

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)	2013-00242
BILLING PERIOD ENDING APRIL 30, 2013)	

RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION IN
APPENDIX B OF COMMISSION'S ORDER
DATED JULY 12, 2013

FILED: August 2, 2013

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated July 12, 2013**

Case No. 2013-00242

Question No. 1

Witness: Robert M. Conroy

- Q-1. Concerning the rate of return on the two 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, which impacted the true-up adjustment for the last six months of the two-year period under review in this case. No further revisions to Rate Base were identified in preparation of this response.

Pages 3 and 4 provide the adjusted weighted average cost of capital for the Pre-2011 and 2011 Plans, respectively, for the period ending February 28, 2013. This new rate was then applied to true-up the months in the review with different rates of return for the Pre-2011 and 2011 Plans as approved by the Commission in Case No. 2011-00161. 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.

Page 5 provides the adjusted weighted average cost of capital for the period under review ending April 30, 2013. The Commission approved a single rate of return for all Plans in Case No. 2012-00221; therefore, the Pre-2011 and 2011 Plans are not shown separately. Also, 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.

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

(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%	-
						\$ -		\$ -
Pre-2011 Plans								
May-12	Mar-12	10.56%	\$ 1,248,378,620	\$ 1,248,378,620	\$ -	\$ -	87.24%	\$ -
Jun-12	Apr-12	10.56%	1,253,579,055	1,253,579,055	-	-	87.74%	-
Jul-12	May-12	10.56%	1,260,849,300	1,260,849,300	-	-	87.07%	-
Aug-12	Jun-12	10.56%	1,271,789,980	1,271,789,980	-	-	86.30%	-
Sep-12	Jul-12	10.56%	1,282,342,880	1,282,342,880	-	-	87.10%	-
Oct-12	Aug-12	10.56%	1,292,808,307	1,292,808,307	-	-	87.71%	-
						\$ -		\$ -
2011 Plan								
May-12	Mar-12	10.13%	\$ 22,921,881	\$ 22,921,881	-	-	87.24%	-
Jun-12	Apr-12	10.13%	26,890,090	26,890,090	-	-	87.74%	-
Jul-12	May-12	10.13%	30,004,260	30,004,260	-	-	87.07%	-
Aug-12	Jun-12	10.13%	31,884,830	31,884,830	-	-	86.30%	-
Sep-12	Jul-12	10.13%	38,467,121	38,467,121	-	-	87.10%	-
Oct-12	Aug-12	10.13%	40,163,370	40,163,370	-	-	87.71%	-
						\$ -		\$ -
Pre-2011 Plans								
Nov-12	Sep-12	10.58%	\$ 1,295,742,781	\$ 1,295,742,781	\$ -	\$ -	87.55%	\$ -
Dec-12	Oct-12	10.58%	1,302,585,878	1,302,585,878	-	-	87.60%	-
Jan-13	Nov-12	10.58%	1,314,694,707	1,314,694,707	-	-	87.45%	-
Feb-13	Dec-12	10.58%	1,310,645,920	1,310,645,920	-	-	86.62%	-
Mar-13	Jan-13	10.26%	325,829,594	325,829,594	-	-	86.57%	-
Apr-13	Feb-13	10.26%	332,420,690	332,420,690	-	-	87.24%	-
						\$ -		\$ -
2011 Plan								
Nov-12	Sep-12	10.14%	\$ 40,481,524	\$ 40,481,524	-	-	87.55%	-
Dec-12	Oct-12	10.14%	49,858,033	49,858,033	-	-	87.60%	-
Jan-13	Nov-12	10.14%	57,150,344	57,150,344	-	-	87.45%	-
Feb-13	Dec-12	10.14%	89,752,710	89,752,710	-	-	86.62%	-
Mar-13	Jan-13	10.26%	101,012,563	101,012,563	-	-	86.57%	-
Apr-13	Feb-13	10.26%	114,551,704	114,551,704	-	-	87.24%	-
						\$ -		\$ -
Impact of Change in Rate of Return during the six-month billing period ending April 30, 2013						\$ -		\$ -

Notes: 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. The billing periods ending October 31, 2011 and April 30, 2012 were reviewed in Case No. 2012-00207. The billing period ending October 31, 2012 was reviewed in Case No. 2012-00546.

(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)
Pre-2011 Plans								
May-12	Mar-12	10.56%	10.65%	0.09%	\$ 1,248,378,620	93,628	87.24%	81,681
Jun-12	Apr-12	10.56%	10.65%	0.09%	1,253,579,055	94,018	87.74%	82,492
Jul-12	May-12	10.56%	10.65%	0.09%	1,260,849,300	94,564	87.07%	82,337
Aug-12	Jun-12	10.56%	10.65%	0.09%	1,271,789,980	95,384	86.30%	82,317
Sep-12	Jul-12	10.56%	10.65%	0.09%	1,282,342,880	96,176	87.10%	83,769
Oct-12	Aug-12	10.56%	10.65%	0.09%	1,292,808,307	96,961	87.71%	85,044
						570,731		497,640
2011 Plan								
May-12	Mar-12	10.13%	10.21%	0.08%	22,921,881	1,528	87.24%	1,333
Jun-12	Apr-12	10.13%	10.21%	0.08%	26,890,090	1,793	87.74%	1,573
Jul-12	May-12	10.13%	10.21%	0.08%	30,004,260	2,000	87.07%	1,742
Aug-12	Jun-12	10.13%	10.21%	0.08%	31,884,830	2,126	86.30%	1,834
Sep-12	Jul-12	10.13%	10.21%	0.08%	38,467,121	2,564	87.10%	2,234
Oct-12	Aug-12	10.13%	10.21%	0.08%	40,163,370	2,678	87.71%	2,348
						\$ 12,689		\$ 11,064
Pre-2011 Plans								
Nov-12	Sep-12	10.58%	10.56%	-0.02%	\$ 1,295,742,781	(21,596)	87.55%	(18,907)
Dec-12	Oct-12	10.58%	10.56%	-0.02%	1,302,585,878	(21,710)	87.60%	(19,018)
Jan-13	Nov-12	10.58%	10.56%	-0.02%	1,314,694,707	(21,912)	87.45%	(19,162)
Feb-13	Dec-12	10.58%	10.56%	-0.02%	1,310,645,920	(21,844)	86.62%	(18,921)
Mar-13	Jan-13	10.26%	10.24%	-0.02%	325,829,594	(5,430)	86.57%	(4,701)
Apr-13	Feb-13	10.26%	10.24%	-0.02%	332,420,690	(5,540)	87.24%	(4,833)
						(98,032)		(85,542)
2011 Plan								
Nov-12	Sep-12	10.14%	10.12%	-0.02%	40,481,524	(675)	87.55%	(591)
Dec-12	Oct-12	10.14%	10.12%	-0.02%	49,858,033	(831)	87.60%	(728)
Jan-13	Nov-12	10.14%	10.12%	-0.02%	57,150,344	(953)	87.45%	(833)
Feb-13	Dec-12	10.14%	10.12%	-0.02%	89,752,710	(1,496)	86.62%	(1,296)
Mar-13	Jan-13	10.26%	10.24%	-0.02%	101,012,563	(1,684)	86.57%	(1,457)
Apr-13	Feb-13	10.26%	10.24%	-0.02%	114,551,704	(1,909)	87.24%	(1,666)
						(7,547)		(6,570)
Impact of Change in Rate of Return during the six-month billing period ending April 30, 2013						\$ (105,579)		\$ (92,113)

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. The billing periods ending October 31, 2011 and April 30, 2012 were reviewed in Case No. 2012-00207. The billing period ending October 31, 2012 was reviewed in Case No. 2012-00546.

KENTUCKY UTILITIES COMPANY

Adjusted Electric Rate of Return on Common Equity - Pre-2011 ECR Plans
As of February 28, 2013

	Balance at 02-28-13 (1)	Capital Structure (2)	EEI (3)	Investments in OVEC and Other (Col 2 x Col 4 Line 4) (4)	Adjustments to Total Co. Capitalization (Sum of Col 3 - Col 4) (5)	Adjusted Total Company Capitalization (Col 1 + Col 5) (6)	Jurisdictional Rate Base Percentage (7)	Kentucky Jurisdictional Capitalization (Col 6 x Col 7) (8)
1. Short Term Debt	\$ 80,279,871 (a)	1.92%	\$ -	\$ (23,457)	\$ (23,457)	\$ 80,256,414	87.63%	\$ 70,328,696
2. Long Term Debt	1,841,251,957 (a)	44.05%	-	(538,168)	(538,168)	1,840,713,789	87.63%	1,613,017,493
3. Common Equity	2,258,035,860	54.03%	(504,066)	(660,095)	(1,164,161)	2,256,871,699	87.63%	1,977,696,670
4. Total Capitalization	<u>\$ 4,179,567,688</u>	<u>100.000%</u>	<u>\$ (504,066)</u>	<u>\$ (1,221,720)</u>	<u>\$ (1,725,786)</u>	<u>\$ 4,177,841,902</u>		<u>\$ 3,661,042,859</u>

	Kentucky Jurisdictional Capitalization (8)	Capital Structure (9)	Environmental Surcharge (Col 9 x Col 10 Line 4) (10)	DSM Rate Base (Col 9 x Col 11 Line 4) (11)	Adjusted Kentucky Jurisdictional Capitalization (Col 8 + Col 10 + Col 11) (12)	Adjusted Capital Structure (13)	Annual Cost Rate (14)	Cost of Capital (Col 13 x Col 14) (15)
1. Short Term Debt	\$ 70,328,696	1.92%	\$ (7,520,293)	\$ (9,655)	\$ 62,798,748	1.92%	0.40%	0.01%
2. Long Term Debt	1,613,017,493	44.06%	(172,575,049)	(221,565)	1,440,220,879	44.06%	3.68%	1.62%
3. Common Equity	1,977,696,670	54.02%	(211,586,567)	(271,652)	1,765,838,451	54.02%	10.63%	5.74%
4. Total Capitalization	<u>\$ 3,661,042,859</u>	<u>100.000%</u>	<u>\$ (391,681,909)</u>	<u>\$ (502,872)</u>	<u>\$ 3,268,858,078</u>	<u>100.000%</u>		<u>7.37%</u>

5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]} 10.56%

(a) Average daily balance per Settlement Agreement in Case No. 2011-00161.

KENTUCKY UTILITIES COMPANY

Adjusted Electric Rate of Return on Common Equity - 2011 ECR Plan
As of February 28, 2013

	Balance at 02-28-13 (1)	Capital Structure (2)	EEI (3)	Investments in OVEC and Other (Col 2 x Col 4 Line 4) (4)	Adjustments to Total Co. Capitalization (Sum of Col 3 - Col 4) (5)	Adjusted Total Company Capitalization (Col 1 + Col 5) (6)	Jurisdictional Rate Base Percentage (7)	Kentucky Jurisdictional Capitalization (Col 6 x Col 7) (8)
1. Short Term Debt	\$ 80,279,871 (a)	1.92%	\$ -	\$ (23,457)	\$ (23,457)	\$ 80,256,414	87.63%	\$ 70,328,696
2. Long Term Debt	1,841,251,957 (a)	44.05%	-	(538,168)	(538,168)	1,840,713,789	87.63%	1,613,017,493
3. Common Equity	2,258,035,860	54.03%	(504,066)	(660,095)	(1,164,161)	2,256,871,699	87.63%	1,977,696,670
4. Total Capitalization	<u>\$ 4,179,567,688</u>	<u>100.000%</u>	<u>\$ (504,066)</u>	<u>\$ (1,221,720)</u>	<u>\$ (1,725,786)</u>	<u>\$ 4,177,841,902</u>		<u>\$ 3,661,042,859</u>

	Kentucky Jurisdictional Capitalization (8)	Capital Structure (9)	Environmental Surcharge (Col 9 x Col 10 Line 4) (10)	DSM Rate Base (Col 9 x Col 11 Line 4) (11)	Adjusted Kentucky Jurisdictional Capitalization (Col 8 + Col 10 + Col 11) (12)	Adjusted Capital Structure (13)	Annual Cost Rate (14)	Cost of Capital (Col 13 x Col 14) (15)
1. Short Term Debt	\$ 70,328,696	1.92%	\$ (7,520,293)	\$ (9,655)	\$ 62,798,748	1.92%	0.40%	0.01%
2. Long Term Debt	1,613,017,493	44.06%	(172,575,049)	(221,565)	1,440,220,879	44.06%	3.68%	1.62%
3. Common Equity	1,977,696,670	54.02%	(211,586,567)	(271,652)	1,765,838,451	54.02%	10.10%	5.46%
4. Total Capitalization	<u>\$ 3,661,042,859</u>	<u>100.000%</u>	<u>\$ (391,681,909)</u>	<u>\$ (502,872)</u>	<u>\$ 3,268,858,078</u>	<u>100.000%</u>		<u>7.09%</u>

5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]} 10.12%

(a) Average daily balance per Settlement Agreement in Case No. 2011-00161.

KENTUCKY UTILITIES COMPANY

Adjusted Electric Rate of Return on Common Equity

As of April 30, 2013

	Balance at 04-30-13 (1)	Capital Structure (2)	EEI (3)	Investments in OVEC and Other (Col 2 x Col 4 Line 4) (4)	Adjustments to Total Co. Capitalization (Sum of Col 3 - Col 4) (5)	Adjusted Total Company Capitalization (Col 1 + Col 5) (6)	Jurisdictional Rate Base Percentage (7)	Kentucky Jurisdictional Capitalization (Col 6 x Col 7) (8)
1. Short Term Debt	\$ 97,479,104 (a)	2.31%	\$ -	\$ (28,222)	\$ (28,222)	\$ 97,450,882	87.63%	\$ 85,396,208
2. Long Term Debt	1,841,305,779 (a)	43.59%	-	(532,548)	(532,548)	1,840,773,231	87.63%	1,613,069,582
3. Common Equity	2,285,693,928	54.10%	(504,066)	(660,950)	(1,165,016)	2,284,528,912	87.63%	2,001,932,686
4. Total Capitalization	<u>\$ 4,224,478,811</u>	<u>100.000%</u>	<u>\$ (504,066)</u>	<u>\$ (1,221,720)</u>	<u>\$ (1,725,786)</u>	<u>\$ 4,222,753,025</u>		<u>\$ 3,700,398,476</u>

	Kentucky Jurisdictional Capitalization (8)	Capital Structure (9)	Environmental Surcharge (Col 9 x Col 10 Line 4) (10)	DSM Rate Base (Col 9 x Col 11 Line 4) (11)	Adjusted Kentucky Jurisdictional Capitalization (Col 8 + Col 10 + Col 11) (12)	Adjusted Capital Structure (13)	Annual Cost Rate (14)	Cost of Capital (Col 13 x Col 14) (15)
1. Short Term Debt	\$ 85,396,208	2.31%	\$ (9,885,511)	\$ (16,124)	\$ 75,494,573	2.31%	0.39%	0.01%
2. Long Term Debt	1,613,069,582	43.59%	(186,540,878)	(304,257)	1,426,224,447	43.59%	3.68%	1.60%
3. Common Equity	2,001,932,686	54.10%	(231,517,813)	(377,616)	1,770,037,257	54.10%	10.25%	5.55%
4. Total Capitalization	<u>\$ 3,700,398,476</u>	<u>100.000%</u>	<u>\$ (427,944,202)</u>	<u>\$ (697,997)</u>	<u>\$ 3,271,756,277</u>	<u>100.000%</u>		<u>7.16%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}								<u>10.24%</u>

(a) Average daily balance per Settlement Agreement in Case No. 2011-00161.

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated July 12, 2013**

Case No. 2013-00242

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 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 two-year 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 \$444,933.

(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	
Pre-2011 Plans								
Mar-12	\$ 1,248,378,620	104,031,552	10.65%	\$ 5,794,575	16,873,935	87.24%	14,720,821	
Apr-12	1,253,579,055	104,464,921	10.65%	5,585,570	16,711,084	87.74%	14,662,305	
May-12	1,260,849,300	105,070,775	10.65%	5,209,168	16,399,206	87.07%	14,278,789	
Jun-12	1,271,789,980	105,982,498	10.65%	5,250,862	16,537,998	86.30%	14,272,293	
Jul-12	1,282,342,880	106,861,907	10.65%	5,403,074	16,783,867	87.10%	14,618,748	
Aug-12	1,292,808,307	107,734,026	10.65%	5,661,233	17,134,907	87.71%	15,029,027	
2011 Plan								
Mar-12	\$ 22,921,881	1,910,157	10.21%	\$ 813,019	1,008,046	87.24%	879,419	
Apr-12	26,890,090	2,240,841	10.21%	658,397	887,187	87.74%	778,418	
May-12	30,004,260	2,500,355	10.21%	861,021	1,116,307	87.07%	971,969	
Jun-12	31,884,830	2,657,069	10.21%	995,727	1,267,014	86.30%	1,093,433	
Jul-12	38,467,121	3,205,593	10.21%	962,231	1,289,522	87.10%	1,123,174	
Aug-12	40,163,370	3,346,948	10.21%	982,579	1,324,302	87.71%	1,161,545	
Pre-2011 Plans								
Sep-12	\$ 1,295,742,781	107,978,565	10.56%	\$ 5,433,138	16,835,674	87.55%	14,739,633	
Oct-12	1,302,585,878	108,548,823	10.56%	6,162,461	17,625,216	87.60%	15,439,689	
Nov-12	1,314,694,707	109,557,892	10.56%	4,952,594	16,521,908	87.45%	14,448,408	
Dec-12	1,310,645,920	109,220,493	10.56%	5,563,692	17,097,376	86.62%	14,809,747	
Jan-13	325,829,594	27,152,466	10.24%	357,629	3,138,041	86.57%	2,716,602	
Feb-13	332,420,690	27,701,724	10.24%	307,103	3,143,760	87.24%	2,742,616	
2011 Plan								
Sep-12	\$ 40,481,524	3,373,460	10.12%	\$ 741,011	1,082,405	87.55%	947,646	
Oct-12	49,858,033	4,154,836	10.12%	655,373	1,075,842	87.60%	942,438	
Nov-12	57,150,344	4,762,529	10.12%	1,061,617	1,543,585	87.45%	1,349,865	
Dec-12	89,752,710	7,479,393	10.12%	973,112	1,730,027	86.62%	1,498,549	
Jan-13	101,012,563	8,417,714	10.24%	1,009,622	1,871,596	86.57%	1,620,241	
Feb-13	114,551,704	9,545,975	10.24%	1,060,408	2,037,916	87.24%	1,777,878	

Notes: 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.
 The billing periods ending October 31, 2011 and April 30, 2012 were reviewed in Case No. 2012-00207.
 The billing period ending October 31, 2012 was reviewed in Case No. 2012-00546.

(1) Expense Month	(2) Retail E(m) for All ECR Plans	(3) Adjustment to Retail E(m) for (Over)/Under-Collection Case Nos. 10-474; 11-231; 12-207	(4) Retail E(m) Including all Adjustments to be billed as ECR	(5) Monthly Billing Factor (Group 1)	(6) Monthly Billing Factor (Group 2)	(7) ECR Revenue Recovered Through Base Rates	(8) Billing Period	(9) ECR Billing Factor Revenues (Group 1)	(10) ECR Billing Factor Revenues (Group 2)	(11) Combined Total Over/(Under) Recovery
	Page 1 Col (8)		(2) + (3)	As Filed	As Filed	As Filed		As Filed	As Filed	(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
Mar-12	\$ 15,600,241	\$ (596,811)	\$ 15,003,430	2.05%	3.58%	\$ 12,765,005	May-12	\$ 695,552	\$ 1,318,872	\$ (224,000)
Apr-12	15,440,723	(596,811)	14,843,912	3.19%	5.58%	11,407,791	Jun-12	1,256,494	2,168,932	(14,695)
May-12	15,250,757	(596,812)	14,653,945	2.84%	4.97%	11,574,531	Jul-12	1,489,651	2,059,105	469,342
Jun-12	15,365,726	(596,812)	14,768,914	1.57%	2.75%	13,027,400	Aug-12	786,147	1,227,072	271,705
Jul-12	15,741,922	-	15,741,922	0.80%	1.40%	14,808,429	Sep-12	348,414	556,748	(28,331)
Aug-12	16,190,572	-	16,190,572	1.20%	2.11%	14,823,499	Oct-12	370,100	737,463	(259,510)
			\$ 91,202,694			\$ 78,406,655		\$ 4,946,358	\$ 8,068,192	\$ 218,511
Sep-12	\$ 15,687,279	\$ (499,693)	\$ 15,187,586	2.03%	3.55%	\$ 13,060,343	Nov-12	\$ 752,609	\$ 1,172,149	\$ (202,484)
Oct-12	16,382,127	(499,693)	15,882,434	4.11%	7.17%	11,568,737	Dec-12	1,739,575	2,327,679	(246,443)
Nov-12	15,798,273	(499,693)	15,298,580	3.37%	5.88%	11,746,712	Jan-13	1,912,924	2,290,322	651,378
Dec-12	16,308,296	(499,693)	15,808,603	2.98%	5.21%	12,659,369	Feb-13	1,698,344	2,038,315	587,424
Jan-13	4,336,843	(499,694)	3,837,149	-4.30%	-7.49%	8,445,957	Mar-13	(2,248,946)	(2,454,545)	(94,684)
Feb-13	4,520,494	(499,694)	4,020,800	3.22%	5.59%	555,233	Apr-13	1,407,851	1,807,457	(250,258)
			\$ 70,035,152			\$ 58,036,351		\$ 5,262,358	\$ 7,181,377	\$ 444,933
Total for the 2-year period:			\$ 328,444,542			\$ 268,240,273		\$ 45,696,611	\$ 18,169,261	\$ 3,661,603
Less Amounts from previous 6-month reviews:										
			80,811,617			65,900,319		17,371,950	-	2,460,652
			86,395,078			65,896,948		18,115,946	2,919,692	537,508
			91,202,694			78,406,655		4,946,358	8,068,192	218,511
Total for the current 6-month period:			\$ 70,035,152			\$ 58,036,351		\$ 5,262,358	\$ 7,181,377	\$ 444,933
Net Over-Recovery to be returned to customers for the 6-month billing period ending April 30, 2013										\$ 444,933

Notes: 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.
 The billing periods ending October 31, 2011 and April 30, 2012 were reviewed in Case No. 2012-00207.
 The billing period ending October 31, 2012 was reviewed in Case No. 2012-00546.

Kentucky Utilities Company

Reconciliation of Combined Over/(Under) Recovery

Summary Schedule for Expense Months September 2012 through February 2013

(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 1.10	(9) Jurisdictional Impact (7) * (8)
Pre-2011 Plans (Note 1)								
Nov-12	Sep-12	10.58%	10.56%	-0.02%	\$ 1,295,742,781	(21,596)	87.55%	(18,907)
Dec-12	Oct-12	10.58%	10.56%	-0.02%	1,302,585,878	(21,710)	87.60%	(19,018)
Jan-13	Nov-12	10.58%	10.56%	-0.02%	1,314,694,707	(21,912)	87.45%	(19,162)
Feb-13	Dec-12	10.58%	10.56%	-0.02%	1,310,645,920	(21,844)	86.62%	(18,921)
Mar-13	Jan-13	10.26%	10.24%	-0.02%	325,829,594	(5,430)	86.57%	(4,701)
Apr-13	Feb-13	10.26%	10.24%	-0.02%	332,420,690	(5,540)	87.24%	(4,833)
						<u>(98,032)</u>		<u>(85,542)</u>
2011 Plan (Note 1)								
Nov-12	Sep-12	10.14%	10.12%	-0.02%	\$ 40,481,524	(675)	87.55%	(591)
Dec-12	Oct-12	10.14%	10.12%	-0.02%	49,858,033	(831)	87.60%	(728)
Jan-13	Nov-12	10.14%	10.12%	-0.02%	57,150,344	(953)	87.45%	(833)
Feb-13	Dec-12	10.14%	10.12%	-0.02%	89,752,710	(1,496)	86.62%	(1,296)
Mar-13	Jan-13	10.26%	10.24%	-0.02%	101,012,563	(1,684)	86.57%	(1,457)
Apr-13	Feb-13	10.26%	10.24%	-0.02%	114,551,704	(1,909)	87.24%	(1,666)
						<u>(7,547)</u>		<u>(6,570)</u>
Cumulative Impact of Changes in Rate of Return						<u>\$ (105,579)</u>		<u>\$ (92,113)</u>

(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
Nov-12	Sep-12	\$ (202,484)	\$ 18,907	\$ 591	\$ (221,982)
Dec-12	Oct-12	(246,443)	19,018	728	(266,189)
Jan-13	Nov-12	651,378	19,162	833	631,383
Feb-13	Dec-12	587,424	18,921	1,296	567,207
Mar-13	Jan-13	(94,684)	4,701	1,457	(100,842)
Apr-13	Feb-13	(250,258)	4,833	1,666	(256,757)
Total Over-Recovery for 6-month billing period		444,933	85,542	6,570	352,820

OVER/(UNDER) RECONCILIATION	
Combined Over/(Under) Recovery	444,933
Due to Change in ROR (Pre-2011 Plans)	85,542
Due to Change in ROR (2011 Plan)	6,570
Use of 12 Month Average Revenues	352,820
Subtotal	<u>444,933</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 July 12, 2013**

Case No. 2013-00242

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, bonus 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.

In KU's Case No. 2012-00221, the Commission approved the elimination of the 2005 and 2006 ECR Compliance Plans effective with the January 2013 expense month. Therefore, the attachment includes the calculation of Deferred Income Taxes and the balance of Accumulated Deferred Income Taxes for the 2005 and 2006 Plan projects as reported each month through the December 2012 expense month.

**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
Mar-12	835,046	1,941	5,746	3,805	38.9000%	1,480	97,045	79,280
Apr-12	835,046	1,941	5,743	3,802	38.9000%	1,479	98,524	79,280
May-12	835,046	1,941	5,743	3,802	38.9000%	1,479	100,003	79,280
Jun-12	835,046	1,941	5,745	3,804	38.9000%	1,480	101,483	79,280
Jul-12	835,046	1,941	5,744	3,803	38.9000%	1,479	102,962	79,280
Aug-12	835,046	1,941	5,743	3,802	38.9000%	1,479	104,441	79,280
Sep-12	835,046	1,941	5,744	3,803	38.9000%	1,479	105,920	79,280
Oct-12	835,046	1,941	5,744	3,803	38.9000%	1,479	107,400	79,280
Nov-12	835,046	1,941	5,743	3,802	38.9000%	1,479	108,879	79,280
Dec-12	835,046	1,941	5,745	3,804	38.9000%	1,480	110,358	79,280
Jan-13						-		
Feb-13						-		

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

2009 - Plan
Project 28 - Brown 3 SCR

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	-	-	-	-	-	-	-	-
Jan-12	-	-	-	-	-	-	-	-
Feb-12	-	-	-	-	-	-	-	-
Mar-12	-	-	-	-	-	-	-	-
Apr-12	-	-	-	-	-	-	-	-
May-12	-	-	-	-	-	-	-	-
Jun-12	-	-	-	-	-	-	-	-
Jul-12	-	-	-	-	-	-	-	-
Aug-12	-	-	-	-	-	-	-	-
Sep-12	-	-	-	-	-	-	-	-
Oct-12	-	-	-	-	-	-	-	-
Nov-12	-	-	-	-	-	-	-	-
Dec-12	92,674,495	108,120	42,966,182	42,858,062	38.9000%	16,671,786	16,671,786	-
Jan-13	91,793,424	180,625	594,031	413,406	38.9000%	160,815	16,832,600	-
Feb-13	91,793,424	179,762	593,165	413,403	38.9000%	160,814	16,993,413	-

Due to Bonus Depreciation for tax purposes, taken on certain components of Project 28, the deferred tax calculation for this project is computed separately for Federal and State purposes. Specifically, for Federal taxes, certain assets placed in service in 2012 received 50% bonus depreciation, which reduces the Federal tax basis to 50% of the plant balance. A sample calculation of deferred taxes for Dec 2012 is shown below:

Federal Basis	Book Depr.	Federal Tax Dep	Fed. Difference	Fed Tax Rate	Fed Def Tax
46,337,247	108,120	1,158,431	1,050,311	35.0000%	367,609
46,337,247		46,337,247	46,337,247	35.0000%	16,218,036
State Basis	Book Depr.	State Tax Depr	St. Difference	State Tax Rat	St Def Tax
1,965,028	108,120	2,316,862	2,208,742	6.0000%	132,525
					St. Offset for Fed Taxes not Owed (46,384)
					Total Deferred Tax 16,671,786

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

2009 - Plan**Project 29 - ATB Expansion at E.W. Brown Station (Phase II)**

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	-	-	-	-	-	-	-	-
Jan-12	-	-	-	-	-	-	-	-
Feb-12	-	-	-	-	-	-	-	-
Mar-12	-	-	-	-	-	-	-	-
Apr-12	-	-	-	-	-	-	-	-
May-12	-	-	-	-	-	-	-	-
Jun-12	-	-	-	-	-	-	-	-
Jul-12	-	-	-	-	-	-	-	-
Aug-12	-	-	-	-	-	-	-	-
Sep-12	15,999,164	3,860	219,992	216,132	38.9000%	84,075	84,074	-
Oct-12	15,999,164	7,721	219,987	212,266	38.9000%	82,571	166,646	-
Nov-12	15,999,164	7,721	219,991	212,270	38.9000%	82,573	249,218	-
Dec-12	15,999,164	7,721	219,991	212,270	38.9000%	82,573	331,791	-
Jan-13	16,622,587	21,924	703,205	681,281	38.9000%	265,018	596,808	-
Feb-13	16,622,587	22,343	703,625	681,282	38.9000%	265,019	861,826	-

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

2009 - Plan

Project 30 - Ghent CCP Storage (Landfill-Phase I)

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	-	-	-	-	-	-	-	-
Jan-12	-	-	-	-	-	-	-	-
Feb-12	-	-	-	-	-	-	-	-
Mar-12	-	-	-	-	-	-	-	-
Apr-12	-	-	-	-	-	-	-	-
May-12	-	-	-	-	-	-	-	-
Jun-12	-	-	-	-	-	-	-	-
Jul-12	-	-	-	-	-	-	-	-
Aug-12	-	-	-	-	-	-	-	-
Sep-12	-	-	-	-	-	-	-	-
Oct-12	-	-	-	-	-	-	-	-
Nov-12	-	-	-	-	-	-	-	-
Dec-12	-	-	-	-	-	-	-	-
Jan-13	-	-	-	-	-	-	-	-
Feb-13	34,137	203	1,324	1,121	38.9000%	435	435	-

**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	-
Mar-12	9,102,469	19,413	54,760	35,347	38.9000%	13,750	170,254	-
Apr-12	9,102,469	19,413	54,760	35,347	38.9000%	13,750	184,004	-
May-12	9,102,469	19,413	54,760	35,347	38.9000%	13,750	197,753	-
Jun-12	9,102,469	19,413	54,760	35,347	38.9000%	13,750	211,503	-
Jul-12	9,102,469	19,413	54,760	35,347	38.9000%	13,750	225,252	-
Aug-12	9,102,469	19,413	54,760	35,347	38.9000%	13,750	239,001	-
Sep-12	9,102,469	19,413	54,762	35,349	38.9000%	13,751	252,751	-
Oct-12	9,102,469	19,413	54,759	35,346	38.9000%	13,750	266,500	-
Nov-12	9,102,469	19,413	54,762	35,349	38.9000%	13,751	280,250	-
Dec-12	9,102,469	19,413	54,758	35,345	38.9000%	13,749	293,999	-
Jan-13	9,102,469	14,253	50,656	36,403	38.9000%	14,161	308,159	-
Feb-13	9,102,469	14,253	50,658	36,405	38.9000%	14,162	322,320	-

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

2009 - Plan
Project 33 - Beneficial Reuse

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	-	-	-	-	-	-	-	-
Jan-12	-	-	-	-	-	-	-	-
Feb-12	-	-	-	-	-	-	-	-
Mar-12	-	-	-	-	-	-	-	-
Apr-12	-	-	-	-	-	-	-	-
May-12	-	-	-	-	-	-	-	-
Jun-12	-	-	-	-	-	-	-	-
Jul-12	-	-	-	-	-	-	-	-
Aug-12	-	-	-	-	-	-	-	-
Sep-12	-	-	-	-	-	-	-	-
Oct-12	-	-	-	-	-	-	-	-
Nov-12	-	-	-	-	-	-	-	-
Dec-12	4,279,420	7,632	2,013,473	2,005,841	38.9000%	780,272	780,272	-
Jan-13	4,279,420	7,489	14,165	6,676	38.9000%	2,597	782,868	-
Feb-13	4,279,420	7,489	14,165	6,676	38.9000%	2,597	785,464	-

Due to Bonus Depreciation for tax purposes, taken on certain components of Project 33, the deferred tax calculation for this project is computed separately for Federal and State purposes. Specifically, for Federal taxes, certain assets placed in service in 2012 received 50% bonus depreciation, which reduces the Federal tax basis to 50% of the plant balance. A sample calculation of deferred taxes for Dec 2012 is shown below:

Federal Basis	Book Depr.	Federal Tax Depr	Fed. Difference	Fed Tax Ra	Fed Def Tax
2,139,710	7,632	80,239	72,607	35.0000%	25,412
2,139,710		2,139,710	2,139,710	35.0000%	748,899
State Basis	Book Depr.	State Tax Depr	St. Difference	State Tax R	St Def Tax
4,279,420	7,632	160,478	152,846	6.0000%	9,171
					St. Offset for Fed Taxes not Owed
					(3,210)
					Total Deferred Tax
					780,272

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

2011 - Plan
Project 35 - Ghent Station Air Compliance

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	-	-	-	-	-	-	-	-
Jan-12	-	-	-	-	-	-	-	-
Feb-12	-	-	-	-	-	-	-	-
Mar-12	-	-	-	-	-	-	-	-
Apr-12	-	-	-	-	-	-	-	-
May-12	-	-	-	-	-	-	-	-
Jun-12	3,645,863	4,715	466,938	462,223	38.9000%	179,805	179,805	-
Jul-12	3,645,863	9,431	471,187	461,756	38.9000%	179,623	359,428	-
Aug-12	3,645,863	9,431	471,187	461,756	38.9000%	179,623	539,050	-
Sep-12	3,645,863	9,431	471,185	461,754	38.9000%	179,622	718,672	-
Oct-12	3,645,863	9,431	471,184	461,753	38.9000%	179,622	898,294	-
Nov-12	3,645,863	9,431	471,184	461,753	38.9000%	179,622	1,077,916	-
Dec-12	3,645,863	9,431	471,185	461,754	38.9000%	179,622	1,257,538	-
Jan-13	3,645,863	7,026	2,199	(4,827)	38.9000%	(1,878)	1,255,661	-
Feb-13	3,645,863	7,026	2,201	(4,825)	38.9000%	(1,877)	1,253,783	-

Due to Bonus Depreciation for tax purposes, taken on certain components of Project 35, the deferred tax calculation for this project is computed separately for Federal and State purposes. Specifically, for Federal taxes, certain assets placed in service in 2012 received 100% bonus depreciation, which reduces the Federal tax basis to 100% of the plant balance. A sample calculation of deferred taxes for Dec 2012 is shown below:

Federal Basis	Book Depr.	Federal Tax De	Fed. Difference	Fed Tax Rate	Fed Def Tax
3,645,863	9,431	521,512	512,081	35.0000%	179,228
State Basis	Book Depr.	State Tax Depr	St. Difference	State Tax Rate	St Def Tax
3,645,863	9,431	19,531	10,100	6.0000%	606
					St. Offset for Fed Taxes not Owed (212)
					Total Deferred Tax 179,622

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated July 12, 2013**

Case No. 2013-00242

Question No. 4

Witness: Robert M. Conroy

- Q-4. Refer to ES Form 2.50, Pollution Control - Operations & Maintenance Expenses, for the September 2012 through February 2013 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 September 2012 through February 2013 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, E.W. Brown ("Brown"), and Trimble County 2 ("TC2"). These are variable production expenses and will fluctuate with generation, coal quality and the SO₂ removal rate.

Fluctuations in the scrubber maintenance expenses, account 512055, are the result of routine FGD maintenance at Ghent and Brown. October is higher due to FGD maintenance performed during planned outages on Ghent Unit 4 and at Brown. An absorber rebuild at Brown and annual absorber preventive maintenance on Ghent Unit 4 were also performed.

2006 Plan

Fluctuations in sorbent injection reactant (hydrated lime) expenses, account 506152, are the result of on-going operation of TC2. November and December 2012 are lower due to the unit being on a maintenance outage.

Fluctuations in sorbent injection operation expenses are the result of on-going operation of TC2.

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

Fluctuations in mercury monitor operation expenses, account 506150, are the result of normal system operation.

Monthly variances in the NO_x operation expenses, accounts 506154 and 506155, reflect normal SCR operations at 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. TC2 was offline in November and December 2012 for a maintenance outage.

Fluctuations in the NO_x maintenance expenses, account 512151, are the result of routine monthly maintenance on the SCR at TC2. The increases in November and December 2012 are the result of SCR vacuuming completed during the maintenance outage.

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 November and December 2012 for a maintenance outage.

Fluctuations in the scrubber maintenance expenses, account 512055, are the result of routine maintenance of TC2. The increases in November and December 2012 are due to maintenance performed during the maintenance outage.

Fluctuations in the precipitator maintenance and operation expenses, accounts 512051 and 506051, are the result of routine monthly operation and maintenance on the precipitator at TC2.

The increase in October 2012 is the result of an inspection of and subsequent repairs to the precipitator.

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, flue gas chemistry and delivery timing. TC2 was offline in November and December 2012 for a maintenance outage.

2009 Plan

Monthly variances in the NO_x operation expenses, accounts 506154 and 506155, reflect normal and expected SCR operations. 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. The Brown 3 SCR construction was completed and began operating in January 2013.

Fluctuations in the NO_x maintenance expenses, account 512151, are the result of routine monthly maintenance on the SCR at Brown Unit 3.

2011 Plan

Fluctuations in sorbent injection operation expenses, account 506159, are the result of on-going operation of Ghent Units 1 and 3.

Fluctuations in sorbent injection reactant (hydrated lime/trona) expenses, account 506152, are the result of on-going operation of all Ghent Units.

Fluctuations in sorbent injection maintenance expenses, account 512152, are the result of normal system maintenance. Increases in November 2012 – February 2013 are the result of quarterly CSA billings covering maintenance to the sorbent injection system and compliance testing.

**KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT**

Pollution Control - Operations & Maintenance Expenses

O&M Expense Account	Sep-12	Oct-12	% Change from Prior Period	Nov-12	% Change from Prior Period	Dec-12	% Change from Prior Period	Jan-13	% Change from Prior Period	Feb-13	% Change from Prior Period
2005 Plan											
502056 Scrubber Operations	423,926.37	309,805.06	-27%	457,582.74	48%	570,777.98	25%	-	-100%	-	0%
512055 Scrubber Maintenance	406,304.90	1,199,594.24	195%	127,817.65	-89%	311,259.30	144%	-	-100%	-	0%
Total 2005 Plan O&M Expenses	830,231.27	1,509,399.30	82%	585,400.39	-61%	882,037.28	51%	-	-100%	-	0%
2006 Plan											
506159 Sorbent Injection Operation	4,548.27	9,001.13	98%	13,134.49	46%	8,287.52	-37%	-	-100%	-	0%
506152 Sorbent Reactant - Reagent Only	44,902.03	52,504.74	17%	-	-100%	196.30	0%	-	-100%	-	0%
512152 Sorbent Injection Maintenance	4,476.02	2,336.42	-48%	580.31	-75%	-	-100%	-	0%	-	0%
506150 Mercury Monitors Operation	3,651.69	9,968.93	173%	7,894.95	-21%	6,741.98	-15%	-	-100%	-	0%
512153 Mercury Monitors Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
506154 NOx Operation -- Consumables	75,948.90	86,709.04	14%	-	-100%	310.74	0%	-	-100%	-	0%
506155 NOx Operation -- Labor and Other	2,803.44	2,849.89	2%	3,500.29	23%	19,670.58	462%	-	-100%	-	0%
512151 NOx Maintenance	1,732.85	676.09	-61%	26,203.74	3776%	20,792.84	-21%	-	-100%	-	0%
502056 Scrubber Operations	72,405.59	99,962.97	38%	-	100%	330.75	0%	-	-100%	-	0%
512055 Scrubber Maintenance	29,704.72	27,886.17	-6%	94,909.29	240%	161,707.34	70%	-	-100%	-	0%
506051 Precipitator Operation	6,977.20	5,713.93	-18%	5,708.18	0%	7,339.85	29%	-	-100%	-	0%
506151 Activated Carbon	124,254.41	94,635.74	-24%	-	100%	95,438.25	0%	-	100%	-	0%
512051 Precipitator Maintenance	14,653.63	36,509.42	149%	(449.66)	-101%	6,528.02	-1552%	-	-100%	-	0%
Total 2006 Plan O&M Expenses	386,058.75	428,754.47	11%	151,481.59	-65%	327,344.17	116%	-	-100%	-	0%
2009 Plan											
506154 NOx Operation -- Consumables	-	-	0%	-	0%	-	0%	82,039.98	0%	33,020.18	-60%
506155 NOx Operation -- Labor and Other	-	-	0%	-	0%	-	0%	-	0%	-	0%
512151 NOx Maintenance	-	-	0%	-	0%	-	0%	257.36	0%	1,865.40	625%
502013 ECR Landfill Operations	-	-	0%	-	0%	-	0%	-	0%	-	0%
512107 ECR Landfill Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
Total 2009 Plan O&M Expenses	-	-	0%	-	0%	-	0%	82,297.34	0%	34,885.58	-58%

**KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT**

Pollution Control - Operations & Maintenance Expenses

O&M Expense Account	Sep-12	Oct-12	% Change from Prior Period	Nov-12	% Change from Prior Period	Dec-12	% Change from Prior Period	Jan-13	% Change from Prior Period	Feb-13	% Change from Prior Period
2011 Plan											
506159 ECR Sorbent Injection Operation	30,612.37	31,906.37	4%	44,074.29	38%	40,148.22	-9%	62,509.93	56%	92,549.64	48%
506152 ECR Sorbent Reactant - Reagent Only	679,631.15	592,664.55	-13%	943,273.29	59%	887,047.20	-6%	889,302.05	0%	920,077.50	3%
512152 ECR Sorbent Injection Maintenance	18,929.66	16,684.69	-12%	48,176.07	189%	34,078.98	-29%	39,565.59	16%	25,882.44	-35%
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%
Total 2011 Plan O&M Expenses	729,173.18	641,255.61	-12%	1,035,523.65	61%	961,274.40	-7%	991,377.57	3%	1,038,509.58	5%

The 2005 and 2006 Plans were eliminated from ECR recovery in December 2012 per PSC order No. 2012-00221.

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated July 12, 2013**

Case No. 2013-00242

Question No. 5

Witness: Robert M. Conroy

- Q-5. KRS 278.183(3) provides that during the two-year review, the Commission shall, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility.
- a. Provide the surcharge amount that KU believes should be incorporated into its existing base rates. Include all supporting calculations, workpapers, and assumptions.
 - b. The surcharge factor reflects a percentage of revenue approach, rather than a per kWh approach. Taking this into consideration, explain how the surcharge amount should be incorporated into KU's base rates. Include any analysis that KU believes supports its position.
 - c. Does KU believe that there will need to be modifications to either the surcharge mechanism or the monthly surcharge reports, as a result of incorporating additional environmental surcharge amounts into KU's existing base rates? If so, provide a detailed explanation of the modifications and provide updated monthly surcharge reports.
- A-5. a. KU is proposing to roll-in \$45,820,651 of incremental environmental surcharge revenues into base rates resulting in total environmental surcharge revenues in base rates of \$50,966,954. Please see the attached schedule for the determination of this amount. Page 3 of the attachment shows the Jurisdictional Environmental Revenue Previously Rolled-In from Case No. 2011-00161 and the amounts associated with the 2005 and 2006 Plans that were eliminated from the ECR in KU's most recent base rate case.
- b. The Commission previously approved KU's proposed roll-in methodology in Case No. 2011-00231, which allocated the amount between Group 1 and Group 2 based on the percentage of each group's total revenue, excluding base environmental surcharge revenue, to KU's total revenue, excluding base environmental surcharge revenue. The rolled-in amounts for Group 1 also use total billed revenues excluding base environmental surcharge revenues to allocate costs to base rates between the rate classes in Group 1. For Group 2 rate classes, the roll-in will be allocated based on non-fuel revenues only for each Group 2 rate class, rather than total revenues

excluding base environmental surcharge revenues, which has been the allocation methodology previously utilized for all rate classes, including what are now Group 2.

For Group 1 and Group 2, the amount of the roll-in was spread to the energy portion of rates without a demand charge and to the demand portion of rates that include a separately metered and billed demand component. Lighting rates continue to be billed on a per-light basis. KU recommends that this method continue to be used to accomplish this roll-in to base rates.

- c. No. The incorporation of additional environmental surcharge revenues into existing base rates does not require modifications to the surcharge mechanism or monthly ES Forms.

Kentucky Utilities Company

Calculation of ECR Roll-in At February 28, 2013

Calculation of Revenue Requirement for Roll-In:	<u>Environmental Compliance Plans at Feb. 28, 2013</u>
Environmental Compliance Rate Base	
Pollution Control Plant in Service	ES Form 2.00, February 2013 126,324,568
Pollution Control CWIP Excluding AFUDC	ES Form 2.00, February 2013 <u>340,110,167</u>
Subtotal	466,434,735
Additions:	
Emission Allowances	ES Form 2.00, February 2013 313,660
Cash Working Capital Allowance	ES Form 2.00, February 2013 <u>1,350,378</u>
Subtotal	1,664,038
Deductions:	
Accumulated Depreciation on Pollution Control Plant	ES Form 2.00, February 2013 909,137
Pollution Control Deferred Income Taxes	ES Form 2.00, February 2013 <u>20,217,242</u>
Subtotal	21,126,379
Environmental Compliance Rate Base	<u>\$ 446,972,394</u>
Rate of Return -- Environmental Compliance Rate Base	ES Form 1.10, February 2013 10.26%
Return on Environmental Compliance Rate Base	<u>\$ 45,859,368</u>
Pollution Control Operating Expenses	
12 Month Depreciation and Amortization Expense	See Support Schedule A 860,603
12 Month Taxes Other than Income Taxes	See Support Schedule A 327,867
12 Month Operating and Maintenance Expense	See Support Schedule A 11,190,851
12 Month Emission Allowance Expense	See Support Schedule A 135,316
12 Month Beneficial Reuse Expense, net of amounts in base rates	See Support Schedule A 63,616
12 Month KPSC Consultant Expense	See Support Schedule A <u>30,030</u>
Total Pollution Control Operating Expenses	<u>\$ 12,608,283</u>
Gross Proceeds from Allowance Sales	See Support Schedule B 887
Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount	
Return on Environmental Compliance Rate Base	45,859,368
Pollution Control Operating Expenses	12,608,283
Less Gross Proceeds from Allowance Sales	<u>887</u>
Roll In Amount	<u>\$ 58,466,764</u>
Jurisdictional Allocation Ratio -- Roll In	See Support Schedule C <u>87.1725%</u>
Jurisdictional Revenues for 12 Months for Roll In	See Support Schedule C <u>1,293,704,560</u>
Roll In Jurisdictional Environmental Surcharge Factor:	
Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount	\$ 58,466,764
Jurisdictional Allocation Ratio -- Roll In	<u>87.1725%</u>
Jurisdictional Environmental Surcharge Gross Revenue Requirement -- Gross Roll In Amount	\$ 50,966,954
Less Jurisdictional Environmental Revenue Previously Rolled In ¹	<u>5,146,303</u>
Jurisdictional Environmental Surcharge Gross Revenue Requirement -- Net Roll In Amount	<u>\$ 45,820,651</u>

¹ Amount Previously Rolled-in is the roll-in from Case 2011-00161 less the amounts associated with KU's 2005 and 2006 Plans, which were eliminated from the ECR in KU's most recent base rate case.

Kentucky Utilities Company Calculation of ECR Roll-in At February 28, 2013

Support Schedule A12 Month Balances for Selected Operating Expense Accounts ¹

	Depreciation & Amortization Steam Plant	Taxes Other than Income Taxes	Operating and Maintenance Expense			Emission Allowance Expense	Beneficial Reuse Expense	KPSC Consultant Expense	Total
			FERC 502	FERC 506	FERC 512	FERC 509	FERC 501		
Mar-12	19,413	22,157	-	845,852	6,430	10,569	5,524	-	909,946
Apr-12	19,413	22,157	-	660,411	8,819	7,973	-	-	718,774
May-12	19,413	22,157	-	844,440	26,688	8,770	-	-	921,468
Jun-12	24,129	22,157	-	1,034,874	28,121	10,967	5,109	-	1,125,357
Jul-12	28,844	22,157	-	1,005,342	13,160	12,873	17,691	5,697	1,105,765
Aug-12	28,844	22,157	-	1,031,046	34,320	12,761	11,847	4,145	1,145,120
Sep-12	32,705	22,157	-	759,694	23,406	9,942	6,559	-	854,462
Oct-12	36,565	22,157	-	686,077	16,685	7,588	10,355	2,279	781,706
Nov-12	36,565	22,157	-	1,000,482	48,176	8,790	6,530	14,255	1,136,956
Dec-12	152,317	22,157	-	935,679	34,079	29,737	-	-	1,173,969
Jan-13	231,317	53,149	-	1,033,852	39,823	9,110	-	-	1,367,251
Feb-13	231,076	53,149	-	1,045,647	27,748	6,236	-	3,654	1,367,510
Totals	860,603	327,867	-	10,883,397	307,454	135,316	63,616	30,030	12,608,283

¹ All amounts included in Support Schedule A are exclusive of costs associated with KU's 2005 and 2006 Plans, which were eliminated from the ECR in January 2013.

Support Schedule B

12 Month Balances for Allowance Sales

	Total Proceeds from Allowance Sales ES Form 2.00
Mar-12	887
Apr-12	-
May-12	-
Jun-12	-
Jul-12	-
Aug-12	-
Sep-12	-
Oct-12	-
Nov-12	-
Dec-12	-
Jan-13	-
Feb-13	-
Totals	887

Support Schedule C

12 Month Balances for Jurisdictional Revenues and Allocation Ratio

	KY Retail Revenues, Excl. Envir. Surch. Revenues	Total Company Revenues, Excluding Envir. Surch. Revenues	KY Retail Allocation Ratio
	ES Form 3.10	ES Form 3.10	KY Retail/ Total Company
Mar-12	\$ 102,350,679	\$ 117,314,195	87.2449%
Apr-12	93,126,928	106,141,344	87.7386%
May-12	96,517,194	110,854,917	87.0662%
Jun-12	108,687,233	125,938,856	86.3016%
Jul-12	125,417,569	143,990,662	87.1012%
Aug-12	124,269,242	141,683,483	87.7091%
Sep-12	109,361,897	124,913,923	87.5498%
Oct-12	95,291,080	108,777,664	87.6017%
Nov-12	96,744,809	110,624,518	87.4533%
Dec-12	99,554,098	114,934,033	86.6185%
Jan-13	120,177,633	138,819,678	86.5710%
Feb-13	122,206,198	140,080,499	87.2400%
Totals	\$ 1,293,704,560	\$ 1,484,073,772	87.1725%

Kentucky Utilities Company

Calculation of ECR Roll-in At February 28, 2011 and Elimination of 2005-2006 Plans

		TOTAL		Eliminated Plans (2005 & 2006)		Post Rate Case ECR Plan (2009)	
		Environmental Compliance Plans at Feb. 28, 2011	Jurisdictional Basis	Environmental Compliance Plans at Feb. 28, 2011	Jurisdictional Basis	Environmental Compliance Plans at Feb. 28, 2011	Jurisdictional Basis
Calculation of Revenue Requirement							
Environmental Compliance Rate Base							
Pollution Control Plant in Service	ES Form 2.00, February 2011	1,252,593,579	1,093,987,246	1,252,593,579	1,093,987,246	-	-
Pollution Control CWIP Excluding AFUDC	ES Form 2.00, February 2011	<u>123,872,733</u>	<u>108,187,677</u>	<u>73,167,883</u>	<u>63,903,194</u>	<u>50,704,850</u>	<u>44,284,483</u>
Subtotal		1,376,466,312	1,202,174,923	1,325,761,462	1,157,890,441	50,704,850	44,284,483
Additions:							
Limestone, net of amount in base rates	ES Form 2.00, February 2011	628,513	548,929	628,513	548,929	-	-
Emission Allowances, net of amount in base rates	ES Form 2.00, February 2011	479,331	418,637	(69,415)	(60,626)	548,746	479,262
Cash Working Capital Allowance	ES Form 2.00, February 2011	<u>1,989,279</u>	<u>1,737,391</u>	<u>1,989,279</u>	<u>1,737,391</u>	-	-
Subtotal		3,097,123	2,704,957	2,548,377	2,225,695	548,746	479,262
Deductions:							
Accumulated Depreciation on Pollution Control Plant	ES Form 2.00, February 2011	79,045,364	69,036,455	79,045,364	69,036,455	-	-
Pollution Control Deferred Income Taxes	ES Form 2.00, February 2011	59,015,174	51,542,535	59,015,174	51,542,535	-	-
Pollution Control Deferred Investment Tax Credit	ES Form 2.00, February 2011	<u>27,465,981</u>	<u>23,988,174</u>	<u>27,465,981</u>	<u>23,988,174</u>	-	-
Subtotal		165,526,519	144,567,164	165,526,519	144,567,164	-	-
Environmental Compliance Rate Base		<u>\$ 1,214,036,916</u>	<u>\$ 1,060,312,718</u>	<u>\$ 1,162,783,319</u>	<u>\$ 1,015,548,972</u>	<u>\$ 51,253,596</u>	<u>\$ 44,763,746</u>
Rate of Return -- Environmental Compliance Rate Base	ES Form 1.10, February 2011	10.86%		10.86%		10.86%	
Return on Environmental Compliance Rate Base		\$ 131,844,409	\$ 115,149,961	\$ 126,278,268	\$ 110,288,618	\$ 5,566,141	\$ 4,861,343
Pollution Control Operating Expenses							
12 Month Depreciation and Amortization Expense (Note 1)	See Support Schedule A	34,311,736	29,967,104	34,311,736	29,967,104	-	-
12 Month Taxes Other than Income Taxes (Note 1)	See Support Schedule A	1,816,630	1,586,604	1,796,524	1,569,044	20,106	17,560
12 Month Operating and Maintenance Expense	See Support Schedule A	15,914,229	13,899,132	15,914,229	13,899,132	-	-
12 Month Emission Allowance Expense, net of amounts in base rates	See Support Schedule A	<u>304,575</u>	<u>266,009</u>	<u>(58,344)</u>	<u>(50,956)</u>	<u>362,919</u>	<u>316,965</u>
Total Pollution Control Operating Expenses		\$ 52,347,170	\$ 45,718,849	\$ 51,964,145	\$ 45,384,323	\$ 383,025	\$ 334,525
Gross Proceeds from By-Product Sales	See Support Schedule B	(484,441)	(423,100)	(484,441)	(423,100)	-	-
Gross Proceeds from Allowance Sales	See Support Schedule B	56,751	49,565	-	-	56,751	49,565
Total Company Environmental Surcharge Gross Revenue Requirement							
Return on Environmental Compliance Rate Base		131,844,409	115,149,961	126,278,268	110,288,618	5,566,141	4,861,343
Pollution Control Operating Expenses		52,347,170	45,718,849	51,964,145	45,384,323	383,025	334,525
Less Gross Proceeds from By-Product & Allowance Sales		<u>427,690</u>	<u>373,535</u>	<u>484,441</u>	<u>423,100</u>	<u>(56,751)</u>	<u>(49,565)</u>
Total Company Environmental Surcharge Gross Revenue Requirement		\$ 184,619,269	\$ 161,242,345	\$ 178,726,854	\$ 156,096,041	\$ 5,892,415	\$ 5,146,303
Jurisdictional Allocation Ratio	See Support Schedule C	<u>87.3378%</u>		<u>87.3378%</u>		<u>87.3378%</u>	
Jurisdictional Revenues for 12 Months	See Support Schedule C	\$ 1,284,202,314		\$ 1,284,202,314		\$ 1,284,202,314	
Total Company Environmental Surcharge Gross Revenue Requirement		\$ 184,619,269		\$ 178,726,854		\$ 5,892,415	
Jurisdictional Allocation Ratio		<u>87.3378%</u>		<u>87.3378%</u>		<u>87.3378%</u>	
Jurisdictional Environmental Surcharge Gross Revenue Requirement		<u>\$ 161,242,345</u>		<u>\$ 156,096,041</u>		<u>\$ 5,146,303</u>	

Note 1: The Depreciation and Amortization Expense and Taxes Other than Income Taxes for the 2003 ECR Plan were inadvertently included the Calculation of ECR Roll-In provided in the Case No. 2011-00231 Response to the Technical Conference Data Request Question No. 3 filed on October 7, 2011. This resulted in an overstatement of the Jurisdictional Environmental Surcharge Gross Revenue Requirement of \$171,565.

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated July 12, 2013**

Case No. 2013-00242

Question No. 6

Witness: Robert M. Conroy

- Q-6. 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 28, 2013:
- 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-6
- a. Please see the attachment. There was no preferred stock outstanding as of February 28, 2013; therefore, it is not listed in the attached schedule.
 - b. Please see the attachment. There was no preferred stock outstanding as of February 28, 2013; therefore, it is not listed in the attached schedule.
 - c. Please see the attachment. KU is utilizing a return on equity of 10.25% as agreed to for all ECR Plans and approved by the Commission in its December 20, 2012 Order in Case No. 2012-00221.

KENTUCKY UTILITIES COMPANY

**Adjusted Electric Rate of Return on Common Equity
As of February 28, 2013**

	Balance at 02-28-13 (1)	Capital Structure (2)	EEI (3)	Investments in OVEC and Other (Col 2 x Col 4 Line 4) (4)	Adjustments to Total Co. Capitalization (Sum of Col 3 - Col 4) (5)	Adjusted Total Company Capitalization (Col 1 + Col 5) (6)	Jurisdictional Rate Base Percentage (7)	Kentucky Jurisdictional Capitalization (Col 6 x Col 7) (8)
1. Short Term Debt	\$ 139,980,296	3.30%	\$ -	\$ (40,317)	\$ (40,317)	\$ 139,939,979	87.63%	\$ 122,629,404
2. Long Term Debt	1,841,332,686	43.43%	-	(530,593)	(530,593)	1,840,802,093	87.63%	1,613,094,874
3. Common Equity	2,258,035,860	53.27%	(504,066)	(650,810)	(1,154,876)	2,256,880,984	87.63%	1,977,704,806
4. Total Capitalization	<u>\$ 4,239,348,842</u>	<u>100.000%</u>	<u>\$ (504,066)</u>	<u>\$ (1,221,720)</u>	<u>\$ (1,725,786)</u>	<u>\$ 4,237,623,056</u>		<u>\$ 3,713,429,084</u>

	Kentucky Jurisdictional Capitalization (8)	Capital Structure (9)	Environmental Surcharge (Col 9 x Col 10 Line 4) (10)	DSM Rate Base (Col 9 x Col 11 Line 4) (11)	Adjusted Kentucky Jurisdictional Capitalization (Col 8 + Col 10 + Col 11) (12)	Adjusted Capital Structure (13)	Annual Cost Rate (14)	Cost of Capital (Col 13 x Col 14) (15)
1. Short Term Debt	\$ 122,629,404	3.30%	\$ (12,925,503)	\$ (16,595)	\$ 109,687,306	3.30%	0.39%	0.01%
2. Long Term Debt	1,613,094,874	43.44%	(170,146,621)	(218,448)	1,442,729,805	43.44%	3.68%	1.60%
3. Common Equity	1,977,704,806	53.26%	(208,609,785)	(267,829)	1,768,827,192	53.26%	10.25%	5.46%
4. Total Capitalization	<u>\$ 3,713,429,084</u>	<u>100.000%</u>	<u>\$ (391,681,909)</u>	<u>\$ (502,872)</u>	<u>\$ 3,321,244,303</u>	<u>100.000%</u>		<u>7.07%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}								<u>10.10%</u>

KENTUCKY UTILITIES COMPANY
ANALYSIS OF THE EMBEDDED COST OF CAPITAL AT
February 28, 2013

LONG-TERM DEBT										
	Due	Rate	Principal	Interest	Annualized Cost			Letter of Credit and other fees	Total	Embedded Cost
					Amortized Debt Issuance		Amortized Loss-			
					Exp/Discount	Reacquired Debt	Total			
Pollution Control Bonds -										
Mercer Co. 2000 Series A	05/01/23	0.130%	\$ 12,900,000	\$ 16,770	\$ -	\$ 46,931	\$ 156,549 a	\$ 220,250	1.707%	
Carroll Co. 2002 Series A	02/01/32	0.400%	20,930,000	83,720	4,104	36,300	20,930 b	145,054	0.693%	
Carroll Co. 2002 Series B	02/01/32	0.400%	2,400,000	9,600	2,856	4,164	2,400 b	19,020	0.793%	
Muhlenberg Co. 2002 Series A	02/01/32	0.400%	2,400,000	9,600	1,140	12,744	2,400 b	25,884	1.079%	
Mercer Co. 2002 Series A	02/01/32	0.400%	7,400,000	29,600	3,180	12,900	7,400 b	53,080	0.717%	
Carroll Co. 2002 Series C	10/01/32	0.222%	96,000,000	213,120	73,658	186,036	300,538 c	773,352	0.806%	
Carroll Co. 2004 Series A	10/01/34	0.120%	50,000,000	60,000	-	105,113	609,493 a	774,606	1.549%	
Carroll Co. 2006 Series B	10/01/34	0.100%	54,000,000	54,000	48,011	-	658,985 a	760,996	1.409%	
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	0.120%	77,947,405	93,537	34,503	-	951,225 a	1,079,265	1.385%	
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%	(473,958)		175,000 **			175,000	-36.923%	
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%	(1,456,875)		189,000 **			189,000	-12.973%	
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%	(7,515,885)		271,250 **			271,250	-3.609%	
S-3 SEC Shelf Registration	03/27/15				2,292			2,292		
Revolving Credit Facility	10/19/16				674,469	3&4	500,000 d	1,174,469		
Letter of Credit Facility	04/29/14				324,250			324,250		
Total External Debt			\$ 1,841,332,686	\$ 60,883,380	\$ 2,982,254	\$ 605,251	\$ 3,209,920	\$ 67,680,805	3.676%	
Notes Payable to PPL	2		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Total Internal Debt			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.000%	
Total			\$ 1,841,332,686	\$ 60,883,380	\$ 2,982,254	\$ 605,251	\$ 3,209,920	\$ 67,680,805	3.676%	

SHORT-TERM DEBT									
	Rate	Principal	Interest	Annualized Cost			Premium	Total	Embedded Cost
				Expense	Loss				
Notes Payable to Associated Company	0.310%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.000%
Revolving Credit Facility Payable		-	-	-	-	-	-	-	0.000%
Commercial Paper Program	Varies	139,980,296	545,923	-	-	-	-	545,923	0.390%
Total		\$ 139,980,296	\$ 545,923	\$ -	\$ -	\$ -	\$ -	\$ 545,923	0.390%

Embedded Cost of Total Debt	\$ 1,981,312,982	\$ 61,429,303	\$ 2,982,254	\$ 605,251	\$ 3,209,920	\$ 68,226,728	3.444%
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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 Fidelia 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.

**ECR - Gross-up Revenue Factor &
Composite Income Tax Calculation
2013**

	2013 Federal & State Production Credit W/ 6% 2013 State <u>Tax Rate Included</u>	
(1) Assume pre-tax income of	\$ 100.0000	
(2)		
(3) State income tax (see below)	<u>5.6400</u>	(40)
(4)		
(5) Taxable income for Federal income tax		
(6) before production credit	94.3600	(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>8.4924</u>	(6)*(9)
(12)		
(13) Taxable income for Federal income tax	85.8676	(6)-(11)
(14)		
(15) Federal income tax	<u>30.0537</u>	(13)*35%
(16)		
(17)		
(18) Total State and Federal income taxes	<u>\$ 35.6937</u>	(3)+(15)
(19)		
(20) Gross-up Revenue Factor	<u><u>64.3063</u></u>	100-(18)
(21)		
(22) Therefore, the composite rate is:		
(23) Federal	30.0537%	(15)/100
(24) State	<u>5.6400%</u>	(3)/100
(25) Total	<u><u>35.6937%</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>6.0000</u>	
(35)		
(36) Taxable income for State income tax	94.0000	(32)-(34)
(37)		
(38) State Tax Rate	<u>6.0000%</u>	
(39)		
(40) State Income Tax	<u><u>5.6400</u></u>	(36)*(38)

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated July 12, 2013**

Case No. 2013-00242

Question No. 7

Witness: Robert M. Conroy

- Q-7. 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. Provide all supporting calculations.
- A-7. The actual average residential customer's usage for the 12-months ending May 31, 2013 is 1,178 kWh per month. Actual average monthly usage for residential customers will vary from month to month depending upon the time period of the year.

Based upon distributing the net over-recovered position of \$444,933 in one month, the ECR billing factor will be lower by approximately 0.41% for that month. For a residential customer using 1,178 kWh per month the impact of the adjusted ECR billing factor would be a decrease of approximately \$0.43 on that month's bill, using rates and adjustment clause factors in effect for the July 2013 billing month.