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

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PUBLIC SERVICE
COMMISSION

**Louisville Gas and
Electric Company**
State Regulation and Rates
220 West Main Street
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Louisville, Kentucky 40232
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Robert M. Conroy
Director - Rates
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September 7, 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 APRIL 30, 2010
CASE NO. 2010-00242**

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and ten (10) copies of the Response of Louisville Gas and Electric Company to the Commission Staff's Question raised at the September 1, 2010 Informal Conference in the above-referenced matter.

With this response, Louisville Gas and Electric Company requests the Commission take Case No. 2010-00242 under submission for decision and issue an order by October 31, 2010.

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

Sincerely,

Robert M. Conroy

Enclosures

cc: Parties of Record

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 7th day of September 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:
Sept 20, 2010

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) 2010-00242
BILLING PERIOD ENDING APRIL 30, 2010)**

**RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
COMMISSION STAFF'S QUESTION RAISED AT
THE SEPTEMBER 1, 2010 INFORMAL CONFERENCE**

FILED: September 7, 2010

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's Question Raised at the
September 1, 2010 Informal Conference**

Case No. 2010-00242

Question No. 1

Witness: Shannon L. Charnas

- Q-1. Explain why different income tax rates appear in the Company's Responses to Question Nos. 3 and 5.
- A-1. The income tax rate (38.9%) included in the attachment to Question No. 3 is the combined federal/state statutory tax rate (legally imposed rate). The rate included in the attachment to Question No. 5 is the statutory tax rate adjusted for the manufacturer's deduction, which is done because we have agreed to give back to the customers the tax benefit of the manufacturer's deduction in the ECR. The depreciation included in Question No. 3 is not impacted by the manufacturer's deduction.