

a PPL company

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

September 7, 2011

**RE: *AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION
OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF
KENTUCKY UTILITIES COMPANY FOR THE TWO-YEAR
BILLING PERIOD ENDING APRIL 30, 2011
CASE NO. 2011-00231***

Dear Mr. DeRouen:

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 Kentucky Utilities Company to the First Request for Information in Appendix B of the Commission's Order dated August 9, 2011, in the above-referenced matter.

Also enclosed are an original and ten (10) copies of a Petition for Confidential Protection regarding certain information contained in response to Question No. 6(b).

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

Sincerely,

Robert M. Conroy

Enclosures

RECEIVED

SEP 07 2011

PUBLIC SERVICE
COMMISSION

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
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Robert M. Conroy
Director - Rates
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
SEP 07 2011
PUBLIC SERVICE
COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF KENTUCKY) CASE NO. 2011-00231
UTILITIES COMPANY FOR THE TWO-YEAR)
BILLING PERIOD ENDING APRIL 30, 2011)

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

Kentucky Utilities Company ("KU") hereby petitions the Kentucky Public Service Commission ("Commission") pursuant to 807 KAR 5:001, Section 7, and KRS 61.878(1)(c) to grant confidential protection for the item described herein, which KU seeks to provide in response to the Commission Staff's Initial Data Requests No. 6(b). In support of this Petition, KU states as follows:

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

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

2. Commission Staff Request No. 6(b) asks KU to provide, "The blended interest rates for long-term debt, short-term debt, and preferred stock. Include all supporting calculations showing how these blended interest rates were determined." In response to this data request, KU is providing as an attachment a spreadsheet that demonstrates KU's embedded cost of capital.

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

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

4. The information for which KU is seeking confidential treatment is not known outside of KU, is not disseminated within KU except to those employees with a legitimate business need to know and act upon the information, and is generally recognized as confidential and proprietary information in the energy industry.


5. KU will disclose the confidential information, pursuant to a confidentiality agreement, to intervenors and others with a legitimate interest in this information and as required by the Commission. In accordance with the provisions of 807 KAR 5:001, Section 7 and the Commission's August 9, 2011 Order in this proceeding, KU herewith files with the Commission

one copy of the above-discussed response with the confidential information highlighted and ten (10) copies of its response without the confidential information.

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

Dated: September 1, 2011

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Allyson K. Sturgeon", written over a horizontal line.

Allyson K. Sturgeon
Senior Corporate Attorney
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-2088
Counsel for Kentucky Utilities Company

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

**CASE NO.
2011-00231**

DIRECT TESTIMONY OF

**ROBERT M. CONROY
DIRECTOR - RATES
LG&E AND KU SERVICES COMPANY**

Filed: September 7, 2011

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

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

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

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

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

13 A. The purpose of this proceeding is to review the past operation of KU’s environmental
14 surcharge during the six-month billing period ending April 30, 2011 that is part of the
15 two-year billing period also ending April 30, 2011, determine whether the surcharge
16 amounts collected during the period are just and reasonable, and then incorporate or
17 “roll-in” such surcharge amounts into KU’s existing electric base rates.

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

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

1 surcharge factors were calculated during the period under review. Further, my
2 testimony will recommend that the cumulative ECR revenue requirement for the
3 twelve-months ending with the expense month of February 2011 be used for purposes
4 of incorporating or “rolling-into” KU’s electric base rates the appropriate surcharge
5 amounts using the methodology previously approved by the Commission, most
6 recently in Case No. 2009-00310.

7 **Q. Please summarize the operation of the environmental surcharge for the billing**
8 **period included in this review.**

9 A. KU billed an environmental surcharge to its customers from November 1, 2010
10 through April 30, 2011. For purposes of the Commission’s examination in this case,
11 the monthly KU environmental surcharges are considered as of the six-month billing
12 period ending April 30, 2011; that same review period is part of the two-year billing
13 period also ending April 30, 2011. (The three previous billing periods were reviewed
14 in Cases No. 2009-00501, 2010-00241, and 2010-00474.) In each month of the six-
15 month period under review in this proceeding, KU calculated the environmental
16 surcharge factors in accordance with its tariff ES, and the requirements of the
17 Commission’s previous orders concerning KU’s environmental surcharge.

18 **Q. What costs were included in the calculation of the environmental surcharge**
19 **factors for the billing period under review?**

20 A. The capital and operating costs included in the calculation of the environmental
21 surcharge factors for the six-month billing period were the costs incurred each month
22 by KU from September 2010 through February 2011, as detailed in the attachment in

1 response to Question No. 2 of the Commission Staff's Request for Information,
2 incorporating all required revisions.

3 The monthly environmental surcharge factors applied during the billing period
4 under review were calculated consistent with the Commission's Orders in KU's
5 previous applications to assess or amend its environmental surcharge mechanism and
6 plan, as well as Orders issued in previous review cases. The monthly environmental
7 surcharge reports filed with the Commission during this time reflect the various
8 changes to the reporting forms ordered by the Commission from time to time.

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

11 A. Yes. In Case No. 2009-00310, KU's most recent ECR two-year review, the
12 Commission approved changes to the environmental surcharge mechanism that
13 include the calculation of the monthly billing factor using a revenue requirement
14 method instead of a percentage method (eliminating the use of the Base
15 Environmental Surcharge Factor ("BESF")), the elimination of the monthly true-up
16 adjustment, and revisions to the monthly reporting forms to reflect the approved
17 changes. Pursuant to the Commission's December 2, 2009 Order in that case, the
18 changes were implemented with the December 2009 expense month that was billed in
19 February 2010. The approved changes only impact the timing and accuracy of the
20 revenue collection, not the total revenues KU is allowed to collect through the ECR.

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

1 A. Yes. KU included a prior period adjustment in its January 2011 expense month
2 filing, incorporating and adjustment to Construction Work in Process costs incurred
3 for the expense months September 2009 through November 2010. No additional
4 changes were identified as a result of preparing responses to the requests for
5 information in this review.

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

8 A. Yes. Adjustments to E(m) are necessary for compliance with the Commission's
9 Order in Case No. 2000-00439 to reflect the actual changes in the overall rate of
10 return on capitalization that is used in the determination of the return on
11 environmental rate base. The details of and support for this calculation are shown in
12 KU's response to Question No. 1 of the Commission Staff's Request for Information.

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

15 A. Yes. KU experienced a cumulative over-recovery of \$3,580,868 for the billing period
16 ending April 30, 2011. KU's response to Question No. 2 of the Commission Staff's
17 Request for Information shows the calculation of the cumulative over-recovery. An
18 adjustment to the revenue requirement is necessary to reconcile the collection of past
19 surcharge revenues with the actual cost for the billing period under review.

20 **Q. Has KU identified the causes of the net over-recovery during the billing period**
21 **under review?**

22 A. Yes. KU has identified the components that make up the net over-recovery during
23 the billing period under review. The components are (1) changes in overall rate of

1 return as previously discussed, and (2) the use of 12 month average revenues to
2 determine the billing factor. The details and support of the components that make up
3 the net over-recovery during the billing period under review are shown in KU's
4 response to Question No. 2 of the Commission Staff's Request for Information.

5 **Q. Please explain how the function of the ECR mechanism contributes to the net**
6 **over-recovery in the billing period under review?**

7 A. The use of 12-month average revenues to calculate the monthly billing factor and
8 then applying that same billing factor to the actual monthly revenues will result in an
9 over or under-collection of ECR revenues. Typically it will result in an over-
10 collection during the summer or winter months when actual revenues will generally
11 be greater than the 12-month average and an under-collection during the shoulder
12 months when actual revenues will generally be less than the 12-month average. In
13 the billing period under review, the use of 12-month average revenues contributed to
14 the net over-recovery as shown in KU's response to Question No. 2 of the
15 Commission Staff's Request for Information.

16 During the period under review, KU's actual revenues were significantly
17 greater than the 12-month historical average due to the more severe than normal
18 temperatures during the winter billing months of December through February. The
19 table below shows a comparison of the 12-month average revenues used in the
20 monthly filings to determine the ECR billing factor and the actual revenues which the
21 ECR billing factor was applied in the billing month.

22

Expense Month	12-Month Average Revenue	Billing Month	Actual Revenues Subject to ECR Billing Factor
September 2010	\$ 100,402,603	November 2010	\$ 91,686,347
October 2010	101,296,429	December 2010	110,812,859
November 2010	102,819,017	January 2011	132,686,258
December 2010	104,328,682	February 2011	116,588,648
January 2011	106,403,777	March 2011	105,689,933
February 2011	107,016,860	April 2011	95,882,475

2

3 **Q. What kind of adjustment is KU proposing in this case as a result of the operation**
4 **of the environmental surcharge during the billing period?**

5 A. KU is proposing that the net over-recovery be refunded over the six months following
6 the Commission's Order in this proceeding. Specifically, KU recommends that the
7 Commission approve a decrease to the Environmental Surcharge Revenue
8 Requirement of \$596,811 for four months and \$596,812 for two months, beginning in
9 the second full billing month following the Commission's Order in this proceeding.
10 This method is consistent with the method of implementing previous over- or under-
11 recovery positions in prior ECR review cases.

12 **Q. What is the bill impact on a residential customer for the proposed refund of the**
13 **over-recovery?**

14 A. The inclusion of the refund in the determination of the ECR billing factor will
15 decrease the billing factor by approximately 0.55%. For a residential customer using
16 1,000 kWh, the impact of the adjusted ECR billing factor would be a decrease of
17 approximately \$0.38 per month for six months (using rates and adjustment clause
18 factors in effect for the August 2011 billing month).

1 **Q. Should the Commission approve the incorporation into KU's base rates the**
2 **environmental surcharge amounts found just and reasonable for the two year**
3 **billing period ending April 2011?**

4 A. Yes. It is appropriate, at this time, to incorporate surcharge amounts found just and
5 reasonable for the two year billing period ending April 2011 into electric base rates.
6 KU recommends that an incremental environmental surcharge amount of \$49,410,769
7 be incorporated into base rates at the conclusion of this case. KU determined the
8 incremental roll-in amount of \$49,410,769 using environmental surcharge rate base as
9 of February 28, 2011 and environmental surcharge operating expenses for the twelve
10 month period ending February 28, 2011. If approved, the total amount of
11 environmental surcharge that will be included in base rates will be \$161,413,909.
12 The amount of environmental surcharge that will be included in base rates represents
13 rate base and operating expenses associated only with KU's 2005, 2006, and 2009
14 amendments to its Compliance Plan. All costs associated with the 2001 and 2003
15 amendments to the Compliance Plan were removed from ECR recovery and included
16 in base rates, consistent with the Commission's approval of the Stipulation and
17 Recommendation in Case No. 2009-00548.

18 **Q. If the Commission accepts KU's recommendation to incorporate the proposed**
19 **amount into base rates, what will be the impact on KU's ECR revenue**
20 **requirement?**

21 A. The incorporation of the recommended surcharge amount into base rates will increase
22 base rates and, two months later, decrease ECR revenues by an equal amount. There

1 will be no impact on the environmental costs KU is allowed to recover from its
2 customers; only the method of collection will be impacted.

3 **Q. Please explain why ECR revenues will not decrease in the same month that base**
4 **rates will increase.**

5 A. The ECR is billed on a two-month lag, meaning that costs are incurred, for example,
6 in February 2011 (expense month) and ECR revenues are collected two months later
7 in April 2011 (billing month). KU's determination of costs recoverable through the
8 billing factor (E(m) for the expense month) are reduced by the ECR revenue included
9 in base rates. Therefore, total ECR costs for the month of February are collected
10 from customers through base rates in February and through the ECR billing
11 mechanism in April. If base rates increase due to a roll-in in February, the portion of
12 ECR costs incurred in February that is recovered through base rates will increase and
13 the resulting decrease in the ECR billing factor will be applied in April. If the
14 decrease in the ECR billing factor were applied in February, the same month that base
15 rates change, then KU would not be collecting the correct amount of ECR revenue
16 associated with costs incurred in December. This is because the February billing
17 factor is associated with the December expense month and must be calculated using
18 base rates in effect in December.

19 **Q. Is KU proposing any changes to the monthly reporting forms used for**
20 **calculating the environmental surcharge?**

21 A. KU currently has pending before the Commission its application for approval of the
22 2011 amendments to its Compliance Plan (Case No. 2011-00161). In that case, KU
23 proposed certain modifications to the monthly filing forms that can be implemented

1 upon the issuance of the Commission's Order in this case, should such an Order be
2 issued prior to the issuance of an Order in Case No. 2011-00162. Specifically, the
3 modifications that KU could implement (related only to this review case) are the
4 elimination of references to KU's 2001 and 2003 Amendments to its Compliance
5 Plan, consistent with the Commission's Order in Case No. 2009-00548, as currently
6 included on ES Forms 2.10 and 2.50.

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

9 A. KU is recommending an overall rate of return on capital of 10.56%, including the
10 currently approved 10.63% return on equity and adjusted capitalization, to be used to
11 calculate the environmental surcharge. This is based on capitalization as of February
12 28, 2011 and the Commission's Order of July 30, 2010 in Case No. 2009-00548.
13 Please see the response and attachment to Commission Staff's Request for
14 Information Question No. 6 following this testimony.

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

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

- 17 a) The Commission should approve the proposed decrease to the Environmental
18 Surcharge Revenue Requirement of \$596,811 for four months and \$596,812
19 for two months beginning in the second full billing month following the
20 Commission's Order in this proceeding;
- 21 b) The Commission should determine environmental surcharge amount for the
22 six-month billing period ending April 30, 2011 to be just and reasonable;

1 c) The Commission should approve the use of an overall rate of return on capital
2 of 10.56% using a return on equity of 10.63% beginning in the second full
3 billing month following the Commission's Order in this proceeding.

4 d) The Commission should approve a "roll-in" of \$49,410,769 in incremental
5 environmental costs into KU's base rates, for a total base rate ECR component
6 of \$161,413,909, to be included in base rates following the methodology
7 previously approved by the Commission and implemented by KU.

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

9 A. Yes.

APPENDIX A

Robert M. Conroy

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

Education

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

Previous Positions

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

Professional/Trade Memberships

Registered Professional Engineer in Kentucky, 1995.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF KENTUCKY) CASE NO.
UTILITIES COMPANY FOR THE TWO-YEAR) 2011-00231
BILLING PERIOD ENDING APRIL 30, 2011)**

**RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION IN
APPENDIX B OF COMMISSION'S ORDER
DATED AUGUST 9, 2011**

FILED: September 7, 2011

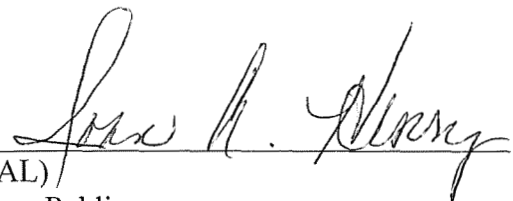
VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says he is the Director – Rates for LG&E and 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 4th day of September 2011.


(SEAL)
Notary Public

My Commission Expires:
July 21, 2015

VERIFICATION

COMMONWEALTH OF KENTUCKY)

) SS:

COUNTY OF JEFFERSON)

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

Shannon L. Charnas
SHANNON L. CHARNAS

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 6th day of September 2011.

Lois A. Harty
(SEAL)
Notary Public

My Commission Expires:

July 21, 2015

KENTUCKY UTILITIES COMPANY

Response to Commission Staff's First Request for Information in Appendix B of Commission's Order Dated August 9, 2011

Case No. 2011-00231

Question No. 1

Witness: Robert M. Conroy / Shannon L. Charnas

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

A-1. Please see the attachment.

KU calculated the true-up adjustment to recognize changes in the cost of debt and capital structure in two steps, shown on Pages 1 and 2 of the attachment to this response. Page 1 reflects the true-up required due to changes between the Rate Base as filed and the Rate Base as Revised through the preparation of this response. Revisions to Rate Base as filed that were included in subsequent Monthly Filings with the Commission are reflected in Column (4) on Page 2 of 3 of the Attachment to Question No. 2. Page 2 represents the true-up in the Rate of Return as filed compared to the actual Rate of Return calculations reflecting the actual cost of debt as of April 30, 2011, which impacted the true-up adjustment for the last six months of the two-year period under review in this case.

No revisions to Rate Base were identified during the preparation of this response; therefore, Rate Base as Filed (column 4, page 1) and Rate Base as Revised (column 5, page 1) are identical.

Page 3 of the attachment to this response provides the adjusted weighted average cost of capital for the period under review.

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

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-09	Mar-09	11 12%	\$ 1,207,038,661	\$ 1,207,038,661	\$ -	\$ -	85.16%	\$ -
Jun-09	Apr-09	11 12%	1,223,132,665	1,223,132,665	-	-	87.67%	-
Jul-09	May-09	11 12%	1,237,608,696	1,237,608,696	-	-	84.60%	-
Aug-09	Jun-09	11 12%	1,254,284,395	1,254,284,395	-	-	87.48%	-
Sep-09	Jul-09	11 12%	1,265,464,875	1,265,464,875	-	-	85.22%	-
Oct-09	Aug-09	11 12%	1,274,892,159	1,274,892,159	-	-	87.06%	-
						\$ -		\$ -
Nov-09	Sep-09	11 12%	\$ 1,286,590,705	\$ 1,286,590,705	\$ -	\$ -	87.86%	\$ -
Dec-09	Oct-09	11 12%	1,297,196,155	1,297,196,155	-	-	87.44%	-
Jan-10	Nov-09	11 12%	1,305,616,597	1,305,616,597	-	-	85.53%	-
Feb-10	Dec-09	11 00%	1,317,124,291	1,317,124,291	-	-	83.85%	-
Mar-10	Jan-10	11 00%	1,322,992,882	1,322,992,882	-	-	84.36%	-
Apr-10	Feb-10	11 00%	1,330,252,270	1,330,252,270	-	-	81.71%	-
						\$ -		\$ -
May-10	Mar-10	11 00%	\$ 1,339,171,507	\$ 1,339,171,507	\$ -	\$ -	89.28%	\$ -
Jun-10	Apr-10	11 00%	1,346,901,929	1,346,901,929	-	-	87.37%	-
Jul-10	May-10	11 12%	1,355,942,350	1,355,942,350	-	-	86.68%	-
Aug-10	Jun-10	11 12%	1,361,085,613	1,361,085,613	-	-	86.14%	-
Sep-10	Jul-10	11 12%	1,360,915,177	1,360,915,177	-	-	86.06%	-
Oct-10	Aug-10	11 12%	1,194,564,467	1,194,564,467	-	-	87.69%	-
						\$ -		\$ -
Nov-10	Sep-10	11 12%	\$ 1,211,210,920	\$ 1,211,210,920	\$ -	\$ -	88.85%	\$ -
Dec-10	Oct-10	11 12%	1,217,179,737	1,217,179,737	-	-	90.72%	-
Jan-11	Nov-10	11 12%	1,221,342,014	1,221,342,014	-	-	88.01%	-
Feb-11	Dec-10	10 86%	1,222,653,216	1,222,653,216	-	-	86.99%	-
Mar-11	Jan-11	10 86%	1,217,833,316	1,217,833,316	-	-	85.12%	-
Apr-11	Feb-11	10 86%	1,214,036,916	1,214,036,916	-	-	86.06%	-
						\$ -		\$ -
Impact of Change in Rate Base during the six-month billing period ending April 30, 2011						\$ -		\$ -
Cumulative Impact of Changes in Rate Base						\$ -		\$ -

Note: The billing period ending October 31, 2009 was reviewed in Case No. 2009-00501 True-up adjustments for the expense months March -July were included in the August 2009 monthly filing consistent with prior practice
 The billing period ending April 30, 2010 was reviewed in Case No. 2010-00241 A true-up adjustment for the expense month February 2010 was included in the August 2010 monthly filing consistent with prior practice
 The billing period ending October 31, 2010 was reviewed in Case No. 2010-00474 True-up adjustments for the expense months March 2009 through March 2010 were included in the August 2010 monthly filing consistent with prior practice
 True-up adjustments for the expense months September 2009 through November 2010 were included in the January 2011 monthly filing consistent with prior practice

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-09	Mar-09	11 12%	11 17%	0 05%	\$ 1,207,038,661	50,293	85 16%	42,830
Jun-09	Apr-09	11 12%	11 17%	0 05%	1,223,132,665	50,964	87 67%	44,680
Jul-09	May-09	11 12%	11 17%	0 05%	1,237,608,696	51,567	84 60%	43,626
Aug-09	Jun-09	11 12%	11 17%	0 05%	1,254,284,395	52,262	87 48%	45,719
Sep-09	Jul-09	11 12%	11 17%	0 05%	1,265,464,875	52,728	85 22%	44,935
Oct-09	Aug-09	11 12%	11 17%	0 05%	1,274,892,159	53,121	87 06%	46,247
						310,934		268,035
Nov-09	Sep-09	11 12%	10 93%	-0 19%	\$ 1,286,590,705	(203,710)	87 86%	(178,980)
Dec-09	Oct-09	11 12%	10 93%	-0 19%	1,297,196,155	(205,389)	87 44%	(179,592)
Jan-10	Nov-09	11 12%	10 93%	-0 19%	1,305,616,597	(206,723)	85 53%	(176,810)
Feb-10	Dec-09	11 00%	10 93%	-0 07%	1,317,124,291	(76,832)	83 85%	(64,424)
Mar-10	Jan-10	11 00%	10 93%	-0 07%	1,322,992,882	(77,175)	84 36%	(65,104)
Apr-10	Feb-10	11 00%	10 93%	-0 07%	1,330,252,270	(77,598)	81 71%	(63,405)
						(847,427)		(728,316)
May-10	Mar-10	11 00%	10 90%	-0 10%	\$ 1,339,171,507	(111,598)	89 28%	(99,634)
Jun-10	Apr-10	11 00%	10 90%	-0 10%	1,346,901,929	(112,242)	87 37%	(98,066)
Jul-10	May-10	11 12%	10 90%	-0 22%	1,355,942,350	(248,589)	86 68%	(215,477)
Aug-10	Jun-10	11 12%	10 90%	-0 22%	1,361,085,613	(249,532)	86 14%	(214,947)
Sep-10	Jul-10	11 12%	10 90%	-0 22%	1,360,915,177	(249,501)	86 06%	(214,721)
Oct-10	Aug-10	11 12%	10 90%	-0 22%	1,194,564,467	(219,003)	87 69%	(192,044)
						(1,190,466)		(1,034,889)
Nov-10	Sep-10	11 12%	10 59%	-0 53%	\$ 1,211,210,920	(534,951)	88 85%	(475,304)
Dec-10	Oct-10	11 12%	10 59%	-0 53%	1,217,179,737	(537,588)	90 72%	(487,700)
Jan-11	Nov-10	11 12%	10 59%	-0 53%	1,221,342,014	(539,426)	88 01%	(474,749)
Feb-11	Dec-10	10 86%	10 59%	-0 27%	1,222,653,216	(275,097)	86 99%	(239,307)
Mar-11	Jan-11	10 86%	10 59%	-0 27%	1,217,833,316	(274,012)	85 12%	(233,239)
Apr-11	Feb-11	10 86%	10 59%	-0 27%	1,214,036,916	(273,158)	86 06%	(235,080)
						(2,434,233)		(2,145,379)
Cumulative Impact of Changes in Rate of Return						\$ (4,161,192)		\$ (3,640,549)

Note: The billing period ending October 31, 2009 was reviewed in Case No 2009-00501. True-up adjustments for the expense months March -July were included in the August 2009 monthly filing consistent with prior practice
 The billing period ending April 30, 2010 was reviewed in Case No 2010-00241. A true-up adjustment for the expense month February 2010 was included in the August 2010 monthly filing consistent with prior practice
 The billing period ending October 31, 2010 was reviewed in Case No 2010-00474. True-up adjustments for the expense months March 2009 through March 2010 were included in the August 2010 monthly filing consistent with prior practice
 True-up adjustments for the expense months September 2009 through November 2010 were included in the January 2011 monthly filing consistent with prior practice

KENTUCKY UTILITIES

**Adjusted Electric Rate of Return on Common Equity
As of April 30, 2011**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Per Books 04-30-11	Capital Structure	Undistributed Subsidiary Earnings	Investment in EEI	Investments in OVEC and Other	Adjustments to Total Co. Capitalization	Adjusted Total Company Capitalization	Jurisdictional Rate Base Percentage	Kentucky Jurisdictional Capitalization
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		(Col 2 x Col 4 Line 4)	(Col 2 x Col 4 Line 4)	(Col 2 x Col 4 Line 4)	(Col 2 x Col 5 Line 4)	(Sum of Col 3 - Col 5)	(Col 1 + Col 6)		(Col 7 x Col 8)
1. Short Term Debt	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	87.19%	\$ -
2. Long Term Debt	1,841,176,645	46.67%	-	1,302,056	(200,271)	1,101,785	1,842,278,430	87.19%	1,606,282,563
3. Common Equity	2,103,855,160	53.33%	(9,280,774)	1,487,864	(228,850)	(8,021,760)	2,095,833,401	87.19%	1,827,357,142
4. Total Capitalization	\$ 3,945,031,805	100.0000%	\$ (9,280,774)	\$ 2,789,920	\$ (429,121)	\$ (6,919,975)	\$ 3,938,111,831		\$ 3,433,639,705

	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	Kentucky Jurisdictional Capitalization	Capital Structure	Environmental Surcharge (Net of ECR Roll-in)	Adjusted Kentucky Jurisdictional Capitalization	Adjusted Capital Structure	Annual Cost Rate	Cost of Capital
	(9)	(10)	(Col 10 x Col 11 Line 4)	(Col 9 + Col 11)	(13)	(14)	(Col 14 x Col 13)
1. Short Term Debt	\$ -	0.00%	\$ -	\$ -	0.00%	0.00%	0.00%
2. Long Term Debt	1,606,282,563	46.78%	(85,212,050)	1,521,070,513	46.78%	3.83%	1.79%
3. Common Equity	1,827,357,142	53.22%	(96,942,824)	1,730,414,318	53.22%	10.63%	5.66%
4. Total Capitalization	\$ 3,433,639,705	100.0000%	\$ (182,154,874)	\$ 3,251,484,831	100.0000%		7.45%
5. Weighted Cost of Capital Grossed up for Income Tax Effect (ROR + (ROR - DR) x [TR / (1 - TR)])							10.59%

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated August 9, 2011**

Case No. 2011-00231

Question No. 2

Witness: Robert M. Conroy

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

For the period under review, KU experienced a net over-recovery of \$3,580,868.

**Kentucky Utilities Company
Calculation of E(m) and Jurisdictional Surchage Billing Factor
Summary Schedule for Expense Months March 2009 through February 2011**

(1) Expense Month	(2) Rate Base as Revised	(3) Monthly Rate Base as Revised	(4) Rate of Return as Revised	(5) Operating Expenses (net of allowance proceeds)	(6) Client I FGD Operating Expenses and Cypsum Proceeds	(7) Total E(m)	(8) Retail Allocation Ratio	(9) Retail E(m)	Comments: As Revised in This Review
	ES Form 2.00	(2) / 12		ES Form 2.00	Attachment 1 & 2	(3) * (4) + (5) + (6)	ES Form 1.10	(7) * (8)	
Mar-09	\$ 1,207,058,661	\$ 100,586,555	11.17%	\$ 3,553,094	\$ 185,555	\$ 14,774,168	85.16%	\$ 12,581,681	
Apr-09	1,223,152,665	101,927,722	11.17%	3,796,462	229,195	15,410,983	87.67%	13,510,809	
May-09	1,237,608,696	103,134,058	11.17%	3,784,709	174,863	15,479,646	84.60%	13,095,781	
Jun-09	1,254,284,395	104,523,700	11.17%	3,886,965	151,082	15,713,344	87.48%	13,746,034	
Jul-09	1,265,464,875	105,455,406	11.17%	3,775,914	130,164	15,683,447	85.22%	13,365,434	
Aug-09	1,274,892,159	106,241,013	11.17%	4,192,468	-	16,059,589	87.06%	13,981,478	
Sep-09	1,286,590,705	107,215,892	10.93%	4,072,334	-	15,791,031	87.86%	13,874,000	
Oct-09	1,297,196,155	108,099,680	10.93%	4,116,193	-	15,931,488	87.44%	13,930,493	
Nov-09	1,305,616,597	108,801,383	10.93%	4,071,680	-	15,965,671	85.53%	13,652,728	
Dec-09	1,317,124,291	109,760,358	10.93%	4,300,116	-	16,296,923	83.85%	13,664,970	
Jan-10	1,322,992,882	110,249,407	10.93%	4,263,933	-	16,314,193	84.36%	13,762,653	
Feb-10	1,330,252,270	110,854,356	10.93%	4,226,741	-	16,343,122	81.71%	13,353,965	
Mar-10	1,339,171,507	111,597,626	10.90%	4,139,992	-	16,304,133	89.28%	14,556,330	
Apr-10	1,346,901,929	112,241,827	10.90%	4,163,238	-	16,397,597	87.37%	14,326,581	
May-10	1,355,942,350	112,995,196	10.90%	4,197,820	-	16,514,296	86.68%	14,314,592	
Jun-10	1,361,085,613	113,423,801	10.90%	4,947,757	-	17,310,951	86.14%	14,911,653	
Jul-10	1,360,915,177	113,409,598	10.90%	5,581,875	-	17,943,521	86.06%	15,442,194	
Aug-10	1,194,564,467	99,547,039	10.90%	4,957,446	-	15,808,073	87.69%	13,862,099	
Sep-10	1,211,210,920	100,934,243	10.59%	4,571,670	-	15,260,606	88.85%	13,559,049	
Oct-10	1,217,179,737	101,431,645	10.59%	4,145,510	-	14,887,121	90.72%	13,505,596	
Nov-10	1,221,342,014	101,778,501	10.59%	4,287,027	-	15,065,370	88.01%	13,259,032	
Dec-10	1,222,653,216	101,887,768	10.59%	5,031,572	-	15,821,487	86.99%	13,763,111	
Jan-11	1,217,833,316	101,486,110	10.59%	5,405,299	-	16,152,678	85.12%	13,749,160	
Feb-11	1,214,036,916	101,169,743	10.59%	5,918,947	-	16,632,823	86.06%	14,314,207	

Note: The billing period ending October 31, 2009 was reviewed in Case No. 2009-00501.
The billing period ending April 30, 2010 was reviewed in Case No. 2010-00241.
The billing period ending October 31, 2010 was reviewed in Case No. 2010-00474.

**Kentucky Utilities Company
Calculation of E(m) and Jurisdictional Surcharge Billing Factor
Summary Schedule for Expense Months March 2009 through February 2011**

(1) Expense Month	(2) Retail E(m)	(3) Adjustment to Retail E(m) for Month True-up	(4) Prior Period Adjustments (as filed)	(5) Retail E(m) including all Adjustments	(6) Average Monthly Retail Revenues	(7) Current Environmental Surcharge Factor (CESF)	(8) Base Environmental Surcharge Factor (BESF)	(9) Monthly Environmental Surcharge Factor (MESF)	(10) Monthly Billing Factor	(11) ECR Revenue Recovered Through Base Rates	(12) Billing Month	(13) ECR Revenue Recovered Through Base Rates	(14) ECR Billing Factor Revenues	(15) Combined Total Over/(Under) Recovery
Case Nos. 2008-00590; 2009-010; 2009-501; 2010-241														
Mar-09	\$ 12,581,681	\$ -	\$ -	\$ 12,581,681	\$ 91,621,815	13.75%	5.51%	8.22%		\$ -	Mar-09	\$ 3,409,321	\$ 6,846,073	\$ (2,326,286)
Apr-09	\$ 13,510,809	\$ -	\$ -	\$ 13,510,809	\$ 91,811,637	14.72%	5.51%	9.21%		\$ -	Jun-09	\$ 3,904,230	\$ 8,438,593	\$ (1,167,986)
May-09	\$ 13,095,781	\$ -	\$ -	\$ 13,095,781	\$ 91,246,609	14.27%	5.51%	8.76%		\$ -	Jul-09	\$ 4,187,216	\$ 9,581,918	\$ 673,353
Jun-09	\$ 13,746,094	\$ -	\$ -	\$ 13,746,094	\$ 91,918,044	14.95%	5.51%	9.44%		\$ -	Aug-09	\$ 3,983,151	\$ 8,912,825	\$ (850,058)
Jul-09	\$ 13,365,434	\$ 658,217	\$ -	\$ 14,023,651	\$ 90,921,476	15.42%	5.51%	9.91%		\$ -	Sep-09	\$ 4,095,692	\$ 10,484,655	\$ 556,676
Aug-09	\$ 13,981,478	\$ 658,217	\$ -	\$ 14,639,695	\$ 89,860,147	16.29%	5.51%	10.78%		\$ -	Oct-09	\$ 3,852,192	\$ 10,195,809	\$ (591,604)
				\$ 81,977,650						\$ -		\$ 23,431,802	\$ 54,459,944	\$ (3,705,005)
Sep-09	\$ 13,874,000	\$ 658,217	\$ -	\$ 14,532,217	\$ 89,134,078	16.71%	5.51%	11.20%		\$ -	Nov-09	\$ 3,351,618	\$ 8,231,127	\$ (2,959,272)
Oct-09	\$ 13,930,493	\$ 658,216	\$ -	\$ 14,588,709	\$ 89,232,955	17.54%	5.51%	12.03%		\$ -	Dec-09	\$ 4,255,223	\$ 11,156,810	\$ 773,324
Nov-09	\$ 13,653,728	\$ 658,216	\$ -	\$ 14,311,944	\$ 88,436,502	19.46%	5.51%	13.95%		\$ -	Jan-10	\$ 5,098,438	\$ 14,951,912	\$ 5,698,406
Dec-09	\$ 13,664,970	\$ 1,295,210	\$ -	\$ 14,960,180	\$ 86,073,789				12.25%	\$ -	Feb-10	\$ -	\$ 13,417,060	\$ (1,543,120)
Jan-10	\$ 13,762,653	\$ 636,994	\$ -	\$ 14,399,647	\$ 88,430,092				10.64%	\$ -	Mar-10	\$ -	\$ 11,237,977	\$ (3,114,620)
Feb-10	\$ 13,353,965	\$ 636,994	\$ -	\$ 13,990,959	\$ 88,947,230				-3.26%	\$ -	Apr-10	\$ -	\$ 23,665,973	\$ (3,318,150)
				\$ 86,783,656						\$ -		\$ 12,645,279	\$ 36,610,913	\$ (4,490,750)
Mar-10	\$ 14,556,330	\$ 656,594	\$ -	\$ 15,193,324	\$ 90,675,794				2.24%	\$ -	May-10	\$ -	\$ 1,775,548	\$ (172,305)
Apr-10	\$ 14,326,581	\$ 656,595	\$ -	\$ 14,963,276	\$ 90,787,105				9.29%	\$ -	Jun-10	\$ -	\$ 8,898,569	\$ 4,472,891
May-10	\$ 14,314,592	\$ 1,254,646	\$ -	\$ 15,569,238	\$ 91,514,672				6.51%	\$ -	Jul-10	\$ -	\$ 7,329,791	\$ 1,584,906
Jun-10	\$ 14,911,653	\$ 617,651	\$ -	\$ 15,529,304	\$ 92,476,215				4.44%	\$ -	Aug-10	\$ -	\$ 5,630,958	\$ 1,741,903
Jul-10	\$ 15,442,194	\$ 617,651	\$ -	\$ 16,059,845	\$ 94,995,288				3.62%	\$ -	Sep-10	\$ -	\$ 4,465,805	\$ 1,259,278
Aug-10	\$ 13,862,099	\$ 617,651	\$ -	\$ 14,479,750	\$ 97,785,530				0.57%	\$ -	Oct-10	\$ -	\$ 678,496	\$ 337,370
				\$ 91,795,038						\$ -		\$ -	\$ 28,779,166	\$ 9,204,042
Sep-10	\$ 13,559,049	\$ 617,650	\$ -	\$ 14,176,699	\$ 100,402,603				3.34%	\$ -	Nov-10	\$ -	\$ 2,948,221	\$ 248,442
Oct-10	\$ 13,505,896	\$ 617,650	\$ -	\$ 14,123,246	\$ 101,296,429				4.65%	\$ -	Dec-10	\$ -	\$ 5,096,959	\$ 871,303
Nov-10	\$ 13,279,032	\$ 577,091	\$ -	\$ 13,259,032	\$ 102,819,017				4.11%	\$ -	Jan-11	\$ -	\$ 5,407,256	\$ 1,660,998
Dec-10	\$ 13,763,111	\$ -	\$ -	\$ 13,763,111	\$ 104,328,682				2.23%	\$ -	Feb-11	\$ -	\$ 3,026,209	\$ 609,048
Jan-11	\$ 13,749,160	\$ -	\$ (78,018)	\$ 13,671,142	\$ 106,403,777				0.08%	\$ -	Mar-11	\$ -	\$ 169,800	\$ 317,037
Feb-11	\$ 14,314,207	\$ -	\$ -	\$ 14,314,207	\$ 107,016,860				2.54%	\$ -	Apr-11	\$ -	\$ 2,360,485	\$ (126,159)
				\$ 83,884,529						\$ -		\$ -	\$ 19,008,930	\$ 3,580,868
Total for the 2-year period:				\$ 344,060,874						\$ -		\$ 36,077,081	\$ 158,858,954	\$ 4,888,255
Less Amounts from previous 6-month reviews:			2009-00501	\$ 81,597,650						\$ -		\$ 23,431,802	\$ 54,459,944	\$ (3,705,004)
			2010-00241	\$ 86,783,656						\$ -		\$ 12,645,279	\$ 56,610,914	\$ (4,490,751)
			2010-00474	\$ 91,795,038						\$ -		\$ -	\$ 38,779,166	\$ 9,204,042
Total for the current 6-month period:				\$ 83,884,530						\$ -		\$ -	\$ 19,008,930	\$ 3,580,868

Net Over-Recovery to be returned to customers for the 6-month billing period ending April 30, 2011:

Note 1: Beginning with the Dec-09 expense month, KU transitioned to the Revenue Requirement methodology approved in Case No. 2009-00309.
 Note 2: The ECR Revenue recovered through Base Rates in February, 2010 and August, 2010 was revised from the originally filed amount (see Prior Period Adjustments included in the April and September 2010 expense month filings).

Kentucky Utilities Company
Reconciliation of Combined Over/(Under) Recovery
Summary Schedule for Expense Months September 2010 through February 2011

(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	Jursidictional Impact (7) * (8)
Nov-10	Sep-10	11 12%	10 59%	-0 53%	\$ 1,211,210,920	(534,951)	88 85%	(475,304)
Dec-10	Oct-10	11 12%	10 59%	-0 53%	1,217,179,737	(537,588)	90 72%	(487,700)
Jan-11	Nov-10	11 12%	10 59%	-0 53%	1,221,342,014	(539,426)	88 01%	(474,749)
Feb-11	Dec-10	10 86%	10 59%	-0 27%	1,222,653,216	(275,097)	86 99%	(239,307)
Mar-11	Jan-11	10 86%	10 59%	-0 27%	1,217,833,316	(274,012)	85 12%	(233,239)
Apr-11	Feb-11	10 86%	10 59%	-0 27%	1,214,036,916	(273,158)	86 06%	(235,080)
Cumulative Impact of Changes in Rate of Return						\$ (2,434,233)		\$ (2,145,379)

(1)	(2)	(3)	(4)	(5)
Billing Month	Expense Month	Combined Total Over/(Under) Recovery (Q2, pg 2, Col 15)	ROR Trueup	Use of 12 Month Average Revenues
Nov-10	Sep-10	\$ 248,442	475,304	(226,862)
Dec-10	Oct-10	871,503	487,700	383,803
Jan-11	Nov-10	1,660,998	474,749	1,186,249
Feb-11	Dec-10	609,048	239,307	369,741
Mar-11	Jan-11	317,037	233,239	83,798
Apr-11	Feb-11	(126,159)	235,080	(361,239)
Total Under-Recovery for 6-month billing period		3,580,868	2,145,379	1,435,489

OVER/(UNDER) RECONCILIATION	
Combined Over/(Under) Recovery	3,580,868
Due to Change in ROR	2,145,379
Use of 12 Month Average Revenues	1,435,489
Subtotal	<u>3,580,868</u>
Unreconciled Difference	-

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated August 9, 2011**

Case No. 2011-00231

Question No. 3

Witness: Shannon L. Charnas

- Q-3. Provide the calculations, assumptions, workpapers, and other supporting documents used to determine the amounts KU has reported during each billing period under review for Pollution Control Deferred Income Taxes.
- A-3. KU calculates Deferred Income Taxes as the taxable portion of the difference between book depreciation, using straight line depreciation, and tax depreciation, generally using 20 year MACRS accelerated depreciation or 5 or 7 year rapid amortization. Accelerated depreciation results in a temporary tax savings to the Company and the Accumulated Deferred Tax balance reflects the value of those temporary savings as a reduction to environmental rate base.

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

In KU's Case No. 2009-00548, the Commission approved the elimination of the 2001 and 2003 ECR Compliance Plans effective with the August 2010 expense month. Therefore, the attachment includes the calculation of Deferred Income Taxes and the balance of Accumulated Deferred Income Taxes for the 2001 and 2003 Plan projects as reported each month through the July 2010 expense month.

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

2001 - Plan
Project 16 -- Emission Monitoring

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							1,106,819	
Mar-09	9,775,541	20,725	36,610	15,885	38.9000%	6,179	1,112,998	18,994
Apr-09	9,775,541	20,725	36,610	15,885	38.9000%	6,179	1,119,177	18,994
May-09	9,775,541	20,725	36,610	15,885	38.9000%	6,179	1,125,356	18,994
Jun-09	9,775,541	20,725	36,610	15,885	38.9000%	6,179	1,131,535	18,994
Jul-09	9,775,541	20,725	36,610	15,885	38.9000%	6,179	1,137,714	18,994
Aug-09	9,775,541	20,725	36,610	15,885	38.9000%	6,179	1,143,893	18,994
Sep-09	9,775,541	20,725	36,610	15,885	38.9000%	6,179	1,150,072	18,994
Oct-09	9,775,541	20,725	36,610	15,885	38.9000%	6,179	1,156,251	18,994
Nov-09	9,775,541	20,725	36,610	15,885	38.9000%	6,179	1,162,430	18,994
Dec-09	9,775,541	20,725	36,610	15,885	38.9000%	6,179	1,168,609	18,994
Jan-10	9,775,541	20,725	36,345	15,620	38.9000%	6,076	1,174,685	18,994
Feb-10	9,775,541	20,725	36,345	15,620	38.9000%	6,076	1,180,762	18,994
Mar-10	9,775,541	20,725	36,345	15,620	38.9000%	6,076	1,186,838	18,994
Apr-10	9,775,541	20,725	36,345	15,620	38.9000%	6,076	1,192,914	18,994
May-10	9,775,541	20,725	36,345	15,620	38.9000%	6,076	1,198,990	18,994
Jun-10	9,775,541	20,725	36,345	15,620	38.9000%	6,076	1,205,066	18,994
Jul-10	9,775,541	20,725	36,345	15,620	38.9000%	6,076	1,211,141	18,994

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

2001 - Plan
Project 17 -- NOx

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							30,968,872	
Mar-09	216,964,277	558,726	1,667,421	1,108,695	38.9000%	62,938	31,031,810	205,174
Apr-09	216,964,277	558,726	1,667,421	1,108,695	38.9000%	62,938	31,094,748	205,174
May-09	216,964,277	558,726	1,667,421	1,108,695	38.9000%	62,938	31,157,686	205,174
Jun-09	216,964,277	558,726	1,667,421	1,108,695	38.9000%	62,938	31,220,624	205,174
Jul-09	216,964,277	558,726	1,667,421	1,108,695	38.9000%	62,938	31,283,562	205,174
Aug-09	216,964,277	558,726	1,667,421	1,108,695	38.9000%	62,938	31,346,498	205,174
Sep-09	216,964,277	558,726	1,667,421	1,108,695	38.9000%	62,938	31,409,436	205,174
Oct-09	216,964,277	558,726	1,667,421	1,108,695	38.9000%	62,938	31,472,374	205,174
Nov-09	216,964,277	558,726	1,667,421	1,108,695	38.9000%	62,938	31,535,312	205,174
Dec-09	216,964,277	558,726	1,667,421	1,108,695	38.9000%	62,938	31,598,250	205,174
Jan-10	216,964,277	558,726	1,545,359	986,633	38.9000%	42,504	31,640,754	205,174
Feb-10	216,964,277	558,726	1,545,359	986,633	38.9000%	42,504	31,683,256	205,174
Mar-10	216,964,277	558,726	1,545,359	986,633	38.9000%	42,504	31,725,760	205,174
Apr-10	216,964,277	558,726	1,545,359	986,633	38.9000%	42,504	31,768,264	205,174
May-10	216,964,277	558,726	1,545,359	986,633	38.9000%	42,504	31,810,768	205,174
Jun-10	216,964,277	558,726	1,545,359	986,633	38.9000%	42,504	31,853,272	205,174
Jul-10	216,964,277	558,726	1,545,359	986,633	38.9000%	42,504	31,895,774	205,174

Note: Due to Bonus Depreciation for tax purposes, taken on certain components of Project 17, the deferred tax calculation for this project is computed separately for Federal and State purposes. Specifically, for Federal taxes, certain assets placed in service in 2005 received 30% bonus depreciation, which reduces the Federal tax basis to 70% of the plant balance. A sample calculation of deferred taxes for Mar 2010 is shown below:

Federal Basis	Book Depr.	Federal Tax Depr	Fed Difference	Fed Tax Rate	Fed Def Tax
151,874,994	558,726	641,733	83,007	35.0000%	29,052
State Basis	Book Depr.	State Tax Depr	St Difference	State Tax Rate	St Def Tax
-	558,726	903,626	344,900	6.0000%	20,694

St Offset for Fed Taxes not Owed
(7,243)

Total Deferred Tax
42,504

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

2003 - Plan
Project 18 -- New Ash Storage

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							2,394,175	
Mar-09	16,148,295	37,545	120,904	83,359	38.9000%	5,593	2,399,768	-
Apr-09	16,148,295	37,545	120,904	83,359	38.9000%	5,593	2,405,361	-
May-09	16,148,295	37,545	120,904	83,359	38.9000%	5,593	2,410,954	-
Jun-09	16,148,295	37,545	120,904	83,359	38.9000%	5,593	2,416,547	-
Jul-09	16,148,295	37,545	120,904	83,359	38.9000%	5,593	2,422,140	-
Aug-09	16,148,295	37,545	120,904	83,359	38.9000%	5,593	2,427,733	-
Sep-09	16,148,295	37,545	120,904	83,359	38.9000%	5,593	2,433,326	-
Oct-09	16,148,295	37,545	120,904	83,359	38.9000%	5,593	2,438,919	-
Nov-09	16,148,295	37,545	120,904	83,359	38.9000%	5,593	2,444,512	-
Dec-09	16,148,295	37,545	120,904	83,359	38.9000%	5,593	2,450,105	-
Jan-10	16,148,295	37,545	111,821	74,276	38.9000%	4,076	2,454,181	-
Feb-10	16,148,295	37,545	111,821	74,276	38.9000%	4,076	2,458,258	-
Mar-10	16,148,295	37,545	111,821	74,276	38.9000%	4,076	2,462,334	-
Apr-10	16,148,295	37,545	111,821	74,276	38.9000%	4,076	2,466,410	-
May-10	16,148,295	37,545	111,821	74,276	38.9000%	4,076	2,470,486	-
Jun-10	16,148,295	37,545	111,821	74,276	38.9000%	4,076	2,474,562	-
Jul-10	16,148,295	37,545	111,821	74,276	38.9000%	4,076	2,478,637	-

Note: Due to Bonus Depreciation for tax purposes taken on Project 18, the deferred tax calculation for this project is computed separately for Federal and State purposes. Specifically, for Federal taxes, certain assets placed in service in 2005 received 30% bonus depreciation, which reduces the Federal tax basis to 70% of the plant balance. A sample calculation of deferred taxes for Mar 2010 is shown below:

Federal Basis	Book Depr	Federal Tax Dep	Fed. Difference	Fed Tax Rate	Fed Def Tax
11,303,807	37,545	46,044	8,499	35.0000%	2,975
State Basis	Book Depr	State Tax Depr	St. Difference	State Tax Rate	St Def Tax
16,148,295	37,545	65,777	28,232	6.0000%	1,694
					St. Offset for Fed Taxes not Owed (593)
					Total Deferred Tax 4,076

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

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

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							41,216	
Mar-09	835,046	1,941	5,157	3,216	38.9000%	1,251	42,467	79,280
Apr-09	835,046	1,941	5,157	3,216	38.9000%	1,251	43,718	79,280
May-09	835,046	1,941	5,157	3,216	38.9000%	1,251	44,969	79,280
Jun-09	835,046	1,941	5,157	3,216	38.9000%	1,251	46,220	79,280
Jul-09	835,046	1,941	5,157	3,216	38.9000%	1,251	47,471	79,280
Aug-09	835,046	1,941	5,157	3,216	38.9000%	1,251	48,722	79,280
Sep-09	835,046	1,941	5,157	3,216	38.9000%	1,251	49,973	79,280
Oct-09	835,046	1,941	5,157	3,216	38.9000%	1,251	51,224	79,280
Nov-09	835,046	1,941	5,157	3,216	38.9000%	1,251	52,475	79,280
Dec-09	835,046	1,941	5,157	3,216	38.9000%	1,251	53,726	79,280
Jan-10	835,046	1,941	6,234	4,293	38.9000%	1,670	55,396	79,280
Feb-10	835,046	1,941	6,234	4,293	38.9000%	1,670	57,065	79,280
Mar-10	835,046	1,941	6,234	4,293	38.9000%	1,670	58,735	79,280
Apr-10	835,046	1,941	6,234	4,293	38.9000%	1,670	60,405	79,280
May-10	835,046	1,941	6,234	4,293	38.9000%	1,670	62,075	79,280
Jun-10	835,046	1,941	6,234	4,293	38.9000%	1,670	63,745	79,280
Jul-10	835,046	1,941	6,234	4,293	38.9000%	1,670	65,415	79,280
Aug-10	835,046	1,941	6,234	4,293	38.9000%	1,670	67,081	79,280
Sep-10	835,046	1,941	6,234	4,293	38.9000%	1,670	68,751	79,280
Oct-10	835,046	1,941	6,234	4,293	38.9000%	1,670	70,421	79,280
Nov-10	835,046	1,941	6,234	4,293	38.9000%	1,670	72,091	79,280
Dec-10	835,046	1,941	6,234	4,293	38.9000%	1,670	73,761	79,280
Jan-11	835,046	1,941	5,973	4,032	38.9000%	1,568	75,329	79,280
Feb-11	835,046	1,941	5,973	4,032	38.9000%	1,568	76,900	79,280

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

2005 - Plan

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

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							584,628	
Mar-09	19,697,162	45,960	244,370	198,410	38.9000%	77,181	661,809	-
Apr-09	19,697,162	45,960	244,370	198,410	38.9000%	77,181	738,991	-
May-09	19,697,162	45,960	244,370	198,410	38.9000%	77,181	816,172	-
Jun-09	19,697,162	45,960	244,370	198,410	38.9000%	77,181	893,354	-
Jul-09	19,697,162	45,960	244,370	198,410	38.9000%	77,181	970,535	-
Aug-09	19,697,162	45,960	244,370	198,410	38.9000%	77,181	1,047,717	-
Sep-09	19,697,162	45,960	244,370	198,410	38.9000%	77,181	1,124,898	-
Oct-09	19,697,162	45,960	244,370	198,410	38.9000%	77,181	1,202,080	-
Nov-09	19,697,162	45,960	244,370	198,410	38.9000%	77,181	1,279,261	-
Dec-09	19,697,162	45,960	244,370	198,410	38.9000%	77,181	1,356,443	-
Jan-10	19,697,162	45,960	240,816	194,856	38.9000%	75,799	1,432,242	-
Feb-10	19,697,162	45,960	240,816	194,856	38.9000%	75,799	1,508,042	-
Mar-10	19,697,162	45,960	240,816	194,856	38.9000%	75,799	1,583,841	-
Apr-10	19,697,162	45,960	240,816	194,856	38.9000%	75,799	1,659,640	-
May-10	19,697,162	45,960	240,816	194,856	38.9000%	75,799	1,735,439	-
Jun-10	19,697,162	45,960	240,816	194,856	38.9000%	75,799	1,811,238	-
Jul-10	19,697,162	45,960	240,816	194,856	38.9000%	75,799	1,887,037	-
Aug-10	19,697,162	45,960	240,816	194,856	38.9000%	75,799	1,962,840	-
Sep-10	19,697,162	45,960	240,816	194,856	38.9000%	75,799	2,038,639	-
Oct-10	19,697,162	45,960	240,816	194,856	38.9000%	75,799	2,114,438	-
Nov-10	19,697,162	45,960	240,816	194,856	38.9000%	75,799	2,190,237	-
Dec-10	34,655,229	73,759	627,854	554,095	38.9000%	215,543	2,405,780	-
Jan-11	34,655,229	75,401	423,103	347,702	38.9000%	135,256	2,541,036	-
Feb-11	34,655,229	75,401	423,103	347,702	38.9000%	135,256	2,676,293	-

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

2005 - Plan
Project 21 -- FGD's

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							8,897,523	
Mar-09	560,694,414	1,546,877	5,877,787	4,330,910	38.9000%	1,684,724	10,582,247	761,567
Apr-09	560,694,414	1,760,659	5,048,422	3,287,763	38.9000%	1,278,940	11,861,187	761,567
May-09	592,380,842	1,811,247	5,334,170	3,522,923	38.9000%	1,370,417	13,231,604	761,567
Jun-09	592,380,842	1,861,835	5,334,170	3,472,335	38.9000%	1,350,738	14,582,342	761,567
Jul-09	592,380,842	1,861,835	5,334,170	3,472,335	38.9000%	1,350,738	15,933,080	761,567
Aug-09	592,380,842	1,861,835	5,334,170	3,472,335	38.9000%	1,350,738	17,283,817	761,567
Sep-09	592,380,842	1,861,835	5,334,170	3,472,335	38.9000%	1,350,738	18,634,555	761,567
Oct-09	592,380,842	1,861,835	5,318,352	3,456,517	38.9000%	1,344,585	19,979,140	761,567
Nov-09	592,380,842	1,861,835	5,332,889	3,471,054	38.9000%	1,350,240	21,329,380	761,567
Dec-09	592,380,842	1,861,835	5,332,889	3,471,054	38.9000%	1,350,240	22,679,620	761,567
Jan-10	592,380,842	1,861,835	5,410,745	3,548,910	38.9000%	1,380,526	24,060,146	761,567
Feb-10	592,380,842	1,861,835	5,410,745	3,548,910	38.9000%	1,380,526	25,440,671	761,567
Mar-10	592,380,842	1,861,835	5,410,745	3,548,910	38.9000%	1,380,526	26,821,197	761,567
Apr-10	600,184,169	1,886,360	6,465,123	4,578,763	38.9000%	1,781,139	28,602,336	761,567
May-10	600,184,169	1,886,360	5,483,854	3,597,494	38.9000%	1,399,425	30,001,761	761,567
Jun-10	970,835,852	2,438,766	9,984,630	7,545,864	38.9000%	2,935,341	32,937,102	761,567
Jul-10	970,835,852	2,991,171	9,984,630	6,993,459	38.9000%	2,720,456	35,657,558	761,567
Aug-10	970,835,852	2,991,171	9,984,630	6,993,459	38.9000%	2,720,456	38,378,013	761,567
Sep-10	970,835,852	2,991,171	9,984,630	6,993,459	38.9000%	2,720,456	41,098,469	761,567
Oct-10	970,835,852	2,991,171	9,984,630	6,993,459	38.9000%	2,720,456	43,818,924	761,567
Nov-10	970,835,852	2,991,171	9,984,630	6,993,459	38.9000%	2,720,456	46,539,380	761,567
Dec-10	1,023,399,907	3,072,108	11,298,730	8,226,622	38.9000%	3,200,156	49,739,536	761,567
Jan-11	1,023,399,907	3,153,044	10,642,615	7,489,571	38.9000%	2,913,443	52,652,979	761,567
Feb-11	1,023,399,907	3,153,044	10,642,615	7,489,571	38.9000%	2,913,443	55,566,422	761,567

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

2006 - Plan
Project 23 - TC2 AQCS Equipment

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance								
Mar-09	-	-	-	-	38.9000%	-	-	-
Apr-09	-	-	-	-	38.9000%	-	-	-
May-09	-	-	-	-	38.9000%	-	-	-
Jun-09	-	-	-	-	38.9000%	-	-	-
Jul-09	-	-	-	-	38.9000%	-	-	-
Aug-09	-	-	-	-	38.9000%	-	-	-
Sep-09	-	-	-	-	38.9000%	-	-	-
Oct-09	-	-	-	-	38.9000%	-	-	-
Nov-09	-	-	-	-	38.9000%	-	-	-
Dec-09	-	-	-	-	38.9000%	-	-	-
Jan-10	-	-	-	-	38.9000%	-	-	-
Feb-10	-	-	-	-	38.9000%	-	-	-
Mar-10	-	-	-	-	38.9000%	-	-	-
Apr-10	-	-	-	-	38.9000%	-	-	-
May-10	-	-	-	-	38.9000%	-	-	-
Jun-10	-	-	-	-	38.9000%	-	-	-
Jul-10	-	-	-	-	38.9000%	-	-	-
Aug-10	-	-	-	-	38.9000%	-	-	-
Sep-10	-	-	-	-	38.9000%	-	-	-
Oct-10	-	-	-	-	38.9000%	-	-	-
Nov-10	-	-	-	-	38.9000%	-	-	-
Dec-10	-	-	-	-	38.9000%	-	-	-
Jan-11	183,727,239	322,277	1,272,609	950,332	38.9000%	369,679	369,679	-
Feb-11	183,727,239	644,555	1,272,609	628,054	38.9000%	244,313	613,992	-

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

2006 - Plan
Project 24 - Sorbent Injection

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							149,442	
Mar-09	7,397,285	16,679	70,638	53,959	38.9000%	20,990	170,432	-
Apr-09	7,397,285	16,679	70,638	53,959	38.9000%	20,990	191,422	-
May-09	7,397,285	16,679	70,638	53,959	38.9000%	20,990	212,412	-
Jun-09	7,397,285	16,679	70,638	53,959	38.9000%	20,990	233,402	-
Jul-09	7,397,285	16,679	70,638	53,959	38.9000%	20,990	254,392	-
Aug-09	7,397,285	16,679	70,638	53,959	38.9000%	20,990	275,382	-
Sep-09	7,397,285	16,679	70,638	53,959	38.9000%	20,990	296,372	-
Oct-09	7,397,285	16,679	70,638	53,959	38.9000%	20,990	317,362	-
Nov-09	7,397,285	16,679	70,638	53,959	38.9000%	20,990	338,352	-
Dec-09	7,397,285	16,679	70,638	53,959	38.9000%	20,990	359,343	-
Jan-10	7,397,285	16,679	69,309	52,630	38.9000%	20,473	379,816	-
Feb-10	7,397,285	16,679	69,309	52,630	38.9000%	20,473	400,287	-
Mar-10	7,397,285	16,679	69,309	52,630	38.9000%	20,473	420,760	-
Apr-10	7,397,285	16,679	69,309	52,630	38.9000%	20,473	441,233	-
May-10	12,751,272	23,139	130,052	106,913	38.9000%	41,589	482,822	6,147
Jun-10	12,751,272	29,598	130,052	100,454	38.9000%	39,077	521,899	6,147
Jul-10	12,751,272	29,598	130,052	100,454	38.9000%	39,077	560,975	6,147
Aug-10	12,751,272	29,598	130,052	100,454	38.9000%	39,077	600,049	6,147
Sep-10	12,751,272	29,598	130,052	100,454	38.9000%	39,077	639,125	6,147
Oct-10	12,751,272	29,598	130,052	100,454	38.9000%	39,077	678,202	6,147
Nov-10	12,751,272	29,598	130,052	100,454	38.9000%	39,077	717,279	6,147
Dec-10	12,751,272	29,598	130,052	100,454	38.9000%	39,077	756,355	6,147
Jan-11	12,751,272	29,598	131,658	102,060	38.9000%	39,701	796,057	6,147
Feb-11	12,751,272	29,598	131,658	102,060	38.9000%	39,701	835,759	6,147

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

**2006 - Plan
Project 25 - Mercury Monitors**

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							15,540	
Mar-09	265,290	1,365	3,602	2,237	38.9000%	870	16,410	-
Apr-09	265,290	1,365	3,602	2,237	38.9000%	870	17,280	-
May-09	265,290	1,365	3,602	2,237	38.9000%	870	18,151	-
Jun-09	265,290	1,365	3,602	2,237	38.9000%	870	19,021	-
Jul-09	265,290	1,365	3,602	2,237	38.9000%	870	19,891	-
Aug-09	265,290	1,365	3,602	2,237	38.9000%	870	20,763	-
Sep-09	1,031,953	2,394	10,790	8,396	38.9000%	3,266	24,029	-
Oct-09	1,031,953	3,424	10,790	7,366	38.9000%	2,865	26,895	-
Nov-09	1,031,953	3,424	10,790	7,366	38.9000%	2,865	29,760	-
Dec-09	1,031,953	3,424	10,790	7,366	38.9000%	2,865	32,625	-
Jan-10	1,031,953	3,424	8,187	4,763	38.9000%	1,853	34,478	-
Feb-10	1,031,953	3,424	8,187	4,763	38.9000%	1,853	36,333	-
Mar-10	1,031,953	3,424	8,187	4,763	38.9000%	1,853	38,186	-
Apr-10	1,031,953	3,424	8,187	4,763	38.9000%	1,853	40,039	-
May-10	1,031,953	3,424	8,187	4,763	38.9000%	1,853	41,891	-
Jun-10	1,031,953	3,424	8,187	4,763	38.9000%	1,853	43,744	-
Jul-10	1,031,953	3,424	8,187	4,763	38.9000%	1,853	45,597	-
Aug-10	1,031,953	3,424	8,187	4,763	38.9000%	1,853	47,460	-
Sep-10	1,031,953	3,424	8,187	4,763	38.9000%	1,853	49,313	-
Oct-10	1,031,953	3,424	8,187	4,763	38.9000%	1,853	51,165	-
Nov-10	1,031,953	3,424	8,187	4,763	38.9000%	1,853	53,018	-
Dec-10	1,031,953	3,424	8,187	4,763	38.9000%	1,853	54,878	-
Jan-11	1,031,953	3,424	7,822	4,398	38.9000%	1,711	56,589	-
Feb-11	1,031,953	3,424	7,822	4,398	38.9000%	1,711	58,301	-

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

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

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							5,466	
Mar-09	46,715	109	563	454	38 9000%	177	5,643	2,274
Apr-09	1,354,119	1,749	6,011	4,262	38 9000%	1,658	7,301	2,274
May-09	1,354,119	3,388	6,011	2,623	38 9000%	1,020	8,321	2,274
Jun-09	1,354,119	3,388	6,011	2,623	38 9000%	1,020	9,341	2,274
Jul-09	1,354,119	3,388	6,011	2,623	38 9000%	1,020	10,362	2,274
Aug-09	1,354,119	3,388	6,011	2,623	38 9000%	1,020	11,382	2,274
Sep-09	1,354,119	3,388	6,011	2,623	38 9000%	1,020	12,402	2,274
Oct-09	1,354,119	3,388	6,011	2,623	38 9000%	1,020	13,423	2,274
Nov-09	1,354,119	3,388	6,011	2,623	38 9000%	1,020	14,443	2,274
Dec-09	1,354,119	3,388	6,011	2,623	38 9000%	1,020	15,463	2,274
Jan-10	1,354,119	3,388	8,419	5,031	38 9000%	1,957	17,420	2,274
Feb-10	1,354,119	3,388	8,419	5,031	38 9000%	1,957	19,377	2,274
Mar-10	1,354,119	3,388	8,419	5,031	38 9000%	1,957	21,334	2,274
Apr-10	1,354,119	3,388	8,419	5,031	38 9000%	1,957	23,292	2,274
May-10	1,354,119	3,388	8,419	5,031	38 9000%	1,957	25,249	2,274
Jun-10	1,349,165	3,382	8,400	5,018	38 9000%	1,952	27,201	7,850
Jul-10	1,349,165	3,376	8,400	5,024	38 9000%	1,954	29,155	7,850
Aug-10	1,349,165	3,376	8,400	5,024	38 9000%	1,954	31,104	7,850
Sep-10	1,349,165	3,376	8,400	5,024	38 9000%	1,954	33,059	7,850
Oct-10	1,349,165	3,376	8,400	5,024	38 9000%	1,954	35,013	7,850
Nov-10	1,349,165	3,376	8,400	5,024	38 9000%	1,954	36,967	7,850
Dec-10	1,349,165	3,376	8,400	5,024	38 9000%	1,954	38,915	7,850
Jan-11	1,349,165	3,376	7,795	4,419	38 9000%	1,719	40,634	7,850
Feb-11	1,349,165	3,376	7,795	4,419	38 9000%	1,719	42,353	7,850

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated August 9, 2011**

Case No. 2011-00231

Question No. 4

Witness: Shannon L. Charnas

- Q-4. Refer to ES Form 2.50, Pollution Control - Operations & Maintenance Expenses, for the September 2010 through February 2011 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 2010 through February 2011 expense months. The changes in the expense levels are reasonable and generally occurred as a part of routine plant operations and maintenance or normal annual testing expenses.

2005 Plan

Fluctuations in the scrubber operation expenses, accounts 502006 and 502056, are the result of regular operation of the FGDs for Ghent, and E.W. Brown. These are variable production expenses and fluctuate with generation, coal quality and the SO₂ removal rate. Fluctuations in October are also due to E.W. Brown Unit 1 and Ghent Unit 4 being offline for planned outages.

Fluctuations in the scrubber maintenance expenses, accounts 512005 and 512055, are the result of routine gypsum stack maintenance. These are variable maintenance expenses and fluctuate with the amount of gypsum produced.

2006 Plan

With limited exceptions, KU and LG&E took care, custody and control of Trimble County Unit 2 (TC2) in January 2011. Variances in the 2006 Plan from December to January to February are reflective of the operation of this unit.

Fluctuations in sorbent injection operation expenses, accounts 506109, 506159 and 506152, are the result of on-going system operation of Ghent Units 1, 3 and 4. December is higher due to Ghent Unit 4 coming back online. Beginning in January 2011, account 506152 was used to break out certain expenses that had been in accounts 506109 and 506159, resulting in an increase in account 506152 and decreases in accounts 506109 and 506159.

Fluctuations in sorbent injection maintenance expenses, accounts 512102 and 512152, are the result of normal system maintenance.

Monthly variances in the NO_x operation expenses, accounts 506104, 506154, 506105 and 506155 reflect normal SCR operations of TC2. The variances for accounts 506104 and 506154 are driven by the purchase and delivery timing of the raw consumable material as well as variations in generation and coal quality.

Fluctuations in the NO_x maintenance expenses, accounts 512101 and 512151, are the result of routine monthly maintenance on the SCR at TC2.

Fluctuations in the scrubber operation expenses, accounts 502006 and 502056, are the result of regular operation of the TC2 FGD. These are variable production expenses and fluctuate with generation, coal quality and the SO₂ removal rate.

Fluctuations in the scrubber maintenance expenses, accounts 512005 and 512055, are the result of routine maintenance of TC2.

Fluctuations for activated carbon, accounts 506111 and 506151, are the result of regular operation of the TC2 baghouse for the removal of mercury. This is a variable production expense and fluctuates with generation, coal quality and flue gas chemistry.

Fluctuations in the precipitator maintenance expenses, accounts 512011 and 512051, are the result of routine monthly maintenance on the precipitator at TC2.

**KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT**

Pollution Control - Operations & Maintenance Expenses

O&M Expense Account	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	% Change from Prior Period	% Change from Prior Period	% Change from Prior Period
2005 Plan									
502006/502056 Scrubber Operations	246,929.65	207,211.09	249,450.74	346,073.39	414,687.12	471,694.15	-16%	20%	20%
512005/512055 Scrubber Maintenance	325,687.27	110,989.73	200,303.11	277,411.55	178,220.79	236,850.19	-66%	80%	-36%
Total 2005 Plan O&M Expenses	572,616.92	318,200.82	449,753.85	623,484.94	593,607.91	708,544.34	-44%	41%	-5%
2006 Plan									
506109/506159 Sorbent Injection Operation	715,217.66	575,622.09	583,387.61	1,022,599.15	28,707.38	23,413.08	-20%	1%	-97%
506152 Sorbent Reactant - Reagent Only	-	-	-	-	941,122.09	892,282.39	0%	0%	100%
512102/512152 Sorbent Injection Maintenance	29,548.18	3,976.32	7,627.95	27,077.38	6,816.38	1,557.22	-87%	92%	-75%
506110/506150 Mercury Monitors Operation	-	-	-	-	-	-	0%	0%	0%
512103/512153 Mercury Monitors Maintenance	-	-	-	-	-	-	0%	0%	0%
506104/506154 Nox Operation -- Consumables	-	-	-	-	-	-	0%	0%	0%
506105/506155 Nox Operation -- Labor and Other	-	-	-	-	23,465.77	77,174.57	0%	0%	100%
512101/512151 Nox Maintenance	-	-	-	-	1,219.10	1,711.26	0%	0%	100%
502006/502056 Scrubber Operations	-	-	-	-	223.40	744.43	0%	0%	100%
512005/512055 Scrubber Maintenance	-	-	-	-	21,268.98	51,198.49	0%	0%	100%
506001/506051 Precipitator Operation	-	-	-	-	9,647.72	22,043.98	0%	0%	100%
506111/506151 Activated Carbon	-	-	-	-	-	-	0%	0%	0%
512011/512051 Precipitator Maintenance	-	-	-	-	1,213.07	55,817.49	0%	0%	0%
Total 2006 Plan O&M Expenses	744,765.84	579,598.41	591,015.56	1,049,676.53	1,033,684.09	1,130,604.71	-22%	2%	-2%
2009 Plan									
506104/506154 Nox Operation -- Consumables	-	-	-	-	-	-	0%	0%	0%
506105/506155 Nox Operation -- Labor and Other	-	-	-	-	-	-	0%	0%	0%
512101/512151 Nox Maintenance	-	-	-	-	-	-	0%	0%	0%
506109/506159 Sorbent Injection Operation	-	-	-	-	-	-	0%	0%	0%
512102/512152 Sorbent Injection Maintenance	-	-	-	-	-	-	0%	0%	0%
502012/502012 ECR Landfill Operations	-	-	-	-	-	-	0%	0%	0%
512105/512105 ECR Landfill Maintenance	-	-	-	-	-	-	0%	0%	0%
Adjustment for CCP Disposal in Base Rates (ES Form 2.51)	-	-	-	-	-	-	0%	0%	0%
Total 2009 Plan O&M Expenses	-	-	-	-	-	-	0%	0%	0%

The 2001 Plan was eliminated from ECR recovery in August 2010 per PSC Order No. 2009-00548.

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated August 9, 2011**

Case No. 2011-00231

Question No. 5

Witness: Robert M. Conroy

- Q-5. KRS 278.183(3) provides that during the two-year review, the Commission shall, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility.
- a. Provide the surcharge amount that KU believes should be incorporated into its existing base rates. Include all supporting calculations, workpapers, and assumptions.
 - b. The surcharge factor reflects a percentage of revenue approach, rather than a per kWh approach. Taking this into consideration, explain how the surcharge amount should be incorporated into KU's base rates. Include any analysis that KU believes supports its position.
 - c. Does KU believe that there will need to be modifications to either the surcharge mechanism or the monthly surcharge reports, as a result of incorporating additional environmental surcharge amounts into KU's existing base rates? If yes, provide a detailed explanation of the modifications and provide updated monthly surcharge reports.
- A-5.
- a. KU is proposing to roll-in \$49,410,769 of incremental environmental surcharge revenues into base rates resulting in total environmental surcharge revenues in base rates of \$161,413,909. Please see the attached schedule for the determination of this amount.
 - b. The Commission previously approved KU's proposed roll-in methodology in Case No. 2007-00379, which spread the amount of the roll-in to the energy portion of rates without a demand charge and to the demand portion of rates that include a separately metered and billed demand component. Lighting rates continue to be billed on a per-light basis. KU recommends that this method continue to be used to accomplish this roll-in to base rates.
 - c. No. However, KU does have a pending case before the Commission, Case No. 2011-00161, to amend its Compliance Plan. If approved, that application will require revisions to the monthly ES forms which are not impacted by the roll-in.

Kentucky Utilities Company
Calculation of ECR Roll-in At February 28, 2011

Calculation of Revenue Requirement for Roll-In:		Environmental Compliance Plans at Feb. 28, 2011
Environmental Compliance Rate Base		
Pollution Control Plant in Service	ES Form 2 00, February 2011	1,252,593,579
Pollution Control CWIP Excluding AFUDC	ES Form 2 00, February 2011	<u>123,872,733</u>
Subtotal		1,376,466,312
Additions:		
Limestone, net of amount in base rates	ES Form 2 00, February 2011	628,513
Emission Allowances, net of amount in base rates	ES Form 2 00, February 2011	479,331
Cash Working Capital Allowance	ES Form 2 00, February 2011	<u>1,989,279</u>
Subtotal		3,097,123
Deductions:		
Accumulated Depreciation on Pollution Control Plant	ES Form 2 00, February 2011	79,045,364
Pollution Control Deferred Income Taxes	ES Form 2 00, February 2011	59,015,174
Pollution Control Deferred Investment Tax Credit	ES Form 2 00, February 2011	<u>27,465,981</u>
Subtotal		165,526,519
Environmental Compliance Rate Base		<u>\$ 1,214,036,916</u>
Rate of Return -- Environmental Compliance Rate Base	ES Form 1 10, February 2011	10.86%
Return on Environmental Compliance Rate Base		<u>\$ 131,844,409</u>
Pollution Control Operating Expenses		
12 Month Depreciation and Amortization Expense	See Support Schedule A	34,499,460
12 Month Taxes Other than Income Taxes	See Support Schedule A	1,825,344
12 Month Operating and Maintenance Expense	See Support Schedule A	15,914,229
12 Month Emission Allowance Expense, net of amounts in base rates	See Support Schedule A	<u>304,575</u>
Total Pollution Control Operating Expenses		<u>\$ 52,543,608</u>
Gross Proceeds from By-Product & Allowance Sales	See Support Schedule B	(427,690)
Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount		
Return on Environmental Compliance Rate Base		131,844,409
Pollution Control Operating Expenses		52,543,608
Less Gross Proceeds from By-Product & Allowance Sales		<u>(427,690)</u>
Roll In Amount		<u>\$ 184,815,707</u>
Jurisdictional Allocation Ratio -- Roll In	See Support Schedule C	<u>87.3378%</u>
Jurisdictional Revenues for 12 Months for Roll In	See Support Schedule C	<u>1,284,202,314</u>
Roll In Jurisdictional Environmental Surcharge Factor:		
Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount		\$ 184,815,707
Jurisdictional Allocation Ratio -- Roll In		87.3378%
Jurisdictional Environmental Surcharge Gross Revenue Requirement -- Gross Roll In Amount		\$ 161,413,909
Less Jurisdictional Environmental Revenue Previously Rolled In ¹		<u>112,003,141</u>
Jurisdictional Environmental Surcharge Gross Revenue Requirement -- Net Roll In Amount		<u>\$ 49,410,769</u>

¹ Amount Previously Rolled-in is the roll-in from Case 2009-00310 less the amounts associated with KU's 2001 and 2003 Plans, which were eliminated from the ECR in KU's most recent base rate case.

Kentucky Utilities Company Calculation of ECR Roll-in At February 28, 2011

Support Schedule A12 Month Balances for Selected Operating Expense Accounts ¹

	Depreciation & Amortization Steam Plant	Taxes Other than Income Taxes	Operating and Maintenance Expense			Emission Allowance Expense FERC 509	Total
			FERC 502	FERC 506	FERC 512		
Mar-10	1,961,934	151,020	229,898	555,923	244,987	42,830	3,186,593
Apr-10	1,986,460	150,960	251,447	535,192	125,935	33,950	3,083,944
May-10	1,992,803	150,937	349,020	712,616	127,143	36,716	3,369,235
Jun-10	2,550,751	150,916	364,676	759,015	188,884	48,301	4,062,543
Jul-10	3,103,151	150,916	359,301	854,255	188,524	50,950	4,707,096
Aug-10	3,065,606	149,173	321,079	1,082,897	267,883	48,034	4,934,672
Sep-10	3,065,606	149,173	246,930	715,218	355,235	30,215	4,562,377
Oct-10	3,065,606	149,173	207,211	575,622	114,966	15,831	4,128,409
Nov-10	3,065,606	149,173	249,451	583,388	207,931	17,005	4,272,553
Dec-10	3,161,263	149,173	346,073	1,022,599	304,489	21,370	5,004,967
Jan-11	3,579,198	162,365	435,956	994,515	196,821	9,222	5,378,077
Feb-11	3,901,476	162,365	522,893	1,050,399	265,858	8,495	5,911,485
less Base Rate amount						(58,344)	(58,344)
Totals	34,499,460	1,825,344	3,883,935	9,441,638	2,588,656	304,575	52,543,608

1 All amounts included in Support Schedule A are exclusive of costs associated with KU's 2001 and 2003 Plans, which were eliminated from the ECR in August 2010.

Support Schedule B

12 Month Balances for Allowance Sales and By-Product Sales

	Total Proceeds from Allowance Sales ES Form 2 00	Proceeds from By-Product Sales ES Form 2 00	Total All Sale Proceeds
Mar-10	-	(4,680)	(4,680)
Apr-10	(242,142)	(229)	(242,371)
May-10	-	(6,404)	(6,404)
Jun-10	-	(7,711)	(7,711)
Jul-10	-	(7,559)	(7,559)
Aug-10	-	(27,636)	(27,636)
Sep-10	-	(14,155)	(14,155)
Oct-10	-	(21,963)	(21,963)
Nov-10	-	(19,336)	(19,336)
Dec-10	-	(31,467)	(31,467)
Jan-11	12,727	(44,811)	(32,084)
Feb-11	-	(12,324)	(12,324)
Totals	(229,415)	(198,275)	(427,690)

Support Schedule C

12 Month Balances for Jurisdictional Revenues and Allocation Ratio

	KY Retail Revenues, Excl Envir Surch Revenues ES Form 3 00	Total Company Revenues, Excluding Envir. Surch. Revenues ES Form 3 00	KY Retail Allocation Ratio Total Company
Mar-10	\$ 105,289,075	\$ 117,927,986	89.2825%
Apr-10	90,105,554	103,125,285	87.3748%
May-10	83,401,492	96,214,825	86.6826%
Jun-10	97,547,335	113,238,333	86.1434%
Jul-10	111,492,037	129,554,625	86.0579%
Aug-10	125,001,207	142,553,033	87.6875%
Sep-10	122,569,244	137,952,399	88.8489%
Oct-10	97,322,258	107,273,072	90.7238%
Nov-10	91,686,347	104,174,962	88.0119%
Dec-10	110,812,859	127,380,884	86.9933%
Jan-11	132,386,258	155,521,208	85.1242%
Feb-11	116,588,648	135,469,426	86.0627%
Totals	\$ 1,284,202,314	\$ 1,470,386,038	87.3378%

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated August 9, 2011**

Case No. 2011-00231

Question No. 6

Witness: Shannon L. Charnas

- Q-6. In Case No. 2000-00439, the Commission ordered that KU's cost of debt and preferred stock would be reviewed and re-established during the six-month review case. Provide the following information as of February 28, 2011:
- a. The outstanding balances for long-term debt, short-term debt, preferred stock, and common equity. Provide this information on total company and Kentucky jurisdictional bases.
 - b. The blended interest rates for long-term debt, short-term debt, and preferred stock. Include all supporting calculations showing how these blended interest rates were determined. If applicable, provide the blended interest rates on total company and Kentucky jurisdictional bases. For each outstanding debt listed, indicate whether the interest rate is fixed or variable.
 - c. KU's calculation of its weighted average cost of capital for environmental surcharge purposes.
- A-6. a. Please see the attachment. There was no preferred stock as of February 28, 2011 therefore it is not listed in the attached schedule.
- b. Please see the attachment, page 2 of which is being provided under seal pursuant to a petition for confidential treatment. There was no preferred stock as of February 28, 2011; therefore it is not listed in the attached schedule.
 - c. Please see the attachment. KU is utilizing a return on equity of 10.63% as agreed to and approved by the Commission in its July 30, 2010 Order in Case No. 2009-00548.

Kentucky Utilities Company
Outstanding Balances - Capitalization
As of February 28, 2011

1	2	3
	Outstanding Balance Total Company	Outstanding Balance KY Jurisdictional 87.19%
1 Long-Term Debt	\$1,840,062,186	\$1,604,350,220
2 Short-Term Debt	\$0	\$0
3 Common Equity	\$2,086,482,246	\$1,819,203,870

Kentucky Utilities Company
Blended Interest Rates
As of February 28, 2011

	1
	Blended Interest Rate Total Company / KY Jurisdictional
	<hr/>
1 Long-Term Debt	3.81%
2 Short-Term Debt	0.00%

KENTUCKY UTILITIES COMPANY
ANALYSIS OF THE EMBEDDED COST OF CAPITAL AT
February 28, 2011
Restated to reflect debt discounts on FMBs

LONG-TERM DEBT										
	Due	Rate	Principal	Interest	Annualized Cost			Letter of Credit and other fees	Total	Embedded Cost
					Amortized Debt Issuance Exp/Discount	Amortized Loss- Reacquired Debt				
Pollution Control Bonds -										
Mercer Co 2000 Series A	05/01/23	0.250% *	\$ 12,900,000	\$ 32,250	\$ -	\$ 46,743	\$ 306,728	\$ 385,721	2.990%	
Carroll Co 2002 Series A	02/01/32	0.800% *	20,930,000	167,440	4,104	36,300	20,930	228,774	1.093%	
Carroll Co 2002 Series B	02/01/32	0.800% *	2,400,000	19,200	2,856	4,164	2,400	28,620	1.193%	
Muhlenberg Co 2002 Series A	02/01/32	0.750% *	2,400,000	18,000	1,140	12,744	2,400	34,284	1.429%	
Mercer Co 2002 Series A	02/01/32	0.750% *	7,400,000	55,500	3,180	12,900	7,400	78,980	1.067%	
Carroll Co 2002 Series C	10/01/32	0.382% *	96,000,000	366,720	73,658	186,036	406,138	1,032,552	1.076%	
Carroll Co 2004 Series A	10/01/34	0.290% *	50,000,000	145,000	-	105,023	1,194,418	1,444,441	2.889%	
Carroll Co 2006 Series B	10/01/34	0.350% *	54,000,000	189,000	47,920	-	1,291,469	1,528,389	2.830%	
Carroll Co 2007 Series A	02/01/26	5.750%	17,875,000	1,027,813	33,342	-	-	1,061,155	5.937%	
Trimble Co 2007 Series A	03/01/37	6.000%	8,927,000	535,620	16,072	-	-	551,692	6.180%	
Carroll Co 2008 Series A	02/01/32	0.300% *	77,947,405	233,842	34,400	-	1,864,197	2,132,439	2.736%	
Called Bonds			-	-	-	201,063	-	201,063		
First Mortgage Bonds -										
2010 due 2015	11/01/15	1.625%	250,000,000	4,062,500	400,105 **	-	-	4,462,605	1.785%	
Debt discount on FMB	11/01/15	1.62500%	(823,958)	-	-	175,000	-	175,000	-21.239%	
2010 due 2020	11/01/20	3.250%	500,000,000	16,250,000	378,006 **	-	-	16,628,006	3.326%	
Debt discount on FMB	11/01/20	3.25000%	(1,834,875)	-	-	189,000	-	189,000	-10.300%	
2010 due 2040	11/01/40	5.125%	750,000,000	38,437,500	237,415 **	-	-	38,674,915	5.157%	
Debt discount on FMB	11/01/40	5.12500%	(8,058,385)	-	-	271,250	-	271,250	-3.366%	
Total External Debt			\$ 1,840,062,186	\$ 61,540,385	\$ 2,889,039	\$ 604,973	\$ 5,139,499	\$ 70,173,896	3.814%	
Notes Payable to PPL	2		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Total Internal Debt			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.000%	
Total			\$ 1,840,062,186	\$ 61,540,385	\$ 2,889,039	\$ 604,973	\$ 5,139,499	\$ 70,173,896	3.814%	

SHORT-TERM DEBT									
	Rate	Principal	Interest	Annualized Cost			Total	Embedded Cost	
				Expense	Loss	Premium			
Notes Payable to Associated Company	0.250% *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.000%	
Revolving Credit Facility Payable		-	-	-	-	-	-		
Total		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.000%	

Embedded Cost of Total Debt **\$ 1,840,062,186** **\$ 61,540,385** **\$ 2,889,039** **\$ 604,973** **\$ 5,139,499** **\$ 70,173,896** **3.814%**

* Composite rate at end of current month
** Debt discount shown on separate line

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

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

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

Kentucky Utilities Company
 Outstanding Balances - Adjusted Jurisdictional Capitalization
 February 28, 2011

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	1,519,144,914	46.98%	3.81%	1.79%		1.79%
2 Short-Term Debt	-	0.00%	0.00%	0.00%		0.00%
3 Common Equity	1,714,657,896	53.02%	10.63%	5.64%	0.56	8.77%
4 Total	3,233,802,810			7.43%		10.56%

Rate of Return (ROR) Grossed Up:

10.56%

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

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

**ECR - Gross-up Revenue Factor &
Composite Income Tax Calculation
2011**

	2011 Federal & State Production Credit W/ 6% 2010 State <u>Tax Rate Included</u>	
(1) Assume pre-tax income of	\$ 100.0000	
(2)		
(3) State income tax (see below)	<u>5.6604</u>	(40)
(4)		
(5) Taxable income for Federal income tax		
(6) before production credit	94.3396	(1)-(3)
(7) a. Production Rate	9%	
(8) b. Allocation to Production Income	100%	
(9) c. Allocated Production Rate (a x b)	9.00%	
(10)		
(11) Less: Production tax credit	<u>8.4906</u>	(6)*(9)
(12)		
(13) Taxable income for Federal income tax	85.8490	(6)-(11)
(14)		
(15) Federal income tax	<u>30.0472</u>	(13)*35%
(16)		
(17) Total State and Federal income taxes		
(18)	<u>\$ 35.7076</u>	(3)+(15)
(19)		
(20) Gross-up Revenue Factor	<u><u>64.2924</u></u>	100-(18)
(21)		
(22) Therefore, the composite rate is:		
(23) Federal	30.0472%	(15)/100
(24) State	<u>5.6604%</u>	(3)/100
(25) Total	<u><u>35.7076%</u></u>	(23)+(24)
(26)		
(27)		
(28)		
(29)		
(30)		
(31) <u>State Income Tax Calculation</u>		
(32) Assume pre-tax income of	\$ 100.0000	
(33)		
(34) Production credit @ 6%	<u>5.6604</u>	
(35)		
(36) Taxable income for State income tax	94.3396	(32)-(34)
(37)		
(38) State Tax Rate	<u>6.0000%</u>	
(39)		
(40) State Income Tax	<u><u>5.6604</u></u>	(36)*(38)