

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

**In the Matter of:**

<b>AN EXAMINATION BY THE PUBLIC SERVICE</b>	)	
<b>COMMISSION OF THE ENVIRONMENTAL</b>	)	
<b>SURCHARGE MECHANISM OF KENTUCKY</b>	)	<b>CASE NO.</b>
<b>UTILITIES COMPANY FOR THE TWO-YEAR</b>	)	<b>2013-00242</b>
<b>BILLING PERIOD ENDING APRIL 30, 2013</b>	)	

**RESPONSE OF**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**TO**  
**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION IN**  
**APPENDIX B OF COMMISSION'S ORDER**  
**DATED JULY 12, 2013**

**FILED: August 2, 2013**



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Request for Information  
in Appendix B of Commission's Order Dated July 12, 2013**

**Case No. 2013-00243**

**Question No. 1**

**Witness: Robert M. Conroy**

- Q-1. Concerning the rate of return on the two 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, which impacted the true-up adjustment for the last six months of the two-year period under review in this case. No further revisions to Rate Base were identified in preparation of this response.

Pages 3 and 4 provide the adjusted weighted average cost of capital for the Pre-2011 and 2011 Plans, respectively, for the period ending February 28, 2013. This new rate was then applied to true-up the months in the review with different rates of return for the Pre-2011 and 2011 Plans as approved by the Commission in Case No. 2011-00162. LG&E calculated the short- and long-term debt rates using average daily balances and daily interest rates pursuant to the Commission's Order in Case No. 2011-00162.

Page 5 provides the adjusted weighted average cost of capital for the period under review ending April 30, 2013. The Commission approved a single rate of return for all Plans in Case No. 2012-00222; therefore, the Pre-2011 and 2011 Plans are not shown separately. Also, LG&E calculated the short- and long-term debt rates using average daily balances and daily interest rates pursuant to the Commission's Order in Case No. 2011-00162.

LG&E did not engage in accounts receivable financing or have any preferred stock outstanding 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 1.10	Jurisdictional True up Adjustment
					(5) - (4)	(3) * (6) / 12		(7) * (8)
May-11	Mar-11	11.31%	\$ 72,746,119	\$72,746,119	\$ -	\$ -	83.35%	\$ -
Jun-11	Apr-11	11.31%	72,896,086	72,896,086	-	-	86.50%	-
Jul-11	May-11	11.31%	74,234,883	74,234,883	-	-	86.82%	-
Aug-11	Jun-11	11.31%	71,757,124	71,757,124	-	-	92.27%	-
Sep-11	Jul-11	11.31%	72,032,384	72,032,384	-	-	91.80%	-
Oct-11	Aug-11	11.31%	72,163,121	72,163,121	-	-	93.59%	-
						\$ -		\$ -
Pre-2011 Plans								
Nov-11	Sep-11	11.31%	\$ 72,226,494	\$72,226,494	\$ -	\$ -	87.55%	\$ -
Dec-11	Oct-11	11.31%	72,290,860	72,290,860	-	-	82.68%	-
Jan-12	Nov-11	11.31%	72,720,796	72,720,796	-	-	82.13%	-
Feb-12	Dec-11	11.31%	74,552,944	74,552,944	-	-	81.15%	-
Mar-12	Jan-12	10.82%	74,898,464	74,898,464	-	-	85.04%	-
Apr-12	Feb-12	10.82%	76,154,412	76,154,412	-	-	90.50%	-
						\$ -		\$ -
2011 Plan								
Nov-11	Sep-11							
Dec-11	Oct-11							
Jan-12	Nov-11							
Feb-12	Dec-11	10.84%	1,090,517	1,090,517	-	-	81.15%	-
Mar-12	Jan-12	10.37%	1,282,783	1,282,783	-	-	85.04%	-
Apr-12	Feb-12	10.37%	1,467,219	1,467,219	-	-	90.50%	-
						\$ -		\$ -
Pre-2011 Plans								
May-12	Mar-12	10.82%	\$ 76,523,810	\$76,523,810	\$ -	\$ -	89.22%	\$ -
Jun-12	Apr-12	10.82%	76,563,034	76,563,034	-	-	86.27%	-
Jul-12	May-12	10.82%	76,671,169	76,671,169	-	-	92.09%	-
Aug-12	Jun-12	10.82%	77,154,218	77,154,218	-	-	97.04%	-
Sep-12	Jul-12	10.82%	77,628,085	77,628,085	-	-	96.37%	-
Oct-12	Aug-12	10.82%	77,775,220	77,775,220	-	-	96.86%	-
						\$ -		\$ -
2011 Plan								
May-12	Mar-12	10.37%	\$ 1,968,363	1,968,363	-	-	89.22%	-
Jun-12	Apr-12	10.37%	2,399,970	2,399,970	-	-	86.27%	-
Jul-12	May-12	10.37%	5,268,700	5,268,700	-	-	92.09%	-
Aug-12	Jun-12	10.37%	8,761,465	8,761,465	-	-	97.04%	-
Sep-12	Jul-12	10.37%	24,869,986	24,869,986	-	-	96.37%	-
Oct-12	Aug-12	10.37%	28,786,440	28,786,440	-	-	96.86%	-
						\$ -		\$ -
Pre-2011 Plans								
Nov-12	Sep-12	10.85%	\$ 76,900,048	\$76,900,048	\$ -	\$ -	94.55%	\$ -
Dec-12	Oct-12	10.85%	77,647,620	77,647,620	-	-	87.59%	-
Jan-13	Nov-12	10.85%	77,932,528	77,932,528	-	-	84.42%	-
Feb-13	Dec-12	10.85%	77,528,695	77,528,695	-	-	88.33%	-
Mar-13	Jan-13	10.52%	21,234,830	21,234,830	-	-	87.65%	-
Apr-13	Feb-13	10.52%	21,129,677	21,129,677	-	-	89.98%	-
						\$ -		\$ -
2011 Plan								
Nov-12	Sep-12	10.40%	\$ 27,231,416	27,231,416	-	-	94.55%	-
Dec-12	Oct-12	10.40%	39,529,844	39,529,844	-	-	87.59%	-
Jan-13	Nov-12	10.40%	46,640,989	46,640,989	-	-	84.42%	-
Feb-13	Dec-12	10.40%	71,031,222	71,031,222	-	-	88.33%	-
Mar-13	Jan-13	10.52%	80,563,392	80,563,392	-	-	87.65%	-
Apr-13	Feb-13	10.52%	96,831,774	96,831,774	-	-	89.98%	-
						\$ -		\$ -
Impact of Change in Rate of Return during the six-month billing period ending April 30, 2013						\$ -		\$ -

Notes: Pursuant to the Commission's Order dated December 15, 2011 approving the Settlement Agreement in Case No. 2011-00162, LG&E calculated the short- and long-term debt using average daily balances and daily interest rates in connection with the ECR true-up calculation shown above and used a separate rate of return for the Pre-2011 and 2011 ECR Plans beginning with the December 2011 expense month. The billing periods ending October 31, 2011 and April 30, 2012 were reviewed in Case No. 2012-00208. The billing period ending October 31, 2012 was reviewed in Case No. 2012-00547.

**Louisville Gas & Electric Company**  
**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-11	Mar-11	11.31%	10.89%	-0.42%	\$ 72,746,119	(25,461)	83.35%	(21,222)
Jun-11	Apr-11	11.31%	10.89%	-0.42%	72,896,086	(25,514)	86.50%	(22,069)
Jul-11	May-11	11.31%	10.89%	-0.42%	74,234,883	(25,982)	86.82%	(22,558)
Aug-11	Jun-11	11.31%	10.89%	-0.42%	71,757,124	(25,115)	92.27%	(23,174)
Sep-11	Jul-11	11.31%	10.89%	-0.42%	72,032,384	(25,211)	91.80%	(23,144)
Oct-11	Aug-11	11.31%	10.89%	-0.42%	72,163,121	(25,257)	93.59%	(23,638)
						(152,540)		(135,805)
Pre-2011 Plans								
Nov-11	Sep-11	11.31%	10.85%	-0.46%	\$ 72,226,494	(27,687)	87.55%	(24,240)
Dec-11	Oct-11	11.31%	10.85%	-0.46%	72,290,860	(27,711)	82.68%	(22,912)
Jan-12	Nov-11	11.31%	10.85%	-0.46%	72,720,796	(27,876)	82.13%	(22,895)
Feb-12	Dec-11	11.31%	10.87%	-0.44%	74,552,944	(27,336)	81.15%	(22,183)
Mar-12	Jan-12	10.82%	10.87%	0.05%	74,898,464	3,121	85.04%	2,654
Apr-12	Feb-12	10.82%	10.87%	0.05%	76,154,412	3,173	90.50%	2,872
						(104,317)		(86,704)
2011 Plan								
Nov-11	Sep-11							
Dec-11	Oct-11							
Jan-12	Nov-11							
Feb-12	Dec-11	10.84%	10.40%	-0.44%	1,090,517	(400)	81.15%	(324)
Mar-12	Jan-12	10.37%	10.40%	0.03%	1,282,783	32	85.04%	27
Apr-12	Feb-12	10.37%	10.40%	0.03%	1,467,219	37	90.50%	33
						(331)		(264)
Pre-2011 Plans								
May-12	Mar-12	10.82%	10.94%	0.12%	\$ 76,523,810	7,652	89.22%	6,827
Jun-12	Apr-12	10.82%	10.94%	0.12%	76,563,034	7,656	86.27%	6,605
Jul-12	May-12	10.82%	10.94%	0.12%	76,671,169	7,667	92.09%	7,061
Aug-12	Jun-12	10.82%	10.94%	0.12%	77,154,218	7,715	97.04%	7,487
Sep-12	Jul-12	10.82%	10.94%	0.12%	77,628,085	7,763	96.37%	7,481
Oct-12	Aug-12	10.82%	10.94%	0.12%	77,775,220	7,778	96.86%	7,533
						46,232		42,995
2011 Plan								
May-12	Mar-12	10.37%	10.48%	0.11%	1,968,363	180	89.22%	161
Jun-12	Apr-12	10.37%	10.48%	0.11%	2,399,970	220	86.27%	190
Jul-12	May-12	10.37%	10.48%	0.11%	5,268,700	483	92.09%	445
Aug-12	Jun-12	10.37%	10.48%	0.11%	8,761,465	803	97.04%	779
Sep-12	Jul-12	10.37%	10.48%	0.11%	24,869,986	2,280	96.37%	2,197
Oct-12	Aug-12	10.37%	10.48%	0.11%	28,786,440	2,639	96.86%	2,556
						6,605		6,328
Pre-2011 Plans								
Nov-12	Sep-12	10.85%	10.76%	-0.09%	\$ 76,900,048	(5,768)	94.55%	(5,453)
Dec-12	Oct-12	10.85%	10.76%	-0.09%	77,647,620	(5,824)	87.59%	(5,101)
Jan-13	Nov-12	10.85%	10.76%	-0.09%	77,932,528	(5,845)	84.42%	(4,934)
Feb-13	Dec-12	10.85%	10.76%	-0.09%	77,528,695	(5,815)	88.33%	(5,136)
Mar-13	Jan-13	10.52%	10.43%	-0.09%	21,234,830	(1,593)	87.65%	(1,396)
Apr-13	Feb-13	10.52%	10.43%	-0.09%	21,129,677	(1,585)	89.98%	(1,426)
						(26,428)		(23,446)
2011 Plan								
Nov-12	Sep-12	10.40%	10.29%	-0.11%	27,231,416	(2,496)	94.55%	(2,360)
Dec-12	Oct-12	10.40%	10.29%	-0.11%	39,529,844	(3,624)	87.59%	(3,174)
Jan-13	Nov-12	10.40%	10.29%	-0.11%	46,640,989	(4,275)	84.42%	(3,609)
Feb-13	Dec-12	10.40%	10.29%	-0.11%	71,031,222	(6,511)	88.33%	(5,751)
Mar-13	Jan-13	10.52%	10.43%	-0.09%	80,563,392	(6,042)	87.65%	(5,296)
Apr-13	Feb-13	10.52%	10.43%	-0.09%	96,831,774	(7,262)	89.98%	(6,535)
						(30,211)		(26,725)
Impact of Change in Rate of Return during the six-month billing period ending April 30, 2013						\$ (56,639)		\$ (50,172)

Notes: Pursuant to the Commission's Order dated December 15, 2011 approving the Settlement Agreement in Case No. 2011-00162, LG&E calculated the short- and long-term debt using average daily balances and daily interest rates in connection with the ECR true-up calculation shown above and used a separate rate of return for the Pre-2011 and 2011 ECR Plans beginning with the December 2011 expense month. The billing periods ending October 31, 2011 and April 30, 2012 were reviewed in Case No. 2012-00208. The billing period ending October 31, 2012 was reviewed in Case No. 2012-00547.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Adjusted Electric Rate of Return on Common Equity - Pre-2011 ECR Plans  
As of February 28, 2013**

	Per Books 02-28-13 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 1 x Col 3) (4)	Adjustments to Capitalization (Col 18) (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)
<b>ELECTRIC</b>									
1. Short Term Debt	\$ 52,492,871 (c)	2.00%	78.810%	\$ 41,369,632	\$ (1,694,286)	\$ 39,675,346	2.00%	0.39%	0.01%
2. Long Term Debt	1,105,926,480 (c)	42.22%	78.810%	871,580,659	(35,766,358)	835,814,301	42.22%	3.62%	1.53%
3. Common Equity	1,460,897,239	55.78%	78.810%	1,151,333,114	(47,253,609)	1,104,079,505	55.78%	10.63%	5.93%
4. Total Capitalization	<u>\$ 2,619,316,590</u>	<u>100.000%</u>		<u>\$ 2,064,283,405</u>	<u>\$ (84,714,253)</u>	<u>\$ 1,979,569,152</u>	<u>100.000%</u>		<u>7.47%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}									<u>10.76%</u>

	Electric 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 Compliance Rate Base (Col 11 x Col 15 Line 4) (15)	DSM Rate Base (Col 11 x Col 16 Line 4) (16)	Advanced Coal Investment Tax Credit (b) (Col 11 x Col 17 Line 4) (17)	Total Adjustments To Capital (Sum of Col 12 - Col 17) (18)
<b>ELECTRIC</b>									
1. Short Term Debt	\$ 41,369,632	2.00%	\$ (89,254)	\$ (22,400)	\$ 336,439	\$ (2,359,229)	\$ (7,314)	\$ 447,472	\$ (1,694,286)
2. Long Term Debt	871,580,659	42.22%	(1,884,149)	(472,861)	7,102,223	(49,803,325)	(154,388)	9,446,142	(35,766,358)
3. Common Equity	1,151,333,114	55.78%	(2,489,290)	(624,731)	9,383,278	(65,798,897)	(203,973)	12,480,004	(47,253,609)
4. Total Capitalization	<u>\$ 2,064,283,405</u>	<u>100.000%</u>	<u>\$ (4,462,693)</u>	<u>\$ (1,119,992)</u>	<u>\$ 16,821,940</u>	<u>\$ (117,961,451)</u>	<u>\$ (365,675)</u>	<u>\$ 22,373,618</u>	<u>\$ (84,714,253)</u>

(a) Trimble County Inventories	As of February 28, 2013	
Materials and Supplies		\$ 7,591,348
Stores Expense		1,295,407
Coal		8,487,019
Limestone		219,363
Fuel Oil		255,742
Emission Allowances		1,891
Total Trimble County Inventories		<u>\$ 17,850,770</u>
Multiplied by Disallowed Portion		25.00%
Trimble County Inv. Disallowed		<u>\$ 4,462,693</u>

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

(c) Average daily balance per Settlement Agreement in Case No. 2011-00162.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Adjusted Electric Rate of Return on Common Equity - 2011 ECR Plan**  
**As of February 28, 2013**

	Per Books 02-28-13 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 1 x Col 3) (4)	Adjustments to Capitalization (Col 18) (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)
<b><u>ELECTRIC</u></b>									
1. Short Term Debt	\$ 52,492,871 (c)	2.00%	78.810%	\$ 41,369,632	\$ (1,694,286)	\$ 39,675,346	2.00%	0.39%	0.01%
2. Long Term Debt	1,105,926,480 (c)	42.22%	78.810%	871,580,659	(35,766,358)	835,814,301	42.22%	3.62%	1.53%
3. Common Equity	1,460,897,239	55.78%	78.810%	1,151,333,114	(47,253,609)	1,104,079,505	55.78%	10.10%	5.63%
4. Total Capitalization	<u>\$ 2,619,316,590</u>	<u>100.000%</u>		<u>\$ 2,064,283,405</u>	<u>\$ (84,714,253)</u>	<u>\$ 1,979,569,152</u>	<u>100.000%</u>		<u>7.17%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}									<u>10.29%</u>

	Electric 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 Compliance Rate Base (Col 11 x Col 15 Line 4) (15)	DSM Rate Base (Col 11 x Col 16 Line 4) (16)	Advanced Coal Investment Tax Credit (b) (Col 11 x Col 17 Line 4) (17)	Total Adjustments To Capital (Sum of Col 12 - Col 17) (18)
<b><u>ELECTRIC</u></b>									
1. Short Term Debt	\$ 41,369,632	2.00%	\$ (89,254)	\$ (22,400)	\$ 336,439	\$ (2,359,229)	\$ (7,314)	\$ 447,472	\$ (1,694,286)
2. Long Term Debt	871,580,659	42.22%	(1,884,149)	(472,861)	7,102,223	(49,803,325)	(154,388)	9,446,142	(35,766,358)
3. Common Equity	1,151,333,114	55.78%	(2,489,290)	(624,731)	9,383,278	(65,798,897)	(203,973)	12,480,004	(47,253,609)
4. Total Capitalization	<u>\$ 2,064,283,405</u>	<u>100.000%</u>	<u>\$ (4,462,693)</u>	<u>\$ (1,119,992)</u>	<u>\$ 16,821,940</u>	<u>\$ (117,961,451)</u>	<u>\$ (365,675)</u>	<u>\$ 22,373,618</u>	<u>\$ (84,714,253)</u>

(a) Trimble County Inventories	As of February 28, 2013	
Materials and Supplies		\$ 7,591,348
Stores Expense		1,295,407
Coal		8,487,019
Limestone		219,363
Fuel Oil		255,742
Emission Allowances		1,891
Total Trimble County Inventories		<u>\$ 17,850,770</u>
Multiplied by Disallowed Portion		25.00%
Trimble County Inv. Disallowed		<u>\$ 4,462,693</u>

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

(c) Average daily balance per Settlement Agreement in Case No. 2011-00162.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Adjusted Electric Rate of Return on Common Equity**  
**As of April 30, 2013**

	Per Books 04-30-13 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 1 x Col 3) (4)	Adjustments to Capitalization (Col 18) (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)
<b><u>ELECTRIC</u></b>									
1. Short Term Debt	\$ 56,733,347 (c)	2.15%	78.810%	\$ 44,711,551	\$ (2,767,756)	\$ 41,943,795	2.15%	0.38%	0.01%
2. Long Term Debt	1,105,950,192 (c)	41.90%	78.810%	871,599,346	(53,939,067)	817,660,279	41.90%	3.61%	1.51%
3. Common Equity	1,476,931,683	55.95%	78.810%	1,163,969,859	(72,026,031)	1,091,943,828	55.95%	10.25%	5.73%
4. Total Capitalization	<u>\$ 2,639,615,222</u>	<u>100.000%</u>		<u>\$ 2,080,280,756</u>	<u>\$ (128,732,854)</u>	<u>\$ 1,951,547,902</u>	<u>100.000%</u>		<u>7.25%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}									<u>10.43%</u>

	Electric 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 Compliance Rate Base (Col 11 x Col 15 Line 4) (15)	DSM Rate Base (Col 11 x Col 16 Line 4) (16)	Advanced Coal Investment Tax Credit (b) (Col 11 x Col 17 Line 4) (17)	Total Adjustments To Capital (Sum of Col 12 - Col 17) (18)
<b><u>ELECTRIC</u></b>									
1. Short Term Debt	\$ 44,711,551	2.15%	\$ (95,241)	\$ (24,051)	\$ 355,444	\$ (3,469,745)	\$ (14,850)	\$ 480,687	\$ (2,767,756)
2. Long Term Debt	871,599,346	41.90%	(1,856,098)	(468,714)	6,927,032	(67,619,682)	(289,409)	9,367,804	(53,939,067)
3. Common Equity	1,163,969,859	55.95%	(2,478,489)	(625,883)	9,249,821	(90,294,063)	(386,454)	12,509,037	(72,026,031)
4. Total Capitalization	<u>\$ 2,080,280,756</u>	<u>100.000%</u>	<u>\$ (4,429,828)</u>	<u>\$ (1,118,648)</u>	<u>\$ 16,532,297</u>	<u>\$ (161,383,490)</u>	<u>\$ (690,713)</u>	<u>\$ 22,357,528</u>	<u>\$ (128,732,854)</u>

(a) Trimble County Inventories	As of April 30, 2013	
Materials and Supplies		\$ 7,861,629
Stores Expense		1,353,425
Coal		7,965,281
Limestone		221,646
Fuel Oil		315,782
Emission Allowances		1,547
Total Trimble County Inventories		<u>\$ 17,719,310</u>
Multiplied by Disallowed Portion		25.00%
Trimble County Inv. Disallowed		<u>\$ 4,429,828</u>

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

(c) Average daily balance per Settlement Agreement in Case No. 2011-00162.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Request for Information  
in Appendix B of Commission's Order Dated July 12, 2013**

**Case No. 2013-00243**

**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 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 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 under-recovery.

For the period under review, LG&E experienced a net under-recovery of \$389,127.

LG&E inadvertently overstated the ECR Revenue Recovered Through Base Rates for the January and February 2013 expense months due to an input error that occurred when new base rates went into effect in Case No. 2012-00222. The impact of the error was an overstatement of the ECR Revenue Recovered Through Base Rates and an understatement of the Adjusted Net Jurisdictional E(m) of \$116,935. The revised ECR Revenue Recovered Through Base Rates amounts for the January and February 2013 expense months were used in Column 7 on page 2 of the attachment to this response.

Louisville Gas & Electric Company  
 Calculation of E(m) and Jurisdictional Surcharge Billing Factor  
 Summary Schedule for Expense Months March 2011 through February 2013

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Expense Month	Rate Base as Revised	Monthly Rate Base as Revised	Rate of Return as Revised	Operating Expenses (net of allowance proceeds)	Total E(m)	Jurisdictional Allocation Ratio	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-11	\$ 72,746,119	6,062,177	10.89%	\$ 577,743	1,237,914	83.35%	1,031,801	
Apr-11	72,896,086	6,074,674	10.89%	308,266	969,798	86.50%	838,875	
May-11	74,234,883	6,186,240	10.89%	356,250	1,029,931	86.82%	894,186	
Jun-11	71,757,124	5,979,760	10.89%	310,177	961,372	92.27%	887,058	
Jul-11	72,032,384	6,002,699	10.89%	376,294	1,029,988	91.80%	945,529	
Aug-11	72,163,121	6,013,593	10.89%	476,145	1,131,025	93.59%	1,058,526	
Pre-2011 Plans								
Sep-11	\$ 72,226,494	6,018,875	10.85%	\$ 395,130	1,048,178	87.55%	917,680	
Oct-11	72,290,860	6,024,238	10.85%	322,060	975,690	82.68%	806,700	
Nov-11	72,720,796	6,060,066	10.85%	350,770	1,008,287	82.13%	828,106	
Dec-11	74,552,944	6,212,745	10.87%	374,820	1,050,145	81.15%	852,193	
Jan-12	74,898,464	6,241,539	10.87%	366,668	1,045,123	85.04%	888,772	
Feb-12	76,154,412	6,346,201	10.87%	389,521	1,079,354	90.50%	976,815	
2011 Plan								
Sep-11								
Oct-11								
Nov-11								
Dec-11	1,090,517	90,876	10.40%	66,958	76,409	81.15%	62,006	
Jan-12	1,282,783	106,899	10.40%	55,910	67,028	85.04%	57,000	
Feb-12	1,467,219	122,268	10.40%	42,893	55,609	90.50%	50,326	
Pre-2011 Plans								
Mar-12	\$ 76,523,810	6,376,984	10.94%	\$ 568,926	1,266,568	89.22%	1,130,032	
Apr-12	76,563,034	6,380,253	10.94%	325,222	1,023,222	86.27%	882,733	
May-12	76,671,169	6,389,264	10.94%	382,863	1,081,849	92.09%	996,274	
Jun-12	77,154,218	6,429,518	10.94%	376,266	1,079,655	97.04%	1,047,697	
Jul-12	77,628,085	6,469,007	10.94%	425,746	1,133,455	96.37%	1,092,311	
Aug-12	77,775,220	6,481,268	10.94%	612,263	1,321,314	96.86%	1,279,825	
2011 Plan								
Mar-12	\$ 1,968,363	164,030	10.48%	\$ 52,077	69,267	89.22%	61,800	
Apr-12	2,399,970	199,998	10.48%	105,079	126,039	86.27%	108,734	
May-12	5,268,700	439,058	10.48%	146,819	192,832	92.09%	177,579	
Jun-12	8,761,465	730,122	10.48%	82,005	158,522	97.04%	153,830	
Jul-12	24,869,986	2,072,499	10.48%	72,340	289,538	96.37%	279,028	
Aug-12	28,786,440	2,398,870	10.48%	103,011	354,413	96.86%	343,284	
Pre-2011 Plans								
Sep-12	\$ 76,900,048	6,408,337	10.76%	\$ 1,598,352	2,287,890	94.55%	2,163,200	
Oct-12	77,647,620	6,470,635	10.76%	440,820	1,137,061	87.59%	995,951	
Nov-12	77,932,528	6,494,377	10.76%	361,393	1,060,188	84.42%	895,011	
Dec-12	77,528,695	6,460,725	10.76%	392,016	1,087,190	88.33%	960,315	
Jan-13	21,234,830	1,769,569	10.43%	30,568	215,134	87.65%	188,565	
Feb-13	21,129,677	1,760,806	10.43%	30,476	214,128	89.98%	192,673	
2011 Plan								
Sep-12	\$ 27,231,416	2,269,285	10.29%	\$ 73,754	307,263	94.55%	290,518	
Oct-12	39,529,844	3,294,154	10.29%	79,300	418,268	87.59%	366,361	
Nov-12	46,640,989	3,886,749	10.29%	93,806	493,753	84.42%	416,826	
Dec-12	71,031,222	5,919,269	10.29%	100,105	709,198	88.33%	626,434	
Jan-13	80,563,392	6,713,616	10.43%	101,879	802,109	87.65%	703,049	
Feb-13	96,831,774	8,069,315	10.43%	106,888	948,517	89.98%	853,476	

Notes: In Case No. 2011-00162, the Commission approved the 2011 ECR Plan and the use of separate rates of return for the Pre-2011 and 2011 ECR Plans beginning with the December 2011 expense month.  
 The billing periods ending October 31, 2011 and April 30, 2012 were reviewed in Case No. 2012-00208.  
 The billing period ending October 31, 2012 was reviewed in Case No. 2012-00547.

Louisville Gas & Electric Company  
 Calculation of E(m) and Jurisdictional Surcharge Billing Factor  
 Summary Schedule for Expense Months March 2011 through February 2013

Attachment to Response to Question No. 2  
 Page 2 of 3  
 Conroy

(1) Expense Month	(2) Retail E(m) for All ECR Plans	(3) Adjustment to Retail E(m) for Over/Under-Collection	(4) Retail E(m) Including all Adjustments to be billed as ECR	(5) Monthly Billing Factor (Group 1)	(6) Monthly Billing Factor (Group 2)	(7) ECR Revenue Recovered Through Base Rates	(8) Billing Period	(9) ECR Billing Factor Revenues (Group 1)	(10) ECR Billing Factor Revenues (Group 2)	(11) Combined Total Over/(Under) Recovery
Case Nos. 10-242; 10-475; 11-232; 12-208										
Page 1 Col (8) (2) + (3) As Filed As Filed As Filed As Filed (7) + (9) + (10) - (4)										
Mar-11	1,031,801	\$ 317,225	1,349,026	0.99%		\$ 641,449	May-11	\$ 666,380		\$ (41,198)
Apr-11	838,875	795,605	1,634,480	1.43%		603,043	Jun-11	1,206,179		174,741
May-11	894,186	795,604	1,689,790	1.47%		617,028	Jul-11	1,362,039		289,277
Jun-11	887,058	-	887,058	0.18%		778,769	Aug-11	272,788		164,499
Jul-11	945,529	-	945,529	0.19%		823,052	Sep-11	165,369		42,893
Aug-11	1,058,526	-	1,058,526	0.19%		937,365	Oct-11	127,590		6,429
		\$	7,564,410			\$ 4,400,705		\$ 3,800,346		\$ 636,641
Sep-11	\$ 917,680	\$ -	\$ 917,680	0.21%		\$ 785,071	Nov-11	\$ 126,855		\$ (5,754)
Oct-11	806,700	-	806,700	0.26%		630,391	Dec-11	168,884		(7,426)
Nov-11	828,106	-	828,106	0.38%		562,500	Jan-12	279,719		14,113
Dec-11	914,198	-	914,198	0.43%		610,687	Feb-12	284,828		(18,683)
Jan-12	945,773	241,530	1,187,303	0.67%	1.02%	681,464	Mar-12	176,476	265,657	(63,705)
Feb-12	1,027,141	-	1,027,141	0.56%	0.84%	606,863	Apr-12	136,901	234,914	(48,463)
		\$	5,681,129			\$ 3,876,975		\$ 1,173,664	\$ 500,571	\$ (129,919)
Mar-12	\$ 1,191,832	\$ -	\$ 1,191,832	0.61%	0.93%	\$ 724,414	May-12	\$ 174,319	\$ 253,839	\$ (39,260)
Apr-12	991,467	-	991,467	0.37%	0.57%	704,561	Jun-12	135,410	201,644	\$ 50,148
May-12	1,173,854	-	1,173,854	0.58%	0.89%	727,258	Jul-12	285,991	306,547	\$ 145,942
Jun-12	1,201,527	-	1,201,527	0.40%	0.62%	888,647	Aug-12	182,511	220,802	\$ 90,433
Jul-12	1,371,339	-	1,371,339	0.37%	0.58%	1,073,324	Sep-12	140,160	171,589	\$ 13,736
Aug-12	1,623,109	-	1,623,109	0.76%	1.19%	1,027,408	Oct-12	187,221	294,418	\$ (114,062)
		\$	7,553,128			\$ 5,145,612		\$ 1,105,613	\$ 1,448,840	\$ 146,937
Sep-12	\$ 2,453,717	\$ (489,864)	\$ 1,963,853	1.44%	2.25%	\$ 864,202	Nov-12	\$ 372,920	\$ 562,181	\$ (164,550)
Oct-12	1,362,313	-	1,362,313	0.87%	1.37%	698,464	Dec-12	246,102	376,768	\$ (40,978)
Nov-12	1,311,837	-	1,311,837	0.80%	1.26%	697,387	Jan-13	279,016	328,121	\$ (7,313)
Dec-12	1,586,749	-	1,586,749	1.14%	1.80%	709,039	Feb-13	377,609	501,282	\$ 1,181
Jan-13	891,614	-	891,614	0.53%	0.84%	448,926	Mar-13	166,894	255,292	\$ (20,502)
Feb-13	1,046,148	-	1,046,148	1.09%	1.73%	109,419	Apr-13	310,820	468,946	\$ (156,964)
		\$	8,162,514			\$ 3,527,437		\$ 1,753,361	\$ 2,492,589	\$ (389,127)
Total for the 2-year period:			\$ 28,961,180			\$ 16,950,730		\$ 7,832,983	\$ 4,441,999	\$ 264,532
Less Amounts from previous 6-month reviews:										
	Case No. 2012-00208		7,564,410			4,400,705		3,800,346	-	636,641
	Case No. 2012-00208		5,681,129			3,876,975		1,173,664	500,571	(129,919)
	Case No. 2012-00547		7,553,128			5,145,612		1,105,613	1,448,840	146,937
Total for the current 6-month period:			\$ 8,162,514			\$ 3,527,437		\$ 1,753,361	\$ 2,492,589	\$ (389,127)
<b>Net Under-Recovery to be collected from customers for the 6-month billing period ending April 30, 2013</b>										<b>\$ (389,127)</b>

Notes: In Case No. 2011-00162, the Commission approved the 2011 ECR Plan and the use of separate rates of return for the Pre-2011 and 2011 ECR Plans beginning with the December 2011 expense month.  
 The billing periods ending October 31, 2011 and April 30, 2012 were reviewed in Case No. 2012-00208.  
 The billing period ending October 31, 2012 was reviewed in Case No. 2012-00547.  
 The January and February 2013 expense months include an inadvertent input error resulting in ECR Revenue Recovered Through Base Rates being overstated and Retail E(m) being understated by \$116,935. Corrected amounts used above for January and February 2013 expense months.

## Louisville Gas &amp; Electric Company

## Reconciliation of Combined Over/(Under) Recovery

## Summary Schedule for Expense Months September 2012 through February 2013

(1) Billing Month	(2) Expense Month	(3) Rate of Return as Filed	(4) Rate of Return as Revised	(5) Change in Rate of Return (4) - (3)	(6) Rate Base as Revised	(7) Impact of change in Rate of Return (5) * (6) / 12	(8) Jurisdictional Allocation, ES Form 1.10	(9) Jurisdictional Impact (7) * (8)
<b>Pre-2011 Plans (Note 1)</b>								
Nov-12	Sep-12	10.85%	10.76%	-0.09%	\$ 76,900,048	(5,768)	94.55%	(5,453)
Dec-12	Oct-12	10.85%	10.76%	-0.09%	77,647,620	(5,824)	87.59%	(5,101)
Jan-13	Nov-12	10.85%	10.76%	-0.09%	77,932,528	(5,845)	84.42%	(4,934)
Feb-13	Dec-12	10.85%	10.76%	-0.09%	77,528,695	(5,815)	88.33%	(5,136)
Mar-13	Jan-13	10.52%	10.43%	-0.09%	21,234,830	(1,593)	87.65%	(1,396)
Apr-13	Feb-13	10.52%	10.43%	-0.09%	21,129,677	(1,585)	89.98%	(1,426)
						(26,428)		(23,446)
<b>2011 Plan (Note 1)</b>								
Nov-12	Sep-12	10.40%	10.29%	-0.11%	\$ 27,231,416	(2,496)	94.55%	(2,360)
Dec-12	Oct-12	10.40%	10.29%	-0.11%	39,529,844	(3,624)	87.59%	(3,174)
Jan-13	Nov-12	10.40%	10.29%	-0.11%	46,640,989	(4,275)	84.42%	(3,609)
Feb-13	Dec-12	10.40%	10.29%	-0.11%	71,031,222	(6,511)	88.33%	(5,751)
Mar-13	Jan-13	10.52%	10.43%	-0.09%	80,563,392	(6,042)	87.65%	(5,296)
Apr-13	Feb-13	10.52%	10.43%	-0.09%	96,831,774	(7,262)	89.98%	(6,535)
						(30,211)		(26,725)
Cumulative Impact of Changes in Rate of Return						\$ (56,639)		\$ (50,172)

(1) Billing Month	(2) Expense Month	(3) Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11)	(4) ROR Trueup (Pre-2011 Plans)	(5) ROR Trueup (2011 Plan)	(6) Use of 12 Month Average Revenues	(7) Input Error in Jan-Feb expense months
Nov-12	Sep-12	\$ (164,550)	\$ 5,453	\$ 2,360	\$ (172,364)	
Dec-12	Oct-12	(40,978)	5,101	3,174	(49,253)	
Jan-13	Nov-12	(7,313)	4,934	3,609	(15,857)	
Feb-13	Dec-12	1,181	5,136	5,751	(9,706)	
Mar-13	Jan-13	(20,502)	1,396	5,296	5,771	(32,965)
Apr-13	Feb-13	(156,964)	1,426	6,535	(80,954)	(83,970)
Total Under-Recovery for 6-month billing period		(389,127)	23,446	26,725	(322,364)	(116,935)

OVER/(UNDER) RECONCILIATION	
Combined Over/(Under) Recovery	(389,127)
Due to Change in ROR (Pre-2011 Plans)	23,446
Due to Change in ROR (2011 Plan)	26,725
Use of 12 Month Average Revenues	(322,364)
Input Error in Jan-Feb expense months	(116,935)
Subtotal	(389,127)
Unreconciled Difference	-

NOTE 1: Pursuant to the KPSC's Order dated December 15, 2011 approving the Settlement Agreement in Case No. 2011-00162, the 2011 ECR Plan, LG&E calculated the short- and long-term debt rates using average daily balances and daily interest rates in connection with the ECR true-up calculation shown above and used a separate rate of return for the Pre-2011 and 2011 Plans beginning with the December 2011 expense month.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Request for Information  
in Appendix B of Commission's Order Dated July 12, 2013**

**Case No. 2013-00243**

**Question No. 3**

**Witness: Robert M. Conroy**

- 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, bonus 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 period under review.

In LG&E's Case No. 2012-00222, the Commission approved the elimination of the 2005 and 2006 ECR Compliance Plans effective with the January 2013 expense month. Therefore, the attachment includes the calculation of Deferred Income Taxes and the balance of Accumulated Deferred Income Taxes for the 2005 and 2006 Plan projects as reported each month through the December 2012 expense month.

**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
Beg Balance							257,276	
Mar-11	4,607,107	9,741	22,231	12,490	38.9000%	4,859	262,135	22,369
Apr-11	4,607,107	9,741	22,231	12,490	38.9000%	4,859	266,994	22,369
May-11	7,142,556	11,695	169,217	157,522	38.9000%	61,276	328,270	22,369
Jun-11	4,818,430	(50,844)	(161,558)	(110,714)	38.9000%	(43,068)	285,202	275,368
Jul-11	4,818,430	8,275	165,596	157,321	38.9000%	61,198	346,400	275,368
Aug-11	4,818,430	10,067	153,748	143,681	38.9000%	55,892	402,292	275,368
Sep-11	4,818,430	10,067	158,411	148,344	38.9000%	57,706	459,998	275,368
Oct-11	4,818,430	10,067	158,411	148,344	38.9000%	57,706	517,704	275,368
Nov-11	4,818,430	10,067	158,411	148,344	38.9000%	57,706	575,410	275,368
Dec-11	4,818,430	10,067	158,023	147,956	38.9000%	57,555	632,965	275,368
Jan-12	4,818,430	10,067	17,396	7,329	38.9000%	2,851	635,816	275,368
Feb-12	4,818,430	10,067	16,995	6,928	38.9000%	2,695	638,511	275,368
Mar-12	4,818,430	10,067	16,995	6,928	38.9000%	2,695	641,206	275,368
Apr-12	4,818,430	10,067	16,995	6,928	38.9000%	2,695	643,900	275,368
May-12	4,818,430	10,067	16,995	6,928	38.9000%	2,695	646,595	275,368
Jun-12	4,818,430	10,067	16,995	6,928	38.9000%	2,695	649,290	275,368
Jul-12	4,818,430	10,067	16,995	6,928	38.9000%	2,695	651,985	275,368
Aug-12	4,818,430	10,067	16,995	6,928	38.9000%	2,695	654,679	275,368
Sep-12	4,818,430	10,067	16,995	6,928	38.9000%	2,695	657,374	275,368
Oct-12	4,818,430	10,067	16,997	6,930	38.9000%	2,696	660,069	275,368
Nov-12	4,818,430	10,067	16,995	6,928	38.9000%	2,695	662,764	275,368
Dec-12	4,818,430	10,067	16,993	6,926	38.9000%	2,694	665,458	275,368
Jan-13								
Feb-13								

Due to Bonus Depreciation for tax purposes, taken on certain components of Project 11, the deferred tax calculation for this project is computed separately for Federal and State purposes. Specifically, for Federal taxes, certain assets placed in service in 2011 received 50% bonus depreciation, which reduces the Federal tax basis to 50% of the plant balance. A sample calculation of deferred taxes for Dec 2012 is shown below:

Federal Basis	Book Depr.	Federal Tax Dep	Fed. Difference	Fed Tax Rate	Fed Def Tax
2,285,981	6,158	8,603	2,445	35.0000%	856
1,267,725	3,909	7,626	3,717	35.0000%	1,301
1,267,725		-	-	35.0000%	-
State Basis	Book Depr.	State Tax Dep	St. Difference	State Tax Rate	St Def Tax
2,282,981	6,158	8,603	2,445	6.0000%	147
2,535,449	3,909	15,253	11,344	6.0000%	681
					St. Offset for Fed Taxes not Owed (290)
					Total Deferred Tax 2,694



















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

**2009 - Plan**

Project 23 - Trimble County Ash Treatment Basis (BAP/GSP)

<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							-	
Mar-11								
Apr-11								
May-11								
Jun-11								
Jul-11								
Aug-11								
Sep-11								
Oct-11								
Nov-11								
Dec-11	9,594,347	10,219	359,787	349,568	38.9000%	135,982	135,982	-
Jan-12	9,594,347	20,438	57,743	37,305	38.9000%	14,512	150,494	-
Feb-12	9,594,347	20,438	57,743	37,305	38.9000%	14,512	164,986	-
Mar-12	9,594,347	20,438	57,718	37,280	38.9000%	14,502	179,488	-
Apr-12	9,594,347	20,438	57,718	37,280	38.9000%	14,502	193,990	-
May-12	9,594,347	20,438	57,718	37,280	38.9000%	14,502	208,492	-
Jun-12	9,594,347	20,438	57,718	37,280	38.9000%	14,502	222,994	-
Jul-12	9,594,347	20,438	57,718	37,280	38.9000%	14,502	237,495	-
Aug-12	9,594,347	20,438	57,718	37,280	38.9000%	14,502	251,997	-
Sep-12	9,594,347	20,438	57,718	37,280	38.9000%	14,502	266,499	-
Oct-12	9,594,347	20,438	57,718	37,280	38.9000%	14,502	281,001	-
Nov-12	9,594,347	20,438	57,718	37,280	38.9000%	14,502	295,503	-
Dec-12	9,594,347	20,438	57,718	37,280	38.9000%	14,502	310,005	-
Jan-13	9,594,347	17,393	53,396	36,003	38.9000%	14,005	324,009	-
Feb-13	9,594,347	17,393	53,394	36,001	38.9000%	14,004	338,013	-

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

2009 - Plan

Project 25 -Beneficial Reuse

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							-	
Mar-11								
Apr-11								
May-11								
Jun-11								
Jul-11								
Aug-11								
Sep-11								
Oct-11								
Nov-11								
Dec-11								
Jan-12								
Feb-12								
Mar-12								
Apr-12								
May-12								
Jun-12								
Jul-12								
Aug-12								
Sep-12								
Oct-12								
Nov-12								
Dec-12	4,636,272	8,268	2,181,370	2,173,102	38.9000%	845,337	845,337	-
Jan-13	4,636,272	9,504	15,347	5,843	38.9000%	2,273	847,609	-
Feb-13	4,636,272	9,504	15,343	5,839	38.9000%	2,271	849,880	-

Due to Bonus Depreciation for tax purposes, taken on certain components of Project 25, the deferred tax calculation for this project is computed separately for Federal and State purposes. Specifically, for Federal taxes, certain assets placed in service in 2011 received 50% bonus depreciation, which reduces the Federal tax basis to 50% of the plant balance. A sample calculation of deferred taxes for Dec 2012 is shown below:

Federal Basis	Book Depr.	Federal Tax Depr	Fed. Difference	Fed Tax Rate	Fed Def Tax
2,318,136	8,268	86,930	78,662	35.0000%	27,532
2,318,136		2,318,136	2,318,136	35.0000%	811,348
State Basis	Book Depr.	State Tax Depr	St. Difference	State Tax Rate	St Def Tax
4,636,272	8,268	173,860	165,592	6.0000%	9,936
					St. Offset for Fed Taxes not Owed (3,477)
					Total Deferred Tax 845,337



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

**2011 - Plan**

Project 26 - Mill Creek Station Air Compliance

<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-11								
Apr-11								
May-11								
Jun-11								
Jul-11								
Aug-11								
Sep-11								
Oct-11								
Nov-11								
Dec-11								
Jan-12								
Feb-12								
Mar-12								
Apr-12								
May-12								
Jun-12								
Jul-12	1,965,028	3,152	154,417	151,265	38.9000%	58,842	58,842	-
Aug-12	1,965,028	6,304	154,417	148,113	38.9000%	57,616	116,458	-
Sep-12	1,965,028	6,304	154,414	148,110	38.9000%	57,615	174,073	-
Oct-12	1,965,028	6,304	154,417	148,113	38.9000%	57,616	231,689	-
Nov-12	1,965,028	6,304	154,417	148,113	38.9000%	57,616	289,305	-
Dec-12	1,965,028	6,304	152,463	146,159	38.9000%	56,856	346,161	-
Jan-13	1,965,028	4,159	6,504	2,345	38.9000%	912	347,073	-
Feb-13	1,983,783	4,179	7,303	3,124	38.9000%	1,215	348,288	-

Due to Bonus Depreciation for tax purposes, taken on certain components of Project 26, the deferred tax calculation for this project is computed separately for Federal and State purposes. Specifically, for Federal taxes, certain assets placed in service in 2012 received 50% bonus depreciation, which reduces the Federal tax basis to 50% of the plant balance. A sample calculation of deferred taxes for Nov 2012 is shown below:

Federal Bas	Book Depr.	Federal Tax D	Fed. Differer	Fed Tax R	Fed Def Tax	
982,514	6,304	6,504	200	35.0000%	70	
982,514		163,752	163,752	35.0000%	57,313	
State Basis	Book Depr.	State Tax Depr	St. Differenc	State Tax F	St Def Tax	
1,965,028	6,304	12,282	5,978	6.0000%	359	
					St. Offset for Fed Taxes not Owed	
					(126)	
					Total Deferred Tax	
					57,616	

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Request for Information  
in Appendix B of Commission's Order Dated July 12, 2013**

**Case No. 2013-00243**

**Question No. 4**

**Witness: Robert M. Conroy**

- Q-4. Refer to ES Form 2.50, Pollution Control - Operations & Maintenance Expenses, for the September 2012 through February 2013 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 2012 through February 2013 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, account 502056, are the result of regular operation of the Trimble County Unit 1 ("TC1") FGD. These are variable production expenses and will fluctuate with generation, coal quality and the SO<sub>2</sub> removal rate.

2006 Plan

Fluctuations in sorbent injection operation expenses, account 506159, are the result of on-going system operation of the Trimble County Unit 2 ("TC2") sorbent injection system.

Fluctuations in sorbent injection reactant are the result of normal operation of the TC2 sorbent injection system. The variable material, hydrated lime, will fluctuate with stack opacity. In general, warmer temperatures and increased sunlight exacerbates the issue remediated by the hydrated lime. TC2 was offline in November and December 2012 for a maintenance outage.

Fluctuations in sorbent injection system maintenance expenses, account 512152, are the result of normal system maintenance.

Fluctuations in mercury monitor operation expenses, account 506150, are the result of normal system operation.

Fluctuations in the scrubber operation expenses, account 502056, are the result of regular operation of the TC2 FGD. These are variable production expenses and will fluctuate with generation, coal quality and the SO<sub>2</sub> removal rate. The unit was offline in November and December 2012 for a maintenance outage.

Fluctuations in the scrubber maintenance expenses, account 512055, are the result of normal system maintenance on TC2. The increases in November and December 2012 reflect maintenance performed during a maintenance outage.

Monthly variances in the NO<sub>x</sub> operation expenses, accounts 506154 and 506155, reflect normal and expected SCR operations of TC2. The variances for account 506154 are driven by the purchase and delivery timing of the raw consumable material as well as variations in generation and coal quality. TC2 was offline in November and December 2012 for a maintenance outage.

Fluctuations in the precipitator operation expenses, account 506051, are the result of normal system operation of TC2.

Expenses for activated carbon, account 506151, are the result of regular operation of the TC2 baghouse for the removal of mercury. This is a variable production expense and will fluctuate with generation, coal quality and flue gas chemistry. The unit was offline in November and December 2012 for a maintenance outage.

Fluctuations in the precipitator maintenance expenses, account 512051, are the result of normal system maintenance on TC2.

#### 2009 Plan

Having received permitting for the new Natural Gas Combined Cycle Unit, LG&E has withdrawn its application for the Cane Run landfill permit with the Division of Waste Management. As such, the decision was made to write off a portion of the Cane Run Landfill costs to Operations and Maintenance Expense. This occurred in the September 2012 expense month as noted in the October 19, 2012 monthly filing.

#### 2011 Plan

Fluctuations in sorbent injection operation expenses, account 506159, are the result of on-going system operation of the TC1 sorbent injection system.

Fluctuations in sorbent injection reactant are the result of normal operation of the TC1 sorbent injection system. The variable material, hydrated lime, will fluctuate with stack opacity. In general, warmer temperatures and increased sunlight exacerbates the issue remediated by the hydrated lime.

Fluctuations in sorbent injection system maintenance expenses, account 512152, are the result of normal maintenance of the TC1 sorbent injection system.

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

**Pollution Control - Operations & Maintenance Expenses**

O&M Expense Account	Sep-12	Oct-12	% Change from Prior Period	Nov-12	% Change from Prior Period	Dec-12	% Change from Prior Period	Jan-13	% Change from Prior Period	Feb-13	% Change from Prior Period
<b>2005 Plan (Note 1)</b>											
502056 - Scrubber Operations	78,187.18	101,068.77	29%	82,747.64	-18%	76,299.63	-8%	-	-100%	-	0%
512055 - Scrubber Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
Total 2005 Plan O&M Expenses	78,187.18	101,068.77	29%	82,747.64	-18%	76,299.63	-8%	-	-100%	-	0%
<b>2006 Plan (Note 1)</b>											
506159 - Sorbent Injection Operation	1,066.88	1,407.59	32%	3,080.93	119%	1,943.98	-37%	-	-100%	-	0%
506152 - Sorbent Reactant - Reagent Only	10,532.57	12,315.93	17%	-	-100%	46.04	0%	-	100%	-	0%
512152 - Sorbent Injection Maintenance	1,049.91	548.04	-48%	136.10	-75%	152.06	12%	-	-100%	-	0%
506150 - Mercury Monitors Operation	4,523.14	(2,300.17)	-151%	4,146.69	-280%	1,151.54	-72%	-	-100%	-	0%
512153 - Mercury Monitors Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
502056 - Scrubber Operations	16,984.03	23,448.11	38%	-	-100%	-	0%	-	100%	-	0%
512055 - Scrubber Maintenance	6,967.79	6,541.16	-6%	22,262.64	240%	37,931.34	70%	-	100%	-	0%
506154 - Nox Operation -- Consumables	17,815.17	20,339.16	14%	-	-100%	72.88	0%	-	100%	-	0%
506155 - Nox Operation -- Labor and Other	657.60	668.48	2%	821.04	23%	4,614.07	462%	-	100%	-	0%
512151 - Nox Maintenance	406.45	158.58	-61%	6,146.53	3776%	4,877.30	-21%	-	100%	-	0%
506051 - Precipitator Operation	1,636.63	1,340.28	-18%	1,338.95	0%	1,721.67	29%	-	-100%	-	0%
506151 - Activated Carbon	29,146.09	22,198.51	-24%	(105.48)	-100%	-	-100%	-	0%	-	0%
512051 - Precipitator Maintenance	3,437.24	8,563.88	149%	-	-100%	1,531.25	0%	-	100%	-	0%
Total 2006 Plan O&M Expenses	94,223.50	95,229.55	1%	37,827.40	-60%	54,042.13	43%	-	-100%	-	0%
<b>2009 Plan</b>											
502013 - ECR Landfill Operations	1,185,065.29	-	-100%	-	0%	-	0%	-	0%	-	0%
512107 - ECR Landfill Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
Adjustment for CCP Disposal in Base Rates (ES Form 2.51)	-	-	0%	-	0%	-	0%	-	0%	-	0%
Total 2009 Plan O&M Expenses	1,185,065.29	-	-100%	-	0%	-	0%	-	0%	-	0%
<b>2011 Plan</b>											
502056 - ECR Scrubber Operations											
512055 - ECR Scrubber Maintenance											
506159 - ECR Sorbent Injection Operation	8,894.96	10,753.95	21%	11,581.75	8%	9,255.04	-20%	15,164.40	64%	22,182.01	46%
506152 - ECR Sorbent Reactant - Reagent Only	58,132.01	59,674.60	3%	55,142.07	-8%	54,821.10	-1%	43,343.47	-21%	52,374.49	21%
512152 - ECR Sorbent Injection Maintenance	288.41	408.48	42%	1,279.54	213%	-	-100%	1,783.69	0%	342.00	-81%
506156 - ECR Baghouse Operations											
512156 - ECR Baghouse Maintenance											
506151 - ECR Activated Carbon (Note 2)						22,386.75					
Adjustment for Base Rates Baseline Amounts											
Total 2011 Plan O&M Expenses	67,315.38	70,837.03	5%	68,003.36	-4%	86,462.89	27%	60,291.56	-30%	74,898.50	24%

Note 1: The 2005 and 2006 Plans were eliminated from ECR recovery in December 2012 per PSC order No. 2012-00222.

Note 2: The December 2012 expense month filing inadvertently included \$22,386.75 for Account 506151 in the 2011 Plan that should have been included with the 2006 Plan.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Request for Information  
in Appendix B of Commission's Order Dated July 12, 2013**

**Case No. 2013-00243**

**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, other than a revision to BESF, as a result of incorporating additional environmental surcharge amounts into LG&E's existing base rates? If so, provide a detailed explanation of the modifications and provide updated monthly surcharge reports.
- A-5. a. LG&E is proposing to roll-in \$13,088,937 of incremental environmental surcharge revenues into base rates resulting in total environmental surcharge revenues in base rates of \$13,883,368. Please see the attached schedule for the determination of this amount. Page 3 of the attachment shows the Jurisdictional Environmental Revenue Previously Rolled-In from Case No. 2011-00162 and the amounts associated with the 2005 and 2006 Plans that were eliminated from the ECR in LG&E's most recent base rate case.
- b. The Commission previously approved LG&E's proposed roll-in methodology in Case No. 2011-00232, which allocated the amount between Group 1 and Group 2 based on the percentage of each group's total revenue, excluding base environmental surcharge revenue, to LG&E's total revenue, excluding base environmental surcharge revenue. The rolled-in amounts for Group 1 also use total billed revenues excluding base environmental surcharge revenues to allocate costs to base rates between the rate classes in Group 1. For Group 2 rate classes, the roll-in will be allocated based on non-fuel revenues only for each Group 2 rate class, rather than total revenues

excluding base environmental surcharge revenues, which has been the allocation methodology previously utilized for all rate classes, including what are now Group 2.

For Group 1 and Group 2, the amount of the roll-in was spread 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. The incorporation of additional environmental surcharge revenues into existing base rates does not require modifications to the surcharge mechanism or monthly ES Forms.

## Louisville Gas And Electric Company Calculation of ECR Roll-in At February 28, 2013

<b>Calculation of Revenue Requirement for Roll-In:</b>	Environmental Compliance Plans at Feb. 28, 2013
Environmental Compliance Rate Base	
Pollution Control Plant in Service	ES Form 2.00, February 2013 16,214,402
Pollution Control CWIP Excluding AFUDC	ES Form 2.00, February 2013 <u>103,358,918</u>
Subtotal	119,573,320
 Additions:	
Emission Allowances	ES Form 2.00, February 2013 6,848
Cash Working Capital Allowance	ES Form 2.00, February 2013 <u>278,016</u>
Subtotal	284,864
 Deductions:	
Accumulated Depreciation on Pollution Control Plant	ES Form 2.00, February 2013 360,552
Pollution Control Deferred Income Taxes	ES Form 2.00, February 2013 <u>1,536,181</u>
Subtotal	1,896,733
Environmental Compliance Rate Base	<u>\$ 117,961,451</u>
Rate of Return -- Environmental Compliance Rate Base	ES Form 1.10, February 2013 10.52%
<b>Return on Environmental Compliance Rate Base</b>	<u>\$ 12,409,545</u>
 Pollution Control Operating Expenses	
12 Month Depreciation and Amortization Expense	See Support Schedule A 309,452
12 Month Taxes Other than Income Taxes	See Support Schedule A 43,140
12 Month Operating and Maintenance Expense	See Support Schedule A 2,262,029
12 Month Emission Allowance Expense	See Support Schedule A 40,765
12 Month Beneficial Reuse Expense, net of amounts in base rates	See Support Schedule A 68,918
12 Month KPSC Consultant Expense	See Support Schedule A <u>84,731</u>
<b>Total Pollution Control Operating Expenses</b>	<u>\$ 2,809,035</u>
<b>Gross Proceeds from Allowance Sales</b>	See Support Schedule B 694
 <b>Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount</b>	
Return on Environmental Compliance Rate Base	12,409,545
Pollution Control Operating Expenses	2,809,035
Less Gross Proceeds from Allowance Sales	<u>694</u>
Roll In Amount	<u>\$ 15,217,885</u>
<b>Jurisdictional Allocation Ratio -- Roll In</b>	See Support Schedule C <u>91.2306%</u>
<b>Jurisdictional Revenues for 12 Months for Roll In</b>	See Support Schedule C <u>950,152,743</u>
 <b>Roll In Jurisdictional Environmental Surcharge Factor:</b>	
Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount	\$ 15,217,885
Jurisdictional Allocation Ratio -- Roll In	<u>91.2306%</u>
Jurisdictional Environmental Surcharge Gross Revenue Requirement -- Gross Roll In Amount	13,883,368
Less Jurisdictional Environmental Revenue Previously Rolled In <sup>1</sup>	<u>794,431</u>
Jurisdictional Environmental Surcharge Gross Revenue Requirement -- Net Roll In Amount	<u>\$ 13,088,937</u>

<sup>1</sup> Amount Previously Rolled-in is the roll-in from Case 2011-00162 less the amounts associated with LG&E's 2005 and 2006 Plans, 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, 2013

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

	Depreciation & Amortization Steam Plant	Taxes Other than Income Taxes	Operating and Maintenance Expense			Emission Allowance Expense FERC 509	Beneficial Reuse Expense FERC 501	KPSC Consultant Expense	Total
			FERC 502	FERC 506	FERC 512				
Mar-12	20,438	2,053	-	60,417	1,488	1,399	5,985	-	91,780
Apr-12	20,438	2,053	-	105,997	2,053	1,511	-	-	132,052
May-12	20,438	2,053	-	148,323	1,296	2,135	-	-	174,245
Jun-12	20,438	2,053	-	98,406	913	1,961	5,535	-	129,307
Jul-12	23,590	2,053	-	80,862	452	2,267	19,165	5,052	133,440
Aug-12	26,742	2,053	-	115,362	1,412	2,130	12,834	3,675	164,209
Sep-12	26,742	1,873	1,185,065	78,626	1,338	2,120	7,105	-	1,302,870
Oct-12	26,742	1,875	-	84,152	957	1,653	11,218	2,021	128,618
Nov-12	26,742	1,875	-	69,805	1,416	2,092	7,075	19,361	128,365
Dec-12	35,010	1,875	-	88,453	46	21,755	-	7,200	154,339
Jan-13	31,056	11,662	-	58,508	1,784	917	-	28,520	132,447
Feb-13	31,076	11,662	-	74,557	342	825	-	18,902	137,364
less Base Rate amount									-
Totals	309,452	43,140	1,185,065	1,063,468	13,496	40,765	68,918	84,731	2,809,035

<sup>1</sup> All amounts included in Support Schedule A are exclusive of costs associated with LG&E's 2005 and 2006 Plans, which were eliminated from the ECR in January 2013.

**Support Schedule B**

12 Month Balances for Allowance Sales

	Total Proceeds from Allowance Sales ES Form 2.00
Mar-12	694
Apr-12	-
May-12	-
Jun-12	-
Jul-12	-
Aug-12	-
Sep-12	-
Oct-12	-
Nov-12	-
Dec-12	-
Jan-13	-
Feb-13	-
Totals	694

**Support Schedule C**

12 Month Balances for Jurisdictional Revenues and Allocation Ratio

	KY Retail Revenues, Excl. Envir. Surch. Revenues ES Form 3.10	Total Company Revenues, Excluding Envir. Surch. Revenues ES Form 3.10	KY Retail Allocation Ratio KY Retail/ Total Company
Mar-12	\$ 67,797,903	\$ 75,992,954	89.2160%
Apr-12	68,160,538	79,006,827	86.2717%
May-12	71,113,639	77,220,014	92.0922%
Jun-12	88,737,084	91,439,472	97.0446%
Jul-12	105,686,515	109,665,386	96.3718%
Aug-12	99,706,114	102,939,002	96.8594%
Sep-12	85,509,997	90,439,766	94.5491%
Oct-12	68,094,025	77,741,526	87.5903%
Nov-12	69,855,693	82,748,034	84.4198%
Dec-12	70,268,781	79,549,213	88.3337%
Jan-13	75,676,602	86,334,695	87.6549%
Feb-13	79,545,852	88,408,350	89.9755%
Totals	\$ 950,152,743	\$ 1,041,485,239	91.2306%



**Louisville Gas And Electric Company**

**Calculation of ECR Roll-in at February 28, 2011 and Elimination of 2005-2006 Plans**

	<u>TOTAL</u>		<u>Eliminated Plans (2005 &amp; 2006)</u>		<u>Post Rate Case ECR Plan (2009)</u>	
	<u>Environmental Compliance Plans at Feb. 28, 2011</u>	<u>Jurisdictional Basis</u>	<u>Environmental Compliance Plans at Feb. 28, 2011</u>	<u>Jurisdictional Basis</u>	<u>Environmental Compliance Plans at Feb. 28, 2011</u>	<u>Jurisdictional Basis</u>
<b>Calculation of Revenue Requirement</b>						
Environmental Compliance Rate Base						
Pollution Control Plant in Service	65,553,070	57,222,520	65,553,070	57,222,520	-	-
Pollution Control CWIP Excluding AFUDC	11,127,475	9,713,384	2,705,119	2,361,350	8,422,356	7,352,035
Subtotal	76,680,545	66,935,905	68,258,189	59,583,870	8,422,356	7,352,035
Additions:						
Emission Allowance Inventory	-	-	-	-	-	-
Cash Working Capital Allowance	246,693	215,343	246,693	215,343	-	-
Subtotal	246,693	215,343	246,693	215,343	-	-
Deductions:						
Accumulated Depreciation on Pollution Control Plant	2,425,274	2,117,068	2,425,274	2,117,068	-	-
Pollution Control Deferred Income Taxes	2,136,919	1,865,357	2,136,919	1,865,357	-	-
Subtotal	4,562,193	3,982,425	4,562,193	3,982,425	-	-
Environmental Compliance Rate Base	\$ 72,365,045	\$ 63,168,823	\$ 144,730,090	\$ 55,816,788	\$ 217,095,135	\$ 7,352,035
Rate of Return -- Environmental Compliance Rate Base	11.18%	11.18%	11.18%	11.18%	11.18%	11.18%
<b>Return on Environmental Compliance Rate Base</b>	\$ 8,090,412	\$ 7,062,274	\$ 7,148,793	\$ 6,240,317	\$ 941,619	\$ 821,957
Pollution Control Operating Expenses						
12 Month Depreciation and Amortization Expense	953,730	832,529	953,730	832,529	-	-
12 Month Amortization of Investment Tax Credit	(24,553)	(21,433)			-	-
12 Month Taxes Other than Income Taxes	102,718	89,664	99,210	86,602	3,508	3,062
12 Month Operating and Maintenance Expense	1,630,599	1,423,381	1,630,599	1,423,381	-	-
12 Month Ash Dredging Expense	342,942	299,361	342,942	299,361	-	-
<b>Total Pollution Control Operating Expenses</b>	3,005,436	\$ 2,623,503	\$ 3,001,928	\$ 2,620,440	\$ 3,508	\$ 3,062
<b>Gross Proceeds from By-Product &amp; Allowance Sales</b>	(188,879)	(164,876)	(223,921)	(195,465)	35,042	30,589
<b>Total Company Environmental Surcharge Gross Revenue Requirement</b>						
Return on Environmental Compliance Rate Base	8,090,412	7,062,274	7,148,793	6,240,317	941,619	821,957
Pollution Control Operating Expenses	3,005,436	2,623,503	3,001,928	2,620,440	3,508	3,062
Less Gross Proceeds from By-Product & Allowance Sales	188,879	164,876	223,921	195,465	(35,042)	(30,589)
Total Company Environmental Surcharge Gross Revenue Requirement	\$ 11,284,727	\$ 9,850,653	\$ 10,374,642	\$ 9,056,222	\$ 910,085	\$ 794,431
<b>Jurisdictional Allocation Ratio</b>	<u>87.2919%</u>		<u>87.2919%</u>		<u>87.2919%</u>	
<b>Jurisdictional Revenues for 12 Months</b>	\$ 875,616,715		\$ 875,616,715		\$ 875,616,715	
Total Company Environmental Surcharge Gross Revenue Requirement	\$ 11,284,727		\$ 10,374,642		\$ 910,085	
Jurisdictional Allocation Ratio	<u>87.2919%</u>		<u>87.2919%</u>		<u>87.2919%</u>	
<b>Jurisdictional Environmental Surcharge Gross Revenue Requirement</b>	<u>\$ 9,850,653</u>		<u>\$ 9,056,222</u>		<u>\$ 794,431</u>	

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Request for Information  
in Appendix B of Commission's Order Dated July 12, 2013**

**Case No. 2013-00243**

**Question No. 6**

**Witness: Robert M. Conroy**

- Q-6. In Case No. 2000-00386, 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, 2013:
- 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 outstanding as of February 28, 2013; therefore, it is not listed in the attached schedule.
  - b. Please see the attachment. There was no preferred stock outstanding as of February 28, 2013; therefore, it is not listed in the attached schedule.
  - c. Please see the attachment. LG&E is utilizing a return on equity of 10.25% as agreed to for all ECR Plans and approved by the Commission in its December 20, 2012 Order in Case No. 2012-00222.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Adjusted Electric Rate of Return on Common Equity**  
**As of February 28, 2013**

	Per Books 02-28-13 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 1 x Col 3) (4)	Adjustments to Capitalization (Col 18) (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)
<b><u>ELECTRIC</u></b>									
1. Short Term Debt	\$ 94,989,975	3.57%	78.810%	\$ 74,861,599	\$ (3,024,300)	\$ 71,837,299	3.57%	0.37%	0.01%
2. Long Term Debt	1,105,962,046	41.55%	78.810%	871,608,688	(35,198,773)	836,409,915	41.55%	3.61%	1.50%
3. Common Equity	1,460,897,239	54.88%	78.810%	1,151,333,114	(46,491,180)	1,104,841,934	54.88%	10.25%	5.63%
4. Total Capitalization	<u>\$ 2,661,849,260</u>	<u>100.000%</u>		<u>\$ 2,097,803,401</u>	<u>\$ (84,714,253)</u>	<u>\$ 2,013,089,148</u>	<u>100.000%</u>		<u>7.14%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}									<u>10.26%</u>

	Electric 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 Compliance Rate Base (Col 11 x Col 15 Line 4) (15)	DSM Rate Base (Col 11 x Col 16 Line 4) (16)	Advanced Coal Investment Tax Credit (b) (Col 11 x Col 17 Line 4) (17)	Total Adjustments To Capital (Sum of Col 12 - Col 17) (18)
<b><u>ELECTRIC</u></b>									
1. Short Term Debt	\$ 74,861,599	3.57%	\$ (159,318)	\$ (39,984)	\$ 600,543	\$ (4,211,224)	\$ (13,055)	\$ 798,738	\$ (3,024,300)
2. Long Term Debt	871,608,688	41.55%	(1,854,249)	(465,357)	6,989,516	(49,012,983)	(151,938)	9,296,238	(35,198,773)
3. Common Equity	1,151,333,114	54.88%	(2,449,126)	(614,651)	9,231,881	(64,737,244)	(200,682)	12,278,642	(46,491,180)
4. Total Capitalization	<u>\$ 2,097,803,401</u>	<u>100.000%</u>	<u>\$ (4,462,693)</u>	<u>\$ (1,119,992)</u>	<u>\$ 16,821,940</u>	<u>\$ (117,961,451)</u>	<u>\$ (365,675)</u>	<u>\$ 22,373,618</u>	<u>\$ (84,714,253)</u>

(a) Trimble County Inventories	As of February 28, 2013
Materials and Supplies	\$ 7,591,348
Stores Expense	1,295,407
Coal	8,487,019
Limestone	219,363
Fuel Oil	255,742
Emission Allowances	1,891
Total Trimble County Inventories	<u>\$ 17,850,770</u>
Multiplied by Disallowed Portion	25.00%
Trimble County Inv. Disallowed	<u>\$ 4,462,693</u>

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

LOUISVILLE GAS AND ELECTRIC COMPANY  
ANALYSIS OF THE EMBEDDED COST OF CAPITAL AT  
February 28, 2013

<b>LONG-TERM DEBT</b>										
	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	0.808% *	\$ 25,000,000	4 \$ 201,881	\$ -	\$ 135,301	\$ -	\$ 337,182	1.349%	
Trimble Co. 2000 Series A	08/01/30	0.180% **	83,335,000	150,003	38,707	143,700	305,898 ac	638,308	0.766%	
Jefferson Co. 2001 Series A	09/01/27	0.160% **	10,104,000	16,166	20,393	-	35,546 ac	72,105	0.714%	
Jefferson Co. 2001 Series A	09/01/26	0.250% **	22,500,000	56,250	9,924	77,424	22,500 b	166,098	0.738%	
Trimble Co. 2001 Series A	09/01/26	0.250% **	27,500,000	68,750	10,790	65,400	27,500 b	172,440	0.627%	
Jefferson Co. 2001 Series B	11/01/27	0.400% *	35,000,000	140,000	10,995	49,056	35,000 b	235,051	0.672%	
Trimble Co. 2001 Series B	11/01/27	0.400% *	35,000,000	140,000	10,997	48,864	35,000 b	234,861	0.671%	
Trimble Co. 2002 Series A	10/01/32	0.242% **	41,665,000	100,829	37,221	55,812	176,268 ac	370,130	0.888%	
Louisville Metro 2003 Series A	10/01/33	1.650%	128,000,000	3	2,112,000	55,089	313,732	-	2,480,821	1.938%
Louisville Metro 2005 Series A	02/01/35	5.750%	40,000,000	4	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 a	2,832,419	4.721%	
Louisville Metro 2007 Series A	06/01/33	1.150%	31,000,000	4	356,500	-	54,840	-	411,340	1.327%
Louisville Metro 2007 Series B	06/01/33	1.600%	35,200,000	3	563,200	20,686	27,531	-	611,417	1.737%
Called Bonds			-	-	-	-	167,868 2	-	167,868	
First Mortgage Bonds -										
2010 due 2015	11/15/15	1.625%	250,000,000	4,062,500	522,243 **	-	-	4,584,743	1.834%	
Debt discount on FMB	11/15/15	1.625%	(478,021)		176,500 **			176,500	-36.923%	
2010 due 2020	11/15/40	5.125%	285,000,000	14,606,250	119,249 **	-	-	14,725,499	5.167%	
Debt discount on FMB	11/15/40	5.125%	(2,863,933)		103,360 **			103,360	-3.609%	
S-3 SEC Shelf Registration	03/27/15				2,292			2,292		
Revolving Credit Facility	10/19/16				711,773 6&7		625,000 d	1,336,773		
<b>Total External Debt</b>			<b>\$ 1,105,962,046</b>	<b>\$ 27,634,329</b>	<b>\$ 1,897,752</b>	<b>\$ 1,242,587</b>	<b>\$ 1,280,982</b>	<b>\$ 32,055,651</b>	<b>2.898%</b>	
Interest Rate Swaps:										
JP Morgan Chase Bank 5.495%	11/01/20			\$ 4,500,350 1	\$ -	\$ -	\$ -	\$ 4,500,351		
Morgan Stanley Capital Services 3.657%	10/01/33			1,129,276 1	-	-	-	1,129,277		
Morgan Stanley Capital Services 3.645%	10/01/33			1,125,436 1	-	-	-	1,125,437		
Bank of America	10/01/33			1,141,436 1	-	-	-	1,141,437		
<b>Interest Rate Swaps External Debt</b>				<b>\$ 7,896,498</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,896,502</b>	<b>0.714%</b>	
Notes Payable to PPL	5		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
<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>\$ 1,105,962,046</b>	<b>\$ 35,530,827</b>	<b>\$ 1,897,752</b>	<b>\$ 1,242,587</b>	<b>\$ 1,280,982</b>	<b>\$ 39,952,153</b>	<b>3.612%</b>	

<b>SHORT-TERM DEBT</b>									
	Maturity	Rate	Principal	Interest	Annualized Cost				Embedded Cost
					Expense	Loss	Premium	Total	
Notes Payable to Associated Company	NA	0.310% *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.000%
Revolving Credit Facility Payable			-	-	-	-	-	-	0.000%
Commercial Paper Program	Varies	0.370%	94,989,975	351,463	-	-	-	351,463	0.370%
<b>Total</b>			<b>\$ 94,989,975</b>	<b>\$ 351,463</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 351,463</b>	<b>0.370%</b>

Embedded Cost of Total Debt **\$ 1,200,952,021** **\$ 35,882,290** **\$ 1,897,752** **\$ 1,242,587** **\$ 1,280,982** **\$ 40,303,616** **3.356%**

\*\* 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 CC, DD & EE - PCB	32,000,000	10/01/33	3.657%	3.657%	68% of 1 mo LIBOR
Series CC, DD & EE - PCB	32,000,000	10/01/33	3.645%	3.645%	68% of 1 mo LIBOR
Series CC, DD & EE - PCB	32,000,000	10/01/33	3.695%	3.695%	68% of 1 mo LIBOR
	<u>179,335,000</u>				

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 Fidelia 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

7 Credit Facility amended effective October 19, 2011. New term of 5 years at lower interest rate.

a - Insurance premiums annualized - based on actual invoices

b - Remarketing fee = 10 basis points

c - Remarketing fee = 25 basis points

d - Revolving Credit Facility fee = 12.5 basis points

**ECR - Gross-up Revenue Factor &  
Composite Income Tax Calculation  
2013**

	2013 Federal & State Production Credit W/ 6% 2013 State <u>Tax Rate Included</u>	
(1) Assume pre-tax income of	\$ 100.0000	
(2)		
(3) State income tax (see below)	<u>5.6400</u>	(40)
(4)		
(5) Taxable income for Federal income tax		
(6) before production credit	94.3600	(1)-(3)
(7) a. Production Rate	9%	
(8) b. Allocation to Production Income	100%	
(9) c. Allocated Production Rate (a x b)	9.00%	
(10)		
(11) Less: Production tax credit	<u>8.4924</u>	(6)*(9)
(12)		
(13) Taxable income for Federal income tax	85.8676	(6)-(11)
(14)		
(15) Federal income tax	<u>30.0537</u>	(13)*35%
(16)		
(17)		
(18) Total State and Federal income taxes	<u>\$ 35.6937</u>	(3)+(15)
(19)		
(20) Gross-up Revenue Factor	<u><u>64.3063</u></u>	100-(18)
(21)		
(22) Therefore, the composite rate is:		
(23) Federal	30.0537%	(15)/100
(24) State	<u>5.6400%</u>	(3)/100
(25) Total	<u><u>35.6937%</u></u>	(23)+(24)
(26)		
(27)		
(28)		
(29)		
(30)		
(31) <u>State Income Tax Calculation</u>		
(32) Assume pre-tax income of	\$ 100.0000	
(33)		
(34) Production credit @ 6%	<u>6.0000</u>	
(35)		
(36) Taxable income for State income tax	94.0000	(32)-(34)
(37)		
(38) State Tax Rate	<u>6.0000%</u>	
(39)		
(40) State Income Tax	<u><u>5.6400</u></u>	(36)*(38)

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Request for Information  
in Appendix B of Commission's Order Dated July 12, 2013**

**Case No. 2013-00243**

**Question No. 7**

**Witness: Robert M. Conroy**

- Q-7. Provide the actual average residential customer's usage. Based on this usage amount, provide the dollar impact the over/under recovery will have on the average residential customer's bill for the requested recovery period. Provide all supporting calculations.
- A-7. The actual average residential customer's usage for the 12-months ending May 31, 2013 is 1,030 kWh per month. Actual average monthly usage for residential customers will vary from month to month depending upon the time period of the year.

Based upon collecting the net under-recovered position of \$389,127 in one month, the ECR billing factor will be increased by approximately 0.49% for that month. For a residential customer using 1,030 kWh per month the impact of the adjusted ECR billing factor would be an increase of approximately \$0.51 on that month's bill, using rates and adjustment clause factors in effect for the July 2013 billing month.