



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  
LOUISVILLE GAS AND ELECTRIC COMPANY FOR THE TWO-  
YEAR BILLING PERIOD ENDING APRIL 30, 2011  
CASE NO. 2011-00232***

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 Louisville Gas and Electric 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

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COMMISSION

**Louisville Gas and  
Electric Company**  
State Regulation and Rates  
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**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIRONMENTAL )  
SURCHARGE MECHANISM OF LOUISVILLE GAS ) CASE NO.  
AND ELECTRIC COMPANY FOR THE TWO-YEAR ) 2011-00232  
BILLING PERIOD ENDING APRIL 30, 2011 )**

**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 Louisville Gas and Electric Company  
4 (“LG&E”) and Kentucky Utilities Company (“KU”) (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 LG&E’s  
14 environmental surcharge during the six-month billing period ending April 30, 2011  
15 that is part of the two-year billing period also ending April 30, 2011, determine  
16 whether the surcharge amounts collected during the period are just and reasonable,  
17 and then incorporate or “roll-in” such surcharge amounts into LG&E’s existing  
18 electric base rates.

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

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

1 based on the operation of the surcharge during the period and explain how the  
2 environmental surcharge factors were calculated during the period under review.  
3 Further, my testimony will recommend that the cumulative ECR revenue requirement  
4 for the twelve-months ending with the expense month of February 2011 be used for  
5 purposes of incorporating or “rolling-into” LG&E’s electric base rates the appropriate  
6 surcharge amounts using the methodology previously approved by the Commission,  
7 most recently in Case No. 2009-00311.

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

10 A. LG&E billed an environmental surcharge to its customers from November 1, 2010  
11 through April 30, 2011. For purposes of the Commission’s examination in this case,  
12 the monthly LG&E environmental surcharges are considered as of the six-month  
13 billing period ending April 30, 2011; that same review period is part of the two-year  
14 billing period also ending April 30, 2011. (The three previous billing periods were  
15 reviewed in Cases No. 2009-00502, 2010-00242, and 2010-00475.) In each month of  
16 the six-month period under review in this proceeding, LG&E calculated the  
17 environmental surcharge factors in accordance with its tariff ES, and the requirements  
18 of the Commission’s previous orders concerning LG&E’s environmental surcharge.

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

21 A. The capital and operating costs included in the calculation of the environmental  
22 surcharge factors for the billing period under review were the costs incurred each  
23 month by LG&E from September 2010 through February 2011, as detailed in the

1 attachment in response to Question No. 2 of the Commission Staff's Request for  
2 Information, 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 LG&E'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. 2009-00311, LG&E'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 LG&E is allowed to collect through the  
21 ECR.

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

1 A. No. During the period under review, there were no changes to Rate Base from the  
2 originally filed billing period as summarized in LG&E's response to the Commission  
3 Staff's Request for Information, Question No. 1. In addition, there were no changes  
4 identified as a result of preparing responses to the requests for information in this  
5 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. 2000-00386, 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 LG&E's response to Question No. 1 of the Commission Staff's Request for  
13 Information.

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

16 A. Yes. LG&E experienced a cumulative under-recovery of \$241,530 for the billing  
17 period ending April 30, 2011. LG&E's response to Question No. 2 of the  
18 Commission Staff's Request for Information shows the calculation of the cumulative  
19 over-recovery. An adjustment to the revenue requirement is necessary to reconcile  
20 the collection of past surcharge revenues with actual costs for the billing period under  
21 review.

22 **Q. Has LG&E identified the causes of the net over-recovery during the billing**  
23 **period under review?**

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

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

9 A. The use of 12-month average revenues to calculate the monthly billing factor and  
10 then applying that same billing factor to the actual monthly revenues will result in an  
11 over or under-collection of ECR revenues. Typically it will result in an over-  
12 collection during the summer months when actual revenues will generally be greater  
13 than the 12-month average and an under-collection during the balance of the year  
14 when actual revenues will generally be less than or near the 12-month average. The  
15 use of 12-month average revenues contributed to the net under-recovery as shown in  
16 LG&E's response to Question No. 2 of the Commission Staff's Request for  
17 Information.

18 During the period under review, LG&E's actual revenues were less than the  
19 12-month historical average, with the exception of January 2011, during which time  
20 the weather was more severe than typical. The table below shows a comparison of  
21 the 12-month average revenues used in the monthly filings to determine the ECR  
22 billing factor and the actual revenues which the ECR billing factor was applied in the  
23 billing month.



Expense Month	12-Month Average Revenue	Billing Month	Actual Revenues Subject to ECR Billing Factor
September 2010	\$ 68,965,871	November 2010	\$ 60,573,401
October 2010	69,734,062	December 2010	68,434,739
November 2010	70,602,931	January 2011	81,025,935
December 2010	71,544,113	February 2011	67,158,649
January 2011	72,673,888	March 2011	66,935,786
February 2011	72,968,060	April 2011	62,399,735

1

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

4 A. LG&E is proposing that the net under-recovery be collected in one month following  
5 the Commission's Order in this proceeding. Specifically, LG&E recommends that  
6 the Commission approve an increase to the Environmental Surcharge Revenue  
7 Requirement of \$241,530 for one month, in the second full billing month following  
8 the Commission's Order in this proceeding. This method is consistent with the  
9 method of implementing previous over- or under-recovery positions in prior ECR  
10 review cases.

11 **Q. What is the bill impact on a residential customer for the proposed collection of**  
12 **the under-recovery?**

13 A. The inclusion of the increase in the determination of the ECR billing factor will  
14 increase the billing factor by approximately 0.32%. For a residential customer using  
15 1,000 kWh the impact of the adjusted ECR billing factor would be an increase of  
16 approximately \$0.25 for one month (using rates and adjustment clause factors in  
17 effect for the August 2011 billing month).

1 **Q. Should the Commission approve the incorporation into LG&E's base electric**  
2 **rates the environmental surcharge amounts found just and reasonable for the**  
3 **two year 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 LG&E recommends that an incremental environmental surcharge amount of  
7 \$2,352,193 be incorporated into base rates at the conclusion of this case. LG&E  
8 determined the incremental roll-in amount of \$2,352,193 using environmental  
9 surcharge rate base as of February 28, 2011 and environmental surcharge operating  
10 expenses for the twelve month period ending February 28, 2011. If approved, the  
11 total amount of environmental surcharge that will be included in base rates will be  
12 \$9,872,084. The amount of environmental surcharge that will be included in base  
13 rates represents rate base and operating expenses associated only with LG&E's 2005,  
14 2006, and 2009 amendments to its Compliance Plan. All costs associated with the  
15 2001 and 2003 amendments to the Compliance Plan were removed from ECR  
16 recovery and included in base rates, consistent with the Commission's approval of the  
17 Stipulation and Recommendation in Case No. 2009-00549.

18 **Q. If the Commission accepts LG&E's recommendation to incorporate the**  
19 **proposed amount into base rates, what will be the impact on LG&E's ECR**  
20 **revenue 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 LG&E 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). LG&E's determination of costs recoverable through  
8 the billing factor (E(m) for the expense month) are reduced by the ECR revenue  
9 included in base rates. Therefore, total ECR costs for the month of February are  
10 collected 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 LG&E 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 LG&E proposing any changes to the monthly reporting forms used for**  
20 **calculating the environmental surcharge?**

21 A. LG&E currently has pending before the Commission its application for approval of  
22 the 2011 amendments to its Compliance Plan (Case No. 2011-00162). In that case,  
23 LG&E proposed certain modifications to the monthly filing forms. Certain of those

1 modifications can be implemented upon the issuance of the Commission's Order in  
2 this case, should such an Order be issued prior to the issuance of an Order in Case  
3 No. 2011-00162. Specifically, the modifications that LG&E could implement related  
4 only to this review case are the elimination of references to LG&E's 2001 and 2003  
5 Amendments to its Compliance Plan, consistent with the Commission's Order in Case  
6 No. 2009-00549, as currently included on ES Forms 2.10 and 2.50. Additionally, the  
7 references to the Mill Creek Ash Dredging deferred debit balance and the associated  
8 amortization on ES Form 2.00 can be removed since the deferred debit balance was  
9 fully amortized as of April 2010.

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 10.82%, including the  
13 currently approved 10.63% return on equity and adjusted capitalization, to be used to  
14 calculate the environmental surcharge. This is based on capitalization as of February  
15 28, 2011 and the Commission's Order of July 30, 2010 in Case No. 2009-00549.  
16 Please see the response and attachment to Commission Staff's Request for  
17 Information Question No. 6(c) following this testimony.

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

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

- 20 a) The Commission should approve the proposed decrease to the Environmental  
21 Surcharge Revenue Requirement of \$241,530 for one month in the second full  
22 billing month following the Commission's decision in this proceeding;

- 1           b)     The Commission should determine environmental surcharge amount for the  
2                   six-month billing period ending April 30, 2011 to be just and reasonable;
- 3           c)     The Commission should approve the use of an overall rate of return on capital  
4                   of 10.82% using a return on equity of 10.63% beginning in the second full  
5                   billing month following the Commission's Order in this proceeding.
- 6           d)     The Commission should approve a "roll-in" of \$2,352,193 in incremental  
7                   environmental costs into LG&E's base rates, for a total base rate ECR  
8                   component of \$9,872,084, to be included in base rates following the  
9                   methodology previously approved by the Commission and implemented by  
10                  LG&E.

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

12   A.     Yes.

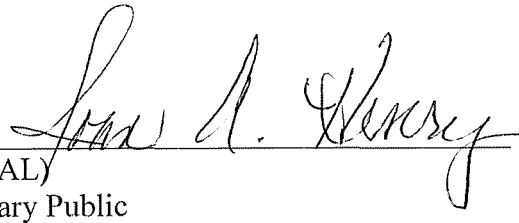
VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says he is the Director – Rates for LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the foregoing testimony, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

  
ROBERT M. CONROY

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

  
(SEAL)  
Notary Public

My Commission Expires:  
July 21, 2015

## APPENDIX A

### **Robert M. Conroy**

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

### **Education**

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

### **Previous Positions**

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

### **Professional/Trade Memberships**

Registered Professional Engineer in Kentucky, 1995.

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

**In the Matter of:**

**AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIRONMENTAL )  
SURCHARGE MECHANISM OF LOUISVILLE GAS ) CASE NO.  
AND ELECTRIC COMPANY FOR THE TWO-YEAR ) 2011-00232  
BILLING PERIOD ENDING APRIL 30, 2011 )**

**RESPONSE OF  
LOUISVILLE GAS AND ELECTRIC COMPANY  
TO  
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION IN  
APPENDIX B OF COMMISSION'S ORDER  
DATED AUGUST 09, 2011**

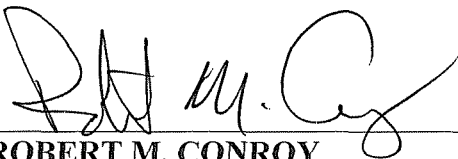
**FILED: September 7, 2011**



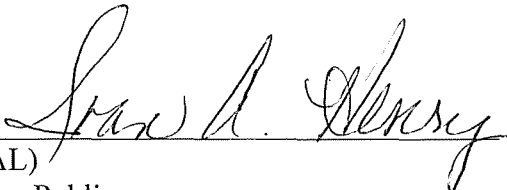
VERIFICATION

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 6<sup>th</sup> 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 \_\_\_\_ day of September 2011.

*Sean M. Wensy*  
(SEAL)  
Notary Public

My Commission Expires:  
*July 21, 2015*



**LOUISVILLE GAS AND ELECTRIC COMPANY**

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

**Case No. 2011-00232**

**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 LG&E's cost of debt, preferred stock, accounts receivable financing (if applicable), or changes in LG&E'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.

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 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.

LG&E 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	10 98%	\$ 242,056,589	\$ 242,056,589	\$ -	\$ -	79 22%	\$ -
Jun-09	Apr-09	10 98%	241,887,567	241,887,567	-	-	82 25%	-
Jul-09	May-09	10 98%	241,120,333	241,120,333	-	-	79 33%	-
Aug-09	Jun-09	10 98%	240,615,206	240,615,206	-	-	90 08%	-
Sep-09	Jul-09	10 82%	240,824,315	240,824,315	-	-	91 14%	-
Oct-09	Aug-09	10 82%	240,580,133	240,580,133	-	-	91 80%	-
						\$ -		\$ -
Nov-09	Sep-09	10 82%	\$240,832,072	\$ 240,832,072	\$ -	\$ -	89 48%	\$ -
Dec-09	Oct-09	10 82%	240,117,179	240,117,179	-	-	86 71%	-
Jan-10	Nov-09	10 82%	239,518,331	239,518,331	-	-	83 79%	-
Feb-10	Dec-09	11 18%	241,367,963	241,367,963	-	-	84 48%	-
Mar-10	Jan-10	11 18%	240,780,684	240,780,684	-	-	86 20%	-
Apr-10	Feb-10	11 18%	240,159,906	240,159,906	-	-	80 32%	-
						\$ -		\$ -
May-10	Mar-10	11 18%	\$239,208,510	\$ 239,208,510	\$ -	\$ -	88 90%	\$ -
Jun-10	Apr-10	11 18%	238,586,409	238,586,409	-	-	84 15%	-
Jul-10	May-10	10 97%	238,012,541	238,012,541	-	-	85 36%	-
Aug-10	Jun-10	10 97%	238,182,734	238,182,734	-	-	93 53%	-
Sep-10	Jul-10	10 97%	237,736,661	237,736,661	-	-	92 29%	-
Oct-10	Aug-10	10 97%	69,783,654	69,783,654	-	-	92 56%	-
						\$ -		\$ -
Nov-10	Sep-10	10 97%	\$ 69,927,954	\$ 69,927,954	\$ -	\$ -	90 68%	\$ -
Dec-10	Oct-10	10 97%	70,830,963	70,830,963	-	-	85 51%	-
Jan-11	Nov-10	10 97%	72,115,766	72,115,766	-	-	83 47%	-
Feb-11	Dec-10	11 18%	72,706,218	72,706,218	-	-	83 46%	-
Mar-11	Jan-11	11 18%	72,440,628	72,440,628	-	-	81 57%	-
Apr-11	Feb-11	11 18%	72,365,045	72,365,045	-	-	82 87%	-
						\$ -		\$ -
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. 2009-00502. No true-up adjustments were made

The billing period ending April 30, 2010 was reviewed in Case No. 2010-00242. A true-up adjustment for the expense month January 2010 was

included in the February 2010 monthly filing consistent with prior practice

The billing period ending October 31, 2010 was reviewed in Case No. 2010-00475. True-up adjustments for the expense months March 2010 through May 2010 were included in the June 2010 monthly filing consistent with prior practice

No true-ups were made for the months in the current review period.

## 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	10.98%	11.13%	0.15%	\$ 242,056,589	30,257	79.22%	23,970
Jun-09	Apr-09	10.98%	11.13%	0.15%	241,887,567	30,236	82.25%	24,869
Jul-09	May-09	10.98%	11.13%	0.15%	241,120,333	30,140	79.33%	23,910
Aug-09	Jun-09	10.98%	11.13%	0.15%	240,615,206	30,077	90.08%	27,093
Sep-09	Jul-09	10.82%	11.13%	0.31%	240,824,315	62,213	91.14%	56,701
Oct-09	Aug-09	10.82%	11.13%	0.31%	240,580,133	62,150	91.80%	57,054
						245,073		213,597
Nov-09	Sep-09	10.82%	11.14%	0.32%	\$ 240,832,072	64,222	89.48%	57,466
Dec-09	Oct-09	10.82%	11.14%	0.32%	240,117,179	64,031	86.71%	55,521
Jan-10	Nov-09	10.82%	11.14%	0.32%	239,518,331	63,872	83.79%	53,518
Feb-10	Dec-09	11.18%	11.14%	-0.04%	241,367,963	(8,046)	84.48%	(6,797)
Mar-10	Jan-10	11.18%	11.14%	-0.04%	240,780,684	(8,026)	86.20%	(6,918)
Apr-10	Feb-10	11.18%	11.14%	-0.04%	240,159,906	(8,005)	80.32%	(6,430)
						168,048		146,360
May-10	Mar-10	11.18%	11.22%	0.04%	\$ 239,208,510	7,974	88.90%	7,089
Jun-10	Apr-10	11.18%	11.22%	0.04%	238,586,409	7,953	84.15%	6,692
Jul-10	May-10	10.97%	11.22%	0.25%	238,012,541	49,586	85.36%	42,327
Aug-10	Jun-10	10.97%	11.22%	0.25%	238,182,734	49,621	93.53%	46,411
Sep-10	Jul-10	10.97%	11.22%	0.25%	237,736,661	49,528	92.29%	45,710
Oct-10	Aug-10	10.97%	11.22%	0.25%	69,783,654	14,538	92.56%	13,457
						179,201		161,685
Nov-10	Sep-10	10.97%	10.89%	-0.08%	\$ 69,927,954	(4,662)	90.68%	(4,227)
Dec-10	Oct-10	10.97%	10.89%	-0.08%	70,830,963	(4,722)	85.51%	(4,038)
Jan-11	Nov-10	10.97%	10.89%	-0.08%	72,115,766	(4,808)	83.47%	(4,013)
Feb-11	Dec-10	11.18%	10.89%	-0.29%	72,706,218	(17,571)	83.46%	(14,664)
Mar-11	Jan-11	11.18%	10.89%	-0.29%	72,440,628	(17,506)	81.57%	(14,280)
Apr-11	Feb-11	11.18%	10.89%	-0.29%	72,365,045	(17,488)	82.87%	(14,492)
				Impact of Change in Rate of Return during the six-month billing period ending April 30, 2011		(66,757)		(55,715)
Cumulative Impact of Changes in Rate of Return						\$ 525,564		\$ 465,926

The billing period ending October 31, 2009 was reviewed in Case No. 2009-00502. No true-up adjustments were made.

The billing period ending April 30, 2010 was reviewed in Case No. 2010-00242. A true-up adjustment for the expense month January 2010 was

included in the February 2010 monthly filing consistent with prior practice.

The billing period ending October 31, 2010 was reviewed in Case No. 2010-00475. True-up adjustments for the expense months March 2010 through May 2010 were included in the June 2010 monthly filing consistent with prior practice.

No true-ups were made for the months in the current review period.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

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

	Per Books 04-30-11 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 1 x Col 3) (4)	Adjustments to Capitalization (Col 17) (5)	Adjusted Electric Capitalization (Col 4 + Col 5) (6)	Adjusted Capital Structure (7)	Annual Cost Rate (8)	Cost of Capital (Col 8 x Col 7) (9)
1. Short Term Debt	\$ -	0.00%	78.940%	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
2. Long Term Debt	1,105,448,969	44.83%	78.940%	872,641,416	11,076,372	883,717,788	44.83%	3.96%	1.78%
3. Common Equity	1,360,238,231	55.17%	78.940%	1,073,772,059	13,631,127	1,087,403,186	55.17%	10.63%	5.86%
4. Total Capitalization	<u>\$ 2,465,687,200</u>	<u>100.0000%</u>		<u>\$ 1,946,413,475</u>	<u>\$ 24,707,499</u>	<u>\$ 1,971,120,974</u>	<u>100.0000%</u>		<u>7.64%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect (ROR + (ROR - DR) x [TR / (1 - TR)])									<u>10.89%</u>

	Capitalization (Col 4) (10)	Capital Structure (11)	Trimble County Inventories (a) (Col 11 x Col 12 Line 4) (12)	Investments in OVEC & Other (Col 11 x Col 13 Line 4) (13)	JDIC (Col 11 x Col 14 Line 4) (14)	Environmental Surcharge (Net of ECR Roll-in) (Col 11 x Col 15 Line 4) (15)	Advanced Coal Investment Tax Credit (b) (Col 11 x Col 16 Line 4) (16)	Total Adjustments To Capital (17)
1. Short Term Debt	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2. Long Term Debt	872,641,416	44.83%	(1,932,057)	(271,744)	9,144,153	(6,427,404)	10,563,424	11,076,372
3. Common Equity	1,073,772,059	55.17%	(2,377,684)	(334,421)	11,233,243	(7,909,880)	12,999,869	13,631,127
4. Total Capitalization	<u>\$ 1,946,413,475</u>	<u>100.0000%</u>	<u>\$ (4,309,741)</u>	<u>\$ (606,165)</u>	<u>\$ 20,397,396</u>	<u>\$ (14,337,284)</u>	<u>\$ 23,563,293</u>	<u>\$ 24,707,499</u>

	As of April 30, 2011
(a) Trimble County Inventories	\$ 5,372,813
Materials and Supplies	930,620
Stores Expense	10,519,817
Coal	192,158
Limestone	223,117
Fuel Oil	439
Emission Allowances	\$ 17,238,965
Total Trimble County Inventories	25,009%
Multipled by Disallowed Portion	\$ 4,309,741
Trimble County Inv. Disallowed	

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





**LOUISVILLE GAS AND ELECTRIC COMPANY**

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

**Case No. 2011-00232**

**Question No. 2**

**Witness: Robert M. Conroy**

- Q-2. Prepare a summary schedule showing the calculation of Total E(m), Net Retail E(m), and the surcharge factor for the expense months covered by the applicable billing period. Include the expense months for the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included for the billing period under review. The summary schedule is to incorporate all corrections and revisions to the monthly surcharge filings LG&E has submitted during the billing period under review. Include a calculation of any additional over- or under-recovery amount LG&E believes needs to be recognized for the 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, LG&E experienced a net under-recovery of \$241,530.

**Louisville Gas & Electric 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) Total E(m)	(7) Retail Allocation Ratio	(8) Retail E(m) Comments: As Revised in This Review
	ES Form 2.00	(2) / (12)		ES Form 2.00	(3) * (4) + (5)	ES Form 1.10	(6) * (7)
Mar-09	\$ 242,056,589	20,171,382	11.13%	\$ 1,254,887	3,499,962	79.22%	2,772,670
Apr-09	241,887,567	20,157,297	11.13%	1,409,919	3,653,426	82.25%	3,004,943
May-09	241,120,333	20,093,361	11.13%	1,261,747	3,498,138	79.33%	2,775,073
Jun-09	240,615,206	20,051,267	11.13%	1,394,120	3,625,826	90.08%	3,266,144
Jul-09	240,824,315	20,068,693	11.13%	1,243,811	3,477,457	91.14%	3,169,354
Aug-09	240,580,133	20,048,344	11.13%	1,327,106	3,558,487	91.80%	3,266,691
Sep-09	\$ 240,832,072	20,069,339	11.14%	1,423,993	3,659,717	89.48%	3,274,715
Oct-09	240,117,179	20,009,765	11.14%	1,197,085	3,426,173	86.71%	2,970,834
Nov-09	239,518,331	19,952,861	11.14%	1,195,923	3,419,452	83.79%	2,865,158
Dec-09	241,367,963	20,113,997	11.14%	1,440,857	3,681,556	84.48%	3,110,179
Jan-10	240,780,684	20,065,057	11.14%	1,268,328	3,503,575	86.20%	3,020,082
Feb-10	240,159,906	20,013,326	11.14%	1,301,288	3,530,772	80.32%	2,835,916
Mar-10	\$ 239,208,510	19,934,043	11.22%	\$ 1,328,722	3,565,322	88.90%	3,169,571
Apr-10	238,586,409	19,882,201	11.22%	1,718,933	3,949,716	84.15%	3,323,686
May-10	238,012,541	19,834,378	11.22%	1,222,271	3,447,688	85.36%	2,942,947
Jun-10	238,182,734	19,848,561	11.22%	1,258,869	3,485,878	93.53%	3,260,341
Jul-10	237,736,661	19,811,388	11.22%	1,252,517	3,475,355	92.29%	3,207,405
Aug-10	69,783,654	5,815,305	11.22%	179,605	832,083	92.56%	770,176
Sep-10	\$ 69,927,954	5,827,330	10.89%	234,743	869,339	90.68%	788,317
Oct-10	70,830,963	5,902,580	10.89%	163,405	806,196	85.51%	689,378
Nov-10	72,115,766	6,009,647	10.89%	190,507	844,958	83.47%	705,286
Dec-10	72,706,218	6,098,852	10.89%	244,647	904,456	83.46%	754,859
Jan-11	72,440,628	6,036,719	10.89%	236,157	893,556	81.57%	728,873
Feb-11	72,365,045	6,030,420	10.89%	366,180	1,022,893	82.87%	847,671

Note: The billing period ending October 31, 2009 was reviewed in Case No. 2009-00502.  
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. 2010-00475.

**Louisville Gas & Electric Company  
Calculation of E(m) and Jurisdictional Surcharges Billing Factor  
Summary Schedule for Expense Months March 2009 through February 2011**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Expense Month	Retail E(m)	Adjustment to Retail E(m) for Under-Collection	Prior Period Adjustment (As Filed)	Retail E(m) Including all Adjustments	Average Monthly Retail Revenues	Current Environmental Surcharge Factor (CESF)	Base Environmental Surcharge Factor (BESF)	Monthly Environmental Surcharge Factor (MESF)	Monthly Billing Factor	ECR Revenue Recovered Through Base Rates Requirement Method (Notes 1 & 2)	Billing Period	ECR Revenue Recovered Through Base Rates Percentage Method (Notes 1)	ECR Billing Factor Revenues	Combined Total Over/(Under) Recovery (5) - (13) - (14) or (5) - (11) - (14)
Mar-09	\$ 2,772,670			\$ 2,772,670	ES Form 1.10	4.29%	3.62%	0.67%	As Filed	\$ -	May-09	\$ 1,760,798	\$ 931,685	\$ (80,187)
Apr-09	\$ 3,004,943			\$ 3,004,943	64,615,926	4.66%	3.62%	1.04%		\$ -	Jun-09	\$ 2,152,606	\$ 1,535,289	\$ 682,952
May-09	\$ 2,775,073			\$ 2,775,073	64,540,021	4.28%	3.62%	0.69%		\$ -	Jul-09	\$ 2,366,888	\$ 1,357,212	\$ 949,027
Jun-09	\$ 3,266,144			\$ 3,266,144	64,962,678	5.03%	3.62%	1.41%		\$ -	Aug-09	\$ 2,243,789	\$ 835,493	\$ (186,863)
Jul-09	\$ 3,169,354			\$ 3,169,354	64,955,041	5.19%	3.62%	1.57%		\$ -	Sep-09	\$ 2,151,236	\$ 336,310	\$ (884,653)
Aug-09	\$ 3,266,691			\$ 3,266,691	64,293,669	5.40%	3.62%	1.78%		\$ -	Oct-09	\$ 1,978,542	\$ 620,588	\$ (870,407)
				\$ 18,660,567						\$ -		\$ 12,653,860	\$ 5,616,576	\$ (390,130)
Sep-09	\$ 3,274,715			\$ 3,274,715	63,427,590	5.16%	3.62%	1.54%		\$ -	Nov-09	\$ 1,646,138	\$ 761,325	\$ (1,070,098)
Oct-09	\$ 2,970,834			\$ 2,970,834	63,384,159	4.92%	3.62%	1.30%		\$ -	Dec-09	\$ 1,869,344	\$ 749,427	\$ (351,863)
Nov-09	\$ 2,865,158			\$ 2,865,158	62,919,904	5.59%	3.62%	1.97%		\$ -	Jan-10	\$ 2,213,870	\$ 1,306,389	\$ 655,101
Dec-09	\$ 3,110,179			\$ 3,110,179	62,728,525				2.86%	\$ -	Feb-10	\$ -	\$ 1,807,451	\$ (1,848,124)
Jan-10	\$ 3,020,082			\$ 3,020,082	62,962,163				2.16%	\$ -	Mar-10	\$ -	\$ 1,403,818	\$ (2,161,660)
Feb-10	\$ 2,835,916			\$ 2,835,916	63,063,357				-0.31%	\$ -	Apr-10	\$ -	\$ (197,282)	\$ (938,118)
				\$ 19,915,920						\$ 2,640,477		\$ 5,729,553	\$ 5,831,128	\$ (5,714,763)
				\$ 3,169,571						\$ 2,640,477		\$ -	\$ -	\$ (6,274)
Mar-10	\$ 3,323,686			\$ 3,323,686	64,004,468	0.90%	3.04%	1.54%		\$ 2,590,497	May-10	\$ -	\$ 572,800	\$ (1,469,713)
Apr-10	\$ 2,942,947			\$ 2,942,947	64,093,415	3.33%	3.33%	3.33%		\$ 2,310,726	Jun-10	\$ -	\$ 2,483,673	\$ 1,469,713
May-10	\$ 3,260,341			\$ 3,260,341	64,794,282	3.33%	3.33%	3.33%		\$ 2,309,086	Jul-10	\$ -	\$ 1,519,009	\$ 495,109
Jun-10	\$ 3,207,405			\$ 3,207,405	65,947,483	-0.11%	3.04%	1.53%		\$ 3,104,271	Aug-10	\$ -	\$ (125,080)	\$ (281,150)
Jul-10	\$ 3,207,405			\$ 3,207,405	67,236,254	-0.60%	3.04%	1.53%		\$ 3,559,313	Sep-10	\$ -	\$ (520,026)	\$ (167,918)
Aug-10	\$ 17,064,256			\$ 17,064,256		-2.50%	3.04%	1.53%		\$ 2,407,196	Oct-10	\$ -	\$ (1,726,986)	\$ (89,966)
				\$ 788,317						\$ 16,281,290		\$ -	\$ 2,202,480	\$ (419,514)
Sep-10	\$ 788,317			\$ 788,317	68,965,871	-0.80%	3.04%	1.53%		\$ 816,260	Nov-10	\$ -	\$ (28,034)	\$ (91)
Oct-10	\$ 705,286			\$ 705,286	70,602,931	0.40%	3.04%	1.53%		\$ 664,365	Dec-10	\$ -	\$ 26,808	\$ 1,795
Nov-10	\$ 754,859			\$ 754,859	71,544,113	1.18%	3.04%	1.53%		\$ 579,352	Jan-11	\$ -	\$ 146,568	\$ 20,634
Dec-10	\$ 795,605			\$ 795,605	72,673,888	1.29%	3.04%	1.53%		\$ 640,503	Feb-11	\$ -	\$ 819,108	\$ 600,853
Jan-11	\$ 728,873			\$ 728,873	72,968,060	1.09%	3.04%	1.53%		\$ 746,338	Mar-11	\$ -	\$ 742,383	\$ (35,257)
Feb-11	\$ 847,671			\$ 847,671		1.41%	3.04%	1.53%		\$ 631,897	Apr-11	\$ -	\$ 874,121	\$ (137,258)
				\$ 6,901,199						\$ 4,078,715		\$ -	\$ 2,580,954	\$ (241,530)
Total for the 2-year period:				\$ 62,541,942						\$ 23,000,482		\$ 18,383,412	\$ 16,231,138	\$ (4,926,909)
Less Amounts from previous 6-month reviews:				\$ 18,660,567						\$ -		\$ 12,653,860	\$ 5,616,576	\$ (390,130)
				\$ 2010-00242						\$ 2,640,477		\$ 5,729,553	\$ 5,831,128	\$ (5,714,763)
				\$ 2010-00475						\$ 16,281,290		\$ -	\$ 2,202,480	\$ 1,419,514
				\$ 6,901,199						\$ -		\$ -	\$ 2,380,954	\$ (241,530)
Total for the current 6-month period:				\$ 6,901,199						\$ -		\$ -	\$ -	\$ (241,530)

Net Under-Recovery to be collected from customers for the 6-month billing period ending April 30, 2011:

Note 1: Beginning with the Dec09 expense month, LG&E transitioned to the Revenue Requirement methodology approved in Case No. 2009-00310

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)

**Louisville Gas & Electric 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 on E(m) (5) * (6) / 12	Jurisdictional Allocation, ES Form 1 10	Jursidictional Impact to E(m) (7) * (8)
Nov-10	Sep-10	10.97%	10.89%	-0.08%	\$ 69,927,954	(4,662)	90.68%	(4,227)
Dec-10	Oct-10	10.97%	10.89%	-0.08%	70,830,963	(4,722)	85.51%	(4,038)
Jan-11	Nov-10	10.97%	10.89%	-0.08%	72,115,766	(4,808)	83.47%	(4,013)
Feb-11	Dec-10	11.18%	10.89%	-0.29%	72,706,218	(17,571)	83.46%	(14,664)
Mar-11	Jan-11	11.18%	10.89%	-0.29%	72,440,628	(17,506)	81.57%	(14,280)
Apr-11	Feb-11	11.18%	10.89%	-0.29%	72,365,045	(17,488)	82.87%	(14,492)
Cumulative Impact of Changes in Rate of Return						<u>\$ (66,757)</u>		<u>\$ (55,715)</u>

(1)	(2)	(3)	(4)	(5)
Billing Month	Expense Month	Combined Total Over/(Under) Recovery (Q2, pg 2, Col 15)	Recovery Position Explanation - Over/(Under) ROR Trueup	Use of 12 Month Average Revenues
Nov-10	Sep-10	(91)	4,227	(4,318)
Dec-10	Oct-10	1,795	4,038	(2,243)
Jan-11	Nov-10	20,634	4,013	16,621
Feb-11	Dec-10	(90,853)	14,664	(105,517)
Mar-11	Jan-11	(35,757)	14,280	(50,037)
Apr-11	Feb-11	(137,258)	14,492	(151,750)
		(241,530)	55,715	(297,245)

OVER/(UNDER) RECONCILIATION	
Combined Over/(Under) Recovery	(241,530)
Due to Change in ROR	55,715
Use of 12 Month Average Revenues	(297,245)
<b>Subtotal</b>	<b>(241,530)</b>
Unreconciled Difference	-



**LOUISVILLE GAS AND ELECTRIC COMPANY**

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

**Case No. 2011-00232**

**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 each billing period under review for Pollution Control Deferred Income Taxes.

A-3. LG&E calculates Deferred Income Taxes as the taxable portion of the difference between book depreciation, using straight line depreciation, and tax depreciation, generally using 20 year MACRS accelerated depreciation 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 LG&E's Case No. 2009-00549, 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.

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

2001 Plan  
Project 6 -- NOx

<u>Month</u>	<u>Plant Balance</u>	<u>Book Depreciation</u>	<u>Tax Depreciation</u>	<u>Difference</u>	<u>Income Tax Rate</u>	<u>Deferred Tax</u>	<u>Accumulated Deferred Taxes</u>	<u>Deferred Taxes on Retirements</u>
Beg Balance							12,775,846	
Mar-09	192,860,844	617,234	843,207	225,973	38.9000%	87,903	12,863,749	1,053,265
Apr-09	192,860,844	617,234	843,207	225,973	38.9000%	87,903	12,951,652	1,053,265
May-09	192,860,844	617,234	843,207	225,973	38.9000%	87,903	13,039,555	1,053,265
Jun-09	192,860,844	617,234	843,207	225,973	38.9000%	87,903	13,127,458	1,053,265
Jul-09	192,860,844	617,234	843,207	225,973	38.9000%	87,903	13,215,361	1,053,265
Aug-09	192,860,844	617,234	843,207	225,973	38.9000%	87,903	13,303,264	1,053,265
Sep-09	192,860,844	617,234	843,207	225,973	38.9000%	87,903	13,391,167	1,053,265
Oct-09	192,860,844	617,234	843,207	225,973	38.9000%	87,903	13,479,070	1,053,265
Nov-09	192,860,844	617,234	843,207	225,973	38.9000%	87,903	13,566,973	1,053,265
Dec-09	192,860,844	617,234	843,207	225,973	38.9000%	87,903	13,654,876	1,053,265
Jan-10	192,860,844	617,234	788,995	171,761	38.9000%	66,815	13,721,691	1,053,265
Feb-10	192,860,844	617,234	788,995	171,761	38.9000%	66,815	13,788,507	1,053,265
Mar-10	192,860,844	617,234	788,995	171,761	38.9000%	66,815	13,855,322	1,053,265
Apr-10	192,860,844	617,234	788,995	171,761	38.9000%	66,815	13,922,137	1,053,265
May-10	192,860,844	617,234	788,995	171,761	38.9000%	66,815	13,988,952	1,053,265
Jun-10	192,860,844	617,234	788,995	171,761	38.9000%	66,815	14,055,767	1,053,265
Jul-10	192,860,844	617,234	788,995	171,761	38.9000%	66,815	14,122,584	1,053,265

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**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>
Beg Balance							924,198	
Mar-09	30,861,686	103,474	131,924	28,450	38.9000%	11,067	935,265	516,073
Apr-09	30,861,686	103,474	131,924	28,450	38.9000%	11,067	946,332	516,073
May-09	30,861,686	103,474	131,924	28,450	38.9000%	11,067	957,399	516,073
Jun-09	30,861,686	103,474	131,924	28,450	38.9000%	11,067	968,466	516,073
Jul-09	30,861,686	103,474	131,924	28,450	38.9000%	11,067	979,533	516,073
Aug-09	30,861,686	103,474	131,924	28,450	38.9000%	11,067	990,600	516,073
Sep-09	30,861,686	103,474	131,889	28,415	38.9000%	11,053	1,001,653	516,073
Oct-09	30,861,686	103,474	131,889	28,415	38.9000%	11,053	1,012,706	516,073
Nov-09	30,861,686	103,474	131,889	28,415	38.9000%	11,053	1,023,759	516,073
Dec-09	30,861,686	103,474	131,889	28,415	38.9000%	11,053	1,034,812	516,073
Jan-10	30,861,686	103,474	121,988	18,514	38.9000%	7,202	1,042,014	516,073
Feb-10	30,861,686	103,474	121,988	18,514	38.9000%	7,202	1,049,218	516,073
Mar-10	30,861,686	103,474	121,993	18,519	38.9000%	7,204	1,056,422	516,073
Apr-10	30,861,686	103,474	121,993	18,519	38.9000%	7,204	1,063,626	516,073
May-10	30,861,686	103,474	121,993	18,519	38.9000%	7,204	1,070,830	516,073
Jun-10	30,861,686	103,474	121,993	18,519	38.9000%	7,204	1,078,034	516,073
Jul-10	30,861,686	103,474	121,993	18,519	38.9000%	7,204	1,085,235	516,073



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

**2003 - Plan**  
Project 8 -- Precipitators

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							938,006	
Mar-09	11,929,133	47,792	48,724	932	38.9000%	363	938,369	275,252
Apr-09	11,929,133	47,792	48,724	932	38.9000%	363	938,732	275,252
May-09	11,929,133	47,792	48,724	932	38.9000%	363	939,095	275,252
Jun-09	11,929,133	47,792	48,724	932	38.9000%	363	939,458	275,252
Jul-09	11,929,133	47,792	48,724	932	38.9000%	363	939,821	275,252
Aug-09	11,929,133	47,792	48,724	932	38.9000%	363	940,181	275,252
Sep-09	11,929,133	47,792	48,724	932	38.9000%	363	940,544	275,252
Oct-09	11,929,133	47,792	48,724	932	38.9000%	363	940,907	275,252
Nov-09	11,929,133	47,792	48,724	932	38.9000%	363	941,270	275,252
Dec-09	11,929,133	47,792	48,724	932	38.9000%	363	941,633	275,252
Jan-10	11,929,133	47,792	46,609	(1,183)	38.9000%	(460)	941,173	275,252
Feb-10	11,929,133	47,792	46,609	(1,183)	38.9000%	(460)	940,713	275,252
Mar-10	11,929,133	47,792	46,612	(1,180)	38.9000%	(459)	940,254	275,252
Apr-10	11,929,133	47,792	46,612	(1,180)	38.9000%	(459)	939,795	275,252
May-10	11,929,133	47,792	46,612	(1,180)	38.9000%	(459)	939,336	275,252
Jun-10	11,929,133	47,792	46,612	(1,180)	38.9000%	(459)	938,877	275,252
Jul-10	11,929,133	47,792	46,612	(1,180)	38.9000%	(459)	938,419	275,252

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

**2003 - Plan**

Project 9 -- Clearwell Water System

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							24,222	
Mar-09	1,197,310	3,702	4,877	1,175	38.9000%	457	24,679	4,716
Apr-09	1,197,310	3,702	4,877	1,175	38.9000%	457	25,136	4,716
May-09	1,197,310	3,702	4,877	1,175	38.9000%	457	25,593	4,716
Jun-09	1,197,310	3,702	4,877	1,175	38.9000%	457	26,050	4,716
Jul-09	1,197,310	3,702	4,877	1,175	38.9000%	457	26,507	4,716
Aug-09	1,197,310	3,702	4,877	1,175	38.9000%	457	26,964	4,716
Sep-09	1,197,310	3,702	4,877	1,175	38.9000%	457	27,421	4,716
Oct-09	1,197,310	3,702	4,877	1,175	38.9000%	457	27,878	4,716
Nov-09	1,197,310	3,702	4,877	1,175	38.9000%	457	28,335	4,716
Dec-09	1,197,310	3,702	4,877	1,175	38.9000%	457	28,792	4,716
Jan-10	1,197,310	3,702	4,517	815	38.9000%	317	29,109	4,716
Feb-10	1,197,310	3,702	4,517	815	38.9000%	317	29,424	4,716
Mar-10	1,197,310	3,702	4,512	810	38.9000%	315	29,739	4,716
Apr-10	1,197,310	3,702	4,512	810	38.9000%	315	30,054	4,716
May-10	1,197,310	3,702	4,512	810	38.9000%	315	30,369	4,716
Jun-10	1,197,310	3,702	4,512	810	38.9000%	315	30,684	4,716
Jul-10	1,197,310	3,702	4,512	810	38.9000%	315	31,000	4,716

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**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
Beg Balance							70,900	
Mar-09	2,734,620	8,614	10,168	1,554	38.9000%	605	71,505	-
Apr-09	2,734,620	8,614	10,168	1,554	38.9000%	605	72,110	-
May-09	2,734,620	8,614	10,168	1,554	38.9000%	605	72,715	-
Jun-09	2,734,620	8,614	10,168	1,554	38.9000%	605	73,320	-
Jul-09	2,734,620	8,614	10,168	1,554	38.9000%	605	73,925	-
Aug-09	2,734,620	8,614	10,168	1,554	38.9000%	605	74,528	-
Sep-09	2,734,620	8,614	10,168	1,554	38.9000%	605	75,133	-
Oct-09	2,734,620	8,614	10,168	1,554	38.9000%	605	75,738	-
Nov-09	2,734,620	8,614	10,168	1,554	38.9000%	605	76,343	-
Dec-09	2,734,620	8,614	10,168	1,554	38.9000%	605	76,948	-
Jan-10	2,734,620	8,614	10,162	1,548	38.9000%	602	77,550	-
Feb-10	2,734,620	8,614	10,162	1,548	38.9000%	602	78,153	-
Mar-10	2,734,620	8,614	10,164	1,550	38.9000%	603	78,756	-
Apr-10	2,734,620	8,614	10,164	1,550	38.9000%	603	79,359	-
May-10	2,734,620	8,614	10,164	1,550	38.9000%	603	79,962	-
Jun-10	2,734,620	8,614	10,164	1,550	38.9000%	603	80,565	-
Jul-10	2,734,620	8,614	10,164	1,550	38.9000%	603	81,172	-

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**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>
Beg Balance							129,293	
Mar-09	2,282,981	6,158	10,868	4,710	38.9000%	1,832	131,125	22,369
Apr-09	2,282,981	6,158	10,868	4,710	38.9000%	1,832	132,957	22,369
May-09	2,282,981	6,158	10,868	4,710	38.9000%	1,832	134,789	22,369
Jun-09	2,282,981	6,158	10,868	4,710	38.9000%	1,832	136,621	22,369
Jul-09	2,282,981	6,158	10,868	4,710	38.9000%	1,832	138,453	22,369
Aug-09	2,282,981	6,158	10,868	4,710	38.9000%	1,832	140,289	22,369
Sep-09	2,282,981	6,158	10,868	4,710	38.9000%	1,832	142,121	22,369
Oct-09	2,282,981	6,158	10,868	4,710	38.9000%	1,832	143,953	22,369
Nov-09	2,282,981	6,158	10,868	4,710	38.9000%	1,832	145,785	22,369
Dec-09	4,607,107	7,949	98,029	90,080	38.9000%	35,041	180,826	22,369
Jan-10	4,607,107	9,741	24,037	14,296	38.9000%	5,561	186,387	22,369
Feb-10	4,607,107	9,741	24,037	14,296	38.9000%	5,561	191,948	22,369
Mar-10	4,607,107	9,741	24,037	14,296	38.9000%	5,561	197,509	22,369
Apr-10	4,607,107	9,741	24,037	14,296	38.9000%	5,561	203,070	22,369
May-10	4,607,107	9,741	24,037	14,296	38.9000%	5,561	208,631	22,369
Jun-10	4,607,107	9,741	24,037	14,296	38.9000%	5,561	214,192	22,369
Jul-10	4,607,107	9,741	24,037	14,296	38.9000%	5,561	219,753	22,369
Aug-10	4,607,107	9,741	24,037	14,296	38.9000%	5,561	225,314	22,369
Sep-10	4,607,107	9,741	24,037	14,296	38.9000%	5,561	230,875	22,369
Oct-10	4,607,107	9,741	24,037	14,296	38.9000%	5,561	236,436	22,369
Nov-10	4,607,107	9,741	24,037	14,296	38.9000%	5,561	241,997	22,369
Dec-10	4,607,107	9,741	24,037	14,296	38.9000%	5,561	247,558	22,369
Jan-11	4,607,107	9,741	22,231	12,490	38.9000%	4,859	252,417	22,369
Feb-11	4,607,107	9,741	22,231	12,490	38.9000%	4,859	257,276	22,369

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

**2005 - Plan**

Project 12 -- Special Waste Landfill Expansion - CR

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							136,161	
Mar-09	2,988,137	5,304	15,658	10,354	38.9000%	4,028	140,189	-
Apr-09	2,988,137	5,304	15,658	10,354	38.9000%	4,028	144,217	-
May-09	2,988,137	5,304	15,658	10,354	38.9000%	4,028	148,245	-
Jun-09	2,988,137	5,304	15,658	10,354	38.9000%	4,028	152,273	-
Jul-09	2,988,137	5,304	15,658	10,354	38.9000%	4,028	156,301	-
Aug-09	2,988,137	5,304	15,658	10,354	38.9000%	4,028	160,329	-
Sep-09	2,988,137	5,304	15,658	10,354	38.9000%	4,028	164,357	-
Oct-09	2,988,137	5,304	15,658	10,354	38.9000%	4,028	168,385	-
Nov-09	2,988,137	5,304	15,658	10,354	38.9000%	4,028	172,413	-
Dec-09	4,730,568	6,850	81,002	74,152	38.9000%	28,845	201,258	536
Jan-10	4,730,568	8,397	24,966	16,569	38.9000%	6,445	207,703	536
Feb-10	4,730,568	8,397	24,966	16,569	38.9000%	6,445	214,148	536
Mar-10	4,730,568	8,397	24,966	16,569	38.9000%	6,445	220,593	536
Apr-10	4,730,568	8,397	24,966	16,569	38.9000%	6,445	227,038	536
May-10	4,730,568	8,397	24,966	16,569	38.9000%	6,445	233,483	536
Jun-10	4,730,568	8,397	24,966	16,569	38.9000%	6,445	239,928	536
Jul-10	4,730,568	8,397	24,966	16,569	38.9000%	6,445	246,373	536
Aug-10	4,730,568	8,397	24,966	16,569	38.9000%	6,445	252,819	536
Sep-10	4,730,568	8,397	24,966	16,569	38.9000%	6,445	259,264	536
Oct-10	4,730,568	8,397	24,966	16,569	38.9000%	6,445	265,709	536
Nov-10	4,730,568	8,397	24,966	16,569	38.9000%	6,445	272,154	536
Dec-10	4,730,568	8,397	24,966	16,569	38.9000%	6,445	278,599	536
Jan-11	4,730,568	8,397	23,096	14,699	38.9000%	5,718	284,317	536
Feb-11	4,730,568	8,397	23,096	14,699	38.9000%	5,718	290,034	536

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

**2005 - Plan**

Project 13 -- Scrubber Refurbishment - TC1

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							37,765	
Mar-09	855,968	2,582	8,020	5,438	38.9000%	2,115	39,880	-
Apr-09	855,968	2,582	8,020	5,438	38.9000%	2,115	41,995	-
May-09	850,100	2,272	7,735	5,463	38.9000%	2,125	44,120	73,550
Jun-09	850,100	2,564	8,029	5,465	38.9000%	2,126	46,246	73,550
Jul-09	850,100	2,564	8,029	5,465	38.9000%	2,126	48,372	73,550
Aug-09	850,100	2,564	8,029	5,465	38.9000%	2,126	50,498	73,550
Sep-09	850,100	2,564	8,029	5,465	38.9000%	2,126	52,624	73,550
Oct-09	850,100	2,564	8,029	5,465	38.9000%	2,126	54,750	73,550
Nov-09	850,100	2,564	8,029	5,465	38.9000%	2,126	56,876	73,550
Dec-09	850,100	2,564	8,029	5,465	38.9000%	2,126	59,002	73,550
Jan-10	850,100	2,564	7,834	5,270	38.9000%	2,050	61,052	73,550
Feb-10	850,100	2,564	7,834	5,270	38.9000%	2,050	63,104	73,550
Mar-10	850,100	2,564	7,840	5,276	38.9000%	2,052	65,156	73,550
Apr-10	850,100	2,564	7,840	5,276	38.9000%	2,052	67,208	73,550
May-10	850,100	2,564	7,840	5,276	38.9000%	2,052	69,260	73,550
Jun-10	850,100	2,564	7,840	5,276	38.9000%	2,052	71,312	73,550
Jul-10	850,100	2,564	7,840	5,276	38.9000%	2,052	73,364	73,550
Aug-10	850,100	2,564	7,840	5,276	38.9000%	2,052	75,420	73,550
Sep-10	850,100	2,564	7,840	5,276	38.9000%	2,052	77,472	73,550
Oct-10	850,100	2,564	7,840	5,276	38.9000%	2,052	79,524	73,550
Nov-10	850,100	2,564	7,840	5,276	38.9000%	2,052	81,576	73,550
Dec-10	850,100	2,564	7,840	5,276	38.9000%	2,052	83,628	73,550
Jan-11	850,100	2,564	7,718	5,154	38.9000%	2,005	85,633	73,550
Feb-11	850,100	2,564	7,718	5,154	38.9000%	2,005	87,635	73,550

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

**2005 - Plan**

Project 14 -- Scrubber Refurbishment - CR6

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							14,514	
Mar-09	308,507	1,147	1,700	553	38.9000%	215	14,729	9,075
Apr-09	308,507	1,147	1,700	553	38.9000%	215	14,944	9,075
May-09	308,507	1,147	1,700	553	38.9000%	215	15,159	9,075
Jun-09	308,507	1,147	1,700	553	38.9000%	215	15,374	9,075
Jul-09	308,507	1,147	1,700	553	38.9000%	215	15,589	9,075
Aug-09	308,507	1,147	1,700	553	38.9000%	215	15,804	9,075
Sep-09	308,507	1,147	1,700	553	38.9000%	215	16,019	9,075
Oct-09	308,507	1,147	1,700	553	38.9000%	215	16,234	9,075
Nov-09	308,507	1,147	1,700	553	38.9000%	215	16,449	9,075
Dec-09	308,507	1,147	1,700	553	38.9000%	215	16,664	9,075
Jan-10	308,507	1,147	1,587	440	38.9000%	171	16,835	9,075
Feb-10	308,507	1,147	1,587	440	38.9000%	171	17,006	9,075
Mar-10	308,507	1,147	1,587	440	38.9000%	171	17,177	9,075
Apr-10	308,507	1,147	1,587	440	38.9000%	171	17,348	9,075
May-10	308,507	1,147	1,587	440	38.9000%	171	17,519	9,075
Jun-10	308,507	1,147	1,587	440	38.9000%	171	17,690	9,075
Jul-10	308,507	1,147	1,587	440	38.9000%	171	17,861	9,075
Aug-10	308,507	1,147	1,587	440	38.9000%	171	18,031	9,075
Sep-10	308,507	1,147	1,587	440	38.9000%	171	18,202	9,075
Oct-10	308,507	1,147	1,587	440	38.9000%	171	18,373	9,075
Nov-10	308,507	1,147	1,587	440	38.9000%	171	18,544	9,075
Dec-10	308,507	1,147	1,587	440	38.9000%	171	18,715	9,075
Jan-11	308,507	1,147	1,481	334	38.9000%	130	18,845	9,075
Feb-11	308,507	1,147	1,481	334	38.9000%	130	18,975	9,075

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

**2005 - Plan**

Project 15 -- Scrubber Refurbishment - CR5

<u>Month</u>	<u>Plant Balance</u>	<u>Book Depreciation</u>	<u>Tax Depreciation</u>	<u>Temporary Difference</u>	<u>Income Tax Rate</u>	<u>Deferred Tax</u>	<u>Accumulated Deferred Taxes</u>	<u>Deferred Taxes on Retirements</u>
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	-	-	-	-	38.9000%	-	-	-
Feb-11	-	-	-	-	38.9000%	-	-	-



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

**2005 - Plan**

Project 16 -- Scrubber Improvements - TC1

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							705,109	
Mar-09	7,361,078	22,206	67,072	44,866	38.9000%	17,453	722,562	26,166
Apr-09	7,361,078	22,206	67,072	44,866	38.9000%	17,453	740,015	26,166
May-09	7,361,078	22,206	67,072	44,866	38.9000%	17,453	757,468	26,166
Jun-09	7,361,078	22,206	67,072	44,866	38.9000%	17,453	774,921	26,166
Jul-09	7,361,078	22,206	67,072	44,866	38.9000%	17,453	792,374	26,166
Aug-09	7,361,078	22,206	67,072	44,866	38.9000%	17,453	809,830	26,166
Sep-09	7,361,078	22,206	67,072	44,866	38.9000%	17,453	827,283	26,166
Oct-09	7,361,078	22,206	67,072	44,866	38.9000%	17,453	844,736	26,166
Nov-09	7,361,078	22,206	67,072	44,866	38.9000%	17,453	862,189	26,166
Dec-09	7,361,078	22,206	67,072	44,866	38.9000%	17,453	879,642	26,166
Jan-10	7,361,078	22,206	65,992	43,786	38.9000%	17,033	896,675	26,166
Feb-10	7,361,078	22,206	65,992	43,786	38.9000%	17,033	913,706	26,166
Mar-10	7,361,078	22,206	65,986	43,780	38.9000%	17,030	930,736	26,166
Apr-10	7,361,078	22,206	65,986	43,780	38.9000%	17,030	947,766	26,166
May-10	7,361,078	22,206	65,986	43,780	38.9000%	17,030	964,796	26,166
Jun-10	7,361,078	22,206	65,986	43,780	38.9000%	17,030	981,826	26,166
Jul-10	7,361,078	22,206	65,986	43,780	38.9000%	17,030	998,856	26,166
Aug-10	7,361,078	22,206	65,986	43,780	38.9000%	17,030	1,015,890	26,166
Sep-10	7,361,078	22,206	65,986	43,780	38.9000%	17,030	1,032,920	26,166
Oct-10	7,361,078	22,206	65,986	43,780	38.9000%	17,030	1,049,950	26,166
Nov-10	7,361,078	22,206	65,986	43,780	38.9000%	17,030	1,066,980	26,166
Dec-10	7,361,078	22,206	65,986	43,780	38.9000%	17,030	1,084,010	26,166
Jan-11	7,361,078	22,206	64,985	42,779	38.9000%	16,641	1,100,651	26,166
Feb-11	7,361,078	22,206	64,985	42,779	38.9000%	16,641	1,117,291	26,166

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

**2006 - Plan**  
Project 18 -- Trimble County 2 AQCS

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	42,999,801	75,426	250,519	175,093	38.9000%	68,111	68,111	-
Feb-11	42,999,801	150,853	253,542	102,689	38.9000%	39,946	108,057	-

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

**2006 - Plan**  
Project 19 - Sorbent Injection, Mill Creek & Trimble 1

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							57,990	
Mar-09	3,277,721	9,888	31,300	21,412	38.9000%	8,329	66,319	-
Apr-09	3,277,721	9,888	31,300	21,412	38.9000%	8,329	74,648	-
May-09	3,277,721	9,888	31,300	21,412	38.9000%	8,329	82,977	-
Jun-09	3,277,721	9,888	31,300	21,412	38.9000%	8,329	91,306	-
Jul-09	3,277,721	9,888	31,300	21,412	38.9000%	8,329	99,635	-
Aug-09	3,277,721	9,888	31,300	21,412	38.9000%	8,329	107,964	-
Sep-09	3,277,721	9,888	31,300	21,412	38.9000%	8,329	116,293	-
Oct-09	3,277,721	9,888	31,300	21,412	38.9000%	8,329	124,622	-
Nov-09	3,277,721	9,888	31,300	21,412	38.9000%	8,329	132,951	-
Dec-09	3,277,721	9,888	31,300	21,412	38.9000%	8,329	141,280	-
Jan-10	3,277,721	9,888	30,713	20,825	38.9000%	8,101	149,381	-
Feb-10	3,440,076	9,832	32,092	22,260	38.9000%	8,659	158,040	-
Mar-10	3,440,076	9,777	32,090	22,313	38.9000%	8,680	166,720	-
Apr-10	3,440,076	9,777	32,090	22,313	38.9000%	8,680	175,400	-
May-10	3,440,076	9,777	32,090	22,313	38.9000%	8,680	184,080	-
Jun-10	3,440,076	9,777	32,090	22,313	38.9000%	8,680	192,760	-
Jul-10	3,440,076	9,777	32,090	22,313	38.9000%	8,680	201,440	-
Aug-10	3,440,076	9,777	32,090	22,313	38.9000%	8,680	210,118	-
Sep-10	3,440,076	9,777	32,090	22,313	38.9000%	8,680	218,798	-
Oct-10	3,440,076	9,777	32,090	22,313	38.9000%	8,680	227,478	-
Nov-10	3,440,076	9,777	32,090	22,313	38.9000%	8,680	236,158	-
Dec-10	3,440,076	9,777	32,090	22,313	38.9000%	8,680	244,838	-
Jan-11	3,440,076	9,777	31,710	21,933	38.9000%	8,532	253,370	-
Feb-11	3,440,076	9,777	31,710	21,933	38.9000%	8,532	261,903	-

**Louisville Gas and Electric Company  
Deferred Tax Calculations  
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
Beg Balance							7,900	
Mar-09	163,842	1,724	2,166	442	38.9000%	172	8,072	-
Apr-09	163,842	1,724	2,166	442	38.9000%	172	8,244	-
May-09	163,842	1,724	2,166	442	38.9000%	172	8,416	-
Jun-09	163,842	1,724	2,166	442	38.9000%	172	8,588	-
Jul-09	163,842	1,724	2,166	442	38.9000%	172	8,760	-
Aug-09	163,842	1,724	2,166	442	38.9000%	172	8,932	-
Sep-09	2,050,346	5,296	19,854	14,558	38.9000%	5,663	14,595	-
Oct-09	2,050,346	8,867	19,854	10,987	38.9000%	4,274	18,869	-
Nov-09	2,050,346	8,867	19,854	10,987	38.9000%	4,274	23,143	-
Dec-09	2,050,346	8,867	19,854	10,987	38.9000%	4,274	27,417	-
Jan-10	2,050,346	8,867	13,494	4,627	38.9000%	1,800	29,217	-
Feb-10	2,050,346	8,867	13,494	4,627	38.9000%	1,800	31,019	-
Mar-10	2,050,346	8,867	13,500	4,633	38.9000%	1,802	32,821	-
Apr-10	2,050,346	8,867	13,500	4,633	38.9000%	1,802	34,623	-
May-10	2,050,346	8,867	13,500	4,633	38.9000%	1,802	36,425	-
Jun-10	2,050,346	8,867	13,500	4,633	38.9000%	1,802	38,227	-
Jul-10	2,050,346	8,867	13,500	4,633	38.9000%	1,802	40,029	-
Aug-10	2,050,346	8,867	13,500	4,633	38.9000%	1,802	41,836	-
Sep-10	2,050,346	8,867	13,500	4,633	38.9000%	1,802	43,638	-
Oct-10	2,050,346	8,867	13,500	4,633	38.9000%	1,802	45,440	-
Nov-10	2,050,346	8,867	13,500	4,633	38.9000%	1,802	47,242	-
Dec-10	2,050,346	8,867	13,500	4,633	38.9000%	1,802	49,044	-
Jan-11	2,050,346	8,867	12,642	3,775	38.9000%	1,468	50,512	-
Feb-11	2,050,346	8,867	12,642	3,775	38.9000%	1,468	51,980	-

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

**2006 - Plan**

Project 21 -- Particulate Monitors, Mill Creek

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							50,374	
Mar-09	397,151	1,361	4,088	2,727	38.9000%	1,061	51,435	-
Apr-09	397,151	1,361	4,088	2,727	38.9000%	1,061	52,496	-
May-09	397,151	1,361	4,088	2,727	38.9000%	1,061	53,557	-
Jun-09	397,151	1,361	4,088	2,727	38.9000%	1,061	54,618	-
Jul-09	397,151	1,361	4,088	2,727	38.9000%	1,061	55,679	-
Aug-09	397,151	1,361	4,088	2,727	38.9000%	1,061	56,738	-
Sep-09	397,151	1,361	4,088	2,727	38.9000%	1,061	57,799	-
Oct-09	397,151	1,361	4,088	2,727	38.9000%	1,061	58,860	-
Nov-09	397,151	1,361	4,088	2,727	38.9000%	1,061	59,921	-
Dec-09	397,151	1,361	4,088	2,727	38.9000%	1,061	60,982	-
Jan-10	397,151	1,361	4,027	2,666	38.9000%	1,037	62,019	-
Feb-10	397,151	1,361	4,027	2,666	38.9000%	1,037	63,057	-
Mar-10	397,151	1,361	4,027	2,666	38.9000%	1,037	64,094	-
Apr-10	397,151	1,361	4,027	2,666	38.9000%	1,037	65,131	-
May-10	397,151	1,361	4,027	2,666	38.9000%	1,037	66,168	-
Jun-10	397,151	1,361	4,027	2,666	38.9000%	1,037	67,205	-
Jul-10	397,151	1,361	4,027	2,666	38.9000%	1,037	68,242	-
Aug-10	397,151	1,361	4,027	2,666	38.9000%	1,037	69,282	-
Sep-10	397,151	1,361	4,027	2,666	38.9000%	1,037	70,319	-
Oct-10	397,151	1,361	4,027	2,666	38.9000%	1,037	71,356	-
Nov-10	397,151	1,361	4,027	2,666	38.9000%	1,037	72,393	-
Dec-10	397,151	1,361	4,027	2,666	38.9000%	1,037	73,430	-
Jan-11	397,151	1,361	3,978	2,617	38.9000%	1,018	74,448	-
Feb-11	397,151	1,361	3,978	2,617	38.9000%	1,018	75,465	-



**LOUISVILLE GAS AND ELECTRIC COMPANY**

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

**Case No. 2011-00232**

**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 Trimble County Unit 1 (TC1) FGD. These are variable production expenses and fluctuate with generation, coal quality and the SO<sub>2</sub> removal rate.

2006 Plan

With limited exceptions, LG&E and KU 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 reactant expenses, accounts 506109, 506159 and 506152, are the result of on-going system operation of TC1 and TC2.

Fluctuations in sorbent injection maintenance expenses, accounts 512102 and 512152, are the result of normal system maintenance. The slight increase in December 2010 is due to the timing of annual maintenance at Trimble County.

Fluctuations in mercury monitor maintenance, accounts 512103 and 512153, are the result of routine maintenance performed on the mercury monitors at Mill Creek.

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 SO<sub>2</sub> removal rate.

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

Monthly variances in the NO<sub>x</sub> operation expenses, accounts 506104, 506154, 506105 and 506155, reflect normal and expected 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<sub>x</sub> maintenance expenses, accounts 512101 and 512151, are the result of routine monthly maintenance on the SCR at 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.



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

Pollution Control - Operations & Maintenance Expenses

O&M Expense Account	Sep-10	Oct-10	% Change from Prior Period	Nov-10	% Change from Prior Period	Dec-10	% Change from Prior Period	Jan-11	% Change from Prior Period	Feb-11	% Change from Prior Period
<b>2005 Plan</b>											
502006/502056 Scrubber Operations	38,657.06	21,991.45	-43%	22,286.43	1%	88,311.97	296%	40,777.14	-54%	55,771.57	37%
512005/512055 Scrubber Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
501201 Ashpond Dredging Expense	-	-	0%	-	0%	-	0%	-	0%	-	0%
<b>Total 2005 Plan O&amp;M Expenses</b>	<b>38,657.06</b>	<b>21,991.45</b>	<b>-43%</b>	<b>22,286.43</b>	<b>1%</b>	<b>88,311.97</b>	<b>296%</b>	<b>40,777.14</b>	<b>-54%</b>	<b>55,771.57</b>	<b>37%</b>
<b>2006 Plan</b>											
506109/506159 Sorbent Injection Operation	125,974.39	68,783.65	-45%	97,488.41	42%	83,365.41	-14%	7,777.35	-91%	7,055.45	-9%
506152 Sorbent Reactant - Reagent Only	-	-	0%	-	0%	-	0%	38,590.38	100%	37,726.33	-2%
512102/512152 Sorbent Injection Maintenance	-	-	0%	442.46	100%	1,889.80	327%	94.26	-95%	443.43	370%
506110/506150 Mercury Monitors Operation	-	-	0%	-	0%	-	0%	-	0%	-	0%
512103/512153 Mercury Monitors Maintenance	1,212.54	3,596.54	197%	1,257.04	-65%	2,120.31	69%	270.55	-87%	8,996.11	3225%
502006/502056 Scrubber Operations	-	-	0%	-	0%	-	0%	4,989.02	100%	12,009.53	141%
512005/512055 Scrubber Maintenance	-	-	0%	-	0%	-	0%	2,263.03	100%	5,170.82	128%
506104/506154 Nox Operation -- Consumables	-	-	0%	-	0%	-	0%	5,504.32	100%	18,102.67	229%
506105/506155 Nox Operation -- Labor and Other	-	-	0%	-	0%	-	0%	285.96	100%	401.38	40%
512101/512151 Nox Maintenance	-	-	0%	-	0%	-	0%	52.40	100%	174.61	233%
506001/506051 Precipitator Operation	-	-	0%	-	0%	-	0%	-	0%	-	0%
506111/506151 Activated Carbon	-	-	0%	-	0%	-	0%	-	0%	13,092.99	100%
512011/512051 Precipitator Maintenance	-	-	0%	-	0%	-	0%	284.55	100%	1,093.49	284%
<b>Total 2006 Plan O&amp;M Expenses</b>	<b>127,186.93</b>	<b>72,380.19</b>	<b>-43%</b>	<b>99,187.91</b>	<b>37%</b>	<b>87,375.52</b>	<b>-12%</b>	<b>60,111.82</b>	<b>-31%</b>	<b>104,266.81</b>	<b>73%</b>
<b>2009 Plan</b>											
502012 Precipitator Operation	-	-	0%	-	0%	-	0%	-	0%	-	0%
512105 Activated Carbon	-	-	0%	-	0%	-	0%	-	0%	-	0%
Adjustment for CCP Disposal in Base Rates (ES Form 2.51)	-	-	0%	-	0%	-	0%	-	0%	-	0%
<b>Total 2009 Plan O&amp;M Expenses</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>

The 2001 Plan was eliminated from ECR recovery in August 2010 per PSC Order No. 2009-00549.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

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

**Case No. 2011-00232**

**Question No. 5**

**Witness: Robert M. Conroy**

- Q-5. KRS 278.183(3) provides that during the two-year review, the Commission shall, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility.
- a. Provide the surcharge amount that LG&E believes should be incorporated into its existing base rates. Include all supporting calculations, 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 LG&E's base rates. Include any analysis that LG&E believes supports its position.
  - c. Does LG&E 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 LG&E's existing base rates? If yes, provide a detailed explanation of the modifications and provide updated monthly surcharge report.
- A-5.
- a. LG&E is proposing to roll-in \$2,352,193 of incremental environmental surcharge revenues into base rates resulting in total environmental surcharge revenues in base rates of \$9,872,084. Please see the attached schedule for the determination of this amount.
  - b. The Commission previously approved LG&E's proposed roll-in methodology in Case No. 2007-00380, 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. LG&E recommends that this method continue to be used to accomplish this roll-in to base rates.
  - c. No. However, LG&E does have a pending case before the Commission, Case No. 2011-00162, 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.

**Louisville Gas And Electric Company**  
**Calculation of ECR Roll-in At February 28, 2011**

<b>Calculation of Revenue Requirement for Roll-In:</b>		<u>Environmental Compliance Plans at Feb. 28, 2011</u>
Environmental Compliance Rate Base		
Pollution Control Plant in Service	ES Form 2.00, February 2011	65,553,070
Pollution Control CWIP Excluding AFUDC	ES Form 2.00, February 2011	<u>11,127,475</u>
	Subtotal	76,680,545
Additions:		
Mill Creek Deferred Debit	ES Form 2.00, February 2011	-
Cash Working Capital Allowance	ES Form 2.00, February 2011	<u>246,693</u>
	Subtotal	246,693
Deductions:		
Accumulated Depreciation on Pollution Control Plant	ES Form 2.00, February 2011	2,425,274
Pollution Control Deferred Income Taxes	ES Form 2.00, February 2011	<u>2,136,919</u>
	Subtotal	4,562,193
Environmental Compliance Rate Base		<u>\$ 72,365,045</u>
Rate of Return -- Environmental Compliance Rate Base	ES Form 1.10, February 2011	11.18%
<b>Return on Environmental Compliance Rate Base</b>		<u>\$ 8,090,412</u>
Pollution Control Operating Expenses		
12 Month Depreciation and Amortization Expense	See Support Schedule A	953,730
12 Month Amortization of Investment Tax Credit	See Support Schedule A	-
12 Month Taxes Other than Income Taxes	See Support Schedule A	102,718
12 Month Operating and Maintenance Expense	See Support Schedule A	1,630,599
12 Month Ash Dredging Expense	See Support Schedule A	<u>342,942</u>
<b>Total Pollution Control Operating Expenses</b>		<u>\$ 3,029,989</u>
<b>Gross Proceeds from By-Product &amp; Allowance Sales</b>	See Support Schedule B	(188,879)
<b>Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount</b>		
Return on Environmental Compliance Rate Base		8,090,412
Pollution Control Operating Expenses		3,029,989
Less Gross Proceeds from By-Product & Allowance Sales		<u>(188,879)</u>
<b>Roll In Amount</b>		<u>\$ 11,309,280</u>
<b>Jurisdictional Allocation Ratio -- Roll In</b>	See Support Schedule C	<u>87.2919%</u>
<b>Jurisdictional Revenues for 12 Months for Roll In</b>	See Support Schedule C	<u>875,616,715</u>
<b>Roll In Jurisdictional Environmental Surcharge Factor:</b>		
Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount		\$ 11,309,280
Jurisdictional Allocation Ratio -- Roll In		87.2919%
Jurisdictional Environmental Surcharge Gross Revenue Requirement -- Gross Roll In Amount		9,872,084
Less Jurisdictional Environmental Revenue Previously Rolled In <sup>1</sup>		<u>7,519,891</u>
<b>Jurisdictional Environmental Surcharge Gross Revenue Requirement -- Net Roll In Amount</b>		<u>\$ 2,352,193</u>

<sup>1</sup> Amount Previously Rolled-in is the roll-in from Case 2009-00311 less the amounts associated with LG&E's 2001 and 2003 Plan which were eliminated from the ECR in LG&E's most recent base rate case.

**Louisville Gas And Electric Company**  
**Calculation of ECR Roll-in At February 28, 2011**

**Support Schedule A**12 Month Balances for Selected Operating Expense Accounts <sup>1</sup>

at Feb. 28, 2011

	Depreciation & Amortization Steam Plant	Taxes Other than Income Taxes	Operating and Maintenance Expense			Ash Dredging Expense	Amortization of ITC	Total
			FERC 502	FERC 506	FERC 512			
Mar-10	60,621	8,412	43,088	71,514	44	171,471	355,150	
Apr-10	60,621	8,412	39,926	123,147	527	171,471	404,105	
May-10	60,621	8,412	36,993	88,398	54	-	194,478	
Jun-10	60,621	8,412	19,519	94,801	40,532	-	223,885	
Jul-10	60,621	8,412	26,881	83,162	33,014	-	212,090	
Aug-10	60,621	8,412	10,904	97,616	2,175	-	179,728	
Sep-10	60,621	8,412	38,657	125,974	1,213	-	234,877	
Oct-10	60,621	8,412	21,991	68,784	3,597	-	163,405	
Nov-10	60,621	8,412	22,286	97,488	1,700	-	190,507	
Dec-10	60,621	8,412	88,312	83,365	4,010	-	244,720	
Jan-11	136,047	9,299	45,766	52,158	2,965	(10,026)	236,209	
Feb-11	211,473	9,299	67,781	76,379	15,878	(14,527)	366,283	
less Base Rate amount							-	
Totals	953,730	102,718	462,105	1,062,788	105,707	342,942	(24,553)	3,029,989

<sup>1</sup> All amounts included in Support Schedule A are exclusive of costs associated with LG&E'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	Proceeds from By-Product Sales	Total All Sale Proceeds
	ES Form 2.00	ES Form 2.00	
Mar-10	-	-	-
Apr-10	(189,461)	-	(189,461)
May-10	-	-	-
Jun-10	-	-	-
Jul-10	97	-	97
Aug-10	123	-	123
Sep-10	134	-	134
Oct-10	-	-	-
Nov-10	-	-	-
Dec-10	73	-	73
Jan-11	52	-	52
Feb-11	103	-	103
Totals	(188,879)	-	(188,879)

**Support Schedule C**

12 Month Balances for Jurisdictional Revenues and Allocation Ratio

	KY Retail Revenues, Excl. Envir. Surch Revenues	Total Company Revenues, Excluding Envir. Surch. Revenues	KY Retail Allocation Ratio
	ES Form 3.00	ES Form 3.00	KY Retail/ Total Company
Mar-10	\$ 62,521,754	\$ 70,324,266	88.9050%
Apr-10	56,355,072	66,970,466	84.1491%
May-10	56,850,605	66,603,435	85.3569%
Jun-10	80,270,508	85,821,547	93.5319%
Jul-10	93,021,435	100,787,352	92.2948%
Aug-10	90,875,356	98,180,078	92.5599%
Sep-10	88,756,203	97,873,168	90.6849%
Oct-10	69,773,058	81,598,945	85.5073%
Nov-10	60,573,401	72,566,237	83.4733%
Dec-10	68,434,739	81,996,030	83.4610%
Jan-11	81,025,935	99,329,497	81.5729%
Feb-11	67,158,649	81,039,631	82.8714%
Totals	\$ 875,616,715	\$ 1,003,090,652	87.2919%



**LOUISVILLE GAS AND ELECTRIC COMPANY**

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

**Case No. 2011-00232**

**Question No. 6**

**Witness: Shannon L. Charnas**

- Q-6. In Case No. 2000-00439, the Commission ordered that LG&E's cost of debt and preferred stock would be reviewed and re-established during the six-month review case. Provide the following information as of February 28, 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. LG&E'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. LG&E 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. 2009-00549.

Louisville Gas and Electric Company  
Outstanding Balances - Capitalization  
As of February 28, 2011

1	2	3
	Outstanding Balance Total Company	Outstanding Balance Electric Only 78.94%
1 Long-Term Debt	1,105,402,326	872,604,596
2 Short-Term Debt	5,664,000	4,471,162
3 Common Equity	1,350,462,845	1,066,055,370



Louisville Gas and Electric Company  
Blended Interest Rates  
As of February 28, 2011

	1
	<u>Blended Interest Rate Total Company</u>
1 Long-Term Debt	3.90%
2 Short-Term Debt	0.25%

LOUISVILLE GAS AND ELECTRIC 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/(Income)	Annualized Cost				Embedded Cost
					Amortized Debt Issuance Exp/Discount	Amortized Loss-Reacquired Debt	Letter of Credit and other fees	Total	
Pollution Control Bonds - Jefferson Co 2000 Series A	05/01/27	5.375%	\$ 25,000,000	\$ 1,343,750	\$ -	\$ 117,881	\$ -	\$ 1,461,631	5.847%
Trimble Co 2000 Series A	08/01/30	0.320%*	83,335,000	266,672	38,707	143,700	305,898	754,977	0.906%
Jefferson Co 2001 Series A	09/01/27	0.320%*	10,104,000	32,333	20,393	-	35,546	88,272	0.874%
Jefferson Co 2001 Series A	09/01/26	1.250%*	22,500,000	281,250	9,924	77,424	22,500	391,098	1.738%
Trimble Co 2001 Series A	09/01/26	0.450%*	27,500,000	123,750	10,790	65,400	27,500	227,440	0.827%
Jefferson Co 2001 Series B	11/01/27	0.849%*	35,000,000	296,989	10,995	49,056	35,000	392,040	1.120%
Trimble Co 2001 Series B	11/01/27	0.850%*	35,000,000	297,500	10,997	48,864	35,000	392,361	1.121%
Trimble Co 2002 Series A	10/01/32	0.402%*	41,665,000	167,493	37,221	55,812	176,268	436,794	1.048%
Louisville Metro 2003 Series A	10/01/33	1.900%	128,000,000	2,432,000	17,575	313,727	-	2,763,302	2.159%
Louisville Metro 2005 Series A	02/01/35	5.750%	40,000,000	2,300,000	-	96,444	-	2,396,444	5.991%
Trimble Co 2007 Series A	06/01/33	4.600%	60,000,000	2,760,000	47,534	6,615	18,270	2,832,419	4.721%
Louisville Metro 2007 Series A	06/01/33	5.625%	31,000,000	1,743,750	-	41,718	-	1,785,468	5.760%
Louisville Metro 2007 Series B Called Bonds	06/01/33	1.900%	35,200,000	668,800	5,409	27,526	-	701,735	1.994%
First Mortgage Bonds - 2010 due 2015	11/15/15	1.625%	250,000,000	4,062,500	459,500	-	-	4,522,000	1.809%
Debt discount on FMB	11/15/15	1.625%	(831,021)	-	176,500	-	-	176,500	-21.239%
2010 due 2020	11/15/40	5.125%	285,000,000	14,606,250	109,488	-	-	14,715,738	5.163%
Debt discount on FMB	11/15/40	5.125%	(3,070,653)	-	103,360	-	-	103,360	-3.366%
<b>Total External Debt</b>			<b>\$ 1,105,402,326</b>	<b>\$ 31,383,037</b>	<b>\$ 2,080,166</b>	<b>\$ 1,212,035</b>	<b>\$ 699,401</b>	<b>\$ 35,374,639</b>	<b>3.200%</b>
Interest Rate Swaps:									
JP Morgan Chase Bank	11/01/20		\$ 4,372,407	\$ -	\$ -	\$ -	\$ -	\$ 4,372,407	
Morgan Stanley Capital Services	10/01/33		1,117,436	-	-	-	-	1,117,436	
Morgan Stanley Capital Services	10/01/33		1,113,596	-	-	-	-	1,113,596	
Bank of America	10/01/33		1,129,596	-	-	-	-	1,129,596	
<b>Interest Rate Swaps External Debt</b>			<b>\$ 7,733,035</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,733,035</b>	<b>0.700%</b>
Notes Payable to PPL			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Total Internal Debt</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.000%</b>
<b>Total</b>			<b>\$ 1,105,402,326</b>	<b>\$ 39,116,072</b>	<b>\$ 2,080,166</b>	<b>\$ 1,212,035</b>	<b>\$ 699,401</b>	<b>\$ 43,107,674</b>	<b>3.900%</b>

**SHORT-TERM DEBT**

	Maturity	Rate	Principal	Interest	Annualized Cost				Embedded Cost
					Expense	Loss	Premium	Total	
Notes Payable to Associated Company	NA	0.250%*	\$ 5,664,000	\$ 14,160	\$ -	\$ -	\$ -	\$ 14,160	0.250%
Revolving Credit Facility Payable			-	-	-	-	-	-	0.000%
<b>Total</b>			<b>\$ 5,664,000</b>	<b>\$ 14,160</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,160</b>	<b>0.250%</b>
<b>Embedded Cost of Total Debt</b>			<b>\$ 1,111,066,326</b>	<b>\$ 39,130,232</b>	<b>\$ 2,080,166</b>	<b>\$ 1,212,035</b>	<b>\$ 699,401</b>	<b>\$ 43,121,834</b>	<b>3.881%</b>

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

1 Additional Interest due to Swap Agreements:

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

- 2 Call premium and debt expense is being amortized over the remaining life of bonds due 6/1/15, 7/1/13 and 8/1/17
- 3 Reacquired bonds were reissued 1/13/11
- 4 Remarketed bonds, issued at long term fixed rate
- 5 Fidella 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
- 6 Included setup fees for the Wachovia Credit Facility in Long-term Debt due to 4 year credit arrangement

Louisville Gas and Electric Company  
 Outstanding Balances - Adjusted Electric 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	884,019,191	44.91%	3.90%	1.75%		1.75%
2 Short-Term Debt	4,529,620	0.23%	0.25%	0.00%		0.00%
3 Common Equity	1,079,998,916	54.86%	10.63%	5.83%	0.56	9.07%
4 Total	1,968,547,727			7.58%		10.82%

Rate of Return (ROR) Grossed Up:

10.82%

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)	5.6604	(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	8.4906	(6)*(9)
(12)		
(13) Taxable income for Federal income tax	85.8490	(6)-(11)
(14)		
(15) Federal income tax	30.0472	(13)*35%
(16)		
(17) Total State and Federal income taxes		
(18)	\$ 35.7076	(3)+(15)
(19)		
(20) Gross-up Revenue Factor	64.2924	100-(18)
(21)		
(22) Therefore, the composite rate is:		
(23) Federal	30.0472%	(15)/100
(24) State	5.6604%	(3)/100
(25) Total	35.7076%	(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%	5.6604	
(35)		
(36) Taxable income for State income tax	94.3396	(32)-(34)
(37)		
(38) State Tax Rate	6.0000%	
(39)		
(40) State Income Tax	5.6604	(36)*(38)

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 LOUISVILLE ) CASE NO. 2011-00232  
GAS AND ELECTRIC COMPANY FOR THE )  
TWO-YEAR BILLING PERIOD ENDING )  
APRIL 30, 2011 )

**PETITION OF LOUISVILLE GAS AND ELECTRIC COMPANY  
FOR CONFIDENTIAL PROTECTION FOR CERTAIN OF  
COMMISSION STAFF'S FIRST REQUESTS FOR INFORMATION**

Louisville Gas and Electric Company ("LG&E") 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 LG&E seeks to provide in response to the Commission Staff's Initial Data Requests No. 6(b). In support of this Petition, LG&E 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 LG&E 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, LG&E is providing as an attachment a spreadsheet that demonstrates LG&E's embedded cost of

capital. Within the spreadsheet are the annualized costs associated with LG&E's revolving credit facility. Pursuant to the terms of the agreement with the revolving credit facility, LG&E is not permitted to publicly disclose the costs and thus public disclosure of the costs would result in LG&E breaching the agreement. Revealing publicly the costs would significantly compromise LG&E's ability to obtain a revolving credit facility at a competitive interest rate, which would in turn financially harm LG&E'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 LG&E in the future, thus jeopardizing LG&E'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 LG&E'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 LG&E is seeking confidential treatment is not known outside of LG&E, is not disseminated within LG&E 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.

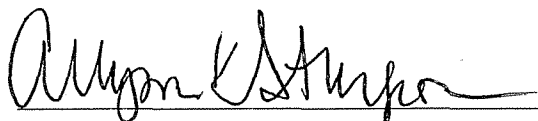
5. LG&E will disclose the confidential information, pursuant to a confidentiality agreement, to intervenors and others with a legitimate interest in this information and as required by the Commission. In accordance with the provisions of 807 KAR 5:001, Section 7 and the

Commission's August 9, 2011 Order in this proceeding, LG&E 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**, Louisville Gas and Electric Company respectfully requests that the Commission grant confidential protection for the information at issue, or in the alternative, schedule an evidentiary hearing on all factual issues while maintaining the confidentiality of the information 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  
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Louisville, Kentucky 40202  
Telephone: (502) 627-2088  
Counsel for Louisville Gas and Electric Company