outage.

Fluctuations in the scrubber maintenance expenses, account 512055, are the result of routine gypsum stack maintenance. These are variable maintenance expenses and fluctuate with the amount of gypsum produced. April is higher due to absorber maintenance performed during the planned outage on Ghent Unit 3.

2006 Plan

Fluctuations in sorbent injection operation expenses, accounts 506159 and 506152, through November 2011, are the result of on-going system operation of Ghent Units 1, 3, 4 and Trimble County Unit 2 ("TC2"). In general, warmer temperatures and increased sunlight exacerbate the issue remediated by the sorbent injection material.

Fluctuations in sorbent injection maintenance expenses, account 512152, are the result of normal system maintenance. March is higher due to emissions testing on Ghent Units 1 and 4. July is higher due to routine preventive maintenance.

Monthly variances in the mercury monitor operation expenses, account 506150, reflect normal periodic purchases of mercury traps for the monitors at TC2, Brown Station, and Ghent Station.

Monthly variances in the NOx operation expenses, accounts 506154 and 506155 reflect normal SCR operations of TC2. The variances for account 506154 are driven by the purchase and delivery timing of the raw consumable material (ammonia) as well as variations in generation and coal quality.

Fluctuations in the NOx maintenance expenses, account 512151, are the result of routine monthly maintenance on the SCR at TC2. The increase in December 2011 is the result of catalyst sample testing.

Fluctuations in the scrubber operation expenses, account 502056, are the result of regular operation of the TC2 FGD. These are variable production expenses and fluctuate with generation, coal quality and the SO₂ removal rate. TC2 was offline in April 2011 for a planned maintenance outage.

Fluctuations in the scrubber maintenance expenses, account 512055, are the result of routine maintenance of TC2. November 2011 is higher due to analysis that was done on the mercury stack and baghouse traps.

Fluctuations for activated carbon, account 506151, are the result of regular operation of the TC2 baghouse for the removal of mercury. This is a variable production expense and fluctuates with generation, coal quality and flue gas chemistry.

Fluctuations in the precipitator maintenance and operation expenses, account 512051 and 506051, are the result of routine monthly operation and maintenance on the precipitator at TC2. The increase in August is the result of normal periodic maintenance.

2011 Plan

Effective with the December 2011 expense month, KU is including sorbent injection O&M from the 2006 Plan in the 2011 Plan for all units except Trimble County Unit 2, which will continue to be recovered through the 2006 Plan as part of Project 23, TC2 AQCS Equipment.

Fluctuations in sorbent injection operation expenses, account 506159 and 506152, through November 2011, are the result of on-going system operation of Ghent Units 1, 3, 4 and TC2. In general, warmer temperatures and increased sunlight exacerbate the issue remediated by the sorbent injection material.

Fluctuations in sorbent injection maintenance expenses, account 512152, are the result of normal system maintenance.

**KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT**

Pollution Control - Operations Maintenance Expenses

O&M Expense Account	Mar-11	Apr-11	% Change from Prior Period	May-11	% Change from Prior Period	Jun-11	% Change from Prior Period	Jul-11	% Change from Prior Period	Aug-11	% Change from Prior Period
2005 Plan											
502056 Scrubber Operations	383,235.99	259,568.18	-32%	369,408.79	42%	444,331.75	20%	406,121.42	-9%	365,174.69	-10%
512055 Scrubber Maintenance	323,110.52	635,436.29	97%	298,697.58	-53%	324,140.57	9%	234,475.49	-28%	356,449.16	52%
Total 2005 Plan O&M Expenses	706,346.51	895,004.47	27%	668,106.37	-25%	768,472.32	15%	640,596.91	-17%	721,623.85	13%
2006 Plan											
506159 Sorbent Injection Operation	27,929.93	25,997.74	-7%	24,381.70	-6%	27,992.74	15%	25,648.87	-8%	32,519.63	27%
506152 Sorbent Reactant - Reagent Only	699,685.53	631,033.87	-10%	803,301.74	27%	1,078,931.58	34%	955,148.04	-11%	1,030,652.77	8%
512152 Sorbent Injection Maintenance	53,412.94	4,552.96	-91%	9,344.94	105%	4,852.13	-48%	28,481.33	487%	10,062.57	-65%
506150 Mercury Monitors Operation	-	-	0%	-	0%	-	0%	-	0%	-	0%
512153 Mercury Monitors Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
506154 NOx Operation -- Consumables	56,451.26	3,151.81	-94%	68,741.44	2081%	95,027.09	38%	100,553.80	6%	81,644.23	-19%
506155 NOx Operation -- Labor and Other	1,503.51	2,464.41	64%	2,572.45	4%	2,165.04	-16%	3,294.96	52%	6,577.22	100%
512151 NOx Maintenance	649.13	703.84	8%	954.60	36%	(316.82)	-133%	2,504.36	890%	423.32	-83%
502056 Scrubber Operations	37,300.10	-	-100%	87,828.43	100%	83,498.59	-5%	80,474.46	-4%	57,966.96	-28%
512055 Scrubber Maintenance	18,626.48	27,493.92	48%	25,070.39	-9%	32,990.44	32%	25,981.89	-21%	32,855.13	26%
506051 Precipitator Operation	-	-	0%	-	0%	-	0%	-	0%	-	0%
506151 Activated Carbon	19,610.83	(4,277.92)	-122%	93,129.75	2277%	(93,129.75)	-200%	-	100%	446,075.78	100%
512051 Precipitator Maintenance	7,074.14	6,709.68	-5%	6,949.39	4%	4,702.36	-32%	2,871.43	-39%	15,550.24	442%
Total 2006 Plan O&M Expenses	922,243.85	697,830.31	-24%	1,122,274.83	61%	1,236,713.40	10%	1,224,959.14	-1%	1,714,327.85	40%
2009 Plan											
506154 NOx Operation -- Consumables	-	-	0%	-	0%	-	0%	-	0%	-	0%
506155 NOx Operation -- Labor and Other	-	-	0%	-	0%	-	0%	-	0%	-	0%
512151 NOx Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
506159 Sorbent Injection Operation	-	-	0%	-	0%	-	0%	-	0%	-	0%
506152 Sorbent Reactant - Reagent Only	-	-	0%	-	0%	-	0%	-	0%	-	0%
512152 Sorbent Injection Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
502012 ECR Landfill Operations	-	-	0%	-	0%	-	0%	-	0%	-	0%
512105 ECR Landfill Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
Adjustment for CCP Disposal in Base Rates (ES Form 2.51)	-	-	0%	-	0%	-	0%	-	0%	-	0%
Total 2009 Plan O&M Expenses	-	-	0%	-	0%	-	0%	-	0%	-	0%
2011 Plan											
506159 ECR Sorbent Injection Operation	-	-	0%	-	0%	-	0%	-	0%	-	0%
506152 ECR Sorbent Reactant - Reagent Only	-	-	0%	-	0%	-	0%	-	0%	-	0%
512152 ECR Sorbent Injection Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
506156 ECR Baghouse Operations	-	-	0%	-	0%	-	0%	-	0%	-	0%
512156 ECR Baghouse Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
506151 ECR Activated Carbon	-	-	0%	-	0%	-	0%	-	0%	-	0%
502013 ECR Landfill Operations	-	-	0%	-	0%	-	0%	-	0%	-	0%
512107 ECR Landfill Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
Total 2011 Plan O&M Expenses	-	-	0%	-	0%	-	0%	-	0%	-	0%

**KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT**

Pollution Control - Operations Maintenance Expenses

O&M Expense Account	Sep-11	% Change from Prior Period	Oct-11	% Change from Prior Period	Nov-11	% Change from Prior Period	Dec-11	% Change from Prior Period	Jan-12	% Change from Prior Period	Feb-12	% Change from Prior Period
2005 Plan												
502056 Scrubber Operations	350,379.49	-4%	276,827.94	-21%	351,748.86	27%	429,111.65	22%	375,057.85	-13%	294,776.77	-21%
512055 Scrubber Maintenance	260,957.85	-27%	131,563.06	-50%	232,668.61	77%	224,384.47	-4%	316,480.04	41%	328,851.35	4%
Total 2005 Plan O&M Expenses	611,337.34	-15%	408,391.00	-33%	584,417.47	43%	653,496.12	12%	691,537.89	6%	623,628.12	-10%
2006 Plan												
506159 Sorbent Injection Operation	27,789.15	-15%	28,917.61	4%	29,249.94	1%	4,209.45	-86%	11,005.18	161%	5,207.38	-53%
506152 Sorbent Reactant - Reagent Only	936,077.42	-9%	794,593.28	-15%	901,781.87	13%	51,972.40	-94%	40,252.56	-23%	45,886.92	14%
512152 Sorbent Injection Maintenance	2,043.33	-80%	6,377.23	212%	6,970.46	9%	183.95	-97%	654.83	256%	10,668.30	1529%
506150 Mercury Monitors Operation	-	0%	4,799.29	100%	9,794.08	104%	13,958.34	43%	(1,543.49)	-111%	11,438.26	841%
512153 Mercury Monitors Maintenance	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
506154 NOx Operation -- Consumables	41,498.89	-49%	96,399.25	132%	111,639.10	16%	90,927.20	-19%	86,312.08	-5%	92,105.73	7%
506155 NOx Operation -- Labor and Other	3,252.54	-51%	2,436.70	-25%	2,750.93	13%	4,004.40	46%	3,326.84	-17%	3,262.90	-2%
512151 NOx Maintenance	3,850.39	810%	2,047.63	-47%	4,337.47	112%	12,304.69	184%	2,735.32	-78%	6,118.18	124%
502056 Scrubber Operations	31,340.03	-46%	94,510.77	202%	82,728.81	-12%	78,341.37	-5%	70,515.21	-10%	96,458.78	37%
512055 Scrubber Maintenance	23,528.19	-28%	29,643.72	26%	56,917.97	92%	36,549.27	-36%	36,100.80	-1%	50,525.68	40%
506051 Precipitator Operation	2,027.30	100%	3,709.49	83%	3,608.39	-3%	3,758.61	4%	6,327.63	68%	7,556.32	19%
506151 Activated Carbon	70,391.02	-84%	112,513.25	60%	171,846.56	53%	110,606.31	-36%	125,720.30	14%	128,153.34	2%
512051 Precipitator Maintenance	35,733.69	130%	5,105.77	-86%	4,073.71	-20%	3,042.60	-25%	1,169.43	-62%	10,556.58	803%
Total 2006 Plan O&M Expenses	1,177,531.95	-31%	1,181,053.99	0%	1,385,699.29	17%	409,858.59	-70%	382,576.69	-7%	467,938.37	22%
2009 Plan												
506154 NOx Operation -- Consumables	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
506155 NOx Operation -- Labor and Other	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
512151 NOx Maintenance	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
506159 Sorbent Injection Operation	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
506152 Sorbent Reactant - Reagent Only	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
512152 Sorbent Injection Maintenance	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
502012 ECR Landfill Operations	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
512105 ECR Landfill Maintenance	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Adjustment for CCP Disposal in Base Rates (ES Form 2.51)	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Total 2009 Plan O&M Expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
2011 Plan												
506159 ECR Sorbent Injection Operation	-	0%	-	0%	-	0%	17,476.58	100%	22,808.70	31%	20,973.14	-8%
506152 ECR Sorbent Reactant - Reagent Only	-	0%	-	0%	-	0%	898,066.58	100%	871,143.18	-3%	588,635.09	-32%
512152 ECR Sorbent Injection Maintenance	-	0%	-	0%	-	0%	5,041.60	100%	3,040.35	-40%	18,998.15	525%
506156 ECR Baghouse Operations	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
512156 ECR Baghouse Maintenance	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
506151 ECR Activated Carbon	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
502013 ECR Landfill Operations	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
512107 ECR Landfill Maintenance	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Total 2011 Plan O&M Expenses	-	0%	-	0%	-	0%	920,584.76	100%	896,992.23	-3%	628,606.38	-30%

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated June 13, 2012**

Case No. 2012-00207

Question No. 5

Witness: Robert M. Conroy

- Q-5. In Case No. 2000-00439, the Commission ordered that KU's cost of debt and preferred stock would be reviewed and re-established during the six-month review case. Provide the following information as of February 29, 2012:
- a. The outstanding balances for long-term debt, short-term debt, preferred stock, and common equity. Provide this information on total company and Kentucky jurisdictional bases.
 - b. The blended interest rates for long-term debt, short-term debt, and preferred stock. Include all supporting calculations showing how these blended interest rates were determined. If applicable, provide the blended interest rates on total company and Kentucky jurisdictional bases. For each outstanding debt listed, indicate whether the interest rate is fixed or variable.
 - c. KU's calculation of its weighted average cost of capital for environmental surcharge purposes.
- A-5.
- a. Please see the attachment. There was no preferred stock as of February 29, 2012 therefore it is not listed in the attached schedule.
 - b. Please see the attachment, page 3 of which is being provided under seal pursuant to a petition for confidential treatment. There was no preferred stock as of February 29, 2012; therefore, it is not listed in the attached schedule.
 - c. Please see the attachment. KU is utilizing a return on equity of 10.63% as agreed to for the Pre-2011 ECR Plans and 10.10% for the 2011 ECR Plan and approved by the Commission in its January 31, 2012 Order in Case No. 2011-00231.

KENTUCKY UTILITIES

**Adjusted Electric Rate of Return on Common Equity - Pre-2011 ECR Plans
As of February 29, 2012**

	Balance at 02-29-12 (1)	Capital Structure (2)	Undistributed Subsidiary Earnings (3)	Investment in EEI (Col 2 x Col 4 Line 4) (4)	Investments in OVEC and Other (Col 2 x Col 5 Line 4) (5)	Adjustments to Total Co. Capitalization (Sum of Col 3 - Col 5) (6)	Adjusted Total Company Capitalization (Col 1 + Col 6) (7)	Jurisdictional Rate Base Percentage (8)	Kentucky Jurisdictional Capitalization (Col 7 x Col 8) (9)
1. Short Term Debt	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	87.43%	\$ -
2. Long Term Debt	1,840,697,436	46.34%	-	(600,474)	(198,855)	(799,329)	1,839,898,107	87.43%	1,608,622,915
3. Common Equity	2,131,381,599	53.66%	(3,451,080)	(695,326)	(230,266)	(4,376,672)	2,127,004,927	87.43%	1,859,640,408
4. Total Capitalization	<u>\$ 3,972,079,035</u>	<u>100.000%</u>	<u>\$ (3,451,080)</u>	<u>\$ (1,295,800)</u>	<u>\$ (429,121)</u>	<u>\$ (5,176,001)</u>	<u>\$ 3,966,903,034</u>		<u>\$ 3,468,263,323</u>

	Kentucky Jurisdictional Capitalization (9)	Capital Structure (10)	Environmental Compliance Plans (Col 10 x Col 11 Line 4) (11)	Adjusted Kentucky Jurisdictional Capitalization (Col 9 + Col 11) (12)	Adjusted Capital Structure (13)	Annual Cost Rate (14)	Cost of Capital (Col 14 x Col 13) (15)
1. Short Term Debt	\$ -	0.00%	\$ -	\$ -	0.00%	0.00%	0.00%
2. Long Term Debt	1,608,622,915	46.38%	(513,275,825)	1,095,347,090	46.38%	3.69%	1.71%
3. Common Equity	1,859,640,408	53.62%	(593,399,089)	1,266,241,319	53.62%	10.63%	5.70%
4. Total Capitalization	<u>\$ 3,468,263,323</u>	<u>100.000%</u>	<u>\$ (1,106,674,914)</u>	<u>\$ 2,361,588,409</u>	<u>100.000%</u>		<u>7.41%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}							<u>10.58%</u>

KENTUCKY UTILITIES

**Adjusted Electric Rate of Return on Common Equity - 2011 ECR Plan
As of February 29, 2012**

	Balance at 02-29-12 (1)	Capital Structure (2)	Undistributed Subsidiary Earnings (3)	Investment in EEI (Col 2 x Col 4 Line 4) (4)	Investments in OVEC and Other (Col 2 x Col 5 Line 4) (5)	Adjustments to Total Co. Capitalization (Sum of Col 3 - Col 5) (6)	Adjusted Total Company Capitalization (Col 1 - Col 6) (7)	Jurisdictional Rate Base Percentage (8)	Kentucky Jurisdictional Capitalization (Col 7 x Col 8) (9)
1. Short Term Debt	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	87.43%	\$ -
2. Long Term Debt	1,840,697,436	46.34%	-	(600,474)	(198,855)	(799,329)	1,839,898,107	87.43%	1,608,622,915
3. Common Equity	2,131,381,599	53.66%	(3,451,080)	(695,326)	(230,266)	(4,376,672)	2,127,004,927	87.43%	1,859,640,408
4. Total Capitalization	<u>\$ 3,972,079,035</u>	<u>100.000%</u>	<u>\$ (3,451,080)</u>	<u>\$ (1,295,800)</u>	<u>\$ (429,121)</u>	<u>\$ (5,176,001)</u>	<u>\$ 3,966,903,034</u>		<u>\$ 3,468,263,323</u>

	Kentucky Jurisdictional Capitalization (9)	Capital Structure (10)	Environmental Compliance Plans (Col 10 x Col 11 Line 4) (11)	Adjusted Kentucky Jurisdictional Capitalization (Col 9 - Col 11) (12)	Adjusted Capital Structure (13)	Annual Cost Rate (14)	Cost of Capital (Col 14 x Col 13) (15)
1. Short Term Debt	\$ -	0.00%	\$ -	\$ -	0.00%	0.00%	0.00%
2. Long Term Debt	1,608,622,915	46.38%	(513,275,825)	1,095,347,090	46.38%	3.69%	1.71%
3. Common Equity	1,859,640,408	53.62%	(593,399,089)	1,266,241,319	53.62%	10.10%	5.42%
4. Total Capitalization	<u>\$ 3,468,263,323</u>	<u>100.000%</u>	<u>\$ (1,106,674,914)</u>	<u>\$ 2,361,588,409</u>	<u>100.000%</u>		<u>7.13%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect $\{(ROR + (ROR - DR) \times [TR / (1 - TR)])\}$							<u>10.14%</u>

KENTUCKY UTILITIES COMPANY
ANALYSIS OF THE EMBEDDED COST OF CAPITAL AT
February 29, 2012

LONG-TERM DEBT										
	Due	Rate	Principal	Interest	Annualized Cost			Letter of Credit and other fees	Total	Embedded Cost
					Amortized Debt Issuance Exp/Discount	Amortized Loss-Reacquired Debt				
Pollution Control Bonds -										
Mercer Co 2000 Series A	05/01/23	0 140%	\$ 12,900,000	\$ 18,060	\$ -	\$ 46,743	\$ 156,549	a	\$ 221,352	1 716%
Carroll Co 2002 Series A	02/01/32	0 350%	20,930,000	73,255	4,104	36,300	20,930	b	134,589	0 643%
Carroll Co 2002 Series B	02/01/32	0 350%	2,400,000	8,400	2,856	4,164	2,400	b	17,820	0 743%
Muhlenberg Co 2002 Series A	02/01/32	0 350%	2,400,000	8,400	1,140	12,744	2,400	b	24,684	1 029%
Mercer Co 2002 Series A	02/01/32	0 350%	7,400,000	25,900	3,180	12,900	7,400	b	49,380	0 667%
Carroll Co 2002 Series C	10/01/32	0 282%	96,000,000	270,720	73,658	186,036	300,538	c	830,952	0 866%
Carroll Co 2004 Series A	10/01/34	0 150%	50,000,000	75,000	-	105,023	609,493	a	789,516	1 579%
Carroll Co 2006 Series B	10/01/34	0 170%	54,000,000	91,800	47,920	-	658,985	a	798,705	1 479%
Carroll Co 2007 Series A	02/01/26	5 750%	17,875,000	1,027,813	33,342	-	-	-	1,061,155	5 937%
Trimble Co 2007 Series A	03/01/37	6 000%	8,927,000	535,620	16,072	-	-	-	551,692	6 180%
Carroll Co 2008 Series A	02/01/32	0 170%	77,947,405	132,511	34,400	-	951,225	a	1,118,136	1 434%
Called Bonds				-	-	201,063	1		201,063	
First Mortgage Bonds -										
2010 due 2015	11/01/15	1 625%	250,000,000	4,062,500	461,126	**	-	-	4,523,626	1 809%
Debt discount on FMB	11/01/15	1 625%	(648,958)	-	175,000	**	-	-	175,000	-26 966%
2010 due 2020	11/01/20	3 250%	500,000,000	16,250,000	418,360	**	-	-	16,668,360	3 334%
Debt discount on FMB	11/01/15	3 250%	(1,645,875)	-	189,000	**	-	-	189,000	-11 483%
2010 due 2040	11/01/40	5 125%	750,000,000	38,437,500	249,641	**	-	-	38,687,141	5 158%
Debt discount on FMB	11/01/40	5 125%	(7,787,135)	-	271,250	**	-	-	271,250	-3 483%
Revolving Credit Facility	10/19/16					3&4	500,000			
Letter of Credit Facility	04/29/14									
Total External Debt			\$ 1,840,697,436	\$ 61,017,479	\$ 3,065,319	\$ 604,973	\$ 3,209,920		\$ 67,897,692	3.689%
Notes Payable to PPL	2		\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	
Total Internal Debt			\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	0.000%
Total			\$ 1,840,697,436	\$ 61,017,479	\$ 3,065,319	\$ 604,973	\$ 3,209,920		\$ 67,897,692	3.689%

SHORT-TERM DEBT										
	Rate	Principal	Interest	Annualized Cost			Total	Embedded Cost		
				Expense	Loss	Premium				
Notes Payable to Associated Company	0 430% *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0 000%		
Revolving Credit Facility Payable		-	-	-	-	-	-			
Total		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.000%		

Embedded Cost of Total Debt	\$ 1,840,697,436	\$ 61,017,479	\$ 3,065,319	\$ 604,973	\$ 3,209,920	\$ 67,897,692	3.689%
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** Debt discount shown on separate line

1 Series P and R bonds were redeemed in 2003 and 2005, respectively. They were not replaced with other bond series. The remaining unamortized expense is being amortized over the remainder of the original lives (due 5/15/07, 6/1/25, 6/1/35, and 6/1/36 respectively) of the bonds as loss on reacquired debt

2 Fidelity Notes Payable were paid off on 11/1/2010 with PPL Notes Payable that were paid off with the new FMB issues on 11/16/2010

3 Included setup fees for the Wachovia Credit Facility in Long-term Debt due to 4 year credit arrangement

4 Credit Facility amended effective October 19, 2011 New term of 5 years at lower interest rate

a - Letter of credit fee = (principal bal + 45 days interest)*2% L/C Fee and 25% L/C Fronting Fee Rate based on company credit rating Remarketing Fee = 10 basis points

b - Remarketing fee = 10 basis points

c - Remarketing fee = 25 basis points

**ECR - Gross-up Revenue Factor &
Composite Income Tax Calculation
2012**

	2012 Federal & State Production Credit W/ 6% 2011 State Tax Rate Included	
(1) Assume pre-tax income of	\$ 100.0000	
(2)		
(3) State income tax (see below)	<u>5.6604</u>	(40)
(4)		
(5) Taxable income for Federal income tax		
(6) before production credit	94.3396	(1)-(3)
(7) a. Production Rate	9%	
(8) b. Allocation to Production Income	100%	
(9) c. Allocated Production Rate (a x b)	9.00%	
(10)		
(11) Less: Production tax credit	<u>8.4906</u>	(6)*(9)
(12)		
(13) Taxable income for Federal income tax	85.8490	(6)-(11)
(14)		
(15) Federal income tax	<u>30.0472</u>	(13)*35%
(16)		
(17)		
(18) Total State and Federal income taxes	<u>\$ 35.7076</u>	(3)+(15)
(19)		
(20) Gross-up Revenue Factor	<u><u>64.2924</u></u>	100-(18)
(21)		
(22) Therefore, the composite rate is:		
(23) Federal	30.0472%	(15)/100
(24) State	<u>5.6604%</u>	(3)/100
(25) Total	<u><u>35.7076%</u></u>	(23)+(24)
(26)		
(27)		
(28)		
(29)		
(30)		
(31) <u>State Income Tax Calculation</u>		
(32) Assume pre-tax income of	\$ 100.0000	
(33)		
(34) Production credit @ 6%	<u>5.6604</u>	
(35)		
(36) Taxable income for State income tax	94.3396	(32)-(34)
(37)		
(38) State Tax Rate	<u>6.0000%</u>	
(39)		
(40) State Income Tax	<u><u>5.6604</u></u>	(36)*(38)

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated June 13, 2012**

Case No. 2012-00207

Question No. 6

Witness: Robert M. Conroy

- Q-6. Provide the actual average residential customer's usage. Based on this usage amount, provide the dollar impact the over/under recovery will have on the average residential customer's bill for the requested recovery period.
- A-6. Based upon distributing the net over-recovered position of \$2,998,160 (\$499,693 per month for four months and \$499,694 per month for two months) over six months, the ECR billing factor for a residential customer using 1,000 kWh will decrease by approximately \$0.89 per month, using rates and adjustment clause factors in effect for the April 2012 billing month.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 28 2012

PUBLIC SERVICE
COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF KENTUCKY) CASE NO.
UTILITIES COMPANY FOR THE SIX-MONTH) 2012-00207
BILLING PERIODS ENDING OCTOBER 31, 2011)
AND APRIL 30, 2012)

**PETITION OF KENTUCKY UTILITIES COMPANY FOR
CONFIDENTIAL PROTECTION FOR CERTAIN OF COMMISSION STAFF'S
FIRST REQUESTS FOR INFORMATION**

Kentucky Utilities Company ("KU") hereby petitions the Kentucky Public Service Commission ("Commission") pursuant to 807 KAR 5:001, Section 7, and KRS 61.878(1)(c) to grant confidential protection for the item described herein, which KU seeks to provide in response to the Commission Staffs Initial Data Requests No. 5(b). In support of this Petition, KU states as follows:

Confidential or Proprietary Commercial Information (KRS 61.878(1)(c))

1. The Kentucky Open Records Act exempts from disclosure certain commercial information. KRS 61.878(1)(c). To qualify for the exemption and, therefore, maintain the confidentiality of the information, a party must establish that the material is of a kind generally recognized to be confidential or proprietary, and the disclosure of which would permit an unfair commercial advantage to competitors of the party seeking confidentiality.

2. Commission Staff Request No. 5(b) asks KU to provide, "The blended interest rates for long-term debt, short-term debt, and preferred stock. Include all supporting calculations showing how these blended interest rates were determined." In response to this data request, KU

is providing as an attachment a spreadsheet that demonstrates KU's embedded cost of capital. Within the spreadsheet are the annualized costs associated with KU's revolving credit facility. Pursuant to the terms of agreements associated with the revolving credit facility, KU is not permitted to publicly disclose the costs and thus public disclosure of the costs would result in KU breaching the agreement. Revealing publicly the costs would significantly compromise KU's ability to obtain a revolving credit facility at a competitive interest rate, which would in turn financially harm KU's customers. Moreover, financial institutions do not permit public disclosure of the rates because those rates would be used against them in future negotiations with other customers. They would therefore be more likely to insist on standard provisions and less willing to negotiate favorable rates with KU in the future, thus jeopardizing KU's ability to obtain the lowest possible interest rates, placing it at an additional financial disadvantage.

3. If the Commission disagrees with this request for confidential protection, however, it must hold an evidentiary hearing (a) to protect KU's due process rights and (b) to supply the Commission with a complete record to enable it to reach a decision with regard to this matter. Utility Regulatory Commission v. Kentucky Water Service Company, Inc., 642 S.W.2d 591, 592-94 (Ky. App. 1982).

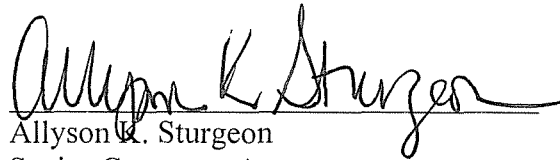
4. The information for which KU is seeking confidential treatment is not known outside of KU, is not disseminated within KU except to those employees with a legitimate business need to know and act upon the information, and is generally recognized as confidential and proprietary information in the energy industry. KU will disclose the confidential information, pursuant to a confidentiality agreement, to intervenors and others with a legitimate interest in this information and as required by the Commission.

5. In accordance with the provisions of 807 KAR 5:001, Section 7 and the Commission's June 13, 2012 Order in this proceeding, KU herewith files with the Commission one copy of the above-discussed response with the confidential information highlighted and ten (10) copies of its response without the confidential information.

WHEREFORE, Kentucky Utilities Company respectfully requests that the Commission grant confidential protection for the information at issue, or in the alternative, schedule an evidentiary hearing on all factual issues while maintaining the confidentiality of the information.

Dated: June 28, 2012

Respectfully submitted,



Allyson K. Sturgeon
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Counsel for Kentucky Utilities Company