

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)	2013-00437
BILLING PERIOD ENDING OCTOBER 31, 2013)	

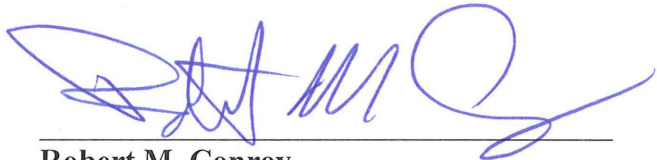
RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION IN
APPENDIX B OF COMMISSION'S ORDER
DATED DECEMBER 23, 2013

FILED: January 23, 2014

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 LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 22nd day of January 2014.



Notary Public (SEAL)

My Commission Expires:

SUSAN M. WATKINS
Notary Public, State of Large, KY
My Commission Expires Mar. 19, 2017
Notary ID # 485723

VERIFICATION

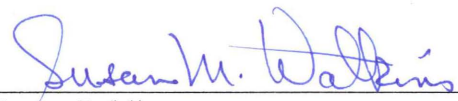
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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



Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 22nd day of January 2014.



Notary Public (SEAL)

My Commission Expires:

SUSAN M. WATKINS
Notary Public, State at Large, KY
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LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated December 23, 2013**

Case No. 2013-00437

Question No. 1

Witness: Robert M. Conroy / Christopher M. Garrett

- 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. Provide all exhibits and schedules of your response in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.
- A-1. Please see the attachment being provided in Excel format.

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 period under review in this case. No further revisions to Rate Base were identified in preparation of this response.

Page 3 provides the adjusted weighted average cost of capital for the billing period under review ending October 31, 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 no longer shown separately. 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.

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Billing Month	Expense Month	Rate of Return as Filed	Rate Base as Filed	Rate Base As Revised	Change in Rate Base	True-up Adjustment	Jurisdictional Allocation, ES Form 1.10	Jurisdictional True up Adjustment
					(5) - (4)	(3) * (6) / 12		(7) * (8)
May-13	Mar-13	10.52%	\$ 139,933,777	\$139,933,777	\$ -	\$ -	92.94%	\$ -
Jun-13	Apr-13	10.61%	161,383,490	161,383,490	-	-	92.71%	-
Jul-13	May-13	10.61%	182,125,984	182,125,984	-	-	90.64%	-
Aug-13	Jun-13	10.61%	202,935,087	202,935,087	-	-	94.04%	-
Sep-13	Jul-13	10.61%	221,625,403	221,625,403	-	-	93.97%	-
Oct-13	Aug-13	10.61%	239,722,466	239,722,466	-	-	95.56%	-
Impact of Change in Rate of Return during the six-month billing period ending October 31, 2013						\$ -		\$ -

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-13	Mar-13	10.52%	10.46%	-0.06%	\$ 139,933,777	(6,997)	92.94%	(6,503)
Jun-13	Apr-13	10.61%	10.46%	-0.15%	161,383,490	(20,173)	92.71%	(18,702)
Jul-13	May-13	10.61%	10.46%	-0.15%	182,125,984	(22,766)	90.64%	(20,635)
Aug-13	Jun-13	10.61%	10.46%	-0.15%	202,935,087	(25,367)	94.04%	(23,855)
Sep-13	Jul-13	10.61%	10.46%	-0.15%	221,625,403	(27,703)	93.97%	(26,033)
Oct-13	Aug-13	10.61%	10.46%	-0.15%	239,722,466	(29,965)	95.56%	(28,635)
						<u>(132,971)</u>		<u>(124,362)</u>
Impact of Change in Rate of Return during the six-month billing period ending October 31, 2013						<u>\$ (132,971)</u>		<u>\$ (124,362)</u>

LOUISVILLE GAS AND ELECTRIC COMPANY

**Adjusted Electric Rate of Return on Common Equity
As of October 31, 2013**

	Per Books 10-31-13 (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)
ELECTRIC									
1. Short Term Debt	\$ 74,873,932 (c)	2.75%	78.810%	\$ 59,008,146	\$ (6,898,347)	\$ 52,109,799	2.75%	0.32%	0.01%
2. Long Term Debt	1,106,090,315 (c)	40.64%	78.810%	871,709,777	(101,945,044)	769,764,733	40.64%	3.53%	1.43%
3. Common Equity	1,540,751,615	56.61%	78.810%	1,214,266,348	(142,005,633)	1,072,260,715	56.61%	10.25%	5.80%
4. Total Capitalization	<u>\$ 2,721,715,862</u>	<u>100.000%</u>		<u>\$ 2,144,984,271</u>	<u>\$ (250,849,024)</u>	<u>\$ 1,894,135,247</u>	<u>100.000%</u>		<u>7.24%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect [ROR + (ROR - DR) x [TR / (1 - TR)]]									<u>10.46%</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)
ELECTRIC									
1. Short Term Debt	\$ 59,008,146	2.75%	\$ (140,415)	\$ (29,802)	\$ 430,743	\$ (7,723,207)	\$ (44,770)	\$ 609,104	\$ (6,898,347)
2. Long Term Debt	871,709,777	40.64%	(2,075,075)	(440,418)	6,365,592	(114,134,964)	(661,625)	9,001,446	(101,945,044)
3. Common Equity	1,214,266,348	56.61%	(2,890,502)	(613,486)	8,867,032	(158,985,736)	(921,619)	12,538,678	(142,005,633)
4. Total Capitalization	<u>\$ 2,144,984,271</u>	<u>100.000%</u>	<u>\$ (5,105,992)</u>	<u>\$ (1,083,706)</u>	<u>\$ 15,663,367</u>	<u>\$ (280,843,907)</u>	<u>\$ (1,628,014)</u>	<u>\$ 22,149,228</u>	<u>\$ (250,849,024)</u>

(a) Trimble County Inventories	As of October 31, 2013	
Materials and Supplies		\$ 8,329,001
Stores Expense		1,458,512
Coal		10,109,057
Limestone		206,157
Fuel Oil		320,700
Emission Allowances		540
Total Trimble County Inventories		<u>\$ 20,423,967</u>
Multiplied by Disallowed Portion		<u>25.00%</u>
Trimble County Inv. Disallowed		<u>\$ 5,105,992</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 December 23, 2013**

Case No. 2013-00437

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 the six-month review. Include all supporting calculations and documentation for any such additional over- or under-recovery. Provide all exhibits and schedules of your response in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.
- A-2. Please see the attachment being provided in Excel format for the summary schedule and components that make up the over-recovery.

For the period under review, LG&E experienced an over-recovery of \$1,309,850.

Louisville Gas & Electric Company
Calculation of E(m) and Jurisdictional Surcharge Billing Factor
Summary Schedule for Expense Months March 2013 through August 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-13	\$ 139,933,777	11,661,148	10.46%	\$ 111,448	1,331,204	92.94%	1,237,221	
Apr-13	161,383,490	13,448,624	10.46%	136,726	1,543,452	92.71%	1,430,935	
May-13	182,125,984	15,177,165	10.46%	154,661	1,742,193	90.64%	1,579,124	
Jun-13	202,935,087	16,911,257	10.46%	166,262	1,935,180	94.04%	1,819,843	
Jul-13	221,625,403	18,468,784	10.46%	193,113	2,124,948	93.97%	1,996,813	
Aug-13	239,722,466	19,976,872	10.46%	216,750	2,306,330	95.56%	2,203,929	

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Expense Month	Retail E(m) for All ECR Plans	Adjustment to Retail E(m) for Over/Under-Collection	Retail E(m) Including all Adjustments to be billed as ECR	Monthly Billing Factor (Group 1)	Monthly Billing Factor (Group 2)	ECR Revenue Recovered Through Base Rates	Billing Period	ECR Billing Factor Revenues (Group 1)	ECR Billing Factor Revenues (Group 2)	Combined Total Over/(Under) Recovery
	Page 1 Col (8)	Case No. 2012-547	(2) + (3)	As Filed	As Filed	As Filed (Note 1)		As Filed	As Filed	(7) + (9) + (10) - (4)
Mar-13	1,237,221	\$ -	1,237,221	1.36%	2.17%	\$ 64,120	May-13	\$ 358,562	\$ 621,529	\$ (193,010)
Apr-13	1,430,935	(146,937)	1,283,998	1.54%	2.45%	66,592	Jun-13	541,359	782,756	106,710
May-13	1,579,124	-	1,579,124	2.03%	3.23%	62,552	Jul-13	898,877	1,090,462	472,767
Jun-13	1,819,843	-	1,819,843	2.22%	3.52%	70,371	Aug-13	978,720	1,206,018	435,266
Jul-13	1,996,813	-	1,996,813	2.43%	3.88%	87,137	Sep-13	1,054,484	1,257,234	402,042
Aug-13	2,203,929	-	2,203,929	2.70%	4.34%	80,452	Oct-13	825,601	1,383,951	86,075
			\$ 10,120,928			\$ 431,224		\$ 4,657,603	\$ 6,341,951	\$ 1,309,850
Over-Recovery to be returned to customers for the 6-month billing period ending October 31, 2013										\$ 1,309,850
<p>Note 1: The ECR Revenue Recovered Through Base Rates for Mar-13 includes a prior period adjustment included with the May-13 expense month filing.</p>										

Louisville Gas & Electric Company

Reconciliation of Combined Over/(Under) Recovery

Summary Schedule for Expense Months March 2013 through August 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)
May-13	Mar-13	10.52%	10.46%	-0.06%	\$ 139,933,777	(6,997)	92.94%	(6,503)
Jun-13	Apr-13	10.61%	10.46%	-0.15%	161,383,490	(20,173)	92.71%	(18,702)
Jul-13	May-13	10.61%	10.46%	-0.15%	182,125,984	(22,766)	90.64%	(20,635)
Aug-13	Jun-13	10.61%	10.46%	-0.15%	202,935,087	(25,367)	94.04%	(23,855)
Sep-13	Jul-13	10.61%	10.46%	-0.15%	221,625,403	(27,703)	93.97%	(26,033)
Oct-13	Aug-13	10.61%	10.46%	-0.15%	239,722,466	(29,965)	95.56%	(28,635)
Cumulative Impact of Changes in Rate of Return						\$ (132,971)		\$ (124,362)

(1) Billing Month	(2) Expense Month	(3) Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11)	(4) Rate of Return True-up	(5) Use of 12 Month Average Revenues	(6) Input Error in March expense month
May-13	Mar-13	\$ (193,010)	\$ 6,503	\$ (104,534)	\$ (94,979)
Jun-13	Apr-13	106,710	18,702	88,007	
Jul-13	May-13	472,767	20,635	452,132	
Aug-13	Jun-13	435,266	23,855	411,411	
Sep-13	Jul-13	402,042	26,033	376,009	
Oct-13	Aug-13	86,075	28,635	57,440	
Total Over-Recovery for 6-month billing period		\$ 1,309,850	\$ 124,362	\$ 1,280,467	\$ (94,979)

OVER/(UNDER) RECONCILIATION

Combined Over/(Under) Recovery	\$	1,309,850
Due to Change in ROR	\$	124,362
Use of 12 Month Average Revenues		1,280,467
Input Error in March expense month		(94,979)
Subtotal		<u>1,309,850</u>
Unreconciled Difference	\$	-

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated December 23, 2013**

Case No. 2013-00437

Question No. 3

Witness: Christopher M. Garrett

- 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. Provide all exhibits and schedules of your response in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.
- 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.

Please see the attachment being provided in Excel format for the calculation of Deferred Income Taxes and the balance of Accumulated Deferred Income Taxes reported each month of the period under review.

**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)

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							338,013	
Mar-13	9,594,347	17,393	53,394	36,001	38.9000%	14,004	352,017	-
Apr-13	9,594,347	17,393	53,394	36,001	38.9000%	14,004	366,021	-
May-13	9,594,347	17,393	53,394	36,001	38.9000%	14,004	380,025	-
Jun-13	9,594,347	17,393	53,394	36,001	38.9000%	14,004	394,029	-
Jul-13	9,594,347	17,393	53,396	36,003	38.9000%	14,005	408,033	-
Aug-13	9,594,347	17,393	53,394	36,001	38.9000%	14,004	422,037	-

**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							849,880	
Mar-13	4,636,272	9,504	15,343	5,840	38.9000%	2,272	852,152	-
Apr-13	4,636,272	9,504	15,343	5,839	38.9000%	2,271	854,423	-
May-13	4,636,272	9,504	15,344	5,840	38.9000%	2,272	856,695	-
Jun-13	4,636,272	9,504	15,343	5,839	38.9000%	2,271	858,966	-
Jul-13	4,636,272	9,504	15,346	5,842	38.9000%	2,273	861,238	-
Aug-13	4,636,272	9,504	15,342	5,838	38.9000%	2,271	863,509	-

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 received 50% bonus depreciation, which reduces the Federal tax basis to 50% of the plant balance. A sample calculation of deferred taxes for Mar 2013 is shown below:

Federal Basis	Book Depr.	Federal Tax Dep	Fed. Difference	Fed Tax Rate	Fed Def Tax
2,318,136	9,504	13,946	4,442	35.0000%	1,555
2,318,136		-	-	35.0000%	-
State Basis	Book Depr.	State Tax Dep	St. Difference	State Tax Rate	St Def Tax
4,636,272	9,504	27,891	18,387	6.0000%	1,103
					St. Offset for Fed Taxes not Owed (386)
					Total Deferred Tax 2,272

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

2011 - Plan

Project 26 - Mill Creek Station Air Compliance

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							348,288	
Mar-13	1,983,783	4,199	7,322	3,123	38.9000%	1,215	349,503	-
Apr-13	5,188,794	6,370	19,200	12,830	38.9000%	4,991	354,494	-
May-13	5,188,794	8,541	19,144	10,603	38.9000%	4,125	358,619	-
Jun-13	5,188,794	8,541	19,144	10,603	38.9000%	4,125	362,744	-
Jul-13	5,452,105	8,820	39,640	30,820	38.9000%	11,989	374,733	-
Aug-13	5,452,105	9,098	39,861	30,763	38.9000%	11,967	386,700	-

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 received 50% bonus depreciation, which reduces the Federal tax basis to 50% of the plant balance. A sample calculation of deferred taxes for Mar 2013 is shown below:

Federal Basis	Book Depr.	Federal Tax Dep	Fed. Difference	Fed Tax Rate	Fed Def Tax
982,514	4,199	5,921	1,722	35.0000%	603
982,514		-	-	35.0000%	-
9,378		32	32	35.0000%	11
9,378		853	853	35.0000%	299
State Basis	Book Depr.	State Tax Dep	St. Difference	State Tax Rate	St Def Tax
1,965,028	4,199	11,821	7,622	6.0000%	457
18,755		123	123	6.0000%	7
					St. Offset for Fed Taxes not Owed (163)
					Total Deferred Tax 1,215

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated December 23, 2013**

Case No. 2013-00437

Question No. 4

Witness: Christopher M. Garrett

- Q-4. Refer to ES Form 2.50, Pollution Control - Operations & Maintenance Expenses, for the March 2013 through August 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 March 2013 through August 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.

2011 Plan

Fluctuations in sorbent injection reactant (hydrated lime) expenses, account 506152, are the result of on-going operation of Trimble County Unit 1.

Fluctuations in sorbent injection operation expenses, account 506159, are the result of on-going operation of Trimble County Unit 1.

Fluctuations in sorbent injection maintenance expense, account 512152, are the result of normal system maintenance. The slight increases in August are due to the purchase of a gravity splitter and suction hose.

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

Pollution Control - Operations & Maintenance Expenses

O&M Expense Account	Mar-13	Apr-13	% Change from Prior Period	May-13	% Change from Prior Period	Jun-13	% Change from Prior Period	Jul-13	% Change from Prior Period	Aug-13	% Change from Prior Period
2009 Plan											
502013 - ECR Landfill Operations	-	-	0%	-	0%	-	0%	-	0%	-	0%
512107 - ECR Landfill Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
Adjustment for CCP Disposal in Base Rates (E	-	-	0%	-	0%	-	0%	-	0%	-	0%
Total 2009 Plan O&M Expenses	-	-	0%	-	0%	-	0%	-	0%	-	0%
2011 Plan											
502056 - ECR Scrubber Operations	-	-	0%	-	0%	-	0%	-	0%	-	0%
512055 - ECR Scrubber Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
506159 - ECR Sorbent Injection Operation	11,943.78	9,788.71	-18%	7,629.44	-22%	8,956.98	17%	16,245.83	81%	9,760.51	-40%
506152 - ECR Sorbent Reactant - Reagent Only	55,270.26	66,911.05	21%	45,903.76	-31%	87,432.83	90%	112,586.57	29%	126,289.87	12%
512152 - ECR Sorbent Injection Maintenance	917.09	1,266.76	38%	1,308.70	3%	904.73	-31%	530.46	-41%	3,009.48	467%
506156 - ECR Baghouse Operations	-	-	0%	-	0%	-	0%	-	0%	-	0%
512156 - ECR Baghouse Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
506151 - ECR Activated Carbon	-	-	0%	-	0%	-	0%	-	0%	-	0%
Adjustment for Base Rates Baseline Amounts	-	-	0%	-	0%	-	0%	-	0%	-	0%
Total 2011 Plan O&M Expenses	68,131.13	77,966.52	14%	54,841.90	-30%	97,294.54	77%	129,362.86	33%	139,059.86	8%

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Request for Information
in Appendix B of Commission's Order Dated December 23, 2013**

Case No. 2013-00437

Question No. 5

Witness: Christopher M. Garrett

- Q-5. 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 August 31, 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.
 - d. Provide all exhibits and schedules of your response in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.
- A-5. a-d. Please see the attachment being provided in Excel format. There was no preferred stock outstanding as of August 31, 2013; therefore, it is not listed in the attached schedule. 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 August 31, 2013**

	Per Books 08-31-13 (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)
ELECTRIC									
1. Short Term Debt	\$ 84,994,776	3.14%	78.810%	\$ 66,984,383	\$ (6,523,432)	\$ 60,460,951	3.14%	0.31%	0.01%
2. Long Term Debt	1,106,101,976	40.82%	78.810%	871,718,967	(84,804,626)	786,914,341	40.82%	3.65%	1.49%
3. Common Equity	1,518,558,556	56.04%	78.810%	1,196,775,998	(116,424,576)	1,080,351,422	56.04%	10.25%	5.74%
4. Total Capitalization	<u>\$ 2,709,655,308</u>	<u>100.000%</u>		<u>\$ 2,135,479,348</u>	<u>\$ (207,752,634)</u>	<u>\$ 1,927,726,714</u>	<u>100.000%</u>		<u>7.24%</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)
ELECTRIC									
1. Short Term Debt	\$ 66,984,383	3.14%	\$ (118,181)	\$ (34,028)	\$ 500,925	\$ (7,527,285)	\$ (42,529)	\$ 697,666	\$ (6,523,432)
2. Long Term Debt	871,718,967	40.82%	(1,536,351)	(442,369)	6,512,019	(97,854,711)	(552,871)	9,069,657	(84,804,626)
3. Common Equity	1,196,775,998	56.04%	(2,109,189)	(607,309)	8,940,066	(134,340,470)	(759,012)	12,451,338	(116,424,576)
4. Total Capitalization	<u>\$ 2,135,479,348</u>	<u>100.000%</u>	<u>\$ (3,763,721)</u>	<u>\$ (1,083,706)</u>	<u>\$ 15,953,010</u>	<u>\$ (239,722,466)</u>	<u>\$ (1,354,412)</u>	<u>\$ 22,218,661</u>	<u>\$ (207,752,634)</u>

(a)	Trimble County Inventories Materials and Supplies Stores Expense Coal Limestone Fuel Oil Emission Allowances Total Trimble County Inventories Multiplied by Disallowed Portion Trimble County Inv. Disallowed	As of August 31, 2013
		\$ 8,202,655
		1,433,114
		5,024,736
		172,090
		221,449
		839
		<u>\$ 15,054,883</u>
		<u>25.00%</u>
		<u>\$ 3,763,721</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
August 31, 2013

LONG-TERM DEBT									
Due	Rate	Principal	Interest/(Income)	Annualized Cost					Embedded Cost
				Amortized Debt Issuance Exp/Discount	Amortized Loss-Reacquired Debt	Letter of Credit and other fees	Total		
Pollution Control Bonds -									
Jefferson Co. 2000 Series A	05/01/27	0.797%	\$ 25,000,000	4 \$ 199,168	\$ -	\$ 135,301	\$ -	\$ 334,469	1.338%
Trimble Co. 2000 Series A	08/01/30	0.140%	83,335,000	116,669	38,707	143,700	305,898 a&c	604,974	0.726%
Jefferson Co. 2001 Series A	09/01/27	0.100%	10,104,000	10,104	20,393	-	35,546 a&c	66,043	0.654%
Jefferson Co. 2001 Series A	09/01/26	0.220%	22,500,000	49,500	9,924	77,424	22,500 b	159,348	0.708%
Trimble Co. 2001 Series A	09/01/26	0.220%	27,500,000	60,500	10,790	65,400	27,500 b	164,190	0.597%
Jefferson Co. 2001 Series B	11/01/27	0.331%	35,000,000	116,000	10,995	49,056	35,000 b	211,051	0.603%
Trimble Co. 2001 Series B	11/01/27	0.320%	35,000,000	112,000	10,997	48,864	35,000 b	206,861	0.591%
Trimble Co. 2002 Series A	10/01/32	0.180%	41,665,000	74,997	37,221	55,812	176,268 a&c	344,298	0.826%
Louisville Metro 2003 Series A	10/01/33	1.650%	128,000,000	3	2,112,000	55,091	313,732 a	2,480,823	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	-	55,683	412,183	1.330%
Louisville Metro 2007 Series B	06/01/33	1.600%	35,200,000	3	563,200	20,686	27,531 a	611,417	1.737%
Called Bonds			-	-	-	145,956	2	145,956	
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%	(389,771)		176,500 **			176,500	-45.283%
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%	(2,812,253)		103,360 **			103,360	-3.675%
S-3 SEC Shelf Registration	03/27/15				2,292			2,292	
Revolving Credit Facility	10/19/16				712,740	6&7	625,000 d	1,337,740	
Total External Debt			\$ 1,106,101,976	\$ 27,499,388	\$ 1,898,722	\$ 1,221,518	\$ 1,280,982	\$ 31,900,611	2.884%
Interest Rate Swaps:									
JP Morgan Chase Bank 5.495%	11/01/20	1		\$ 4,834,128	\$ -	\$ -	\$ -	\$ 4,834,128	
Morgan Stanley Capital Services 3.657%	10/01/33	1		1,203,441	-	-	-	1,203,441	
Morgan Stanley Capital Services 3.645%	10/01/33	1		1,199,345	-	-	-	1,199,345	
Bank of America	10/01/33	1		1,216,411	-	-	-	1,216,411	
Interest Rate Swaps External Debt				\$ 8,453,325	\$ -	\$ -	\$ -	\$ 8,453,325	0.764%
Notes Payable to PPL		5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Internal Debt			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.000%
Total			\$ 1,106,101,976	\$ 35,952,713	\$ 1,898,722	\$ 1,221,518	\$ 1,280,982	\$ 40,353,936	3.648%

SHORT-TERM DEBT									
Maturity	Rate	Principal	Interest	Annualized Cost					Embedded Cost
				Expense	Loss	Premium	Total		
Notes Payable to Associated Company	NA	0.360%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.000%
Revolving Credit Facility Payable			-	-	-	-	-	-	0.000%
Commercial Paper Program	Varies	0.311%	84,994,776	264,334	-	-	-	264,334	0.311%
Total			\$ 84,994,776	\$ 264,334	\$ -	\$ -	\$ -	\$ 264,334	0.311%

Embedded Cost of Total Debt	\$ 1,191,096,752	\$ 36,217,047	\$ 1,898,722	\$ 1,221,518	\$ 1,280,982	\$ 40,618,269	3.410%
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** 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 Fidelity Notes Payable were paid off on 11/1/2010 with PPL Notes Payable that were paid off with the new FMB issues on 11/16/2010.

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 December 23, 2013**

Case No. 2013-00437

Question No. 6

Witness: Robert M. Conroy

- Q-6. 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 and documentation in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.
- A-6. Please see the attachment being provided in Excel format.

The actual average residential customer's usage for the 12-months ending November 30, 2013 is 987 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 distributing the over-recovered position of \$1,309,850 over two months (\$654,925 per month), the ECR billing factor will be lower by approximately 0.80% per month. For a residential customer using 987 kWh per month the impact of the adjusted ECR billing factor would be a decrease of approximately \$0.75 per month, using rates and adjustment clause factors in effect for the November 2013 billing month.

INPUTS:		
Expense Month for calculations		Nov-13
<u>ECR Monthly Filing - Expense Month for calculations</u>		
Form 1.10 - Line 13	Adjusted Net Juris E(M) as filed	\$ 2,893,058
Form 1.10 - Line 14	Group 1 Rev as % 12-mo Total Rev	41.52%
Form 1.10 - Line 15	Group 1 E(m)	\$ 1,201,198
Form 1.10 - Line 16	Group 1 12-month avg revenue	\$ 33,917,457
Form 1.10 - Line 17	Billing Factor filed	3.54%
<u>Financial Reports - Year Ended Current Month</u>		
		Nov-13
Page 30	Residential Sales (kWh)	4,122,061,088
Page 43	Residential Avg Customers Year Ended	347,860
	times 12 for 12-month number	4,174,320
Response to DR Q2	Adjustment for (Over)/Under Collection	(1,309,850)
	Number of Months to collect/distribute	2
	Monthly Adj for (Over)/Under Collection	(654,925)
	Position for Review Period Collection	OVER
<u>Billing Factors</u>		
Tariff	Basic Service Charge	10.75
Tariff	Base Rate	0.07949
Monthly Filing	FAC for Nov-13	0.00041
Tariff	DSM	0.00358

Residential Bill Impact Calculations

Adjusted Net Juris E(M) as filed	\$ 2,893,058
Adjustment for (Over)/Under Collection	(654,925)
Adjusted Net Juris E(M) as adjusted for (Over)/Under Collection	\$ 2,238,133

Group 1 Rev as % 12-mo Total Rev	41.52%
Group 1 E(m) as filed	\$ 1,201,198
Group 1 E(m) as adjusted	\$ 929,273

Group 1 12-month revenue	\$ 33,917,457
Billing Factor as filed	3.54%
Billing Factor as adjusted	2.74%
Impact to billing factor	-0.80%

Bill Impact, Average Residential Customer

Basic Service Charge	10.75	\$	10.75
Base Rate	0.07949		78.46
FAC for Nov-13	0.00041		0.40
DSM	0.00358		3.53
		\$	93.14

ECR (as billed)	3.54%	\$	3.30
ECR (as adjusted)	2.74%	\$	2.55
Change in ECR	-0.80%	\$	(0.75)

Average Residential Usage 987 kWh

negative number = over collection = distribution
positive number = under collection = recovery