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PUBLIC SERVICE COMMISSION

Ms. Stephanie L. Stumbo  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

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

Robert M. Conroy  
Manager - Rates  
T 502-627-3324  
F 502-627-3213  
robert.conroy@eon-us.com

July 14, 2008

**RE: AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR THE SIX-MONTH BILLING PERIOD ENDING OCTOBER 31, 2007 AND APRIL 30, 2008**  
**CASE NO. 2008-00217**

Dear Ms. Stumbo:

Please find enclosed and accept for filing the original and ten (10) copies of the Direct Testimony of Robert M. Conroy and the Response of Louisville Gas and Electric Company to the Information Requested in Appendix B of the Commission's Order dated June 17, 2008, in the above-referenced matter.

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

Sincerely,

Robert M. Conroy

Enclosures

cc: Parties of Record



**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>AN EXAMINATION BY THE PUBLIC SERVICE</b>	)	
<b>COMMISSION OF THE ENVIRONMENTAL</b>	)	
<b>SURCHARGE MECHANISM OF LOUISVILLE GAS</b>	)	<b>CASE NO.</b>
<b>AND ELECTRIC COMPANY FOR THE SIX-MONTH</b>	)	<b>2008-00217</b>
<b>BILLING PERIOD ENDING OCTOBER 31, 2007</b>	)	
<b>AND APRIL 30, 2008</b>	)	

**DIRECT TESTIMONY OF**  
  
**ROBERT M. CONROY**  
**DIRECTOR - RATES**  
**E.ON U.S. SERVICES INC.**

**Filed: July 14, 2008**

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

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

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

8 A. Yes. I have previously testified before this Commission in proceedings concerning  
9 the Companies’ fuel adjustment clauses and environmental surcharge mechanisms.

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

11 A. The purpose of this proceeding is to review the past operation of LG&E’s  
12 environmental surcharge during the six-month billing period ending October 31, 2007  
13 and the six-month billing period ending April 30, 2008, and determine whether the  
14 surcharge amounts collected during these periods are just and reasonable.

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

16 A. The purpose of my testimony is to review the operation of LG&E’s environmental  
17 surcharge during the billing periods under review, demonstrate the amounts collected  
18 during these periods were just and reasonable, present and discuss LG&E’s proposed  
19 adjustment to the Environmental Surcharge Revenue Requirement based on the  
20 operation of the surcharge during those periods and explain how the environmental  
21 surcharge factors were calculated during the period under review.

22 **Q. Please review the operation of the environmental surcharge for the billing**  
23 **periods included in this review.**

1 A. LG&E billed an environmental surcharge to its customers from May 1, 2007 through  
2 October 31, 2007 and November 1, 2007 through April 30, 2008. For purposes of the  
3 Commission's examination in this case, the monthly LG&E environmental surcharges  
4 are considered as the six-month billing period ending October 31, 2007 and the six-  
5 month billing period ending April 30, 2008. In each month of these periods, LG&E  
6 calculated the environmental surcharge factors by using the costs incurred as recorded  
7 on its books and records for the expense months of March 2007 through February  
8 2008 and in accordance with the requirements of the Commission's previous orders  
9 concerning LG&E's environmental surcharge.

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

12 A. The capital and operating costs included in the calculation of the environmental  
13 surcharge factors for these billing periods were the costs incurred each month by  
14 LG&E from March 2007 through February 2008, as detailed in the attachment to  
15 Question No. 2 of the Commission Staff Request for Information, incorporating all  
16 required revisions.

17 The monthly environmental surcharge factors applied during the billing  
18 periods under review were calculated consistent with the Commission's orders in  
19 LG&E's previous applications to assess or amend its environmental surcharge  
20 mechanism and plan, as well as orders issued in previous review cases, most recently  
21 Case No. 2007-00380. The monthly environmental surcharge reports filed with the  
22 Commission during this time reflect the various changes to the reporting forms  
23 ordered by the Commission from time to time.

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

3 A. All changes to Rate Base from the originally filed billing periods and their associated  
4 impact on the ECR billing factor have been reflected in the expense month where the  
5 changes were made. All changes to Rate Base and their impact are summarized in  
6 LG&E's response to the Commission Staff Request for Information, Question No. 1.

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

9 A. Yes. Adjustments to E(m) are necessary for compliance with the Commission's  
10 Order in Case No. 2000-00386, to reflect the actual changes in the overall rate of  
11 return on capitalization that is used in the determination of the return on  
12 environmental rate base associated with the Post 1995 Plans. The changes in the  
13 actual cost of long term debt and capital structure result in a decrease to cumulative  
14 E(m) of \$382,954. The details of and support for this calculation is shown in  
15 LG&E's response to Question No. 1 of the Commission Staff Request for  
16 Information.

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

19 A. Yes. LG&E experienced a cumulative under-recovery of \$912,324 for the billing  
20 periods ending April 30, 2008. LG&E's response to Question No. 2 of the  
21 Commission Staff Request for Information shows the calculation of the \$912,324  
22 cumulative under-recovery. Therefore, an adjustment to the revenue requirement is  
23 necessary to reconcile the collection of past surcharge revenues with actual costs for  
24 the billing periods under review.

1 **Q. What kind of adjustment is LG&E proposing in this case as a result of the**  
2 **operation of the environmental surcharge during these billing periods?**

3 A. LG&E is proposing that the cumulative under-recovery of \$912,324 be recovered  
4 over the four months following the Commission's Order in this proceeding.  
5 Specifically, LG&E recommends that the Commission approve an increase to the  
6 Environmental Surcharge Revenue Requirement by \$228,081 for the first four  
7 months, beginning in the first full billing month following the Commission's Order in  
8 this proceeding. This method is consistent with the method of implementing previous  
9 over- or under-recovery positions in prior ECR review cases.

10 **Q. What rate of return is LG&E proposing to use for all ECR Plans upon the**  
11 **Commission's Order in this proceeding?**

12 A. LG&E is recommending an overall rate of return on capital of 11.49%, including the  
13 currently approved 10.50% return on equity and adjusted capitalization, to be used to  
14 calculate the environmental surcharge. This is based on capitalization as of February  
15 29, 2008.

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

17 A. LG&E makes the following recommendations to the Commission in this case:

18 a) The Commission should approve the proposed increase to the Environmental  
19 Surcharge Revenue Requirement of \$228,081 per month in the first four  
20 billing months beginning in the first full billing month following the  
21 Commission's decision in this proceeding;

22 b) The Commission should determine environmental surcharge amounts for the  
23 six-month billing periods ending October 31, 2007 and April 30, 2008 to be  
24 just and reasonable.

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

2 A. Yes.





## APPENDIX A

### **Robert M. Conroy**

Director - Rates  
E.ON U.S. Services Inc.  
220 West Main Street  
Louisville, Kentucky 40202  
(502) 627-3324

### **Education**

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

### **Previous Positions**

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

### **Professional/Trade Memberships**

Registered Professional Engineer in Kentucky, 1995.

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>AN EXAMINATION BY THE PUBLIC SERVICE</b>	)	
<b>COMMISSION OF THE ENVIRONMENTAL</b>	)	
<b>SURCHARGE MECHANISM OF LOUISVILLE GAS</b>	)	<b>CASE NO.</b>
<b>AND ELECTRIC COMPANY FOR THE SIX-MONTH</b>	)	<b>2008-00217</b>
<b>BILLING PERIOD ENDING OCTOBER 31, 2007</b>	)	
<b>AND APRIL 30, 2008</b>	)	

**RESPONSE OF**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**TO**  
**INFORMATION REQUESTED IN**  
**APPENDIX B OF COMMISSION'S ORDER**  
**DATED JUNE 17, 2008**

**FILED: July 14, 2008**

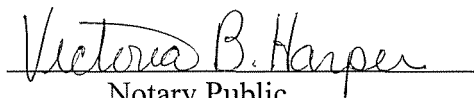
**VERIFICATION**

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

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is the Director, Rates for E.ON U.S. Services Inc., 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 Fourteenth day of July, 2008.

 (SEAL)  
\_\_\_\_\_  
Notary Public

My Commission Expires:

Sept 20, 2010

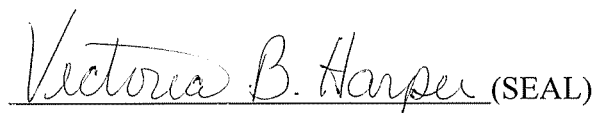
**VERIFICATION**

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

The undersigned, **Shannon L. Charnas**, being duly sworn, deposes and says that she is the Director, Utility Accounting and Reporting for E.ON U.S. Services Inc., that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

  
**SHANNON L. CHARNAS**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this fourteenth day of July, 2008.

 (SEAL)  
Notary Public

My Commission Expires:

Sept 20, 2010



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Information Requested in Appendix B of  
Commission's Order Dated June 17, 2008**

**Case No. 2008-00217**

**Question No. 1**

**Witness: Shannon L. Charnas / Robert M. Conroy**

Q-1. Concerning the rate of return on the four amendments to the environmental compliance plan, 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 electric 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 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 changes between the Rate Base as Filed and the Rate Base as Revised through the Monthly Filings. Page 2 represents the true-up in the Rate of Return as filed compared to the actual Rate of Return calculations. No further revisions to Rate Base were identified during this review period. All revisions have been reflected in the monthly filings during the review period.

Pages 3 and 4 provided the adjusted weighted average cost of capital for all periods under review.

LG&E did not engage in accounts receivable financing during the periods under review.

Louisville Gas & Electric Company  
 Overall Rate of Return True-up Adjustment - Revised Rate Base  
 Impact on Calculated E(m) - Post 1995 Plan

(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 (5) - (4)	True-up Adjustment (3) * (6) / 12	Jurisdictional Allocation, ES Form 1.00	Jursidictional True up Adjustment (7) * (8)
May-07	Mar-07	11.23%	\$ 220,837,798	\$ 220,837,798	\$ -	\$ -	78.33%	\$ -
Jun-07	Apr-07	11.23%	220,919,210	220,919,210	-	-	82.96%	-
Jul-07	May-07	11.23%	221,275,304	221,275,304	-	-	82.23%	-
Aug-07	Jun-07	11.23%	221,398,435	221,398,435	-	-	86.94%	-
Sep-07	Jul-07	11.23%	221,632,552	221,632,552	-	-	87.22%	-
Oct-07	Aug-07	11.23%	221,638,766	221,638,766	-	-	88.82%	-
						\$ -		\$ -
Nov-07	Sep-07	11.23%	\$ 222,307,180	\$ 222,307,180	\$ -	\$ -	92.01%	\$ -
Dec-07	Oct-07	11.23%	222,631,344	222,631,344	-	-	82.98%	-
Jan-08	Nov-07	11.23%	224,035,526	224,035,526	-	-	83.52%	-
Feb-08	Dec-07	11.23%	227,520,634	227,520,634	-	-	76.42%	-
Mar-08	Jan-08	11.23%	228,186,714	228,186,714	-	-	77.48%	-
Apr-08	Feb-08	11.23%	229,210,175	229,210,175	-	-	84.49%	-
						\$ -		\$ -
Cumulative Impact of Changes in Rate Base						\$ -		\$ -



Louisville Gas & Electric Company  
Overall Rate of Return True-up Adjustment - Revised Rate of Return  
Impact on Calculated E(m) - Post 1995 Plan

(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	True-up Adjustment (5) * (6) / 12	Jurisdictional Allocation, ES Form 1 00	Jursidictional True up Adjustement (7) * (8)
May-07	Mar-07	11.23%	10.89%	-0.34%	\$ 220,837,798	(62,571)	78.33%	(49,012)
Jun-07	Apr-07	11.23%	10.89%	-0.34%	220,919,210	(62,594)	82.96%	(51,928)
Jul-07	May-07	11.23%	10.89%	-0.34%	221,275,304	(62,695)	82.23%	(51,554)
Aug-07	Jun-07	11.23%	10.89%	-0.34%	221,398,435	(62,730)	86.94%	(54,537)
Sep-07	Jul-07	11.23%	10.89%	-0.34%	221,632,552	(62,796)	87.22%	(54,771)
Oct-07	Aug-07	11.23%	10.89%	-0.34%	221,638,766	(62,798)	88.82%	(55,777)
						(376,182)		(317,578)
Nov-07	Sep-07	11.23%	11.16%	-0.07%	\$ 222,307,180	(12,968)	92.01%	(11,932)
Dec-07	Oct-07	11.23%	11.16%	-0.07%	222,631,344	(12,987)	82.98%	(10,776)
Jan-08	Nov-07	11.23%	11.16%	-0.07%	224,035,526	(13,069)	83.52%	(10,915)
Feb-08	Dec-07	11.23%	11.16%	-0.07%	227,520,634	(13,272)	76.42%	(10,142)
Mar-08	Jan-08	11.23%	11.16%	-0.07%	228,186,714	(13,311)	77.48%	(10,313)
Apr-08	Feb-08	11.23%	11.16%	-0.07%	229,210,175	(13,371)	84.49%	(11,297)
						(78,977)		(65,376)
Cumulative Impact of Changes in Rate of Return						\$ (455,159)		\$ (382,954)

Louisville Gas & Electric Company  
Adjusted Electric Rate of Return on Common Equity  
10/31/2007

(1)	(2) Total Company Capitalization	(3) Adjustments to Total Co Capitalization	(4) Adjusted Total Company Capitalization	(5) Capital Structure	(6) Jurisdictional Capitalization Allocation	(7) Kentucky Jurisdictional Capitalization
	(20)	(2) - (3)	(4) / (4), row 7		(4) * (6)	
1 Long-Term Debt	937,304,000	16,588,830	920,715,170	43 05%	79 89%	735,559,349
2 Med Term Notes Payable	-	-	-	0 00%	79 89%	-
3 Short-Term Debt	111,608,000	1,975,289	109,632,711	5 13%	79 89%	87,585,573
4 Preferred Stock	-	-	-	0 00%	79 89%	-
5 Accounts Receivable Financing	-	-	-	0 00%	79 89%	-
6 Common Equity	1,128,346,729	19,969,991	1,108,376,738	51 82%	79 89%	885,482,176
7	2,177,258,729	38,534,111	2,138,724,619	100 00%		1,708,627,098

(1)	(8) Kentucky Jurisdictional Capitalization	(9) Adjustments to Ky Juris Capitalization	(10) Adjusted Ky Jurisdictional Capitalization	(11) Capital Structure	(12) Annual Cost Rate	(13) Weighted Cost of Capital
	(7)	(24)	(8) - (9)	(10) / (10), row 7		(11) * (12)
1 Long-Term Debt	735,559,349	79,602,301	655,957,048	43 05%	4 72%	2 03%
2 Med Term Notes Payable	-	-	-	0 00%	0 00%	0 00%
3 Short-Term Debt	87,585,573	9,478,519	78,107,054	5 13%	5 05%	0 26%
4 Preferred Stock	-	-	-	0 00%	0 00%	0 00%
5 Accounts Receivable Financing	-	-	-	0 00%	0 00%	0 00%
6 Common Equity	885,482,176	95,826,963	789,655,213	51 82%	10 50%	5 44%
7	1,708,627,098	184,907,783	1,523,719,315	100 00%		7 74%
8 Weighted Cost of Capital Grossed up for Income Tax Effect $\{ROR + (ROR - DR) \times [TR / (1 - TR)]\}$						10 89%

Adjustments to Total Company Capitalization

(1)	(14) Total Company Capitalization	(15) Capital Structure	(16) Trimble County Inventory Adjustment	(17) Job Credits	(18) Other Investments	(19) Minimum Pension Liability	(20) Total Adjustments to Total Company Capitalization
	(2)	(14) / (14), row 7	(16) row 7 x (15)	(17) row 7 x (15)	(18) row 7 x (15)		(16) + (17) + (18) - (19)
1 Long-Term Debt	937,304,000	43 05%	1,869,574	14,463,418	255,839	-	16,588,830
2 Med Term Notes Payable	-	0 00%	-	-	-	-	-
3 Short-Term Debt	111,608,000	5 13%	222,617	1,722,209	30,464	-	1,975,289
4 Preferred Stock	-	0 00%	-	-	-	-	-
5 Accounts Receivable Financing	-	0 00%	-	-	-	-	-
6 Common Equity	1,128,346,729	51 82%	2,250,634	17,411,374	307,984	-	19,969,991
7	2,177,258,729	100 00%	4,342,824	33,597,000	594,286	-	38,534,111

Adjustments to Kentucky Jurisdictional Capitalization

(1)	(21) Kentucky Jurisdictional Capitalization	(22) Capital Structure	(23) Environmental Surcharge Post-1995 Plan	(24) Adjustments to Ky Juris Capitalization
	(8)	(21) / (21), row 7	(23) row 7 x (22)	(23)
1 Long-Term Debt	735,559,349	43 05%	79,602,301	79,602,301
2 Med Term Notes Payable	-	0 00%	-	-
3 Short-Term Debt	87,585,573	5 13%	9,478,519	9,478,519
4 Preferred Stock	-	0 00%	-	-
5 Accounts Receivable Financing	-	0 00%	-	-
6 Common Equity	885,482,176	51 82%	95,826,963	95,826,963
7	1,708,627,098	100 00%	184,907,783	184,907,783

Louisville Gas & Electric Company  
Adjusted Electric Rate of Return on Common Equity  
4/30/2008

(1)	(2) Total Company Capitalization	(3) Adjustments to Total Co Capitalization	(4) Adjusted Total Company Capitalization	(5) Capital Structure	(6) Jurisdictional Capitalization Allocation	(7) Kentucky Jurisdictional Capitalization
	(20)	(2) - (3)	(4) / (4), row 7		(4) * (6)	
1 Long-Term Debt	878,104,000	20,550,577	857,553,423	40.27%	80.39%	689,387,197
2 Med Term Notes Payable	-	-	-	0.00%	80.39%	-
3 Short-Term Debt	158,075,200	3,699,489	154,375,711	7.25%	80.39%	124,102,634
4 Preferred Stock	-	-	-	0.00%	80.39%	-
5 Accounts Receivable Financing	-	-	-	0.00%	80.39%	-
6 Common Equity	1,144,296,135	26,780,365	1,117,515,771	52.48%	80.39%	898,370,928
7	2,180,475,335	51,030,431	2,129,444,905	100.00%		1,711,860,759

(1)	(8) Kentucky Jurisdictional Capitalization	(9) Adjustments to Ky Juris Capitalization	(10) Adjusted Ky Jurisdictional Capitalization	(11) Capital Structure	(12) Annual Cost Rate	(13) Weighted Cost of Capital
	(7)	(24)	(8) - (9)	(10) / (10), row 7		(11) * (12)
1 Long-Term Debt	689,387,197	77,872,441	611,514,756	40.27%	5.63%	2.27%
2 Med Term Notes Payable	-	-	-	0.00%	0.00%	0.00%
3 Short-Term Debt	124,102,634	14,018,501	110,084,133	7.25%	2.63%	0.19%
4 Preferred Stock	-	-	-	0.00%	0.00%	0.00%
5 Accounts Receivable Financing	-	-	-	0.00%	0.00%	0.00%
6 Common Equity	898,370,928	101,479,020	796,891,909	52.48%	10.50%	5.51%
7	1,711,860,759	193,369,961	1,518,490,798	100.00%		7.97%
8 Weighted Cost of Capital Grossed up for Income Tax Effect $\{ROR + (ROR - DR) \times [TR / (1 - TR)]\}$						11.16%

Adjustments to Total Company Capitalization

(1)	(14) Total Company Capitalization	(15) Capital Structure	(16) Trimble County Inventory Adjustment	(17) Job Credits	(18) Other Investments	(19) Minimum Pension Liability	(20) Total Adjustments to Total Company Capitalization
	(2)	(14) / (14), row 7	(16) row 7 x (15)	(17) row 7 x (15)	(18) row 7 x (15)		(16) + (17) + (18) - (19)
1 Long-Term Debt	878,104,000	40.271%	1,527,821	12,774,470	6,248,286	-	20,550,577
2 Med Term Notes Payable	-	0.000%	-	-	-	-	-
3 Short-Term Debt	158,075,200	7.250%	275,036	2,299,644	1,124,809	-	3,699,489
4 Preferred Stock	-	0.000%	-	-	-	-	-
5 Accounts Receivable Financing	-	0.000%	-	-	-	-	-
6 Common Equity	1,144,296,135	52.479%	1,990,971	16,646,977	8,142,417	-	26,780,365
7	2,180,475,335	100.00%	3,793,828	31,721,091	15,515,512	-	51,030,431

Adjustments to Kentucky Jurisdictional Capitalization

(1)	(21) Kentucky Jurisdictional Capitalization	(22) Capital Structure	(23) Environmental Surcharge Post-1995 Plan	(24) Adjustments to Ky Juris Capitalization
	(8)	(21) / (21), row 7	(23) row 7 x (22)	(23)
1 Long-Term Debt	689,387,197	40.27%	77,872,441	77,872,441
2 Med Term Notes Payable	-	0.00%	-	-
3 Short-Term Debt	124,102,634	7.25%	14,018,501	14,018,501
4 Preferred Stock	-	0.00%	-	-
5 Accounts Receivable Financing	-	0.00%	-	-
6 Common Equity	898,370,928	52.48%	101,479,020	101,479,020
7	1,711,860,759	100.00%	193,369,961	193,369,961



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Information Requested in Appendix B of  
Commission's Order Dated June 17, 2008**

**Case No. 2008-00217**

**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 billing period under review. 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 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 6-month review. Include all supporting calculations and documentation for any such additional over- or under-recovery.
- A-2. Please see the attachment to this response for the summary schedule.

Louisville Gas & Electric Company  
 Calculation of E(m) and Jurisdictional SurchARGE Billing Factor  
 Summary Schedule for Expense Months March 2007 through February 2008

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Expense Month	Rate Base as Revised ES Form 2.00	Monthly Rate Base as Revised (2) / 12	Rate of Return as Revised	Operating Expenses (net of allowance ES Form 2.00	Total E(m) (3) * (4) + (5)	Retail Allocation Ratio ES Form 1.10	Retail E(m) (6) * (7)
Mar-07 \$	220,837,798	18,403,150	10.89%	437,420	2,441,523	78.33%	1,912,445
Apr-07	220,919,210	18,409,934	10.89%	890,215	2,895,057	82.96%	2,401,739
May-07	221,275,304	18,439,609	10.89%	972,070	2,980,143	82.23%	2,450,572
Jun-07	221,398,435	18,449,870	10.89%	1,042,248	3,051,439	86.94%	2,652,921
Jul-07	221,632,552	18,469,379	10.89%	1,078,093	3,089,408	87.22%	2,694,582
Aug-07	221,638,766	18,469,897	10.89%	983,829	2,995,201	88.82%	2,660,337
Sep-07 \$	222,307,180	18,525,598	11.16%	1,029,350	3,096,807	92.01%	2,849,372
Oct-07	222,631,344	18,552,612	11.16%	790,668	2,861,139	82.98%	2,374,174
Nov-07	224,035,526	18,669,627	11.16%	789,972	2,873,502	83.52%	2,399,949
Dec-07	227,520,634	18,960,053	11.16%	864,435	2,980,377	76.42%	2,277,604
Jan-08	228,186,714	19,015,560	11.16%	844,587	2,966,723	77.48%	2,298,617
Feb-08	229,210,175	19,100,848	11.16%	842,460	2,974,115	84.49%	2,512,829

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Expense Month	Retail E(m)	Adjustment to Retail E(m) for Monthly True-up	Adjustment to Retail E(m) for Under-Collection	Retail E(m) Including all Adjustments	Average Monthly Retail Revenues ES Form 1.00	Current Environmental Surcharge Factor (CESF)	Base Environmental Surcharge Factor (BESF)	Monthly Environmental Surcharge Factor (MESF)	ECR Billing Factor Revenues	ECR Revenue Recovered Through Base Rates	Combined Total Over/(Under) Recovery
Mar-07	1,912,445	576,005	576,005	2,488,450	58,872,829	4.23%	3.39%	0.84%	718,773	1,813,355	43,679
Apr-07	2,401,739	576,005	576,005	2,977,744	59,739,102	5.03%	3.39%	1.64%			
May-07	2,450,572	576,005	576,005	3,026,577	59,739,102	5.07%	3.39%	1.68%			
Jun-07	2,652,921	576,005	576,005	3,228,926	60,543,994	5.33%	3.39%	1.94%			
Jul-07	2,694,582	576,006	576,006	3,270,588	61,140,690	5.35%	3.39%	1.96%			
Aug-07	2,660,337	576,006	576,006	3,236,343	61,674,085	5.25%	3.39%	1.86%			
Sep-07									384,007	2,022,118	(830,218)
Oct-07									597,810	2,399,443	(273,334)
Sep-07									941,268	2,510,724	223,066
Jul-07									1,688,880	2,328,112	990,415
Jun-07									1,616,567	2,156,011	794,833
May-07									718,773	1,813,355	43,679
Apr-07											
Mar-07											
Feb-08	2,512,829			2,512,829	66,156,852	3.80%	3.39%	0.41%	1,013,332	1,893,625	53,346
Jan-08	2,298,617			2,298,617	65,652,037	3.50%	3.39%	0.11%	1,433,665	2,007,558	465,268
Dec-07	2,277,604	576,006	576,006	2,853,610	64,652,125	4.41%	3.39%	1.02%	805,226	1,810,971	(333,982)
Nov-07	2,399,949	576,006	576,006	2,975,955	64,442,120	4.62%	3.39%	1.23%	489,473	1,717,278	(1,218,628)
Oct-07	2,374,174	576,006	576,006	2,950,180	64,073,639	4.60%	3.39%	1.21%			
Sep-07	2,849,372	576,006	576,006	3,425,378	63,078,813	5.43%	3.39%	2.04%			
Grand Total	29,485,142			35,245,198					10,158,132	24,174,742	(912,324)





**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Information Requested in Appendix B of  
Commission's Order Dated June 17, 2008**

**Case No. 2008-00217**

**Question No. 3**

**Witness: Shannon L. Charnas**

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

A-3. Please see the attachment.

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2001 Plan**

Project 6 -- NOx

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes</b>	<b>Deferred Taxes on Retirements</b>
Mar-07	191,016,859	445,742	965,323	519,581	38.9000%	202,117	8,537,127	1,053,265
Apr-07	191,016,859	445,742	965,323	519,581	38.9000%	202,117	8,739,244	1,053,265
May-07	191,016,859	445,742	965,323	519,581	38.9000%	202,117	8,941,361	1,053,265
Jun-07	191,016,859	445,742	965,323	519,581	38.9000%	202,117	9,143,478	1,053,265
Jul-07	192,860,844	448,070	983,104	535,034	38.9000%	208,128	9,351,606	1,053,265
Aug-07	192,860,844	450,398	983,104	532,706	38.9000%	207,223	9,558,829	1,053,265
Sep-07	192,860,844	450,398	983,104	532,706	38.9000%	207,223	9,766,052	1,053,265
Oct-07	192,860,844	450,398	983,104	532,706	38.9000%	207,223	9,973,275	1,053,265
Nov-07	192,860,844	450,398	983,104	532,706	38.9000%	207,223	10,180,498	1,053,265
Dec-07	192,860,844	450,398	983,104	532,706	38.9000%	207,223	10,387,721	1,053,265
Jan-08	192,860,844	450,398	910,428	460,030	38.9000%	178,952	10,566,673	1,053,265
Feb-08	192,860,844	450,398	910,428	460,030	38.9000%	178,952	10,745,625	1,053,265

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2003 - Plan**

Project 7 -- Mill Creek FGD Scrubber Conversion

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Temporary Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes</b>	<b>Deferred Taxes on Retirements</b>
Mar-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	655,676	516,073
Apr-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	671,475	516,073
May-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	687,274	516,073
Jun-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	703,073	516,073
Jul-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	718,872	516,073
Aug-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	734,671	516,073
Sep-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	750,470	516,073
Oct-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	766,269	516,073
Nov-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	782,068	516,073
Dec-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	797,867	516,073
Jan-08	30,861,686	115,079	144,166	29,087	38.9000%	11,315	809,182	516,073
Feb-08	30,861,686	115,079	144,166	29,087	38.9000%	11,315	820,497	516,073

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2003 - Plan**

Project 8 -- Precipitators

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Temporary Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes</b>	<b>Deferred Taxes on Retirements</b>
Mar-07	11,929,133	28,278	55,432	27,154	38.9000%	10,563	708,292	275,252
Apr-07	11,929,133	28,278	55,432	27,154	38.9000%	10,563	718,855	275,252
May-07	11,929,133	28,278	55,432	27,154	38.9000%	10,563	729,418	275,252
Jun-07	11,929,133	28,278	55,432	27,154	38.9000%	10,563	739,981	275,252
Jul-07	11,929,133	28,278	55,432	27,154	38.9000%	10,563	750,544	275,252
Aug-07	11,929,133	28,278	55,432	27,154	38.9000%	10,563	761,107	275,252
Sep-07	11,929,133	28,278	55,432	27,154	38.9000%	10,563	771,670	275,252
Oct-07	11,929,133	28,278	55,432	27,154	38.9000%	10,563	782,233	275,252
Nov-07	11,929,133	28,278	55,432	27,154	38.9000%	10,563	792,796	275,252
Dec-07	11,929,133	28,278	55,432	27,154	38.9000%	10,563	803,359	275,252
Jan-08	11,929,133	28,278	51,275	22,997	38.9000%	8,946	812,305	275,252
Feb-08	11,929,133	28,278	51,275	22,997	38.9000%	8,946	821,251	275,252

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2003 - Plan**

Project 9 -- Clearwell Water System

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Temporary Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes</b>	<b>Deferred Taxes on Retirements</b>
Mar-07	1,197,310	5,368	5,700	332	38.9000%	129	23,235	4,716
Apr-07	1,197,310	5,368	5,700	332	38.9000%	129	23,364	4,716
May-07	1,197,310	5,368	5,700	332	38.9000%	129	23,493	4,716
Jun-07	1,197,310	5,368	5,700	332	38.9000%	129	23,622	4,716
Jul-07	1,197,310	5,368	5,700	332	38.9000%	129	23,751	4,716
Aug-07	1,197,310	5,368	5,700	332	38.9000%	129	23,880	4,716
Sep-07	1,197,310	5,368	5,700	332	38.9000%	129	24,009	4,716
Oct-07	1,197,310	5,368	5,700	332	38.9000%	129	24,138	4,716
Nov-07	1,197,310	5,368	5,700	332	38.9000%	129	24,267	4,716
Dec-07	1,197,310	5,368	5,700	332	38.9000%	129	24,396	4,716
Jan-08	1,197,310	5,368	5,278	(90)	38.9000%	(35)	24,361	4,716
Feb-08	1,197,310	5,368	5,278	(90)	38.9000%	(35)	24,326	4,716

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2003 - Plan**

Project 10 -- Absorber Trays

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,972	-
Apr-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,908	-
May-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,844	-
Jun-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,780	-
Jul-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,716	-
Aug-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,652	-
Sep-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,588	-
Oct-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,524	-
Nov-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,460	-
Dec-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,396	-
Jan-08	2,734,621	11,303	10,308	(995)	38.9000%	(387)	75,009	-
Feb-08	2,734,621	11,303	10,308	(995)	38.9000%	(387)	74,622	-

**Louisville Gas and Electric Company  
Deferred Tax Calculations  
Post-1995 Environmental Compliance Plans, by Approved Project**

**2005 - Plan**

Project 11 -- Special Waste Landfill Expansion - MC

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Temporary Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes</b>	<b>Deferred Taxes on Retirements</b>
Mar-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	71,543	22,369
Apr-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	74,320	22,369
May-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	77,097	22,369
Jun-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	79,874	22,369
Jul-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	82,651	22,369
Aug-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	85,428	22,369
Sep-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	88,205	22,369
Oct-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	90,982	22,369
Nov-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	93,759	22,369
Dec-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	96,536	22,369
Jan-08	2,282,981	5,568	11,745	6,177	38.9000%	2,403	98,939	22,369
Feb-08	2,282,981	5,568	11,745	6,177	38.9000%	2,403	101,342	22,369

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2005 - Plan**

Project 12 -- Special Waste Landfill Expansion - CR

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Temporary Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes</b>	<b>Deferred Taxes on Retirements</b>
Mar-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	43,317	-
Apr-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	46,630	-
May-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	49,943	-
Jun-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	53,256	-
Jul-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	56,569	-
Aug-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	59,882	-
Sep-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	63,195	-
Oct-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	66,508	-
Nov-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	69,821	-
Dec-07	2,988,137	6,241	38,908	32,667	38.9000%	12,707	82,528	-
Jan-08	2,988,137	7,022	16,929	9,907	38.9000%	3,854	86,382	-
Feb-08	2,988,137	7,022	16,929	9,907	38.9000%	3,854	90,236	-



**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2005 - Plan**

Project 13 -- Scrubber Refurbishment - TC1

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Temporary Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes</b>	<b>Deferred Taxes on Retirements</b>
Mar-07	-	-	-	-	38.9000%	-	-	-
Apr-07	-	-	-	-	38.9000%	-	-	-
May-07	-	-	-	-	38.9000%	-	-	-
Jun-07	-	-	-	-	38.9000%	-	-	-
Jul-07	-	-	-	-	38.9000%	-	-	-
Aug-07	-	-	-	-	38.9000%	-	-	-
Sep-07	-	-	-	-	38.9000%	-	-	-
Oct-07	-	-	-	-	38.9000%	-	-	-
Nov-07	-	-	-	-	38.9000%	-	-	-
Dec-07	855,968	1,238	18,953	17,715	38.9000%	6,891	6,891	-
Jan-08	855,968	2,475	8,174	5,699	38.9000%	2,217	9,108	-
Feb-08	855,968	2,475	8,174	5,699	38.9000%	2,217	11,325	-

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2005 - Plan**

Project 14 -- Scrubber Refurbishment - CR6

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Temporary Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes</b>	<b>Deferred Taxes on Retirements</b>
Mar-07	282,134	513	2,694	2,181	38.9000%	848	10,379	8,118
Apr-07	282,134	513	2,694	2,181	38.9000%	848	11,227	8,118
May-07	282,134	513	2,694	2,181	38.9000%	848	12,075	8,118
Jun-07	282,134	513	2,694	2,181	38.9000%	848	12,923	8,118
Jul-07	282,134	513	2,694	2,181	38.9000%	848	13,771	8,118
Aug-07	282,134	513	2,694	2,181	38.9000%	848	14,619	8,118
Sep-07	282,134	513	2,694	2,181	38.9000%	848	15,467	8,118
Oct-07	282,134	513	2,694	2,181	38.9000%	848	16,315	8,118
Nov-07	282,134	513	2,694	2,181	38.9000%	848	17,163	8,118
Dec-07	308,507	536	3,289	2,753	38.9000%	1,071	18,234	9,074
Jan-08	308,507	560	2,894	2,334	38.9000%	908	19,142	9,074
Feb-08	308,507	560	2,894	2,334	38.9000%	908	20,050	9,074

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2005 - Plan**

Project 15 -- Scrubber Refurbishment - CR5

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Temporary Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes</b>	<b>Deferred Taxes on Retirements</b>
Mar-07	-	-	-	-	38.9000%	-	-	-
Apr-07	-	-	-	-	38.9000%	-	-	-
May-07	-	-	-	-	38.9000%	-	-	-
Jun-07	-	-	-	-	38.9000%	-	-	-
Jul-07	-	-	-	-	38.9000%	-	-	-
Aug-07	-	-	-	-	38.9000%	-	-	-
Sep-07	-	-	-	-	38.9000%	-	-	-
Oct-07	-	-	-	-	38.9000%	-	-	-
Nov-07	-	-	-	-	38.9000%	-	-	-
Dec-07	-	-	-	-	38.9000%	-	-	-
Jan-08	-	-	-	-	38.9000%	-	-	-
Feb-08	-	-	-	-	38.9000%	-	-	-

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2005 - Plan**

Project 16 -- Scrubber Improvements - TC1

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Temporary Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes</b>	<b>Deferred Taxes on Retirements</b>
Mar-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	281,743	26,166
Apr-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	300,506	26,166
May-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	319,269	26,166
Jun-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	338,032	26,166
Jul-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	356,795	26,166
Aug-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	375,558	26,166
Sep-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	394,321	26,166
Oct-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	413,084	26,166
Nov-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	431,847	26,166
Dec-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	450,610	26,166
Jan-08	7,361,078	21,286	68,253	46,967	38.9000%	18,270	468,880	26,166
Feb-08	7,361,078	21,286	68,253	46,967	38.9000%	18,270	487,150	26,166

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2006 - Plan**

Project 18 -- Trimble County 2 AQCS

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Temporary Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes</b>	<b>Deferred Taxes on Retirements</b>
Mar-07	-	-	-	-	38.9000%	-	-	-
Apr-07	-	-	-	-	38.9000%	-	-	-
May-07	-	-	-	-	38.9000%	-	-	-
Jun-07	-	-	-	-	38.9000%	-	-	-
Jul-07	-	-	-	-	38.9000%	-	-	-
Aug-07	-	-	-	-	38.9000%	-	-	-
Sep-07	-	-	-	-	38.9000%	-	-	-
Oct-07	-	-	-	-	38.9000%	-	-	-
Nov-07	-	-	-	-	38.9000%	-	-	-
Dec-07	-	-	-	-	38.9000%	-	-	-
Jan-08	-	-	-	-	38.9000%	-	-	-
Feb-08	-	-	-	-	38.9000%	-	-	-

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2006 - Plan**

Project 19 - Sorbent Injection, Mill Creek &amp; Trimble 1

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Temporary Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes on Retirements</b>
Mar-07	-	-	-	-	38.9000%	-	-
Apr-07	-	-	-	-	38.9000%	-	-
May-07	-	-	-	-	38.9000%	-	-
Jun-07	-	-	-	-	38.9000%	-	-
Jul-07	-	-	-	-	38.9000%	-	-
Aug-07	-	-	-	-	38.9000%	-	-
Sep-07	-	-	-	-	38.9000%	-	-
Oct-07	-	-	-	-	38.9000%	-	-
Nov-07	-	-	-	-	38.9000%	-	-
Dec-07	-	-	-	-	38.9000%	-	-
Jan-08	-	-	-	-	38.9000%	-	-
Feb-08	-	-	-	-	38.9000%	-	-

**Louisville Gas and Electric Company  
Deferred Tax Calculations  
Post-1995 Environmental Compliance Plans, by Approved Project**

**2006 - Plan**

Project 20 - Mercury Monitors, all plants

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	86,203	201	901	700	38.9000%	272	1,563	-
Apr-07	86,203	201	901	700	38.9000%	272	1,835	-
May-07	86,203	201	901	700	38.9000%	272	2,107	-
Jun-07	86,203	201	901	700	38.9000%	272	2,379	-
Jul-07	86,203	201	901	700	38.9000%	272	2,651	-
Aug-07	86,203	201	901	700	38.9000%	272	2,923	-
Sep-07	86,203	201	901	700	38.9000%	272	3,195	-
Oct-07	162,048	848	2,195	1,347	38.9000%	524	3,719	-
Nov-07	162,048	1,495	2,195	700	38.9000%	272	3,991	-
Dec-07	162,048	1,495	2,195	700	38.9000%	272	4,263	-
Jan-08	162,048	1,495	2,180	685	38.9000%	266	4,529	-
Feb-08	162,048	1,495	2,180	685	38.9000%	266	4,795	-

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2006 - Plan**

Project 21 -- Particulate Monitors, Mill Creek

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Temporary Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes</b>	<b>Deferred Taxes on Retirements</b>
Mar-07	397,148	884	4,222	3,338	38.9000%	1,298	21,125	-
Apr-07	397,148	884	4,222	3,338	38.9000%	1,298	22,423	-
May-07	397,148	884	4,222	3,338	38.9000%	1,298	23,721	-
Jun-07	397,148	884	4,222	3,338	38.9000%	1,298	25,019	-
Jul-07	397,148	884	4,222	3,338	38.9000%	1,298	26,317	-
Aug-07	397,148	884	4,222	3,338	38.9000%	1,298	27,615	-
Sep-07	397,148	884	4,222	3,338	38.9000%	1,298	28,913	-
Oct-07	397,148	884	4,222	3,338	38.9000%	1,298	30,211	-
Nov-07	397,148	884	4,222	3,338	38.9000%	1,298	31,509	-
Dec-07	397,148	884	4,222	3,338	38.9000%	1,298	32,807	-
Jan-08	397,148	884	4,152	3,268	38.9000%	1,271	34,078	-
Feb-08	397,148	884	4,152	3,268	38.9000%	1,271	35,349	-





**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Information Requested in Appendix B of  
Commission's Order Dated June 17, 2008**

**Case No. 2008-00217**

**Question No. 4**

**Witness: Shannon L. Charnas**

Q-4. Provide the percentage of LG&E's long-term debt that has a variable interest rate as of the last expense month in the billing period under review.

A-4. The requested information for each of the six-month periods under review is as follows:

For the last expense month of the billing period May 1, 2007, through October 31, 2007, the percentage of LG&E's long-term debt with a variable rate was 39%.

For the last expense month of the billing period November 1, 2007, through April 30, 2008, the percentage of LG&E's long-term debt with a variable rate was 29%.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Information Requested in Appendix B of  
Commission's Order Dated June 17, 2008**

**Case No. 2008-00217**

**Question No. 5**

**Witness: Shannon L. Charnas**

- Q-5. Refer to ES Form 2.50, Pollution Control – Operations & Maintenance Expenses, for the March 2007 through February 2008 expense months. For each expense account number listed on this schedule, explain the reason(s) for any change in the total expense levels from month to month if that change is greater than plus or minus 10 percent.
- A-5. Attached please find a schedule showing the changes in the operations and maintenance expense accounts for March 2007 through February 2008 expense months. The changes in the expense levels are reasonable and occurred as a part of routine plant operations and maintenance. Expenses recorded in operating accounts 506104, 506105, and 506109 were varying during April through August 2007 due to the timing of ammonia purchases and operating the NO<sub>x</sub> and SO<sub>3</sub> systems during the ozone season (May through September). Fluctuations in the NO<sub>x</sub> maintenance expenses, account 512101, are the result of routine monthly maintenance of the SCRs. Scrubber operation account 502006 expenses are the result of regular operations of the Trimble County Unit 1 FGD. In October and November 2007, the balances were negative because the amount included in base rates exceeded the actual expenses. Ashpond dredging expenses in account 501201 are the result of the amortization of the expenses associated with the transfer of ash from the ash pond to the landfill at the Mill Creek Station pursuant to the Commission's Order in Case No. 2004-00421, which varies due to the amount of dredging completed in any month. Monthly variances in the mercury monitor maintenance account 512103 expenses are the result of normal equipment maintenance.

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

**Pollution Control - Operations & Maintenance Expenses**

O&M Expense Account	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	% Change from Prior Period
<b>2001 Plan</b>							
506104 NOx Operation -- Consumables	-	64,007	177,050	245,706	253,895	191,734	3% -24%
506105 NOx Operation -- Labor and Other	4,324	6,503	13,646	11,745	12,983	11,593	11% -11%
512101 NOx Maintenance	48,205	74,138	41,320	12,612	27,397	16,091	-69% -41%
Total 2001 Plan O&M Expenses	52,529	144,648	232,016	270,063	294,275	219,418	9% -25%
<b>2005 Plan</b>							
502006 Scrubber Operations	26,716	23,784	34,755	19,079	18,946	15,991	-1% -16%
512005 Scrubber Maintenance	-	-	-	-	-	-	0% 0%
501201 Ashpond Dredging Expense	61,822	70,010	75,828	82,568	88,563	93,577	9% 8% 6%
Total 2005 Plan O&M Expenses	88,538	93,794	110,583	101,447	107,509	109,568	-8% 6% 2%
<b>2006 Plan</b>							
506109 Sorbent Injection Operation	-	26,250	3,947	38,091	44,813	22,223	18% -50%
512102 Sorbent Injection Maintenance	-	-	-	-	-	-	0% 0%
506110 Mercury Monitors Operation	-	-	-	-	-	-	0% 0%
512103 Mercury Monitors Maintenance	-	-	-	7,124	3,645	2,442	100% -49%
Total 2006 Plan O&M Expenses	-	26,250	3,947	45,215	48,458	24,665	7% -49%
<b>2001 Plan</b>							
506104 NOx Operation -- Consumables	194,683	2%	62,035	-68%	-	-	0% 0%
506105 NOx Operation -- Labor and Other	10,136	-13%	2,793	-72%	4,312	18,389	326% 12,909
512101 NOx Maintenance	11,196	-30%	2,172	-81%	58,002	54,722	-6% 23,144
Total 2001 Plan O&M Expenses	216,015	-2%	67,000	-69%	62,314	73,111	17% 36,053
<b>2005 Plan</b>							
502006 Scrubber Operations	22,861	43%	(24,341)	-206%	(22,011)	25,058	-21,4%
512005 Scrubber Maintenance	-	0%	-	0%	-	-	0%
501201 Ashpond Dredging Expense	101,010	8%	108,737	8%	118,224	132,822	12%
Total 2005 Plan O&M Expenses	123,871	13%	84,396	-32%	96,213	157,880	64%
<b>2006 Plan</b>							
506109 Sorbent Injection Operation	56,029	152%	5,729	-90%	-	-	0%
512102 Sorbent Injection Maintenance	-	0%	-	0%	-	-	0%
506110 Mercury Monitors Operation	-	0%	-	0%	-	-	0%
512103 Mercury Monitors Maintenance	3,253	33%	2,732	-16%	-	-	0%
Total 2006 Plan O&M Expenses	59,282	140%	8,461	-86%	-	-	0%

O&M Expense Account	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	% Change from Prior Period
<b>2001 Plan</b>							
506104 NOx Operation -- Consumables	194,683	2%	62,035	-68%	-	-	0% 0%
506105 NOx Operation -- Labor and Other	10,136	-13%	2,793	-72%	4,312	18,389	326% 12,909
512101 NOx Maintenance	11,196	-30%	2,172	-81%	58,002	54,722	-6% 23,144
Total 2001 Plan O&M Expenses	216,015	-2%	67,000	-69%	62,314	73,111	17% 36,053
<b>2005 Plan</b>							
502006 Scrubber Operations	22,861	43%	(24,341)	-206%	(22,011)	25,058	-21,4%
512005 Scrubber Maintenance	-	0%	-	0%	-	-	0%
501201 Ashpond Dredging Expense	101,010	8%	108,737	8%	118,224	132,822	12%
Total 2005 Plan O&M Expenses	123,871	13%	84,396	-32%	96,213	157,880	64%
<b>2006 Plan</b>							
506109 Sorbent Injection Operation	56,029	152%	5,729	-90%	-	-	0%
512102 Sorbent Injection Maintenance	-	0%	-	0%	-	-	0%
506110 Mercury Monitors Operation	-	0%	-	0%	-	-	0%
512103 Mercury Monitors Maintenance	3,253	33%	2,732	-16%	-	-	0%
Total 2006 Plan O&M Expenses	59,282	140%	8,461	-86%	-	-	0%



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Information Requested in Appendix B of  
Commission's Order Dated June 17, 2008**

**Case No. 2008-00217**

**Question No. 6**

**Witness: Shannon L. Charnas**

- Q-6. The Commission previously ordered that LG&E's cost of debt and preferred stock would be reviewed and re-established during the 6-month review case. Provide the following information as of August 31, 2007:
- a. The outstanding balances for long-term debt, short-term debt, preferred stock, and common equity. Provide this information on total company and electric operations 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 electric operations bases.
  - c. LG&E's calculation of its weighted average cost of capital for environmental surcharge purposes.
- A-6.
- a. In response to an inquiry by the Company, KPSC Staff clarified that the date in the request for information should be February 29, 2008. Please see the attachment. There was no preferred stock as of February 29, 2008, therefore it is not listed in the attached schedule.
  - b. In response to an inquiry by the Company, KPSC Staff clarified that the date in the request for information should be February 29, 2008. Please see the attachment. There was no preferred stock as of February 29, 2008, therefore it is not listed in the attached schedule.
  - c. In response to an inquiry by the Company, KPSC Staff clarified that the date in the request for information should be February 29, 2008. Please see the attachment.

Louisville Gas and Electric Company  
Outstanding Balances - Capitalization  
As of February 29, 2008

1	2	3
	Outstanding Balance Total Company	Outstanding Balance Electric Only 80.39%
1 Long-Term Debt	984,304,000	791,281,986
2 Short-Term Debt	46,189,200	37,131,498
3 Common Equity	1,172,121,114	942,268,163



Louisville Gas and Electric Company  
Blended Interest Rates  
As of February 29, 2008

	1
	Blended Interest Rate
	<u>Total Company</u>
1 Long-Term Debt	5.81%
2 Short-Term Debt	3.08%

LOUISVILLE GAS AND ELECTRIC COMPANY  
ANALYSIS OF THE EMBEDDED COST OF CAPITAL AT  
February 29, 2008

<b>LONG-TERM DEBT</b>									
	Due	Rate	Principal	Interest	Annualized Cost			Total	Embedded Cost
					Amortized Debt Issuance Expense	Premium	Amortized Loss-Required Debt		
Pollution Control Bonds -									
Series Y - 2000 A JC	05/01/27	8.75000% *	25,000,000	2,187,500	23,904	-	81,024	2,292,428	9.17
Series Z - 2000 A TC	08/01/30	3.90200% *	83,335,000	3,251,732	38,280	-	143,700	3,433,712	4.12
Series AA - 2001 A JC	09/01/27	3.61500% *	10,104,000	365,260	19,836	-	-	385,096	3.81
Series BB - 2001 A JC	09/01/26	3.22000% *	22,500,000	724,500	9,876	-	77,424	811,800	3.61
Series CC - 2001 A TC	09/01/26	3.22000% *	27,500,000	885,500	10,740	-	65,400	961,640	3.50
Series DD - 2001 B JC	11/01/27	3.24000% *	35,000,000	1,134,000	10,944	-	49,056	1,194,000	3.41
Series EE - 2001 B TC	11/01/27	3.24000% *	35,000,000	1,134,000	10,944	-	48,864	1,193,808	3.41
Series FF - 2002 A TC	10/01/32	4.50000% *	41,665,000	1,874,925	36,840	-	55,812	1,967,577	4.72
Series GG - 2003 A JC	10/01/33	4.64700% *	128,000,000	5,948,160	117,111	-	190,308	6,255,579	4.89
Series HH - 2005 A JC	02/01/35	8.48000% *	40,000,000	3,392,000	36,624	-	46,848	3,475,472	8.69
JC2007A \$31M	06/01/33	7.50000%	31,000,000	2,325,000	24,705	-	4,966	2,354,671	7.60
JC2007B \$35.2M	06/01/33	7.75500%	35,200,000	2,729,760	23,237	-	6,567	2,759,565	7.84
JC2007A \$60M	06/01/33	4.60000%	60,000,000	2,760,000	47,192	-	2,813	2,810,005	4.68
Called Bonds			-	-	-	-	263,196 <sup>2</sup>	263,196	-
<b>Total External Debt</b>			<b>574,304,000</b>	<b>28,712,337</b>	<b>410,233</b>	<b>-</b>	<b>1,035,979</b>	<b>30,158,548</b>	<b>3.06%</b>
Interest Rate Swaps:									
JP Morgan Chase Bank	11/01/20	1		3,157,189	-	-	-	3,157,189	
Morgan Stanley Capital Services	10/01/33	1		514,391	-	-	-	514,391	
Morgan Stanley Capital Services	10/01/33	1		510,295	-	-	-	510,295	
Bank of America	10/01/33	1		527,362	-	-	-	527,362	
Wachovia	10/01/33	1		433,495	-	-	-	433,495	
<b>Interest Rate Swaps External Debt</b>				<b>5,142,732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,142,732</b>	<b>0.52%</b>
Notes Payable to Fidelity Corp									
Notes Payable to Fidelity Corp	04/30/13	4.55%	100,000,000	4,550,000	-	-	-	4,550,000	4.55
Notes Payable to Fidelity Corp	08/15/13	5.31%	100,000,000	5,310,000	-	-	-	5,310,000	5.31
Notes Payable to Fidelity Corp	01/16/12	4.33%	25,000,000	1,082,500	-	-	-	1,082,500	4.33
Notes Payable to Fidelity Corp	04/13/37	5.98%	70,000,000	4,186,000	-	-	-	4,186,000	5.98
Notes Payable to Fidelity Corp	04/13/31	5.93%	68,000,000	4,032,400	-	-	-	4,032,400	5.93
Notes Payable to Fidelity Corp	11/26/22	5.72%	47,000,000	2,688,400	-	-	-	2,688,400	5.72
Mandatorily Redeemable Preferred Stock:									
\$5.875 Series	07/15/08	5.8750%	-	-	-	-	4,437	4,437	0
<b>Total Internal Debt</b>			<b>410,000,000</b>	<b>21,849,300</b>	<b>-</b>	<b>-</b>	<b>4,437</b>	<b>21,853,737</b>	<b>2.22%</b>
<b>Total</b>			<b>984,304,000</b>	<b>55,704,369</b>	<b>410,233</b>	<b>0</b>	<b>1,040,416</b>	<b>57,155,017</b>	<b>5.81%</b>

<b>SHORT TERM DEBT</b>									
	Maturity	Rate	Principal	Interest	Annualized Cost			Total	Embedded Cost
					Expense	Premium	Loss		
Notes Payable to Associated Company	NA	3.080% *	46,189,200	1,422,627	-	-	-	1,422,627	3.08
<b>Total</b>			<b>46,189,200</b>	<b>1,422,627</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,422,627</b>	<b>3.08%</b>

Embedded Cost of Total Debt 58,577,644 5.68%

\* Composite rate at end of current month

1 Additional interest due to Swap Agreements:

Underlying Debt Being Hedged	Notional Amount	Expiration of Swap Agreement	Fixed LG&E Swap Position	Variable Counterparty Swap Position
Series Z - PCB	83,335,000	11/01/20	To Pay: 5.495%	BMA Index
Series GG - PCB	32,000,000	10/01/33	To Pay: 3.657%	68% of 1 mo LIBOR
Series GG - PCB	32,000,000	10/01/33	To Pay: 3.645%	68% of 1 mo LIBOR
Series GG - PCB	32,000,000	10/01/33	To Pay: 3.695%	68% of 1 mo LIBOR
Series GG - PCB	32,000,000	10/01/33	To Pay: 3.648%	68% of 1 mo LIBOR
	<u>211,335,000</u>			

<sup>2</sup> Call premium and debt expense is being amortized over the remaining life of bonds due 10/1/09, 6/1/15, 7/1/13 and 8/1/17

Louisville Gas and Electric Company  
 Outstanding Balances - Capitalization  
 As of February 29, 2008

1	2	3	4	5	6	7
	Electric Only	Capital Structure	Cost Rate	Weighted Average Cost of Capital	Tax Gross-up Factor	Weighted Average Cost of Capital with Equity Gross-up
1	Long-Term Debt	791,281,986	44.69%	5.81%	2.60%	2.60%
2	Short-Term Debt	37,131,498	2.10%	3.08%	0.06%	0.06%
3	Common Equity	942,268,163	53.22%	10.50%	0.580	8.83%
5	Total	1,770,681,647				11.49%

Rate of Return Grossed Up:

11.49%

Weighted Cost of Capital Grossed up for Income Tax Effect  $\{ROR + (ROR - DR) \times [TR/(1-TR)]\}$

See tax rate calculation on 6(c) page (2)

**ECR - Gross-up Revenue Factor &  
Composite Income Tax Calculation  
2008**

	<b>2008</b>
	Federal & State Production Credit W/ 6% 2008 State <u>Tax Rate Included</u>
1. Assume pre-tax income of	\$ 100.0000
2. State income tax (see below)	<u>5.6604</u>
3. Taxable income for Federal income tax before production credit	94.3396
	6%
4. Less: Production tax credit (6% of Line 3)	<u>5.6604</u>
5. Taxable income for Federal income tax	88.6792
6. Federal income tax (35% of Line 5)	<u>31.0377</u>
7. Total State and Federal income taxes (Line 2 + Line 6)	<u>\$ 36.6981</u>
8. Gross-up Revenue Factor	<u><u>63.3019</u></u>
9. Therefore, the composite rate is:	
10. Federal	31.0377%
11. State	<u>5.6604%</u>
12. Total	<u><u>36.6981%</u></u>

State Income Tax Calculation

1. Assume pre-tax income of	\$ 100.0000
2. Less: Production tax credit	<u>5.6604</u>
3. Taxable income for State income tax	94.3396
4. State Tax Rate	<u>6.0000%</u>
5. State Income Tax	<u><u>5.6604</u></u>