

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 LOUISVILLE) **CASE NO. 2015-00222**
GAS AND ELECTRIC COMPANY FOR THE)
TWO-YEAR BILLING PERIOD ENDING APRIL)
30, 2015)**

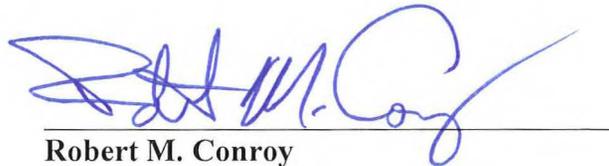
**RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY**
**TO THE COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
DATED JULY 10, 2015**

FILED: August 12, 2015

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 12th day of August 2015.

 (SEAL)
Notary Public

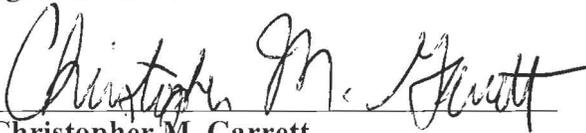
My Commission Expires:

JUDY SCHOOLER
Notary Public, State at Large, KY
~~My commission expires July 11, 2013~~
Notary ID # 512743

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says that he is Director – Accounting and Regulatory Reporting 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.


Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12th day of August 2015.

 (SEAL)
Notary Public

My Commission Expires:

JODY SCHOLER
Notary Public, State at Large, KY
~~My commission expires July 11, 2013~~
Notary ID # 512743

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the Commission Staff's First Request for Information
Dated July 10, 2015

Case No. 2015-00222

Question No. 1

Witness: Robert M. Conroy / Christopher M. Garrett

- Q-1. Concerning the rate of return on the 2009 and 2011 amendments to the environmental compliance plan, for the period under review, calculate any true-up adjustment needed to recognize changes in LG&E's cost of debt, preferred stock, accounts receivable financing (if applicable), or changes in LG&E's jurisdictional capital structure as of February 28, 2015. 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.

LG&E 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.

Page 3 provides the adjusted weighted average cost of capital for the expense period ending February 28, 2015. LG&E 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. 2011-00162.

LG&E recommends using an effective tax rate of 38.6660% in the gross-up revenue factor used in the rate of return calculation for the period ended February 28, 2015. LG&E expects to incur a tax loss in both 2014 and 2015 as a result of bonus depreciation and will be unable to take the Internal Revenue Code §199 manufacturing tax deduction. As discussed in the rebuttal testimony of Kent Blake in Case No. 2014-00372, LG&E will elect to take bonus depreciation in 2014 and 2015 as this provides the greatest revenue requirement benefit to customers over the life of the assets.

Pages 4 through 6 provide the revised adjusted weighted average cost of capital for the expense periods ending December 31, 2013, February 28, 2014 and August 31, 2014. In

the course of preparing the data responses, LG&E discovered an inadvertent error in the calculation of the overall rate of return used in the true-up adjustment. The original calculation did not include the full six-months in each of the periods in the calculation of the average daily balances and daily interest rates for short- and long-term debt rates. The calculation only used four months as noted in the testimony of Mr. Conroy. See also the response to Question No. 2.

Louisville Gas & Electric 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-13	Mar-13	10.52%	\$ 139,933,777	\$ 139,933,777	\$ 0	\$ 0	92.94%	\$ 0
Jun-13	Apr-13	10.61%	161,383,490	161,383,490	0	0	92.71%	0
Jul-13	May-13	10.61%	182,125,984	182,125,984	0	0	90.64%	0
Aug-13	Jun-13	10.61%	202,935,087	202,935,087	0	0	94.04%	0
Sep-13	Jul-13	10.61%	221,625,403	221,625,403	0	0	93.97%	0
Oct-13	Aug-13	10.61%	239,722,466	239,722,466	0	0	95.56%	0
						\$ 0		\$ 0
Nov-13	Sep-13	10.61%	\$ 255,472,880	\$ 255,472,880	\$ 0	\$ 0	96.12%	\$ 0
Dec-13	Oct-13	10.61%	280,843,907	280,843,907	0	0	96.41%	0
Jan-14	Nov-13	10.26%	309,271,936	309,271,936	0	0	90.64%	0
Feb-14	Dec-13	10.26%	338,421,185	338,421,185	0	0	88.98%	0
Mar-14	Jan-14	10.26%	354,933,396	354,933,396	0	0	79.20%	0
Apr-14	Feb-14	10.26%	381,567,587	381,567,587	0	0	84.16%	0
						\$ 0		\$ 0
May-14	Mar-14	10.26%	\$ 407,949,606	\$ 407,949,606	\$ 0	\$ 0	82.67%	\$ 0
Jun-14	Apr-14	10.26%	440,821,795	440,821,795	0	0	85.89%	0
Jul-14	May-14	10.26%	471,739,235	471,739,235	0	0	88.21%	0
Aug-14	Jun-14	10.26%	507,040,783	507,040,783	0	0	93.58%	0
Sep-14	Jul-14	10.43%	550,894,435	550,894,435	0	0	95.20%	0
Oct-14	Aug-14	10.43%	593,739,573	593,739,573	0	0	94.18%	0
						\$ 0		\$ 0
Nov-14	Sep-14	10.43%	\$ 634,391,653	\$ 634,391,653	\$ 0	\$ 0	94.65%	\$ 0
Dec-14	Oct-14	10.43%	677,572,522	677,572,522	0	0	94.92%	0
Jan-15	Nov-14	10.43%	718,625,020	718,625,020	0	0	89.57%	0
Feb-15	Dec-14	10.43%	685,355,081	685,355,081	0	0	93.91%	0
Mar-15	Jan-15	10.43%	704,968,082	704,968,082	0	0	90.28%	0
Apr-15	Feb-15	10.43%	738,255,113	738,255,113	0	0	83.18%	0
						\$ 0		\$ 0

Louisville Gas & Electric 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-13	Mar-13	10.52%	10.46%	-0.06%	\$ 139,933,777	\$ (6,997)	92.94%	\$ (6,503)
Jun-13	Apr-13	10.61%	10.46%	-0.15%	161,383,490	(20,173)	92.71%	(18,702)
Jul-13	May-13	10.61%	10.46%	-0.15%	182,125,984	(22,766)	90.64%	(20,635)
Aug-13	Jun-13	10.61%	10.46%	-0.15%	202,935,087	(25,367)	94.04%	(23,855)
Sep-13	Jul-13	10.61%	10.46%	-0.15%	221,625,403	(27,703)	93.97%	(26,033)
Oct-13	Aug-13	10.61%	10.46%	-0.15%	239,722,466	(29,965)	95.56%	(28,635)
					\$	(132,971)		\$ (124,362)
Nov-13	Sep-13	10.61%	10.43%	-0.18%	\$ 255,472,880	\$ (38,321)	96.12%	\$ (36,834)
Dec-13	Oct-13	10.61%	10.43%	-0.18%	280,843,907	(42,127)	96.41%	(40,614)
Jan-14	Nov-13	10.26%	10.43%	0.17%	309,271,936	43,814	90.64%	39,713
Feb-14	Dec-13	10.26%	10.43%	0.17%	338,421,185	47,943	88.98%	42,660
Mar-14	Jan-14	10.26%	10.78%	0.52%	354,933,396	153,804	79.20%	121,813
Apr-14	Feb-14	10.26%	10.78%	0.52%	381,567,587	165,346	84.16%	139,155
					\$	330,459		\$ 265,892
May-14	Mar-14	10.26%	10.66%	0.40%	\$ 407,949,606	\$ 135,983	82.67%	\$ 112,417
Jun-14	Apr-14	10.26%	10.66%	0.40%	440,821,795	146,941	85.89%	126,207
Jul-14	May-14	10.26%	10.66%	0.40%	471,739,235	157,246	88.21%	138,707
Aug-14	Jun-14	10.26%	10.66%	0.40%	507,040,783	169,014	93.58%	158,163
Sep-14	Jul-14	10.43%	10.66%	0.23%	550,894,435	105,588	95.20%	100,520
Oct-14	Aug-14	10.43%	10.66%	0.23%	593,739,573	113,800	94.18%	107,177
					\$	828,572		\$ 743,191
Nov-14	Sep-14	10.43%	10.39%	-0.04%	\$ 634,391,653	\$ (21,146)	94.65%	\$ (20,015)
Dec-14	Oct-14	10.43%	10.39%	-0.04%	677,572,522	(22,586)	94.92%	(21,438)
Jan-15	Nov-14	10.43%	10.39%	-0.04%	718,625,020	(23,954)	89.57%	(21,456)
Feb-15	Dec-14	10.43%	10.39%	-0.04%	685,355,081	(22,845)	93.91%	(21,454)
Mar-15	Jan-15	10.43%	10.39%	-0.04%	704,968,082	(23,499)	90.28%	(21,215)
Apr-15	Feb-15	10.43%	10.39%	-0.04%	738,255,113	(24,609)	83.18%	(20,469)
					\$	(138,639)		\$ (126,047)

LOUISVILLE GAS AND ELECTRIC COMPANY

**Adjusted Electric Rate of Return on Common Equity - ECR Plans
As of February 28, 2015**

	Per Books 02-28-15 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 1 x Col 3) (4)	Adjustments to Capitalization (Col 18) (5)	Adjusted Electric Capitalization (Col 4 + Col 5) (6)	Adjusted Capital Structure (7)	Annual Cost Rate (8)	Cost of Capital (Col 8 x Col 7) (9)
ELECTRIC									
1. Short Term Debt	\$ 226,971,510 (c)	6.70%	82.350%	\$ 186,911,038	\$ (47,591,561)	\$ 139,319,477	6.70%	0.39%	0.03%
2. Long Term Debt	1,354,728,322 (c)	40.01%	82.350%	1,115,618,773	(284,199,756)	831,419,017	40.01%	3.64%	1.46%
3. Common Equity	1,804,586,553	53.29%	82.350%	1,486,077,026	(378,530,489)	1,107,546,537	53.29%	10.25%	5.46%
4. Total Capitalization	<u>\$ 3,386,286,385</u>	<u>100.000%</u>		<u>\$ 2,788,606,837</u>	<u>\$ (710,321,806)</u>	<u>\$ 2,078,285,031</u>	<u>100.000%</u>		<u>6.95%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}									<u>10.39%</u>

	Electric Capitalization (Col 4) (10)	Capital Structure (11)	Trimble County Inventories (a) (Col 11 x Col 12 Line 4) (12)	Investments in OVEC & Other (Col 11 x Col 13 Line 4) (13)	JDIC (Col 11 x Col 14 Line 4) (14)	Environmental Compliance Rate Base (Col 11 x Col 15 Line 4) (15)	DSM Rate Base (Col 11 x Col 16 Line 4) (16)	Advanced Coal Investment Tax Credit (b) (Col 11 x Col 17 Line 4) (17)	Total Adjustments To Capital (Sum of Col 12 - Col 17) (18)
ELECTRIC									
1. Short Term Debt	\$ 186,911,038	6.70%	\$ (286,382)	\$ (77,842)	\$ 935,196	\$ (49,463,093)	\$ (146,222)	\$ 1,446,782	\$ (47,591,561)
2. Long Term Debt	1,115,618,773	40.01%	(1,710,173)	(464,845)	5,584,653	(295,375,871)	(873,184)	8,639,664	(284,199,756)
3. Common Equity	1,486,077,026	53.29%	(2,277,808)	(619,134)	7,438,295	(393,416,149)	(1,163,009)	11,507,316	(378,530,489)
4. Total Capitalization	<u>\$ 2,788,606,837</u>	<u>100.000%</u>	<u>\$ (4,274,363)</u>	<u>\$ (1,161,821)</u>	<u>\$ 13,958,144</u>	<u>\$ (738,255,113)</u>	<u>\$ (2,182,415)</u>	<u>\$ 21,593,762</u>	<u>\$ (710,321,806)</u>

(a) Trimble County Inventories As of February 28, 2015

Materials and Supplies	\$ 9,719,560
Stores Expense	1,799,347
Coal	5,177,152
Limestone	227,535
Fuel Oil	168,425
Emission Allowances	5,432
Total Trimble County Inventories	<u>\$ 17,097,451</u>
Multiplied by Disallowed Portion	25.00%
Trimble County Inv. Disallowed	<u>\$ 4,274,363</u>

(b) Reflects Investment Tax Credit treatment per Case No. 2007-00179.

(c) Average daily balance per Settlement Agreement in Case No. 2011-00162.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Adjusted Electric Rate of Return on Common Equity - ECR Plans
As of December 31, 2013 - Revised to Reflect Correction to Annual Cost Rates**

	Per Books 12-31-13 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 1 x Col 3) (4)	Adjustments to Capitalization (Col 18) (5)	Adjusted Electric Capitalization (Col 4 + Col 5) (6)	Adjusted Capital Structure (7)	Annual Cost Rate (8)	Cost of Capital (Col 8 x Col 7) (9)
ELECTRIC									
1. Short Term Debt	\$ 48,169,068 (c)	1.71%	80.500%	\$ 38,776,100	\$ (5,275,427)	\$ 33,500,673	1.71%	0.30%	0.01%
2. Long Term Debt	1,201,780,739 (c)	42.61%	80.500%	967,433,495	(131,453,784)	835,979,711	42.61%	3.61%	1.54%
3. Common Equity	1,570,218,973	55.68%	80.500%	1,264,026,273	(171,775,331)	1,092,250,942	55.68%	10.25%	5.71%
4. Total Capitalization	<u>\$ 2,820,168,780</u>	<u>100.000%</u>		<u>\$ 2,270,235,868</u>	<u>\$ (308,504,542)</u>	<u>\$ 1,961,731,326</u>	<u>100.000%</u>		<u>7.26%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}									<u>10.43%</u>

	Electric Capitalization (Col 4) (10)	Capital Structure (11)	Trimble County Inventories (a) (Col 11 x Col 12 Line 4) (12)	Investments in OVEC & Other (Col 11 x Col 13 Line 4) (13)	JDIC (Col 11 x Col 14 Line 4) (14)	Environmental Compliance Rate Base (Col 11 x Col 15 Line 4) (15)	DSM Rate Base (Col 11 x Col 16 Line 4) (16)	Advanced Coal Investment Tax Credit (b) (Col 11 x Col 17 Line 4) (17)	Total Adjustments To Capital (Sum of Col 12 - Col 17) (18)
ELECTRIC									
1. Short Term Debt	\$ 38,776,100	1.71%	\$ (82,770)	\$ (18,531)	\$ 262,891	\$ (5,787,002)	\$ (27,579)	\$ 377,564	\$ (5,275,427)
2. Long Term Debt	967,433,495	42.61%	(2,062,475)	(461,767)	6,550,744	(144,201,267)	(687,220)	9,408,201	(131,453,784)
3. Common Equity	1,264,026,273	55.68%	(2,695,110)	(603,408)	8,560,089	(188,432,916)	(898,016)	12,294,030	(171,775,331)
4. Total Capitalization	<u>\$ 2,270,235,868</u>	<u>100.000%</u>	<u>\$ (4,840,355)</u>	<u>\$ (1,083,706)</u>	<u>\$ 15,373,724</u>	<u>\$ (338,421,185)</u>	<u>\$ (1,612,815)</u>	<u>\$ 22,079,795</u>	<u>\$ (308,504,542)</u>

(a) Trimble County Inventories As of December 31, 2013 - Revised to Reflect Correction to Annual Cost Rates

Materials and Supplies	\$ 8,686,387
Stores Expense	1,540,521
Coal	8,635,025
Limestone	272,006
Fuel Oil	217,847
Emission Allowances	9,632
Total Trimble County Inventories	<u>\$ 19,361,418</u>
Multiplied by Disallowed Portion	25.00%
Trimble County Inv. Disallowed	<u>\$ 4,840,355</u>

(b) Reflects Investment Tax Credit treatment per Case No. 2007-00179.

(c) Average daily balance per Settlement Agreement in Case No. 2011-00162.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Adjusted Electric Rate of Return on Common Equity - ECR Plans
As of February 28, 2014 - Revised to Reflect Correction to Annual Cost Rates**

	Per Books 02-28-14 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 1 x Col 3) (4)	Adjustments to Capitalization (Col 18) (5)	Adjusted Electric Capitalization (Col 4 + Col 5) (6)	Adjusted Capital Structure (7)	Annual Cost Rate (8)	Cost of Capital (Col 8 x Col 7) (9)
ELECTRIC									
1. Short Term Debt	\$ 38,848,379 (c)	1.35%	80.500%	\$ 31,272,945	\$ (4,736,445)	\$ 26,536,500	1.35%	0.30%	0.00%
2. Long Term Debt	1,250,801,747 (c)	43.53%	80.500%	1,006,895,406	(152,724,062)	854,171,344	43.53%	3.61%	1.57%
3. Common Equity	1,583,989,691	55.12%	80.500%	1,275,111,701	(193,387,324)	1,081,724,377	55.12%	10.25%	5.65%
4. Total Capitalization	<u>\$ 2,873,639,817</u>	<u>100.000%</u>		<u>\$ 2,313,280,052</u>	<u>\$ (350,847,831)</u>	<u>\$ 1,962,432,221</u>	<u>100.000%</u>		<u>7.22%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}									<u>10.78%</u>

	Electric Capitalization (Col 4) (10)	Capital Structure (11)	Trimble County Inventories (a) (Col 11 x Col 12 Line 4) (12)	Investments in OVEC & Other (Col 11 x Col 13 Line 4) (13)	JDIC (Col 11 x Col 14 Line 4) (14)	Environmental Compliance Rate Base (Col 11 x Col 15 Line 4) (15)	DSM Rate Base (Col 11 x Col 16 Line 4) (16)	Advanced Coal Investment Tax Credit (b) (Col 11 x Col 17 Line 4) (17)	Total Adjustments To Capital (Sum of Col 12 - Col 17) (18)
ELECTRIC									
1. Short Term Debt	\$ 31,272,945	1.35%	\$ (54,257)	\$ (14,630)	\$ 204,677	\$ (5,151,162)	\$ (18,213)	\$ 297,140	\$ (4,736,445)
2. Long Term Debt	1,006,895,406	43.53%	(1,749,476)	(471,737)	6,599,690	(166,096,371)	(587,278)	9,581,110	(152,724,062)
3. Common Equity	1,275,111,701	55.12%	(2,215,279)	(597,339)	8,356,879	(210,320,054)	(743,642)	12,132,111	(193,387,324)
4. Total Capitalization	<u>\$ 2,313,280,052</u>	<u>100.000%</u>	<u>\$ (4,019,012)</u>	<u>\$ (1,083,706)</u>	<u>\$ 15,161,246</u>	<u>\$ (381,567,587)</u>	<u>\$ (1,349,133)</u>	<u>\$ 22,010,361</u>	<u>\$ (350,847,831)</u>

(a) Trimble County Inventories As of February 28, 2014 - Revised to Reflect Correction to Annual Cost Rates

Materials and Supplies	\$ 8,835,113
Stores Expense	1,574,988
Coal	5,187,547
Limestone	237,504
Fuel Oil	233,422
Emission Allowances	<u>7,472</u>
Total Trimble County Inventories	\$ 16,076,046
Multiplied by Disallowed Portion	<u>25.00%</u>
Trimble County Inv. Disallowed	<u>\$ 4,019,012</u>

(b) Reflects Investment Tax Credit treatment per Case No. 2007-00179.

(c) Average daily balance per Settlement Agreement in Case No. 2011-00162.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Adjusted Electric Rate of Return on Common Equity - ECR Plans
As of August 31, 2014 - Revised to Reflect Correction to Annual Cost Rates**

	Per Books 08-31-14 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 1 x Col 3) (4)	Adjustments to Capitalization (Col 18) (5)	Adjusted Electric Capitalization (Col 4 + Col 5) (6)	Adjusted Capital Structure (7)	Annual Cost Rate (8)	Cost of Capital (Col 8 x Col 7) (9)
ELECTRIC									
1. Short Term Debt	\$ 46,926,268 (c)	1.53%	80.500%	\$ 37,775,646	\$ (8,635,822)	\$ 29,139,824	1.53%	0.28%	0.00%
2. Long Term Debt	1,354,558,787 (c)	44.24%	80.500%	1,090,419,824	(249,705,087)	840,714,737	44.24%	3.59%	1.59%
3. Common Equity	1,660,390,556	54.23%	80.500%	1,336,614,398	(306,091,930)	1,030,522,468	54.23%	10.25%	5.56%
4. Total Capitalization	<u>\$ 3,061,875,611</u>	<u>100.000%</u>		<u>\$ 2,464,809,868</u>	<u>\$ (564,432,839)</u>	<u>\$ 1,900,377,029</u>	<u>100.000%</u>		<u>7.15%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}									<u>10.66%</u>

	Electric Capitalization (Col 4) (10)	Capital Structure (11)	Trimble County Inventories (a) (Col 11 x Col 12 Line 4) (12)	Investments in OVEC & Other (Col 11 x Col 13 Line 4) (13)	JDIC (Col 11 x Col 14 Line 4) (14)	Environmental Compliance Rate Base (Col 11 x Col 15 Line 4) (15)	DSM Rate Base (Col 11 x Col 16 Line 4) (16)	Advanced Coal Investment Tax Credit (b) (Col 11 x Col 17 Line 4) (17)	Total Adjustments To Capital (Sum of Col 12 - Col 17) (18)
ELECTRIC									
1. Short Term Debt	\$ 37,775,646	1.53%	\$ (57,164)	\$ (17,346)	\$ 222,214	\$ (9,084,215)	\$ (32,883)	\$ 333,572	\$ (8,635,822)
2. Long Term Debt	1,090,419,824	44.24%	(1,652,905)	(501,552)	6,425,337	(262,670,387)	(950,812)	9,645,232	(249,705,087)
3. Common Equity	1,336,614,398	54.23%	(2,026,155)	(614,808)	7,876,266	(321,984,971)	(1,165,519)	11,823,257	(306,091,930)
4. Total Capitalization	<u>\$ 2,464,809,868</u>	<u>100.000%</u>	<u>\$ (3,736,224)</u>	<u>\$ (1,133,706)</u>	<u>\$ 14,523,817</u>	<u>\$ (593,739,573)</u>	<u>\$ (2,149,214)</u>	<u>\$ 21,802,061</u>	<u>\$ (564,432,839)</u>

(a) Trimble County Inventories As of August 31, 2014 - Revised to Reflect Correction to Annual Cost Rates

Materials and Supplies	\$ 9,078,295
Stores Expense	1,652,253
Coal	3,778,474
Limestone	230,122
Fuel Oil	185,311
Emission Allowances	<u>20,442</u>
Total Trimble County Inventories	\$ 14,944,897
Multiplied by Disallowed Portion	<u>25.00%</u>
Trimble County Inv. Disallowed	<u>\$ 3,736,224</u>

(b) Reflects Investment Tax Credit treatment per Case No. 2007-00179.

(c) Average daily balance per Settlement Agreement in Case No. 2011-00162.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to the Commission Staff's First Request for Information
Dated July 10, 2015**

Case No. 2015-00222

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 LG&E has submitted during the billing period under review. Include a calculation of any additional over- or under-recovery amount LG&E 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 that includes the summary schedule and cumulative components which make up the cumulative under-recovery for the two-year period.

For the six-month expense period under review, ending February 28, 2015, LG&E experienced an under-recovery of \$1,635,624.

In the course of preparing the data responses, LG&E discovered an inadvertent error in the calculation of the overall rate of return used in the true-up adjustment for the six-month periods ending February 28, 2014 and August 31, 2014. The original calculation did not include the full six-months in each of the periods in the calculation of the average daily balances and daily interest rates for short- and long-term debt rates. The result was an understatement of the previous true-up adjustment of \$323,700.

LG&E experienced a cumulative under-recovery of \$1,959,324 to be recognized for the two-year review.

Louisville Gas & Electric Company
 Calculation of E(m) and Jurisdictional Surcharge Billing Factor
 Summary Schedule for Expense Months March 2013 through February 2015

(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-13	\$ 139,933,777	\$ 11,661,148	10.46%	\$ 111,448	\$ 1,331,204	92.94%	\$ 1,237,221	
Apr-13	161,383,490	13,448,624	10.46%	136,726	1,543,452	92.71%	1,430,935	
May-13	182,125,984	15,177,165	10.46%	154,661	1,742,193	90.64%	1,579,124	
Jun-13	202,935,087	16,911,257	10.46%	166,262	1,935,180	94.04%	1,819,843	
Jul-13	221,625,403	18,468,784	10.46%	193,113	2,124,948	93.97%	1,996,813	
Aug-13	239,722,466	19,976,872	10.46%	216,750	2,306,330	95.56%	2,203,929	
Sep-13	\$ 255,472,880	\$ 21,289,407	10.43%	\$ 185,156	\$ 2,405,641	96.12%	\$ 2,312,302	Revised ROR Correction
Oct-13	280,843,907	23,403,659	10.43%	108,206	2,549,207	96.41%	2,457,691	Revised ROR Correction
Nov-13	309,271,936	25,772,661	10.43%	186,728	2,874,817	90.64%	2,605,734	Revised ROR Correction
Dec-13	338,421,185	28,201,765	10.43%	235,615	3,177,059	88.98%	2,826,947	Revised ROR Correction
Jan-14	354,933,396	29,577,783	10.78%	331,175	3,519,660	79.20%	2,787,571	Revised ROR Correction
Feb-14	381,567,587	31,797,299	10.78%	139,445	3,567,194	84.16%	3,002,151	Revised ROR Correction
Mar-14	\$ 407,949,606	\$ 33,995,801	10.66%	\$ 237,851	\$ 3,861,803	82.67%	\$ 3,192,553	Revised ROR Correction
Apr-14	440,821,795	36,735,150	10.66%	333,745	4,249,712	85.89%	3,650,077	Revised ROR Correction
May-14	471,739,235	39,311,603	10.66%	254,049	4,444,666	88.21%	3,920,640	Revised ROR Correction
Jun-14	507,040,783	42,253,399	10.66%	248,330	4,752,542	93.58%	4,447,429	Revised ROR Correction
Jul-14	550,894,435	45,907,870	10.66%	251,576	5,145,355	95.20%	4,898,378	Revised ROR Correction
Aug-14	593,739,573	49,478,298	10.66%	226,360	5,500,746	94.18%	5,180,603	Revised ROR Correction
Sep-14	\$ 634,391,653	\$ 52,865,971	10.39%	\$ 247,501	\$ 5,740,275	94.65%	\$ 5,433,171	
Oct-14	677,572,522	56,464,377	10.39%	191,261	6,057,910	94.92%	5,750,168	
Nov-14	718,625,020	59,885,418	10.39%	186,868	6,408,963	89.57%	5,740,509	
Dec-14	685,355,081	57,112,923	10.39%	533,223	6,467,256	93.91%	6,073,400	
Jan-15	704,968,082	58,747,340	10.39%	698,482	6,802,331	90.28%	6,141,144	
Feb-15	738,255,113	61,521,259	10.39%	855,689	7,247,748	83.18%	6,028,677	

Louisville Gas & Electric Company
 Calculation of E(m) and Jurisdictional Surcharge Billing Factor
 Summary Schedule for Expense Months March 2013 through February 2015

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
Expense Month	Retail E(m) for All ECR Plans	Adjustment to Retail E(m) for Over/Under-Collection	Retail E(m) Including all Adjustments to be billed as ECR	Monthly Billing Factor (Group 1)	Monthly Billing Factor (Group 2)	ECR Revenue Recovered Through Base Rates	Billing Period	ECR Billing Factor Revenues (Group 1)	ECR Billing Factor Revenues (Group 2)	Combined Total Over/(Under) Recovery	
	Page 1 Col (8)	Case No. 2012-00547; 2013-00243;2013-00437	(2) + (3)	As Filed	As Filed	As Filed		As Filed	As Filed	(7) + (9) + (10) - (4)	
Mar-13	1,237,221	\$ 0	\$ 1,237,221	1.36%	2.17%	\$ 64,120	May-13	\$ 358,562	\$ 621,529	\$ (193,010)	
Apr-13	1,430,935	(146,937)	1,283,998	1.54%	2.45%	66,592	Jun-13	541,359	782,756	106,710	
May-13	1,579,124	0	1,579,124	2.03%	3.23%	62,552	Jul-13	898,877	1,090,462	472,767	
Jun-13	1,819,843	0	1,819,843	2.22%	3.52%	70,371	Aug-13	978,720	1,206,018	435,266	
Jul-13	1,996,813	0	1,996,813	2.43%	3.88%	87,137	Sep-13	1,054,484	1,257,234	402,042	
Aug-13	2,203,929	0	2,203,929	2.70%	4.34%	80,452	Oct-13	825,601	1,383,951	86,075	
			\$ 10,120,928			\$ 431,224		\$ 4,657,603	\$ 6,341,951	\$ 1,309,850	
Sep-13	2,312,302	\$ 0	\$ 2,312,302	2.81%	4.52%	\$ 86,190	Nov-13	\$ 754,876	\$ 1,234,929	\$ (236,307)	
Oct-13	2,457,691	0	2,457,691	2.97%	4.78%	72,463	Dec-13	1,001,764	1,303,150	(80,314)	
Nov-13	2,605,734	389,127	2,994,861	3.54%	5.68%	62,090	Jan-14	1,458,133	1,694,648	220,011	
Dec-13	2,826,947	0	2,826,947	3.31%	5.28%	67,328	Feb-14	1,282,903	1,646,347	169,630	
Jan-14	2,787,571	0	2,787,571	1.76%	2.81%	1,200,230	Mar-14	596,773	835,550	(155,018)	
Feb-14	3,002,151	0	3,002,151	1.87%	2.99%	1,291,080	Apr-14	511,398	813,545	(386,127)	
			\$ 16,381,523			\$ 2,779,381		\$ 5,605,848	\$ 7,528,168	\$ (468,125)	
			Under-Recovery collected from customers for the period ending February 28, 2014 calculated in Case No. 2015-00021								\$ (256,514)
										\$ (211,611.44)	
Mar-14	3,192,553	\$ 0	\$ 3,192,553	2.33%	3.73%	\$ 1,112,929	May-14	\$ 655,878	\$ 1,149,099	\$ (274,646)	
Apr-14	3,650,077	0	3,650,077	3.00%	4.79%	1,006,735	Jun-14	1,180,423	1,579,922	117,003	
May-14	3,920,640	0	3,920,640	3.17%	5.06%	1,104,136	Jul-14	1,463,696	1,741,525	388,717	
Jun-14	4,447,429	0	4,447,429	3.52%	5.62%	1,297,025	Aug-14	1,395,107	1,849,343	94,046	
Jul-14	4,898,378	(654,925)	4,243,453	3.19%	5.07%	1,431,601	Sep-14	1,341,083	1,894,389	423,620	
Aug-14	5,180,603	(654,925)	4,525,678	3.69%	5.83%	1,309,389	Oct-14	1,079,561	1,858,856	(277,872)	
			\$ 23,979,829			\$ 7,261,816		\$ 7,115,747	\$ 10,073,134	\$ 470,867	
			Over-Recovery returned to customers for the period ending August 31, 2014 calculated in Case No. 2015-00021								\$ 582,956
										\$ (112,089)	
Sep-14	5,433,171	\$ 0	\$ 5,433,171	4.76%	7.52%	\$ 1,426,333	Nov-14	\$ 1,288,608	\$ 1,872,610	\$ (845,619)	
Oct-14	5,750,168	0	5,750,168	5.46%	8.63%	1,155,513	Dec-14	1,855,524	2,582,675	(156,455)	
Nov-14	5,740,509	0	5,740,509	5.71%	8.99%	961,466	Jan-15	2,199,648	2,734,369	154,974	
Dec-14	6,073,400	0	6,073,400	5.80%	9.14%	1,190,177	Feb-15	2,069,347	2,574,946	(238,930)	
Jan-15	6,141,144	0	6,141,144	5.82%	9.17%	1,252,800	Mar-15	2,152,088	2,849,863	113,606	
Feb-15	6,028,677	0	6,028,677	5.86%	9.22%	1,145,916	Apr-15	1,557,460	2,662,102	(663,200)	
			\$ 35,167,068			\$ 7,132,205		\$ 11,122,674	\$ 15,276,565	\$ (1,635,624)	
Total for the 2-year period:			\$ 85,649,348			\$ 17,604,626		\$ 28,501,874	\$ 39,219,817	\$ (323,032)	
Less Amounts from previous 6-month reviews:											
	Case No. 2013-00437		10,120,928			431,224		4,657,603	6,341,951	\$ 1,309,850	
	Case No. 2015-00021		16,381,523			2,779,381		5,605,848	7,528,168	\$ (468,125)	
	Case No. 2015-00021		23,979,829			7,261,816		7,115,747	10,073,134	\$ 470,867	
Total for the current 6-month period:			\$ 35,167,068			\$ 7,132,205		\$ 11,122,674	\$ 15,276,565	\$ (1,635,624)	
Net Under-Recovery due to Revised ROR to be collected from customers for the 6-month billing period ending April 30, 2014										\$ (211,611)	
Net Under-Recovery due to Revised ROR to be collected from customers for the 6-month billing period ending October 31, 2014										\$ (112,089)	
Under-Recovery to be collected from customers for the 6-month billing period ending April 30, 2015										\$ (1,635,624)	
Total Under-Recovery to be collected from customers for the all periods under review										\$ (1,959,324)	

Louisville Gas & Electric Company
Reconciliation of Combined Over/(Under) Recovery
Summary Schedule for Expense Months March 2013 through February 2015

(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 (4) - (3)	Rate Base as Revised	Impact of change in Rate of Return (5) * (6) / 12	Jurisdictional Allocation, ES Form 1.10	Jurisdictional Impact (Over)/Under (7) * (8)
May-13	Mar-13	10.52%	10.46%	-0.06%	\$ 139,933,777	\$ (6,997)	92.94%	\$ (6,503)
Jun-13	Apr-13	10.61%	10.46%	-0.15%	161,383,490	(20,173)	92.71%	(18,702)
Jul-13	May-13	10.61%	10.46%	-0.15%	182,125,984	(22,766)	90.64%	(20,635)
Aug-13	Jun-13	10.61%	10.46%	-0.15%	202,935,087	(25,367)	94.04%	(23,855)
Sep-13	Jul-13	10.61%	10.46%	-0.15%	221,625,403	(27,703)	93.97%	(26,033)
Oct-13	Aug-13	10.61%	10.46%	-0.15%	239,722,466	(29,965)	95.56%	(28,635)
						\$ (132,971)		\$ (124,362)
Nov-13	Sep-13	10.61%	10.43%	-0.18%	\$ 255,472,880	\$ (38,321)	96.12%	\$ (36,834)
Dec-13	Oct-13	10.61%	10.43%	-0.18%	280,843,907	(42,127)	96.41%	(40,614)
Jan-14	Nov-13	10.26%	10.43%	0.17%	309,271,936	43,814	90.64%	39,713
Feb-14	Dec-13	10.26%	10.43%	0.17%	338,421,185	47,943	88.98%	42,660
Mar-14	Jan-14	10.26%	10.78%	0.52%	354,933,396	153,804	79.20%	121,813
Apr-14	Feb-14	10.26%	10.78%	0.52%	381,567,587	165,346	84.16%	139,155
						\$ 330,459		\$ 265,892
May-14	Mar-14	10.26%	10.66%	0.40%	\$ 407,949,606	\$ 135,983	82.67%	\$ 112,417
Jun-14	Apr-14	10.26%	10.66%	0.40%	440,821,795	146,941	85.89%	126,207
Jul-14	May-14	10.26%	10.66%	0.40%	471,739,235	157,246	88.21%	138,707
Aug-14	Jun-14	10.26%	10.66%	0.40%	507,040,783	169,014	93.58%	158,163
Sep-14	Jul-14	10.43%	10.66%	0.23%	550,894,435	105,588	95.20%	100,520
Oct-14	Aug-14	10.43%	10.66%	0.23%	593,739,573	113,800	94.18%	107,177
						\$ 828,572		\$ 743,191
Nov-14	Sep-14	10.43%	10.39%	-0.04%	\$ 634,391,653	\$ (21,146)	94.65%	\$ (20,015)
Dec-14	Oct-14	10.43%	10.39%	-0.04%	677,572,522	(22,586)	94.92%	(21,438)
Jan-15	Nov-14	10.43%	10.39%	-0.04%	718,625,020	(23,954)	89.57%	(21,456)
Feb-15	Dec-14	10.43%	10.39%	-0.04%	685,355,081	(22,845)	93.91%	(21,454)
Mar-15	Jan-15	10.43%	10.39%	-0.04%	704,968,082	(23,499)	90.28%	(21,215)
Apr-15	Feb-15	10.43%	10.39%	-0.04%	738,255,113	(24,609)	83.18%	(20,469)
						\$ (138,639)		\$ (126,047)

(1)	(2)	(3)	(4)	(5)	(6)
Recovery Position Explanation - Over/(Under)					
Billing Month	Expense Month	Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11)	Rate of Return True-up as Originally Filed	Rate of Return True-up Correction	Use of 12 Month Average Revenues
May-13	Mar-13	\$ (193,010)	\$ 6,503		\$ (199,513)
Jun-13	Apr-13	106,710	18,702		88,007
Jul-13	May-13	472,767	20,635		452,132
Aug-13	Jun-13	435,266	23,855		411,411
Sep-13	Jul-13	402,042	26,033		376,009
Oct-13	Aug-13	86,075	28,635		57,440
Total for 6 months		\$ 1,309,850	\$ 124,362	\$ 0	\$ 1,185,488
Nov-13	Sep-13	\$ (236,307)	\$ 36,834	\$ 34,788	\$ (307,929)
Dec-13	Oct-13	(80,314)	40,614	38,358	(159,286)
Jan-14	Nov-13	220,011	(39,713)	39,713	220,011
Feb-14	Dec-13	169,630	(42,660)	42,660	169,630
Mar-14	Jan-14	(155,018)	(121,813)	25,768	(58,973)
Apr-14	Feb-14	(386,127)	(139,155)	29,437	(276,409)
Total for 6 months		\$ (468,125)	\$ (265,892)	\$ 210,723	\$ (412,956)
May-14	Mar-14	\$ (274,646)	\$ (112,417)	\$ 14,052	\$ (176,281)
Jun-14	Apr-14	117,003	(126,207)	15,776	227,434
Jul-14	May-14	388,717	(138,707)	17,338	510,086
Aug-14	Jun-14	94,046	(158,163)	19,770	232,439
Sep-14	Jul-14	423,620	(100,520)	21,852	502,288
Oct-14	Aug-14	(277,872)	(107,177)	23,299	(193,995)
Total for 6 months		\$ 470,867	\$ (743,191)	\$ 112,088	\$ 1,101,971
Nov-14	Sep-14	\$ (845,619)	\$ 20,015		\$ (865,634)
Dec-14	Oct-14	(156,455)	21,438		(177,894)
Jan-15	Nov-14	154,974	21,456		133,518
Feb-15	Dec-14	(238,930)	21,454		(260,384)
Mar-15	Jan-15	113,606	21,215		92,392
Apr-15	Feb-15	(663,200)	20,469		(683,669)
Total for 6 months		\$ (1,635,624)	\$ 126,047	\$ 0	\$ (1,761,671)

Total Under-Recovery for 2-yr period \$ (323,032)
Over-Recovery CN 2013-00437 1,309,850 Returned for period ending August 31, 2013
Under-Recovery CN 2015-00021 (256,514) Collected for period ending February 28, 2014
Over-Recovery CN 2015-00021 582,956 Returned for period ending August 31, 2014
Remaining Under-Recovery for 2-yr period \$ (1,959,324) To Collect

OVER/(UNDER) RECONCILIATION	
Combined Over/(Under) Recovery	\$ (1,959,324)
Due to Change in ROR in Current 6-month Period	\$ 126,047
Use of 12 Month Average Revenues	\$ (1,761,671)
Correction to ROR in 2 6-month Periods	\$ (323,700)
Subtotal	\$ (1,959,324)
Unreconciled Difference	\$ 0

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to the Commission Staff's First Request for Information
Dated July 10, 2015**

Case No. 2015-00222

Question No. 3

Witness: Christopher M. Garrett

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

- A-3. Please see the attachment for the calculation of Deferred Income Taxes and the balance of Accumulated Deferred Income Taxes reported each month of the review period.

LG&E 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.

**Louisville Gas and Electric Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project**

2009 - Plan

Project 23 - Trimble County Ash Treatment Basis (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							338,013	
Mar-13	9,594,347	17,393	53,394	36,001	38.9000%	14,004	352,017	-
Apr-13	9,594,347	17,393	53,394	36,001	38.9000%	14,004	366,021	-
May-13	9,594,347	17,393	53,394	36,001	38.9000%	14,004	380,025	-
Jun-13	9,594,347	17,393	53,394	36,001	38.9000%	14,004	394,029	-
Jul-13	9,594,347	17,393	53,396	36,003	38.9000%	14,005	408,033	-
Aug-13	9,594,347	17,393	53,394	36,001	38.9000%	14,004	422,037	-
Sep-13	9,594,347	17,393	53,394	36,001	38.9000%	14,004	436,041	-
Oct-13	9,594,347	19,603	53,394	33,791	38.9000%	13,145	449,186	-
Nov-13	9,594,347	19,603	53,394	33,791	38.9000%	13,145	462,331	-
Dec-13	9,594,347	19,603	53,394	33,791	38.9000%	13,145	475,476	-
Jan-14	9,594,347	19,603	49,293	29,690	38.9000%	11,550	487,025	-
Feb-14	9,594,347	19,603	49,388	29,785	38.9000%	11,587	498,612	-
Mar-14	9,594,347	19,603	49,390	29,787	38.9000%	11,587	510,199	-
Apr-14	9,599,354	19,625	49,437	29,812	38.9000%	11,597	521,796	63,566
May-14	9,599,354	19,647	49,442	29,795	38.9000%	11,590	533,386	63,566
Jun-14	9,599,354	19,647	49,443	29,796	38.9000%	11,591	544,977	63,566
Jul-14	9,599,354	19,647	49,448	29,801	38.9000%	11,593	556,569	63,566
Aug-14	9,599,354	19,647	49,447	29,800	38.9000%	11,592	568,161	63,566
Sep-14	9,599,354	19,647	49,451	29,804	38.9000%	11,594	579,755	63,566
Oct-14	9,599,354	19,647	49,453	29,806	38.9000%	11,595	591,350	63,566
Nov-14	9,599,354	19,647	49,456	29,809	38.9000%	11,596	602,946	63,566
Dec-14	9,599,354	19,647	49,010	29,363	38.9000%	11,422	614,368	63,566
Jan-15	9,599,354	19,647	45,709	26,062	38.9000%	10,138	624,505	63,566
Feb-15	9,599,354	19,647	45,707	26,060	38.9000%	10,137	634,642	63,566

Louisville Gas and Electric Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project

2009 - Plan

Project 25 -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							849,880	
Mar-13	4,636,272	9,504	15,343	5,840	38.9000%	2,272	852,152	-
Apr-13	4,636,272	9,504	15,343	5,839	38.9000%	2,271	854,423	-
May-13	4,636,272	9,504	15,344	5,840	38.9000%	2,272	856,695	-
Jun-13	4,636,272	9,504	15,343	5,839	38.9000%	2,271	858,966	-
Jul-13	4,636,272	9,504	15,346	5,842	38.9000%	2,273	861,238	-
Aug-13	4,636,272	9,504	15,342	5,838	38.9000%	2,271	863,509	-
Sep-13	4,636,272	9,504	15,343	5,840	38.9000%	2,272	865,781	-
Oct-13	4,636,272	9,504	15,343	5,839	38.9000%	2,271	868,052	-
Nov-13	4,636,272	9,504	15,344	5,840	38.9000%	2,272	870,324	-
Dec-13	4,636,272	9,504	15,343	5,839	38.9000%	2,271	872,595	-
Jan-14	4,636,272	9,504	14,195	4,691	38.9000%	1,825	874,419	-
Feb-14	4,636,272	9,504	14,191	4,687	38.9000%	1,823	876,242	-
Mar-14	4,636,272	9,504	14,190	4,686	38.9000%	1,823	878,065	-
Apr-14	4,636,272	9,504	14,192	4,688	38.9000%	1,824	879,889	-
May-14	4,636,272	9,504	14,191	4,687	38.9000%	1,823	881,712	-
Jun-14	4,636,272	9,504	14,191	4,687	38.9000%	1,823	883,535	-
Jul-14	4,636,272	9,504	14,195	4,691	38.9000%	1,825	885,359	-
Aug-14	4,636,272	9,504	14,191	4,687	38.9000%	1,823	887,182	-
Sep-14	4,636,272	9,504	14,191	4,687	38.9000%	1,823	889,005	-
Oct-14	4,636,272	9,504	14,193	4,689	38.9000%	1,824	890,829	-
Nov-14	4,636,272	9,504	14,191	4,687	38.9000%	1,823	892,652	-
Dec-14	4,636,272	9,504	14,201	4,697	38.9000%	1,827	894,479	-
Jan-15	4,636,272	9,504	13,131	3,627	38.9000%	1,411	895,889	-
Feb-15	4,636,272	9,504	13,129	3,625	38.9000%	1,410	897,299	-

Due to Bonus Depreciation for tax purposes taken on certain components of Project 25, the deferred tax calculation for this project is computed separately for Federal and State purposes. Specifically, for Federal taxes, certain assets received 50% bonus depreciation, which reduces the Federal tax basis to 50% of the plant balance. A sample calculation of deferred taxes for Feb 2015 is shown below:

Federal Basis	Book Depr.	Federal Tax De	Fed. Difference	Fed Tax Rate	Fed Def Tax
2,318,136	9,504	11,933	2,429	35.0000%	850
State Basis	Book Depr.	State Tax Dep	St. Difference	State Tax Rate	St Def Tax
4,636,272	9,504	23,865	14,361	6.0000%	862
					St. Offset for Fed Taxes not Owed (302)
					Total Deferred Tax 1,410

Louisville Gas and Electric Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project

2011 - Plan

Project 26 - Mill Creek 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							348,288	
Mar-13	1,983,783	4,199	7,322	3,123	38.9000%	1,215	349,503	-
Apr-13	5,188,794	6,370	19,200	12,830	38.9000%	4,991	354,494	-
May-13	5,188,794	8,541	19,144	10,603	38.9000%	4,125	358,619	-
Jun-13	5,188,794	8,541	19,144	10,603	38.9000%	4,125	362,744	-
Jul-13	5,452,105	8,820	39,640	30,820	38.9000%	11,989	374,733	-
Aug-13	5,452,105	9,098	39,861	30,763	38.9000%	11,967	386,700	-
Sep-13	5,452,105	9,098	39,861	30,763	38.9000%	11,967	398,667	-
Oct-13	5,452,105	9,098	39,861	30,763	38.9000%	11,967	410,634	-
Nov-13	5,452,105	9,098	39,863	30,765	38.9000%	11,968	422,602	-
Dec-13	5,452,105	9,098	39,862	30,764	38.9000%	11,967	434,569	-
Jan-14	5,446,380	9,094	25,781	16,687	38.9000%	6,491	441,060	-
Feb-14	5,446,380	9,090	24,262	15,172	38.9000%	5,902	446,962	-
Mar-14	5,446,380	9,090	24,262	15,172	38.9000%	5,902	452,864	-
Apr-14	5,446,380	9,090	24,262	15,172	38.9000%	5,902	458,766	-
May-14	5,446,380	9,090	24,110	15,020	38.9000%	5,843	464,609	-
Jun-14	5,446,380	9,090	24,110	15,020	38.9000%	5,843	470,452	-
Jul-14	5,446,380	9,090	24,109	15,019	38.9000%	5,842	476,294	-
Aug-14	5,446,380	9,090	24,097	15,007	38.9000%	5,838	482,132	-
Sep-14	5,446,380	9,090	24,102	15,012	38.9000%	5,840	487,972	-
Oct-14	5,446,380	9,090	24,101	15,011	38.9000%	5,839	493,811	-
Nov-14	5,446,380	9,090	24,101	15,011	38.9000%	5,839	499,650	-
Dec-14	328,596,413	289,655	145,646,943	145,357,288	38.9000%	56,543,985	57,043,635	-
Jan-15	328,596,413	570,219	1,744,612	1,174,393	38.9000%	456,839	57,500,474	5,171,517
Feb-15	328,596,413	570,219	1,744,612	1,174,393	38.9000%	456,839	57,957,313	5,171,517

Due to Bonus Depreciation for tax purposes taken on certain components of Project 26, the deferred tax calculation for this project is computed separately for Federal and State purposes. Specifically, for Federal taxes, certain assets received 50% bonus depreciation, which reduces the Federal tax basis to 50% of the plant balance. A sample calculation of deferred taxes for Dec 2014 is shown below:

Federal Basis	Book Depr.	Federal Tax Depr.	Fed. Difference	Fed Tax Rate	Fed Def Tax
982,514	289,655	5,475	(284,180)	35.0000%	(99,463)
9,378		250	250	35.0000%	88
2,975,818		17,902	17,902	35.0000%	6,266
(5,725)		(18)	(18)	35.0000%	(6)
157,321,702		157,321,702	157,321,702	35.0000%	55,062,596
64,989,653		2,437,112	2,437,112	35.0000%	852,989
97,484,479		1,161,550	1,161,550	35.0000%	406,543
3,354,199		125,782	125,782	35.0000%	44,024
State Basis	Book Depr.	State Tax Depr.	St. Difference	State Tax Rate	St Def Tax
1,965,028	289,655	10,934	(278,721)	6.0000%	(16,723)
18,756		500	500	6.0000%	30
3,107,474		18,694	18,694	6.0000%	1,122
(5,725)		(18)	(18)	6.0000%	(1)
127,918,334		4,796,938	4,796,938	6.0000%	287,816
191,877,500		2,284,256	2,284,256	6.0000%	137,055
3,354,199		125,782	125,782	6.0000%	7,547
360,847		-	-	6.0000%	-
					St. Offset for Fed Taxes not Owed (145,896)
					Total Deferred Tax 56,543,985

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the Commission Staff's First Request for Information

Dated July 10, 2015

Case No. 2015-00222

Question No. 4

Witness: Christopher M. Garrett

- Q-4. Refer to ES Form 2.50, Pollution Control - Operations & Maintenance Expenses, for the September 2014 through February 2015 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 2014 through February 2015 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.

2011 Plan

Fluctuations in scrubber operations expenses, account 502056, are the result of operation of the new scrubber at Mill Creek Unit 4. The variances are driven by the purchase and delivery timing of the raw consumable material as well as variations in generation and coal quality.

Fluctuations in scrubber maintenance expenses, account 512055, are the result of normal system maintenance of the new scrubber at Mill Creek Unit 4.

Fluctuations in sorbent injection operation expenses, account 506159, are the result of on-going operation of Trimble County Unit 1. The slight increase in September 2014 is the result of necessary filter changes on the sorbent injection system.

Fluctuations in sorbent injection reactant (hydrated lime) expenses, account 506152, are the result of on-going operation of Trimble County Unit 1 and the new operation of the hydrated lime system at Mill Creek. The variances are driven by the purchase and delivery timing of the raw consumable material as well as variations in generation and coal quality.

Fluctuations in sorbent injection maintenance expense, account 512152, are the result of normal system maintenance. The increase in November 2014 was the result of element and gasket purchases. The increases in January and February 2015 were the result of contract labor to work on the injection systems.

Fluctuations in baghouse maintenance expense, account 512156, are the result of normal system maintenance on the new baghouse for Mill Creek Unit 4. Amounts improperly recorded in December 2014 were reversed in January 2015.

Fluctuations in activated carbon expenses, account 506151, are the result of on-going operation of Trimble County Unit 1. The variances are driven by the purchase and delivery timing of the raw consumable material as well as variations in generation and coal quality.

**LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT**

Pollution Control - Operations & Maintenance Expenses

O&M Expense Account	Sep-14	Oct-14	% Change from Prior Period	Nov-14	% Change from Prior Period	Dec-14	% Change from Prior Period	Jan-15	% Change from Prior Period	Feb-15	% Change from Prior Period
2009 Plan											
502013 - ECR Landfill Operations	\$ -	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%
512107 - ECR Landfill Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
2.51)	-	-	0%	-	0%	-	0%	-	0%	-	0%
Total 2009 Plan O&M Expenses	\$ -	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%		0%
2011 Plan											
502056 - ECR Scrubber Operations	\$ -	\$ -	0%	\$ -	0%	\$ -	0%	\$ 132,718	0%	\$ 95,131	-28%
512055 - ECR Scrubber Maintenance	-	-	0%	-	0%	-	0%	89,722	0%	65,540	-27%
506159 - ECR Sorbent Injection Operation	19,455	11,138	-43%	10,133	-9%	12,919	27%	12,223	-5%	11,381	-7%
506152 - ECR Sorbent Reactant - Reagent Only	99,150	96,873	-2%	73,352	-24%	123,360	68%	102,264	-17%	215,161	110%
512152 - ECR Sorbent Injection Maintenance	-	7,258	100%	16,059	121%	3,242	-80%	50,527	1458%	57,858	15%
506156 - ECR Baghouse Operations	-	-	0%	-	0%	-	0%	-	0%	-	0%
512156 - ECR Baghouse Maintenance	-	-	0%	-	0%	24,215	100%	(24,102)	-200%	1,593	-107%
506151 - ECR Activated Carbon	-	-	0%	-	0%	-	0%	-	0%	60,996	0%
Adjustment for Base Rates Baseline Amounts	-	-	0%	-	0%	-	0%	(202,660)	-100%	(202,660)	0%
Total 2011 Plan O&M Expenses	\$ 118,605	\$ 115,269	-3%	\$ 99,545	-14%	\$ 163,736	64%	\$ 160,694	-2%	\$ 305,000	90%

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to the Commission Staff's First Request for Information
Dated July 10, 2015

Case No. 2015-00222

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 LG&E believes should be incorporated into its existing base rates. Include all supporting calculations, work papers, 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 LG&E's base rates. Include any analysis that LG&E believes supports its position.
 - c. Does LG&E believe that modifications will need to be made to either the surcharge mechanism or the monthly surcharge reports as a result of incorporating additional environmental surcharge amounts into LG&E's existing base rates? If so, provide a detailed explanation of the modifications and provide updated monthly surcharge reports.
- A-5. a. Please see the attachment. LG&E is proposing to roll-in \$60,574,071 of incremental environmental surcharge revenues into base rates resulting in total environmental surcharge revenues in base rates of \$73,663,008.
- b. The Commission previously approved LG&E's proposed roll-in methodology in Case No. 2011-00232, 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 LG&E'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. LG&E 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.

Louisville Gas And Electric Company

Calculation of ECR Roll-in At February 28, 2015

Calculation of Revenue Requirement for Roll-In:		Environmental Compliance Plans at Feb. 28, 2015	Jurisdictional Basis
Environmental Compliance Rate Base			
Pollution Control Plant in Service	ES Form 2.00, February 2015	\$ 260,305,557	\$ 235,955,274
Pollution Control CWIP Excluding AFUDC	ES Form 2.00, February 2015	475,907,545	431,388,774
Subtotal		\$ 736,213,102	\$ 667,344,047
Additions:			
Emission Allowances	ES Form 2.00, February 2015	\$ 173	\$ 157
Cash Working Capital Allowance	ES Form 2.00, February 2015	214,752	194,663
Subtotal		\$ 214,925	\$ 194,820
Deductions:			
Accumulated Depreciation on Pollution Control Plant	ES Form 2.00, February 2015	\$ (56,081,258)	\$ (50,835,137)
Pollution Control Deferred Income Taxes	ES Form 2.00, February 2015	54,254,172	49,178,965
Subtotal		\$ (1,827,086)	\$ (1,656,171)
Environmental Compliance Rate Base		\$ 738,255,113	\$ 669,195,038
Rate of Return -- Environmental Compliance Rate Base	ES Form 1.10, February 2015	10.43%	10.43%
Return on Environmental Compliance Rate Base		\$ 77,000,008	\$ 69,797,043
Pollution Control Operating Expenses			
12 Month Depreciation and Amortization Expense	See Support Schedule A	\$ 1,637,704	\$ 1,484,505
12 Month Taxes Other than Income Taxes	See Support Schedule A	604,852	548,271
12 Month Operating and Maintenance Expense, net of amt. in base rates	See Support Schedule A	1,947,344	1,765,180
12 Month Emission Allowance Expense	See Support Schedule A	278,509	252,456
12 Month Beneficial Reuse Expense, net of amounts in base rates	See Support Schedule A	(229,330)	(207,877)
12 Month KPSC Consultant Expense	See Support Schedule A	36,681	33,250
Total Pollution Control Operating Expenses		\$ 4,275,760	\$ 3,875,784
Gross Proceeds from Allowance Sales	See Support Schedule B	\$ 10,832	\$ 9,818
Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount			
Return on Environmental Compliance Rate Base		\$ 77,000,008	\$ 69,797,043
Pollution Control Operating Expenses		4,275,760	3,875,784
Less Gross Proceeds from Allowance Sales		10,832	9,818
Roll In Amount		\$ 81,264,937	\$ 73,663,008
Jurisdictional Allocation Ratio -- Roll In	See Support Schedule C	90.6455%	
Jurisdictional Revenues for 12 Months for Roll In	See Support Schedule C	\$ 1,004,702,278	
Roll In Jurisdictional Environmental Surcharge Factor:			
Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount		\$ 81,264,937	
Jurisdictional Allocation Ratio -- Roll In		90.6455%	
Jurisdictional Environmental Surcharge Gross Revenue Requirement -- Gross Roll In Amount		\$ 73,663,008	
Less Jurisdictional Environmental Revenue Previously Rolled In		13,088,937	
Jurisdictional Environmental Surcharge Gross Revenue Requirement -- Net Roll In Amount		\$ 60,574,071	

Louisville Gas And Electric Company
Calculation of ECR Roll-in At February 28, 2015

Support Schedule A

12 Month Balances for Selected Operating Expense Accounts

	at Feb. 28, 2015									
	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-14	\$ 38,197	\$ 42,503	\$ -	\$ 143,398	\$ 6,380	\$ 5,257	\$ 21,467	\$ -	257,203	
Apr-14	37,445	42,483	-	226,016	2,156	17,836	25,551	4,324	355,810	
May-14	37,467	42,483	-	169,444	4,280	18,942	10,215	-	282,831	
Jun-14	37,467	42,483	-	151,079	1,393	18,301	21,938	9,258	281,918	
Jul-14	37,467	42,483	-	150,490	3,583	31,597	24,378	-	289,996	
Aug-14	37,467	42,483	-	124,813	1,463	31,556	19,513	12,787	270,082	
Sep-14	37,467	42,483	-	118,605	-	69,026	23,937	-	291,518	
Oct-14	37,467	42,483	-	108,011	7,258	27,752	15,364	-	238,334	
Nov-14	37,467	42,483	-	83,486	16,059	30,235	32,345	-	242,074	
Dec-14	318,031	42,483	-	136,279	27,457	27,997	24,599	10,312	587,158	
Jan-15	490,883	90,002	132,718	114,488	116,147	4	9,689	-	953,932	
Feb-15	490,883	90,002	95,131	287,537	124,991	4	22,256	-	1,110,805	
less Base Rate amount				(405,319)			(480,582)		(885,901)	
Totals	1,637,704	604,852	227,850	1,408,327	311,167	278,509	(229,330)	36,681	4,275,760	

Support Schedule B

12 Month Balances for Allowance Sales

	Total Proceeds from Allowance Sales ES Form 2.00
Mar-14	427
Apr-14	-
May-14	-
Jun-14	-
Jul-14	-
Aug-14	1,595
Sep-14	2,720
Oct-14	1,227
Nov-14	3,493
Dec-14	1,370
Jan-15	-
Feb-15	-
Totals	10,832

Support Schedule C

12 Month Balances for Jurisdictional Revenues and Allocation Ratio

	KY Retail Revenues, Excl. Envir. Surch. Revenues ES Form 3.10	Total Company Revenues, Excluding Envir. Surch. Revenues ES Form 3.10	KY Retail Allocation Ratio KY Retail/ Total Company
Mar-14	\$ 77,346,289	\$ 93,561,573	82.6689%
Apr-14	70,699,573	82,310,774	85.8935%
May-14	77,878,075	88,286,515	88.2106%
Jun-14	94,089,594	100,548,891	93.5760%
Jul-14	100,427,350	105,489,328	95.2014%
Aug-14	91,098,278	96,728,956	94.1789%
Sep-14	99,078,498	104,683,662	94.6456%
Oct-14	80,722,983	85,039,397	94.9242%
Nov-14	65,245,968	72,841,762	89.5722%
Dec-14	81,755,229	87,052,850	93.9145%
Jan-15	86,284,890	95,576,718	90.2781%
Feb-15	80,075,552	96,265,979	83.1816%
Totals	\$ 1,004,702,278	\$ 1,108,386,404	90.6455%

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to the Commission Staff's First Request for Information
Dated July 10, 2015**

Case No. 2015-00222

Question No. 6

Witness: Christopher M. Garrett

- Q-6. In Case No. 2000-00439, the Commission ordered that LG&E'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, 2015:
- 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. LG&E's calculation of its weighted average cost of capital for environmental surcharge purposes.
- A-6.
- a. Please see the attachments for the period ended February 28, 2015 under review. There was no preferred stock outstanding as of February 28, 2015; therefore, it is not listed in the attached schedules.
 - b. For the period ended February 28, 2015, LG&E proposes utilizing a return on equity of 10.00% as agreed to for all ECR Plans and approved by the Commission in its June 30, 2015 Order in Case No. 2014-00372.
 - c. LG&E recommends the continued use of an effective tax rate of 38.6660% in the gross-up revenue factor used in the rate of return calculation for the period ended February 28, 2015. As discussed in response to Question No. 1, LG&E expects to incur a tax loss in both 2014 and 2015 as a result of bonus depreciation and will be unable to take the Internal Revenue Code §199 manufacturing tax deduction.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Adjusted Electric Rate of Return on Common Equity - ECR Plans
As of February 28, 2015**

	Per Books 02-28-15 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 1 x Col 3) (4)	Adjustments to Capitalization (Col 18) (5)	Adjusted Electric Capitalization (Col 4 + Col 5) (6)	Adjusted Capital Structure (7)	Annual Cost Rate (8)	Cost of Capital (Col 8 x Col 7) (9)
ELECTRIC									
1. Short Term Debt	\$ 294,981,079	8.54%	82.350%	\$ 242,916,919	\$ (60,661,484)	\$ 182,255,435	8.54%	0.45%	0.04%
2. Long Term Debt	1,354,798,504	39.22%	82.350%	1,115,676,568	(278,588,212)	837,088,356	39.22%	3.66%	1.44%
3. Common Equity	1,804,586,553	52.24%	82.350%	1,486,077,026	(371,072,110)	1,115,004,916	52.24%	10.00%	5.22%
4. Total Capitalization	<u>\$ 3,454,366,136</u>	<u>100.000%</u>		<u>\$ 2,844,670,513</u>	<u>\$ (710,321,806)</u>	<u>\$ 2,134,348,707</u>	<u>100.000%</u>		<u>6.70%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}									<u>9.99%</u>

	Electric Capitalization (Col 4) (10)	Capital Structure (11)	Trimble County Inventories (a) (Col 11 x Col 12 Line 4) (12)	Investments in OVEC & Other (Col 11 x Col 13 Line 4) (13)	JDIC (Col 11 x Col 14 Line 4) (14)	Environmental Compliance Rate Base (Col 11 x Col 15 Line 4) (15)	DSM Rate Base (Col 11 x Col 16 Line 4) (16)	Advanced Coal Investment Tax Credit (b) (Col 11 x Col 17 Line 4) (17)	Total Adjustments To Capital (Sum of Col 12 - Col 17) (18)
ELECTRIC									
1. Short Term Debt	\$ 242,916,919	8.54%	\$ (365,031)	\$ (99,220)	\$ 1,192,025	\$ (63,046,987)	\$ (186,378)	\$ 1,844,107	\$ (60,661,484)
2. Long Term Debt	1,115,676,568	39.22%	(1,676,405)	(455,666)	5,474,384	(289,543,655)	(855,943)	8,469,073	(278,588,212)
3. Common Equity	1,486,077,026	52.24%	(2,232,927)	(606,935)	7,291,735	(385,664,471)	(1,140,094)	11,280,582	(371,072,110)
4. Total Capitalization	<u>\$ 2,844,670,513</u>	<u>100.000%</u>	<u>\$ (4,274,363)</u>	<u>\$ (1,161,821)</u>	<u>\$ 13,958,144</u>	<u>\$ (738,255,113)</u>	<u>\$ (2,182,415)</u>	<u>\$ 21,593,762</u>	<u>\$ (710,321,806)</u>

(a) Trimble County Inventories	As of February 28, 2015
Materials and Supplies	\$ 9,719,560
Stores Expense	1,799,347
Coal	5,177,152
Limestone	227,535
Fuel Oil	168,425
Emission Allowances	5,432
Total Trimble County Inventories	<u>\$ 17,097,451</u>
Multiplied by Disallowed Portion	25.00%
Trimble County Inv. Disallowed	<u>\$ 4,274,363</u>

(b) Reflects Investment Tax Credit treatment per Case No. 2007-00179.

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF THE EMBEDDED COST OF CAPITAL AT
February 28, 2015

LONG-TERM DEBT												
Due	Rate	Principal	Interest/(Income)	Annualized Cost					Embedded Cost			
				Amortized Debt Issuance Exp/Discount	Amortized Loss-Reacquired Debt	Letter of Credit and other fees	Total					
Pollution Control Bonds -												
Jefferson Co. 2000 Series A	05/01/27	0.784%	\$ 25,000,000	4	\$ 196,106	b	\$ 49,146	\$ 97,500	\$ -	\$ 342,752	1.371%	
Trimble Co. 2000 Series A	08/01/30	0.160%	83,335,000		133,336	b	34,772	132,229	254,997	b	555,334	0.666%
Jefferson Co. 2001 Series A	09/01/27	0.120%	10,104,000		12,125	b	18,246	-	30,403	b	60,774	0.601%
Jefferson Co. 2001 Series A	09/01/26	0.200%	22,500,000		45,000	b	9,038	71,251	22,500	a	147,789	0.657%
Trimble Co. 2001 Series A	09/01/26	1.050%	27,500,000		288,750	b	49,061	70,107	-	-	407,918	1.483%
Jefferson Co. 2001 Series B	11/01/27	1.350%	35,000,000		472,500	b	46,820	55,260	-	-	574,580	1.642%
Trimble Co. 2001 Series B	11/01/27	1.350%	35,000,000		472,500	b	46,776	55,092	-	-	574,368	1.641%
Trimble Co. 2002 Series A	10/01/32	0.200%	41,665,000		83,330	b	33,587	51,359	146,578	b	314,854	0.756%
Louisville Metro 2003 Series A	10/01/33	1.650%	128,000,000		2,112,000	b	139,258	288,658	-	-	2,539,916	1.984%
Louisville Metro 2005 Series A	02/01/35	2.200%	40,000,000	3	880,000	b	61,252	77,843	-	-	1,019,095	2.548%
Trimble Co. 2007 Series A	06/01/33	4.600%	60,000,000		2,760,000	b	43,727	6,087	-	-	2,809,814	4.683%
Louisville Metro 2007 Series A	06/01/33	1.150%	31,000,000	3	356,500	b	58,149	28,359	-	-	443,008	1.429%
Louisville Metro 2007 Series B	06/01/33	1.600%	35,200,000		563,200	b	49,683	25,333	-	-	638,216	1.813%
Called Bonds			-		-		-	2	62,991	-	62,991	
First Mortgage Bonds -												
2010 due 2015	11/15/15	1.625%	250,000,000		4,062,500	b	479,803	**	-	-	4,542,303	1.817%
Debt discount on FMB	11/15/15	1.625%	(125,405)			a	162,477	**	-	-	162,477	-129.562%
2010 due 2020	11/15/40	5.125%	285,000,000		14,606,250	b	109,678	**	-	-	14,715,928	5.163%
Debt discount on FMB	11/15/40	5.125%	(2,657,477)			a	95,087	**	-	-	95,087	-3.578%
2013 due 2043	11/15/43	4.650%	250,000,000		11,625,000	b	83,934	**	-	-	11,708,934	4.684%
Debt discount on FMB	11/15/43	4.650%	(1,722,614)			a	55,193	**	-	-	55,193	-3.204%
Regulatory Liability - Swap Hedging FMB	11/15/43				(1,319,793)						(1,319,793)	-3.067%
S-3 SEC Shelf Registration	03/27/15					b	2,095				2,095	
Revolving Credit Facility	07/28/19						541,586	5	52,585	625,000	c	1,219,171
Total External Debt			\$ 1,354,798,504		\$ 37,349,304		\$ 2,169,369		\$ 1,074,654	\$ 1,079,478	\$ 41,672,805	3.076%
Interest Rate Swaps:												
JP Morgan Chase Bank 5.495% - Trimble Co. 2000 Series A	11/01/20	1			\$ 4,563,915		\$ -		\$ -	\$ -	\$ 4,563,915	
Morgan Stanley Capital Services 3.657% - Louisville Metro 2003 Series A	10/01/33	1			1,135,531		-		-	-	1,135,531	
Morgan Stanley Capital Services 3.645% - Louisville Metro 2003 Series A	10/01/33	1			1,131,691		-		-	-	1,131,691	
Bank of America - Louisville Metro 2003 Series A	10/01/33	1			1,147,691		-		-	-	1,147,691	
Interest Rate Swaps External Debt					\$ 7,978,828		\$ -		\$ -	\$ -	\$ 7,978,828	0.589%
Notes Payable to PPL			\$ -		\$ -		\$ -		\$ -	\$ -	\$ -	
Total Internal Debt			\$ -		\$ -		\$ -		\$ -	\$ -	\$ -	0.000%
Total			\$ 1,354,798,504		\$ 45,328,132		\$ 2,169,369		\$ 1,074,654	\$ 1,079,478	\$ 49,651,633	3.665%

SHORT-TERM DEBT											
Maturity	Rate	Principal	Interest	Annualized Cost					Embedded Cost		
				Expense	Loss	Premium	Total				
Notes Payable to Associated Company	NA	\$0.00	\$ -		\$ -		\$ -	\$ -	\$ -	\$ -	0.000%
Revolving Credit Facility Payable		-	-		-		-	-	-	-	0.000%
Commercial Paper Program	Varies	294,981,079	1,321,615		-		-	-	-	1,321,615	0.448%
Total		\$ 294,981,079	\$ 1,321,615		\$ -		\$ -	\$ -	\$ -	\$ 1,321,615	0.448%

Embedded Cost of Total Debt **\$ 1,649,779,583** **\$ 46,649,747** **\$ 2,169,369** **\$ 1,074,654** **\$ 1,079,478** **\$ 50,973,248** **3.090%**

** Debt discount shown on separate line.

1 Additional interest due to Swap Agreements:

Underlying Debt Being Hedged	Notional Amount	Expiration of Swap Agreement	Fixed LG&E Swap Position	Fixed LG&E Swap Position	Variable Counterparty Swap Position
Series Z - PCB	83,335,000	11/01/20	5.495%	5.495%	BMA Index
Series CC, DD & EE - PCB	32,000,000	10/01/33	3.657%	3.657%	68% of 1 mo LIBOR
Series CC, DD & EE - PCB	32,000,000	10/01/33	3.645%	3.645%	68% of 1 mo LIBOR
Series CC, DD & EE - PCB	32,000,000	10/01/33	3.695%	3.695%	68% of 1 mo LIBOR
	179,335,000				

2 Call premium and debt expense is being amortized in accordance with ASC 980, Regulated Operations.

3 Remarketed bonds, issued at long term fixed rate.

4 Remarketed bonds, issued at a variable rate.

5 Includes setup fees for Wells Fargo, Bank of America and Royal Bank of Scotland amended July 28, 2014 with a five year term.

a - Remarketing fee = 10 basis points

b - Remarketing fee = 25 basis points

c - Revolving Credit Facility fee = 12.5 basis points

**ECR - Gross-up Revenue Factor &
Composite Income Tax Calculation
2015**

	2015 State Production Credit W/ 6% 2015 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	0%	
(8) b. Allocation to Production Income	100%	
(9) c. Allocated Production Rate (a x b)	0.00%	
(10)		
(11) Less: Production tax credit	<u>-</u>	(6)*(9)
(12)		
(13) Taxable income for Federal income tax	94.3600	(6)-(11)
(14)		
(15) Federal income tax	<u>33.0260</u>	(13)*35%
(16)		
(17)		
(18) Total State and Federal income taxes	<u>\$ 38.6660</u>	(3)+(15)
(19)		
(20) Gross-up Revenue Factor	<u><u>\$ 61.3340</u></u>	100-(18)
(21)		
(22) Therefore, the composite rate is:		
(23) Federal	33.0260%	(15)/100
(24) State	<u>5.6400%</u>	(3)/100
(25) Total	<u><u>38.6660%</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) Less: Production tax 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)

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to the Commission Staff's First Request for Information
Dated July 10, 2015**

Case No. 2015-00222

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, 2015 is 973 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 collecting the cumulative under-recovered position of \$1,959,324 over three months (\$653,108 per month) the ECR billing factor will be increased by approximately 0.77% for each month. For a residential customer using 973 kWh per month the impact of the adjusted ECR billing factor would be an increase of approximately \$0.74 on each month's bill, using rates and adjustment clause factors in effect for the July 2015 billing month.

LG&E ECR 2-Year Review Case No. 2015-00222

INPUTS:		
	Expense Month for calculations	May-15
<u>ECR Monthly Filing - Expense Month for calculations</u>		
Form 1.10 - Line 13 Adjusted Net Juris E(M) as filed	\$	6,915,959
Form 1.10 - Line 14 Group 1 Rev as % 12-mo Total Rev		41.82%
Form 1.10 - Line 15 Group 1 E(m)	\$	2,892,254
Form 1.10 - Line 16 Group 1 12-month avg revenue	\$	35,317,186
Form 1.10 - Line 17 Billing Factor filed		8.19%
<u>Financial Reports - Year Ended Current Month</u>		
		May-15
Page 30 Residential Sales (kWh)		4,106,653,615
Page 18 Residential Avg Customers Year Ended		351,641
		times 12 for 12-month number
		4,219,692
Response to DR Q2 Adjustment for (Over)/Under Collection	\$	1,959,324
Number of Months to collect/distribute		3
Monthly Adj for (Over)/Under Collection	\$	653,108
Position for Review Period Collection		UNDER
<u>Billing Factors</u>		
Tariff Basic Service Charge	\$	10.75
Tariff Base Rate		0.08082
Monthly Filing FAC for May-15		0.00241
Tariff DSM		0.00520

Residential Bill Impact Calculations

Adjusted Net Juris E(M) as filed	\$	6,915,959
Adjustment for (Over)/Under Collection		653,108
Adjusted Net Juris E(M) as adjusted for (Over)/Under Collection	\$	7,569,067

Group 1 Rev as % 12-mo Total Rev	41.82%
Group 1 E(m) as filed	\$ 2,892,254
Group 1 E(m) as adjusted	\$ 3,165,384

Group 1 12-month revenue	\$35,317,186
Billing Factor as filed	8.19%
Billing Factor as adjusted	8.96%
Impact to billing factor	0.77%

Bill Impact, Average Residential Customer

Basic Service Charge	10.75	\$	10.75
Base Rate	0.08082		78.64
FAC for May-15	0.00241		2.34
DSM	0.00520		5.06
		\$	96.79

ECR (as billed)	8.19%	\$	7.93
ECR (as adjusted)	8.96%	\$	8.67
Change in ECR	0.77%	\$	0.74

Average Residential Usage 973 kWh

negative number = over collection = distribution
positive number = under collection = recovery