



an e-on company

RECEIVED

FEB 03 2010

PUBLIC SERVICE
COMMISSION

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

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

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

February 3, 2010

**RE: *AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION
OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF
LOUISVILLE GAS AND ELECTRIC COMPANY FOR THE SIX-
MONTH BILLING PERIOD ENDING OCTOBER 31, 2009
CASE NO. 2009-00502***

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 Information Requested in Appendix B of the Commission's Order dated January 8, 2010, in the above-referenced matter.

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

Sincerely,

Robert M. Conroy

Enclosures

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF LOUISVILLE GAS) CASE NO.
AND ELECTRIC COMPANY FOR THE SIX-MONTH) 2009-00502
BILLING PERIOD ENDING OCTOBER 31, 2009)**

DIRECT TESTIMONY OF

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

Filed: February 03, 2010

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

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

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

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

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

12 A. The purpose of this proceeding is to review the past operation of LG&E’s
13 environmental surcharge during the six-month billing period ending October 31, 2009
14 and determine whether the surcharge amounts collected during the period are just and
15 reasonable.

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

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

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

1 A. LG&E billed an environmental surcharge to its customers from May 1, 2009 through
2 October 31, 2009. For purposes of the Commission's examination in this case, the
3 monthly LG&E environmental surcharges are considered as the six-month billing
4 period ending October 31, 2009. In each month of the period, LG&E calculated the
5 environmental surcharge factors by using the costs incurred as recorded on its books
6 and records for the expense months of March 2009 through August 2009 and in
7 accordance with the requirements of the Commission's previous orders concerning
8 LG&E's environmental surcharge.

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

11 A. The capital and operating costs included in the calculation of the environmental
12 surcharge factors for the billing period were the costs incurred each month by LG&E
13 from March 2009 through August 2009, as detailed in the attachment in response to
14 Question No. 2 of the Commission Staff Request for Information, incorporating all
15 required revisions.

16 The monthly environmental surcharge factors applied during the billing period
17 under review were calculated consistent with the Commission's orders in LG&E's
18 previous applications to assess or amend its environmental surcharge mechanism and
19 plan, as well as orders issued in previous review cases. The monthly environmental
20 surcharge reports filed with the Commission during this time reflect the various
21 changes to the reporting forms ordered by the Commission from time to time.

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

1 A. Yes. In Case No. 2009-00311, LG&E's most recent ECR two-year review, the
2 Commission approved changes to the environmental surcharge mechanism that
3 include the calculation of the monthly billing factor using a revenue requirement
4 method instead of a percentage method (eliminating the use of BESF), the elimination
5 of the monthly true-up adjustment, and revisions to the monthly reporting forms to
6 reflect the approved changes. However, these changes occurred after the period
7 under review. Pursuant to the Commission's December 2, 2009 Order, the changes
8 were implemented with the December 2009 expense month that is billed in February
9 2010.

10 **Q. Has the Commission recently approved changes to LG&E's ECR Compliance**
11 **Plan?**

12 A. Yes. In Case No. 2009-00198, the Commission approved LG&E's 2009 ECR
13 Compliance Plan that included four new projects and associated operation and
14 maintenance costs and amended the 2006 Plan to include operation and maintenance
15 costs associated with the Air Quality Control System equipment for Trimble County
16 Unit 2 (Project 18). Pursuant to the Commission's December 23, 2009 Order, LG&E
17 included the approved projects in the monthly filing for the December 2009 expense
18 month that is billed in February 2010.

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

21 A. During the period under review, there were no changes to Rate Base from the
22 originally filed billing period as summarized in LG&E's response to the Commission
23 Staff Request for Information, Question No. 1. In addition, there were no changes

1 identified as a result of preparing responses to the requests for information in this
2 review.

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

5 A. Yes. Adjustments to E(m) are necessary for compliance with the Commission's
6 Order in Case No. 2000-00386, to reflect the actual changes in the overall rate of
7 return on capitalization that is used in the determination of the return on
8 environmental rate base. The changes in the actual cost of long term debt and capital
9 structure result in an increase to cumulative E(m) of \$213,597. The details of and
10 support for this calculation are shown in LG&E's response to Question No. 1 of the
11 Commission Staff Request for Information.

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

14 A. Yes. LG&E experienced a cumulative under-recovery of \$390,130 for the billing
15 period ending October 31, 2009. LG&E's response to Question No. 2 of the
16 Commission Staff Request for Information shows the calculation of the \$390,130
17 cumulative under-recovery. Therefore, an adjustment to the revenue requirement is
18 necessary to reconcile the collection of past surcharge revenues with actual costs for
19 the billing period under review.

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

22 A. Yes. Consistent with the issues discussed in the past several review proceedings,
23 LG&E has identified four components that make up the net under-recovery during the
24 billing period under review. The components are (1) changes in overall rate of return,

1 (2) the difference between the calculation of BESF in the review case and application
 2 of BESF in the monthly filings beginning with the March 2008 expense month, (3)
 3 the use of the BESF percentage in determining the amount collected in base rates, and
 4 (4) the use of 12 month average revenues to determine the billing factor. The details
 5 and support of the components that make up the net under-recovery during the billing
 6 period under review are shown in LG&E's response to Question No. 2 of the
 7 Commission Staff Request for Information. The table below summarizes the
 8 components of the under-recovery position.

OVER/UNDER RECONCILIATION		
Combined Over/Under Recovery		(390,130)
Due to BESF Calculation Differences	(589,557)	
Due to use of BESF %	(984,566)	
Due to Change in ROR	(213,597)	
Use of 12 Month Average Revenues	<u>1,397,589</u>	
Subtotal		<u>(390,130)</u>
Unreconciled Difference		-

9

10 **Q. Please explain the change in rate of return.**

11 A. As previously stated, the cumulative impact of the revised rate of return resulted in an
 12 increase to the jurisdictional revenue requirement and an under-recovery of \$213,597.

13 **Q. Please explain the inconsistency that occurred in determining BESF.**

14 A. In the course of preparing the responses in Case No. 2008-00551, a previous LG&E
 15 six-month review proceeding, LG&E discovered that a difference existed between the

1 calculation of the BESF in the previous 2-year review case and the application of the
2 BESF in the monthly filings beginning with the March 2008 expense month.
3 Specifically, in Case No. 2007-00380, LG&E calculated the BESF factor using base
4 rate revenues excluding the customer charge revenues, while the monthly filings use
5 BESF times total base revenues to estimate the ECR revenues collected through base
6 rates. BESF was calculated using a lower revenue total than is used in its application
7 in the monthly filings thereby overstating the BESF percentage. Because the monthly
8 estimate of ECR revenues collected through base rates is made by multiplying BESF
9 times total base revenues, overstating BESF overstates the ECR revenues collected
10 through base rates. When ECR revenues collected through base rates are overstated,
11 the monthly E(m) is understated which contributes to LG&E's net under-recovery
12 position. If the BESF had been calculated using total revenues, the BESF would be
13 3.47% instead of 3.62% as filed. Applying the recalculated BESF to the base rate
14 revenues results in an under-recovery of \$589,557. As previously stated, the
15 Commission has approved the use of a revenue requirement method that will
16 eliminate the impacts of the BESF percentage as discussed.

17 **Q. For the other two components, please explain how the function of the ECR**
18 **mechanism contributes to the net under-recovery in the billing period under**
19 **review?**

20 A. The first component is the use of the BESF percentage to estimate the amount
21 collected through base rates. In the monthly filings, the BESF percentage is used to
22 determine the amount of ECR revenue collected through base rates by applying the
23 percentage to total base rate revenues. In the review proceedings, the billing
24 determinants are used to determine the actual ECR revenues collected through base

1 rates. This methodology results in a perpetual mismatch between actual revenues
2 collected and estimated revenues as reported in the monthly filings. In the billing
3 period under review, the mismatch resulted in an under-recovery of \$984,566. As
4 previously stated, the Commission has approved the use of a revenue requirement
5 method that will eliminate the impacts of the BESF percentage as discussed.

6 The second component is the use of 12-month average revenues to calculate
7 the MESF and then applying that same MESF to the actual monthly revenues. The
8 result is an over-collection during the summer months when actual revenues will
9 generally be greater than the 12-month average and an under-collection during the
10 shoulder months when actual revenues will generally be less than the 12-month
11 average. In the billing period under review, the use of 12-month average revenues
12 resulted in an over-recovery of \$1,397,589.

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

15 A. LG&E is proposing that the cumulative under-recovery of \$390,130 be recovered in
16 one month following the Commission's Order in this proceeding. Specifically,
17 LG&E recommends that the Commission approve an increase to the Environmental
18 Surcharge Revenue Requirement by \$390,130 for one month, beginning in the second
19 full billing month following the Commission's Order in this proceeding. This method
20 is consistent with the method of implementing previous over- or under-recovery
21 positions in prior ECR review cases.

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

1 A. LG&E is proposing to collect the under-recovery of \$390,130 in a one month period.
2 The inclusion of \$390,130 per month in the determination of the ECR billing factor
3 will increase the billing factor by approximately 0.62%. For a residential customer
4 using 1,000 kWh the ECR billing factor will increase by approximately \$0.46 per
5 month for one month (using rates and adjustment clause factors in effect for the
6 January 2010 billing month).

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

9 A. LG&E is recommending an overall rate of return on capital of 10.97%, including the
10 currently approved 10.63% return on equity and adjusted capitalization, to be used to
11 calculate the environmental surcharge. This is based on capitalization as of August
12 31, 2009 and the Settlement Agreement approved by the Commission in its February
13 5, 2009 Order in Case No. 2008-00252.

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

15 A. LG&E makes the following recommendations to the Commission in this case:
16 a) The Commission should approve the proposed increase to the Environmental
17 Surcharge Revenue Requirement of \$390,130 per month for one month
18 beginning in the second full billing month following the Commission's
19 decision in this proceeding;
20 b) The Commission should determine environmental surcharge amount for the
21 six-month billing period ending October 31, 2009 to be just and reasonable;
22 c) The Commission should approve the use of an overall rate of return on capital
23 of 10.97% using a return on equity of 10.63% beginning in the second full
24 billing month following the Commission's Order in this proceeding.

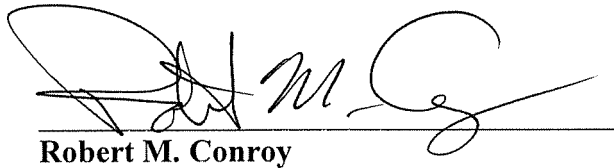
1 **Q. Does this conclude your testimony?**

2 A. Yes.

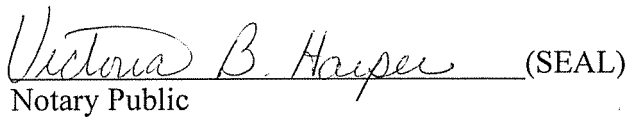
VERIFICATION

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

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Director - Rates for E.ON U.S. Services, Inc., and that he has personal knowledge of the matters set forth in the foregoing testimony, and that 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 2nd day of February 2010.

 (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

APPENDIX A

Robert M. Conroy

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

Education

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

Previous Positions

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

Professional/Trade Memberships

Registered Professional Engineer in Kentucky, 1995.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF LOUISVILLE GAS) CASE NO.
AND ELECTRIC COMPANY FOR THE SIX-MONTH) 2009-00502
BILLING PERIOD ENDING OCTOBER 31, 2009)**

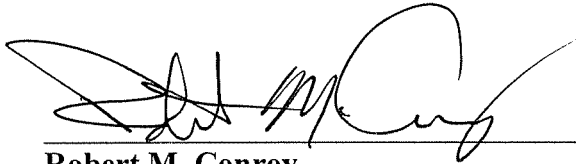
**RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
INFORMATION REQUESTED IN
APPENDIX B OF COMMISSION'S ORDER
DATED JANUARY 8, 2010**

FILED: February 3, 2010

VERIFICATION

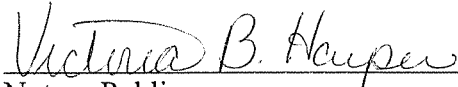
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Director - Rates for E.ON U.S. Services, Inc., 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 2nd day of February 2010.



Notary Public (SEAL)

My Commission Expires:

Sept 20, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Shannon L. Charnas**, being duly sworn, deposes and says that she is Director – Utility Accounting and Reporting for E.ON U.S. Services, Inc., 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 2nd day of February 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated January 8, 2010**

Case No. 2009-00502

Question No. 1

Witness: Robert M. Conroy / Shannon L. Charnas

Q-1. Concerning the rate of return on the four 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 the changes between the Rate Base as filed and the Rate Base as Revised through the Monthly Filings. However, during the period under review there were no revisions to reflect. Page 2 represents the true-up in the Rate of Return as filed compared to the actual Rate of Return calculations. No further revisions to Rate Base were identified during this review period.

Page 3 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.

(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 1.00	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%	-
						\$ -		\$ -
Cumulative Impact of Changes in Rate Base						\$ -		\$ -

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

(1) Billing Month	(2) Expense Month	(3) Rate of Return as Filed	(4) Rate of Return as Revised	(5) Change in Rate of Return	(6) Rate Base as Revised	(7) True-up Adjustment	(8) Jurisdictional Allocation, ES Form 1.00	(9) 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
Cumulative Impact of Changes in Rate of Return						\$ 245,073		\$ 213,597

LOUISVILLE GAS AND ELECTRIC COMPANY

**Adjusted Electric Rate of Return on Common Equity
at October 31, 2009**

	Per Books 10-31-09 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 11 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	\$ 150,667,400	6.59%	79.67%	\$ 120,036,718	\$ 1,541,254	\$ 121,577,972	6.59%	0.22%	0.01%
2. Long Term Debt	896,104,000	39.22%	79.67%	713,926,057	9,172,681	723,098,738	39.22%	5.16%	2.02%
3. Common Equity	1,237,876,536	54.19%	79.67%	986,216,236	12,673,829	998,890,065	54.19%	10.63%	5.76%
4. Total Capitalization	\$ 2,284,647,936	100.0000%		\$ 1,820,179,011	\$ 23,387,763	\$ 1,843,566,774	100.0000%		7.79%

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

11.13%

ELECTRIC

	Capitalization (Col 4) (10)	Trimbale 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	\$ 120,036,718	\$ (327,828)	\$ (39,946)	\$ 1,768,715	\$ (1,378,456)	\$ 1,518,769	\$ 1,541,254
2. Long Term Debt	713,926,057	(1,951,046)	(237,738)	10,526,401	(8,203,798)	9,038,862	9,172,681
3. Common Equity	986,216,236	(2,695,747)	(328,481)	14,544,255	(11,335,131)	12,488,932	12,673,829
4. Total Capitalization	\$ 1,820,179,011	\$ (4,974,621)	\$ (606,165)	\$ 26,839,371	\$ (20,917,385)	\$ 23,046,563	\$ 23,387,763

(a) Trimbale County Inventories @ October 31, 2009

Stores	\$ 4,478,528
Stores Expense	641,802
Coal	14,237,794
Limestone	213,655
Fuel Oil	325,169
Emission Allowances	1,536
Total Trimbale County Inventories	\$ 19,899,484
Multipled by Disallowed Portion	25.00%
Trimbale County Inv. Disallowed	\$ 4,974,621

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

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated January 8, 2010**

Case No. 2009-00502

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. 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 under-recovery.

Louisville Gas & Electric Company
Calculation of E(m) and Jurisdictional Surcharge Billing Factor
Summary Schedule for Expense Months March 2009 through August 2009

(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	(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	

Louisville Gas & Electric Company
Calculation of E(m) and Jurisdictional Surcharge Billing Factor
Summary Schedule for Expense Months March 2009 through August 2009

(1) Expense Month	(2) Retail E(m)	(3) Adjustment to Retail E(m) for Under- Collection	(4) Retail E(m) Including all Adjustments	(5) Average Monthly Retail Revenues	(6) Current Environmental Surcharge Factor (CESF)	(7) Base Environmental Surcharge Factor (BESF)	(8) Monthly Environmental Surcharge Factor (MESF)	(9) ECR Billing Factor Revenues	(10) ECR Revenue Recovered Through Base Rates	(11) Combined Total Over/(Under) Recovery
		Case No. 2008-00549		ES Form 1.10	(4)/(5)		(6) - (7)			
Mar-09	2,772,670		2,772,670	64,615,926	4.29%	3.62%	0.67%			
Apr-09	3,004,943		3,004,943	64,540,021	4.66%	3.62%	1.04%			
May-09	2,775,073		2,775,073	64,808,676	4.28%	3.62%	0.66%	931,685	1,760,798	(80,187)
Jun-09	3,266,144		3,266,144	64,962,678	5.03%	3.62%	1.41%	1,535,289	2,152,606	682,952
Jul-09	3,169,354	202,846	3,372,200	64,955,041	5.19%	3.62%	1.57%	1,357,212	2,366,888	949,027
Aug-09	3,266,691	202,846	3,469,537	64,293,669	5.40%	3.62%	1.78%	835,493	2,243,789	(186,863)
Sep-08								336,310	2,151,236	(884,653)
Oct-08								620,588	1,978,542	(870,407)
	18,254,875		18,660,567				Grand Total	5,616,576	12,653,860	(390,130)

Louisville Gas & Electric Company
Reconciliation of Combined Over/(Under) Recovery
Summary Schedule for Expense Months March 2009 through August 2009

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Billing Month	Expense Month	Rate of Return as Filed	Rate of Return as Revised	Change in Rate of Return (4) - (3)	Rate Base as Revised	Impact of change in Rate of Return (5) * (6) / 12	Jurisdictional Allocation, ES Form 1 00	Jurisdictional Impact (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)
Cumulative Impact of Changes in Rate of Return						\$ (245,073)		\$ (213,597)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		Base Rate Revenues (from ES Form 3 00)	As filed BESF * Base Rates (from ES Form 2 00)	Actual ECR Base Rates (Q2, pg 2, Col 10)	As Filed BESF (from ES Form 1 00)	Recalculated BESF	Recalc BESF * Base Rates (3) * (7)	Recalculated Difference (8) - (4)	BESF % Difference (5) - (8)
May-09	Mar-09	50,442,615	1,826,023	1,760,798	3 62%	3 47%	1,750,359	(75,664)	10,440
Jun-09	Apr-09	66,018,892	2,389,884	2,152,606	3 62%	3 47%	2,290,856	(99,028)	(138,249)
Jul-09	May-09	75,660,981	2,738,928	2,366,888	3 62%	3 47%	2,625,436	(113,491)	(258,548)
Aug-09	Jun-09	72,375,034	2,619,976	2,243,789	3 62%	3 47%	2,511,414	(108,563)	(267,625)
Sep-09	Jul-09	68,118,532	2,465,891	2,151,236	3 62%	3 47%	2,363,713	(102,178)	(212,477)
Oct-09	Aug-09	60,422,151	2,187,282	1,978,542	3 62%	3 47%	2,096,649	(90,633)	(118,107)
		393,038,205	14,227,983	12,653,860			13,638,426	(589,557)	(984,566)
		Actual Base Rate Collections	12,653,860		Actual Base Rate Collections		12,653,860		
			(1,574,123)				(984,566)		

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Billing Month	Expense Month	Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11)	ROR Trueup	BESF Calculation Differences	Use of BESF %	Use of 12 Month Average Revenues
May-09	Mar-09	(80,187)	(23,970)	(75,664)	10,440	9,007
Jun-09	Apr-09	682,952	(24,869)	(99,028)	(138,249)	945,099
Jul-09	May-09	949,027	(23,910)	(113,491)	(258,548)	1,344,976
Aug-09	Jun-09	(186,863)	(27,093)	(108,563)	(267,625)	216,418
Sep-09	Jul-09	(884,653)	(56,701)	(102,178)	(212,477)	(513,298)
Oct-09	Aug-09	(870,407)	(57,054)	(90,633)	(118,107)	(604,613)
		(390,130)	(213,597)	(589,557)	(984,566)	1,397,589

OVER/UNDER RECONCILIATION	
Combined Over/Under Recovery	(390,130)
Due to BESF Calculation Differences	(589,557)
Due to use of BESF %	(984,566)
Due to Change in ROR	(213,597)
Use of 12 Month Average Revenues	1,397,589
Subtotal	(390,130)
Unreconciled Difference	-

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated January 8, 2010**

Case No. 2009-00502

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.

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

2001 Plan

Project 6 -- NOx

Month	Plant Balance	Book Depreciation	Tax Depreciation	Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
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

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

2003 - Plan

Project 7 -- Mill Creek FGD Scrubber Conversion

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
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

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
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

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
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

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
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	-

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

2005 - Plan

Project 11 -- Special Waste Landfill Expansion - MC

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
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

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
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	-

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
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

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
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

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

2005 - Plan

Project 15 -- Scrubber Refurbishment - CR5

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-09	-	-	-	-	38.9000%	-	-	-
Apr-09	-	-	-	-	38.9000%	-	-	-
May-09	-	-	-	-	38.9000%	-	-	-
Jun-09	-	-	-	-	38.9000%	-	-	-
Jul-09	-	-	-	-	38.9000%	-	-	-
Aug-09	-	-	-	-	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
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

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

2006 - Plan

Project 18 -- TC2 AQCS Equipment

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-09	-	-	-	-	38.9000%	-	-	-
Apr-09	-	-	-	-	38.9000%	-	-	-
May-09	-	-	-	-	38.9000%	-	-	-
Jun-09	-	-	-	-	38.9000%	-	-	-
Jul-09	-	-	-	-	38.9000%	-	-	-
Aug-09	-	-	-	-	38.9000%	-	-	-

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
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	-

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
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	-

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
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	-

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated January 8, 2010**

Case No. 2009-00502

Question No. 4

Witness: Shannon L. Charnas

- Q-4. Provide the percentage of LG&E's long-term debt that has a variable interest rate as of the last expense month in the applicable billing period under review.
- A-4. For the last expense month of the billing period May 1, 2009 through October 31, 2009, the percentage of LG&E's long-term debt with a variable rate was 19%.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated January 8, 2010**

Case No. 2009-00502

Question No. 5

Witness: Shannon L. Charnas

- Q-5. Refer to ES Form 2.50, Pollution Control - Operations & Maintenance Expenses, for the March 2009 through August 2009 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-5. Attached please find a schedule showing the changes in the operations and maintenance expense accounts for March 2009 through August 2009 expense months. The changes in the expense levels are reasonable and occurred as a part of routine plant operations and maintenance.

Monthly variances in the NO_x operation expenses, accounts 506104 and 506105, reflect normal SCR operations that will fluctuate with generation and coal quality. The variances for account 506104 are driven strictly by the purchase and delivery timing of the raw consumable material.

Fluctuations in the NO_x maintenance expenses, account 512101, are the result of routine monthly maintenance on the SCRs. March included additional testing and maintenance expenses during the Mill Creek Unit 4 outage.

Fluctuations in the scrubber operation expenses, account 502006, are the result of regular operation of the Trimble County Unit 1 FGD. These are variable production expenses and will fluctuate with generation, coal quality and the SO₂ removal rate. March was lower than normal due to lower generation and limestone purchases related to the outage.

Fluctuations in sorbent injection operation expenses, account 506109, are the result of on-going system operation; beginning in June increases related to additional contract labor. Fluctuations in sorbent injection maintenance expenses, account 512102, are the result of normal system maintenance.

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

Pollution Control - Operations & Maintenance Expenses

O&M Expense Account	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	% Change from Prior Period	% Change from Prior Period	% Change from Prior Period	% Change from Prior Period	
2001 Plan											
506104 NOx Operation -- Consumables	#####	153,558.49	163,368.20	250,958.59	119,528.80	160,564.31	27%	6%	54%	-52%	34%
506105 NOx Operation -- Labor and Other	8,709.40	8,920.79	9,194.18	8,746.06	8,735.42	12,544.51	2%	3%	-5%	0%	44%
512101 NOx Maintenance	80,507.92	26,065.22	25,348.76	21,168.38	18,983.33	22,855.70	-68%	-3%	-16%	-10%	20%
Total 2001 Plan O&M Expenses	#####	188,544.50	197,911.14	280,873.03	147,247.55	195,964.52	-10%	5%	42%	-48%	33%
2005 Plan											
502006 Scrubber Operations	20,090.13	45,404.73	46,328.46	39,212.98	38,948.30	38,200.33	126%	2%	-15%	-1%	-2%
512005 Scrubber Maintenance	-	-	-	-	-	-	0%	0%	0%	0%	0%
501201 Ashpond Dredging Expense	#####	171,471.16	171,471.17	171,471.16	171,471.17	171,471.16	0%	0%	0%	0%	0%
Total 2005 Plan O&M Expenses	#####	216,875.89	217,799.63	210,684.14	210,419.47	209,671.49	13%	0%	-3%	0%	0%
2006 Plan											
506109 Sorbent Injection Operation	31,010.92	22,400.93	26,011.25	82,720.96	66,531.40	102,590.61	-28%	16%	218%	-20%	54%
512102 Sorbent Injection Maintenance	1,696.33	4,136.16	1,600.28	1,124.58	895.79	162.28	144%	-61%	-30%	-20%	-82%
506110 Mercury Monitors Operation	-	-	-	-	-	-	0%	0%	0%	0%	0%
512103 Mercury Monitors Maintenance	-	-	-	-	-	-	0%	0%	0%	0%	0%
Total 2006 Plan O&M Expenses	32,707.25	26,537.09	27,611.53	83,845.54	67,427.19	102,752.89	-19%	4%	204%	-20%	52%

¹ Amount rounds to less than 1%

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated January 8, 2010**

Case No. 2009-00502

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 be reviewed and re-established during the six-month review case. Provide the following information as of August 31, 2009:
- 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.
 - 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 August 31, 2009, therefore it is not listed in the attached schedule.
 - b. Please see the attachment. There was no preferred stock as of August 31, 2009, 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 February 5, 2009 Order in Case No. 2008-00252.

Louisville Gas and Electric Company
Outstanding Balances - Capitalization
As of August 31, 2009

1	2	3
	Outstanding Balance Total Company	Outstanding Balance Electric Only 79.67%
1 Long-Term Debt	896,104,000	713,926,057
2 Short-Term Debt	163,033,400	129,888,710
3 Common Equity	1,203,042,332	958,463,826

Louisville Gas and Electric Company
Blended Interest Rates
As of August 31, 2009

	1
	<u>Blended Interest Rate Total Company</u>
1 Long-Term Debt	5.10%
2 Short-Term Debt	0.30%

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF THE EMBEDDED COST OF CAPITAL AT
August 31, 2009

LONG-TERM DEBT									
Due	Rate	Principal	Annualized Cost				Letter of Credit and other fees	Total	Embedded Cost
			Interest/(Income)	Amortized Debt Issuance Expense	Amortized Loss-Reacquired Debt				
Pollution Control Bonds -									
Jefferson Co 2000 Series A	05/01/27	5 375000% *	25,000,000 4	1,343,750	-	117,881	-	1,461,631	5.85
Trimble Co 2000 Series A	08/01/30	0 360000% *	83,335,000	300,006	38,701	143,700	208,338 c	690,745	0.83
Jefferson Co 2001 Series A	09/01/27	0 320000% *	10,104,000	32,333	20,391	-	35,516 d	88,240	0.87
Jefferson Co 2001 Series A	09/01/26	0 950000% *	22,500,000	213,750	9,924	77,424	22,500 b	323,598	1.44
Trimble Co 2001 Series A	09/01/26	0 900000% *	27,500,000	247,500	10,790	65,400	27,500 b	351,190	1.28
Jefferson Co 2001 Series B	11/01/27	1 200000% *	35,000,000	420,000	10,995	49,056	35,000 b	515,051	1.47
Trimble Co 2001 Series B	11/01/27	1 200000% *	35,000,000	420,000	10,997	48,864	35,000 b	514,861	1.47
Trimble Co 2002 Series A	10/01/32	0 332000% *	41,665,000	138,328	37,221	55,812	104,163 c	335,524	0.81
Louisville Metro 2003 Series A	10/01/33	0 510000% *	128,000,000 3	652,800	-	311,491	127,649 a	1,091,940	0.85
Louisville Metro 2003 Series A	10/01/33	0 510000% *	(128,000,000) 3	(652,800)	-	-	-	(652,800)	(0.51)
Louisville Metro 2005 Series A	02/01/35	5 750000% *	40,000,000 4	2,300,000	-	-	-	2,396,444	5.99
Trimble Co 2007 Series A	06/01/33	4 600000% *	60,000,000	2,760,000	47,192	6,567	18,270 b	2,832,029	4.72
Louisville Metro 2007 Series A	06/01/33	5 625000% *	31,000,000 4	1,743,750	-	41,417	-	1,785,167	5.76
Louisville Metro 2007 Series B	06/01/33	2 750000% *	35,200,000 3	968,000	-	27,327	10,718 b	1,006,045	2.86
Louisville Metro 2007 Series B	06/01/33	2 750000% *	(35,200,000) 3	(968,000)	-	-	-	(968,000)	(2.75)
Called Bonds			-	-	-	263,196 2	-	263,196	-
Total External Debt			411,104,000	9,919,417	186,211	1,304,579	624,654	12,034,861	1.34%
Interest Rate Swaps:									
JP Morgan Chase Bank	11/01/20	:	-	3,956,708	-	-	-	3,956,708	-
Morgan Stanley Capital Services	10/01/33	:	-	1,033,195	-	-	-	1,033,195	-
Morgan Stanley Capital Services	10/01/33	:	-	1,029,611	-	-	-	1,029,611	-
Bank of America	10/01/33	:	-	1,044,544	-	-	-	1,044,544	-
Interest Rate Swaps External Debt				7,064,058				7,064,058	0.79%
Notes Payable to Fidelity Corp	01/16/12	4 33%	25,000,000	1,082,500	-	-	-	1,082,500	4.33
Notes Payable to Fidelity Corp	04/30/13	4 55%	100,000,000	4,550,000	-	-	-	4,550,000	4.55
Notes Payable to Fidelity Corp	08/15/13	5 31%	100,000,000	5,310,000	-	-	-	5,310,000	5.31
Notes Payable to Fidelity Corp	11/23/15	6 48%	50,000,000	3,240,000	-	-	-	3,240,000	6.48
Notes Payable to Fidelity Corp	07/25/18	6 21%	25,000,000	1,552,500	-	-	-	1,552,500	6.21
Notes Payable to Fidelity Corp	11/26/22	5 72%	47,000,000	2,688,400	-	-	-	2,688,400	5.72
Notes Payable to Fidelity Corp	04/13/31	5 93%	68,000,000	4,032,400	-	-	-	4,032,400	5.93
Notes Payable to Fidelity Corp	04/13/37	5 98%	70,000,000	4,186,000	-	-	-	4,186,000	5.98
Total Internal Debt			485,000,000	26,641,800				26,641,800	2.97%
Total			896,104,000	43,625,275	186,211	1,304,579	624,654	45,740,719	5.10%

SHORT TERM DEBT									
Maturity	Rate	Principal	Annualized Cost				Total	Embedded Cost	
			Interest	Expense	Loss	Loss			
Notes Payable to Associated Company	NA	0 3000% *	163,033,400	489,100	-	-	-	489,100	0.30
Total			163,033,400	489,100				489,100	0.30%

Embedded Cost of Total Debt **1,059,137,400** **44,114,375** **186,211** **1,304,579** **624,654** **46,229,819** **4.36%**

* Composite rate at end of current month

1 Additional Interest due to Swap Agreements:

Underlying Debt Being Hedged	Notional Amount	Expiration of Swap Agreement	Fixed LG&E Swap Position	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 10/1/09, 6/1/15, 7/1/13 and 8/1/17

3 Reacquired bonds, which net to zero as they are also included in Short Term Debt Notes Payable to Associated Company

4 Remarketed bonds. Issued at long term fixed rate

a - Insurance premiums annualized - based on actual invoices

b - Remarketing fee = 10 basis points

c - Remarketing fee = 25 basis points

d - Combination of a and c

Louisville Gas and Electric Company
 Outstanding Balances - Capitalization
 August 31, 2009

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	713,926,057	39.61%	5.10%	2.02%	2.02%
2	Short-Term Debt	129,888,710	7.21%	0.30%	0.02%	0.02%
3	Common Equity	958,463,826	53.18%	10.63%	0.58	8.93%
4	Total	1,802,278,593				10.97%

Rate of Return (ROR) Grossed Up:

10.97%

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
2009**

	2009 Federal & State Production Credit W/ 6% 2009 State <u>Tax Rate Included</u>	
(1) Assume pre-tax income of	\$ 100.0000	
(2)		
(3) State income tax (see below)	<u>5.6604</u>	(37)
(4)		
(5) Taxable income for Federal income tax		
(6) before production credit	94.3396	(1) - (3)
(7)	6%	
(8) Less: Production tax credit	<u>5.6604</u>	(6) * (7)
(9)		
(10) Taxable income for Federal income tax	88.6792	(6) - (8)
(11)		
(12) Federal income tax	<u>31.0377</u>	(10) * 35%
(13)		
(14) Total State and Federal income taxes		
(15)	<u>\$ 36.6981</u>	(3) + (12)
(16)		
(17) Gross-up Revenue Factor	<u><u>63.3019</u></u>	100 - (15)
(18)		
(19) Therefore, the composite rate is:		
(20) Federal	31.0377%	(12) / 100
(21) State	<u>5.6604%</u>	(3) / 100
(22) Total	<u><u>36.6981%</u></u>	(20) + (21)
(23)		
(24)		
(25)		
(26)		
(27)		
(28) <u>State Income Tax Calculation</u>		
(29) Assume pre-tax income of	\$ 100.0000	
(30)		
(31) Less: Production tax credit	<u>5.6604</u>	(8)
(32)		
(33) Taxable income for State income tax	94.3396	(29) - (31)
(34)		
(35) State Tax Rate	<u>6.0000%</u>	
(36)		
(37) State Income Tax	<u><u>5.6604</u></u>	(33) * (35)