

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 KENTUCKY) CASE NO. 2015-00221
UTILITIES COMPANY FOR THE TWO-YEAR)
BILLING PERIOD ENDING APRIL 30, 2015)**

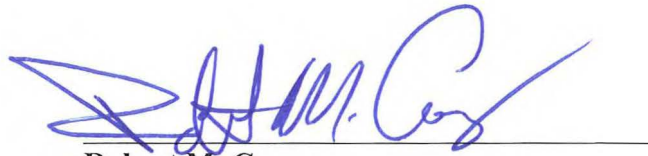
**RESPONSE OF
KENTUCKY UTILITIES COMPANY**
**TO THE COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
DATED JULY 10, 2015**

FILED: August 12, 2015

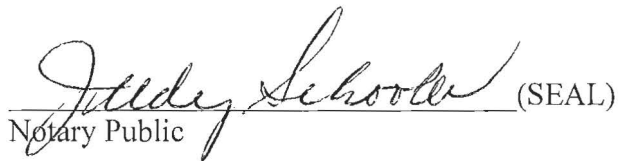
VERIFICATION

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 15th day of August 2015.

 (SEAL)
Notary Public

My Commission Expires:

JUDY SCHOOLER
Notary Public, State at Large, KY
~~My commission expires July 11, 2013~~
Notary ID # 512743

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

Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12th day of August 2015.

Judy Schooler (SEAL)

Notary Public

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2013
Notary ID # 512743

KENTUCKY UTILITIES COMPANY

Response to the Commission Staff's First Request for Information
Dated July 10, 2015

Case No. 2015-00221

Question No. 1

Witness: Robert M. Conroy / Christopher M. Garrett

- Q-1. Concerning the rate of return on the 2009 and 2011 amendments to the environmental compliance plan, for the period under review, calculate any true-up adjustment needed to recognize changes in KU's cost of debt, preferred stock, accounts receivable financing (if applicable), or changes in KU's jurisdictional capital structure as of February 28, 2015. 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.

KU 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.

Page 3 provides the adjusted weighted average cost of capital for the expense period ending February 28, 2015. KU 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. 2011-00161.

KU recommends using an effective tax rate of 38.6660% in the gross-up revenue factor used in the rate of return calculation for the period ended February 28, 2015. KU expects to incur a tax loss in both 2014 and 2015 as a result of bonus depreciation and will be unable to take the Internal Revenue Code §199 manufacturing tax deduction. As discussed in the rebuttal testimony of Kent Blake in Case No. 2014-00371, KU will elect to take bonus depreciation in 2014 and 2015 as this provides the greatest revenue requirement benefit to customers over the life of the assets.

Pages 4 through 6 provide the revised adjusted weighted average cost of capital for the expense periods ending December 31, 2013, February 28, 2014 and August 31, 2014. In

the course of preparing the data responses, KU discovered an inadvertent error in the calculation of the overall rate of return used in the true-up adjustment. The original calculation did not include the full six-months in each of the periods in the calculation of the average daily balances and daily interest rates for short- and long-term debt rates. The calculation only used four months as noted in the testimony of Mr. Conroy. See also the response to Question No. 2.

Kentucky Utilities 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	10.26%	\$ 466,605,240	\$ 466,605,240	\$ 0	\$ 0	87.29%	\$ 0
Jun-13	Apr-13	10.30%	488,353,534	488,353,534	0	0	88.61%	0
Jul-13	May-13	10.30%	500,727,214	500,727,214	0	0	86.28%	0
Aug-13	Jun-13	10.30%	522,490,759	522,490,759	0	0	87.29%	0
Sep-13	Jul-13	10.30%	545,861,106	545,861,106	0	0	88.29%	0
Oct-13	Aug-13	10.30%	565,466,957	565,466,957	0	0	87.53%	0
						\$ 0		\$ 0
Nov-13	Sep-13	10.30%	\$ 584,887,914	\$ 584,887,914	\$ 0	\$ 0	88.74%	\$ 0
Dec-13	Oct-13	10.30%	622,806,349	622,806,349	0	0	86.95%	0
Jan-14	Nov-13	10.10%	678,217,552	678,217,552	0	0	87.11%	0
Feb-14	Dec-13	10.10%	751,970,332	751,970,332	0	0	86.55%	0
Mar-14	Jan-14	10.10%	770,708,068	770,708,068	0	0	85.21%	0
Apr-14	Feb-14	10.10%	784,851,040	784,851,040	0	0	86.79%	0
						\$ 0		\$ 0
May-14	Mar-14	10.10%	\$ 807,289,854	\$ 807,289,854	\$ 0	\$ 0	87.86%	\$ 0
Jun-14	Apr-14	10.10%	835,560,012	835,560,012	0	0	88.57%	0
Jul-14	May-14	10.10%	869,643,132	869,643,132	0	0	86.83%	0
Aug-14	Jun-14	10.10%	882,323,119	882,323,119	0	0	88.37%	0
Sep-14	Jul-14	10.22%	899,691,626	899,691,626	0	0	89.22%	0
Oct-14	Aug-14	10.22%	916,873,351	916,873,351	0	0	87.11%	0
						\$ 0		\$ 0
Nov-14	Sep-14	10.22%	\$ 930,776,213	\$ 930,776,213	\$ 0	\$ 0	89.08%	\$ 0
Dec-14	Oct-14	10.22%	945,540,539	945,540,539	0	0	88.09%	0
Jan-15	Nov-14	10.22%	955,837,140	955,837,140	0	0	87.76%	0
Feb-15	Dec-14	10.22%	951,842,719	951,842,719	0	0	88.07%	0
Mar-15	Jan-15	10.22%	969,125,037	969,125,037	0	0	87.43%	0
Apr-15	Feb-15	10.22%	990,499,868	990,499,868	0	0	86.33%	0
						\$ 0		\$ 0

Kentucky Utilities 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	10.26%	10.25%	-0.01%	\$ 466,605,240	\$ (3,888)	87.29%	\$ (3,394)
Jun-13	Apr-13	10.30%	10.25%	-0.05%	488,353,534	(20,348)	88.61%	(18,030)
Jul-13	May-13	10.30%	10.25%	-0.05%	500,727,214	(20,864)	86.28%	(18,001)
Aug-13	Jun-13	10.30%	10.25%	-0.05%	522,490,759	(21,770)	87.29%	(19,003)
Sep-13	Jul-13	10.30%	10.25%	-0.05%	545,861,106	(22,744)	88.29%	(20,081)
Oct-13	Aug-13	10.30%	10.25%	-0.05%	565,466,957	(23,561)	87.53%	(20,623)
						\$ (113,176)		\$ (99,133)
Nov-13	Sep-13	10.30%	10.30%	0.00%	\$ 584,887,914	\$ 0	88.74%	\$ 0
Dec-13	Oct-13	10.30%	10.30%	0.00%	622,806,349	0	86.95%	0
Jan-14	Nov-13	10.10%	10.30%	0.20%	678,217,552	113,036	87.11%	98,466
Feb-14	Dec-13	10.10%	10.30%	0.20%	751,970,332	125,328	86.55%	108,472
Mar-14	Jan-14	10.10%	10.65%	0.55%	770,708,068	353,241	85.21%	300,997
Apr-14	Feb-14	10.10%	10.65%	0.55%	784,851,040	359,723	86.79%	312,204
						\$ 951,329		\$ 820,138
May-14	Mar-14	10.10%	10.56%	0.46%	\$ 807,289,854	\$ 309,461	87.86%	\$ 271,893
Jun-14	Apr-14	10.10%	10.56%	0.46%	835,560,012	320,298	88.57%	283,688
Jul-14	May-14	10.10%	10.56%	0.46%	869,643,132	333,363	86.83%	289,459
Aug-14	Jun-14	10.10%	10.56%	0.46%	882,323,119	338,224	88.37%	298,888
Sep-14	Jul-14	10.22%	10.56%	0.34%	899,691,626	254,913	89.22%	227,433
Oct-14	Aug-14	10.22%	10.56%	0.34%	916,873,351	259,781	87.11%	226,295
						\$ 1,816,040		\$ 1,597,656
Nov-14	Sep-14	10.22%	10.54%	0.32%	\$ 930,776,213	\$ 248,207	89.08%	\$ 221,103
Dec-14	Oct-14	10.22%	10.54%	0.32%	945,540,539	252,144	88.09%	222,114
Jan-15	Nov-14	10.22%	10.54%	0.32%	955,837,140	254,890	87.76%	223,691
Feb-15	Dec-14	10.22%	10.54%	0.32%	951,842,719	253,825	88.07%	223,543
Mar-15	Jan-15	10.22%	10.54%	0.32%	969,125,037	258,433	87.43%	225,948
Apr-15	Feb-15	10.22%	10.54%	0.32%	990,499,868	264,133	86.33%	228,026
						\$ 1,531,632		\$ 1,344,426

KENTUCKY UTILITIES

Adjusted Electric Rate of Return on Common Equity - ECR Plans
As of February 28, 2015

	Balance at 02-28-15 (1)	Capital Structure (2)	EEI (3)	Investments in OVEC and Other (Col 2 x Col 4 Line 4) (4)	Adjustments to Total Co. Capitalization (Sum of Col 3 - Col 4) (5)	Adjusted Total Company Capitalization (Col 1 + Col 5) (6)	Jurisdictional Rate Base Percentage (7)	Kentucky Jurisdictional Capitalization (Col 6 x Col 7) (8)
1. Short Term Debt	\$ 186,653,152 (a)	3.81%	\$ -	\$ (46,532)	\$ (46,532)	\$ 186,606,620	88.82%	\$ 165,744,000
2. Long Term Debt	2,090,736,822 (a)	42.63%	-	(520,646)	(520,646)	2,090,216,176	88.82%	1,856,530,008
3. Common Equity	2,627,305,883	53.56%	(504,066)	(654,135)	(1,158,201)	2,626,147,682	88.82%	2,332,544,371
4. Total Capitalization	<u>\$ 4,904,695,857</u>	<u>100.000%</u>	<u>\$ (504,066)</u>	<u>\$ (1,221,313)</u>	<u>\$ (1,725,379)</u>	<u>\$ 4,902,970,478</u>		<u>\$ 4,354,818,379</u>

	Kentucky Jurisdictional Capitalization (8)	Capital Structure (9)	Environmental Surcharge (Col 9 x Col 10 Line 4) (10)	DSM Rate Base (Col 9 x Col 11 Line 4) (11)	Adjusted Kentucky Jurisdictional Capitalization (Col 8 + Col 10 + Col 11) (12)	Adjusted Capital Structure (13)	Annual Cost Rate (14)	Cost of Capital (Col 13 x Col 14) (15)
1. Short Term Debt	\$ 165,744,000	3.81%	\$ (33,518,932)	\$ (92,843)	\$ 132,132,225	3.80%	0.41%	0.02%
2. Long Term Debt	1,856,530,008	42.63%	(375,042,533)	(1,038,821)	1,480,448,654	42.63%	3.68%	1.57%
3. Common Equity	2,332,544,371	53.56%	(471,200,518)	(1,305,168)	1,860,038,685	53.57%	10.25%	5.49%
4. Total Capitalization	<u>\$ 4,354,818,379</u>	<u>100.000%</u>	<u>\$ (879,761,983)</u>	<u>\$ (2,436,832)</u>	<u>\$ 3,472,619,564</u>	<u>100.000%</u>		<u>7.08%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}								<u>10.54%</u>

(a) Average daily balance per Settlement Agreement in Case No. 2011-00161.

KENTUCKY UTILITIES

Adjusted Electric Rate of Return on Common Equity - ECR Plans
As of December 31, 2013 - Revised to Reflect Correction to Annual Cost Rates

	Balance at 12-31-13 (1)	Capital Structure (2)	EEI (3)	Investments in OVEC and Other (Col 2 x Col 4 Line 4) (4)	Adjustments to Total Co. Capitalization (Sum of Col 3 - Col 4) (5)	Adjusted Total Company Capitalization (Col 1 + Col 5) (6)	Jurisdictional Rate Base Percentage (7)	Kentucky Jurisdictional Capitalization (Col 6 x Col 7) (8)
1. Short Term Debt	\$ 93,015,446 (a)	2.08%	\$ -	\$ (25,412)	\$ (25,412)	\$ 92,990,034	87.95%	\$ 81,784,735
2. Long Term Debt	1,937,197,087 (a)	43.36%	-	(529,738)	(529,738)	1,936,667,349	87.95%	1,703,298,933
3. Common Equity	2,437,295,661	54.56%	(504,066)	(666,570)	(1,170,636)	2,436,125,025	87.95%	2,142,571,959
4. Total Capitalization	<u>\$ 4,467,508,194</u>	<u>100.000%</u>	<u>\$ (504,066)</u>	<u>\$ (1,221,720)</u>	<u>\$ (1,725,786)</u>	<u>\$ 4,465,782,408</u>		<u>\$ 3,927,655,627</u>

	Kentucky Jurisdictional Capitalization (8)	Capital Structure (9)	Environmental Surcharge (Col 9 x Col 10 Line 4) (10)	DSM Rate Base (Col 9 x Col 11 Line 4) (11)	Adjusted Kentucky Jurisdictional Capitalization (Col 8 + Col 10 + Col 11) (12)	Adjusted Capital Structure (13)	Annual Cost Rate (14)	Cost of Capital (Col 13 x Col 14) (15)
1. Short Term Debt	\$ 81,784,735	2.08%	\$ (13,756,244)	\$ (42,214)	\$ 67,986,277	2.08%	0.30%	0.01%
2. Long Term Debt	1,703,298,933	43.37%	(286,830,924)	(880,197)	1,415,587,812	43.37%	3.68%	1.60%
3. Common Equity	2,142,571,959	54.55%	(360,770,739)	(1,107,095)	1,780,694,125	54.55%	10.25%	5.59%
4. Total Capitalization	<u>\$ 3,927,655,627</u>	<u>100.000%</u>	<u>\$ (661,357,907)</u>	<u>\$ (2,029,506)</u>	<u>\$ 3,264,268,214</u>	<u>100.000%</u>		<u>7.20%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}								<u>10.30%</u>

(a) Average daily balance per Settlement Agreement in Case No. 2011-00161.

KENTUCKY UTILITIES

Adjusted Electric Rate of Return on Common Equity - ECR Plans
As of February 28, 2014 - Revised to Reflect Correction to Annual Cost Rates

	Balance at 02-28-14 (1)	Capital Structure (2)	EEI (3)	Investments in OVEC and Other (Col 2 x Col 4 Line 4) (4)	Adjustments to Total Co. Capitalization (Sum of Col 3 - Col 4) (5)	Adjusted Total Company Capitalization (Col 1 + Col 5) (6)	Jurisdictional Rate Base Percentage (7)	Kentucky Jurisdictional Capitalization (Col 6 x Col 7) (8)
1. Short Term Debt	\$ 102,514,269 (a)	2.25%	\$ -	\$ (27,489)	\$ (27,489)	\$ 102,486,780	87.95%	\$ 90,137,123
2. Long Term Debt	1,986,453,001 (a)	43.68%	-	(533,647)	(533,647)	1,985,919,354	87.95%	1,746,616,072
3. Common Equity	2,458,809,424	54.07%	(504,066)	(660,584)	(1,164,650)	2,457,644,774	87.95%	2,161,498,579
4. Total Capitalization	<u>\$ 4,547,776,694</u>	<u>100.000%</u>	<u>\$ (504,066)</u>	<u>\$ (1,221,720)</u>	<u>\$ (1,725,786)</u>	<u>\$ 4,546,050,908</u>		<u>\$ 3,998,251,774</u>

	Kentucky Jurisdictional Capitalization (8)	Capital Structure (9)	Environmental Surcharge (Col 9 x Col 10 Line 4) (10)	DSM Rate Base (Col 9 x Col 11 Line 4) (11)	Adjusted Kentucky Jurisdictional Capitalization (Col 8 + Col 10 + Col 11) (12)	Adjusted Capital Structure (13)	Annual Cost Rate (14)	Cost of Capital (Col 13 x Col 14) (15)
1. Short Term Debt	\$ 90,137,123	2.25%	\$ (15,531,221)	\$ (39,010)	\$ 74,566,892	2.26%	0.30%	0.01%
2. Long Term Debt	1,746,616,072	43.68%	(301,512,771)	(757,314)	1,444,345,987	43.69%	3.69%	1.61%
3. Common Equity	2,161,498,579	54.07%	(373,232,498)	(937,453)	1,787,328,628	54.05%	10.25%	5.54%
4. Total Capitalization	<u>\$ 3,998,251,774</u>	<u>100.000%</u>	<u>\$ (690,276,490)</u>	<u>\$ (1,733,777)</u>	<u>\$ 3,306,241,507</u>	<u>100.000%</u>		<u>7.16%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}								<u>10.65%</u>

(a) Average daily balance per Settlement Agreement in Case No. 2011-00161.

KENTUCKY UTILITIES

Adjusted Electric Rate of Return on Common Equity - ECR Plans
As of August 31, 2014 - Revised to Reflect Correction to Annual Cost Rates

	Balance at 08-31-14 (1)	Capital Structure (2)	EEI (3)	Investments in OVEC and Other (Col 2 x Col 4 Line 4) (4)	Adjustments to Total Co. Capitalization (Sum of Col 3 - Col 4) (5)	Adjusted Total Company Capitalization (Col 1 + Col 5) (6)	Jurisdictional Rate Base Percentage (7)	Kentucky Jurisdictional Capitalization (Col 6 x Col 7) (8)
1. Short Term Debt	\$ 130,573,345 (a)	2.74%	\$ -	\$ (33,475)	\$ (33,475)	\$ 130,539,870	87.95%	\$ 114,809,816
2. Long Term Debt	2,090,388,912 (a)	43.82%	-	(535,358)	(535,358)	2,089,853,554	87.95%	1,838,026,201
3. Common Equity	2,549,389,943	53.44%	(504,066)	(652,887)	(1,156,953)	2,548,232,990	87.95%	2,241,170,915
4. Total Capitalization	<u>\$ 4,770,352,200</u>	<u>100.000%</u>	<u>\$ (504,066)</u>	<u>\$ (1,221,720)</u>	<u>\$ (1,725,786)</u>	<u>\$ 4,768,626,414</u>		<u>\$ 4,194,006,932</u>

	Kentucky Jurisdictional Capitalization (8)	Capital Structure (9)	Environmental Surcharge (Col 9 x Col 10 Line 4) (10)	DSM Rate Base (Col 9 x Col 11 Line 4) (11)	Adjusted Kentucky Jurisdictional Capitalization (Col 8 + Col 10 + Col 11) (12)	Adjusted Capital Structure (13)	Annual Cost Rate (14)	Cost of Capital (Col 13 x Col 14) (15)
1. Short Term Debt	\$ 114,809,816	2.74%	\$ (22,095,089)	\$ (65,651)	\$ 92,649,076	2.74%	0.29%	0.01%
2. Long Term Debt	1,838,026,201	43.83%	(353,440,786)	(1,050,170)	1,483,535,245	43.82%	3.70%	1.62%
3. Common Equity	2,241,170,915	53.43%	(430,854,237)	(1,280,187)	1,809,036,491	53.44%	10.25%	5.48%
4. Total Capitalization	<u>\$ 4,194,006,932</u>	<u>100.000%</u>	<u>\$ (806,390,112)</u>	<u>\$ (2,396,008)</u>	<u>\$ 3,385,220,812</u>	<u>100.000%</u>		<u>7.11%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}								<u>10.56%</u>

(a) Average daily balance per Settlement Agreement in Case No. 2011-00161.

KENTUCKY UTILITIES COMPANY

**Response to the Commission Staff's First Request for Information
Dated July 10, 2015**

Case No. 2015-00221

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 KU has submitted during the billing period under review. Include a calculation of any additional over- or under-recovery amount KU believes needs to be recognized for the two-year review. Include all supporting calculations and documentation for any such additional over- or under-recovery.
- A-2. Please see the attachment that includes the summary schedule and cumulative components which make up the cumulative under-recovery for the two-year period.

For the six-month expense period under review, ending February 28, 2015, KU experienced an under-recovery of \$281,821.

In the course of preparing the data responses, KU discovered an inadvertent error in the calculation of the overall rate of return used in the true-up adjustment for the six-month periods ending February 28, 2014 and August 31, 2014. The original calculation did not include the full six-months in each of the periods in the calculation of the average daily balances and daily interest rates for short- and long-term debt rates. The result was an understatement of the previous true-up adjustment of \$419,631.

KU experienced a cumulative under-recovery of \$701,452 to be recognized for the two-year review.

Kentucky Utilities Company
 Calculation of E(m) and Jurisdictional Surcharge Billing Factor
 Summary Schedule for Expense Months March 2013 through February 2015

(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	\$ 466,605,240	\$ 38,883,770	10.25%	\$ 1,534,382	\$ 5,519,968	87.29%	\$ 4,818,380	
Apr-13	488,353,534	40,696,128	10.25%	1,482,877	5,654,230	88.61%	5,010,213	
May-13	500,727,214	41,727,268	10.25%	1,574,123	5,851,168	86.28%	5,048,388	
Jun-13	522,490,759	43,540,897	10.25%	1,282,021	5,744,963	87.29%	5,014,778	
Jul-13	545,861,106	45,488,426	10.25%	1,328,577	5,991,141	88.29%	5,289,578	
Aug-13	565,466,957	47,122,246	10.25%	1,293,263	6,123,293	87.53%	5,359,719	
Sep-13	\$ 584,887,914	\$ 48,740,660	10.30%	\$ 1,293,025	\$ 6,313,313	88.74%	\$ 5,602,434	Revised ROR Correction
Oct-13	622,806,349	51,900,529	10.30%	1,249,576	6,595,331	86.95%	5,734,640	Revised ROR Correction
Nov-13	678,217,552	56,518,129	10.30%	1,453,797	7,275,164	87.11%	6,337,396	Revised ROR Correction
Dec-13	751,970,332	62,664,194	10.30%	1,630,199	8,084,611	86.55%	6,997,231	Revised ROR Correction
Jan-14	770,708,068	64,225,672	10.65%	1,667,122	8,507,156	85.21%	7,248,948	Revised ROR Correction
Feb-14	784,851,040	65,404,253	10.65%	1,500,281	8,465,834	86.79%	7,347,497	Revised ROR Correction
Mar-14	\$ 807,289,854	\$ 67,274,155	10.56%	\$ 1,626,809	\$ 8,730,960	87.86%	\$ 7,671,021	Revised ROR Correction
Apr-14	835,560,012	69,630,001	10.56%	1,349,989	8,702,917	88.57%	7,708,173	Revised ROR Correction
May-14	869,643,132	72,470,261	10.56%	1,469,485	9,122,344	86.83%	7,920,931	Revised ROR Correction
Jun-14	882,323,119	73,526,927	10.56%	1,563,571	9,328,014	88.37%	8,243,166	Revised ROR Correction
Jul-14	899,691,626	74,974,302	10.56%	1,907,912	9,825,198	89.22%	8,766,042	Revised ROR Correction
Aug-14	916,873,351	76,406,113	10.56%	1,752,753	9,821,239	87.11%	8,555,281	Revised ROR Correction
Sep-14	\$ 930,776,213	\$ 77,564,684	10.54%	\$ 2,291,014	\$ 10,466,332	89.08%	\$ 9,323,409	
Oct-14	945,540,539	78,795,045	10.54%	2,333,020	10,638,018	88.09%	9,371,030	
Nov-14	955,837,140	79,653,095	10.54%	2,266,796	10,662,232	87.76%	9,357,175	
Dec-14	951,842,719	79,320,227	10.54%	2,706,830	11,067,182	88.07%	9,746,867	
Jan-15	969,125,037	80,760,420	10.54%	3,177,493	11,689,641	87.43%	10,220,253	
Feb-15	990,499,868	82,541,656	10.54%	2,838,330	11,538,220	86.33%	9,960,946	

Kentucky Utilities Company
 Calculation of E(m) and Jurisdictional Surcharge Billing Factor
 Summary Schedule for Expense Months March 2013 through February 2015

(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 Case No. 2012-00546; 2013-00242; 2013-00436	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)	00436	(2) + (3)	As Filed	As Filed	As Filed		As Filed	As Filed	(7) + (9) + (10) - (4)
Mar-13	4,818,380	\$ 0	\$ 4,818,380	4.02%	6.97%	\$ 438,490	May-13	\$ 1,386,055	\$ 2,584,995	\$ (408,841)
Apr-13	5,010,213	(218,511)	4,791,702	3.96%	6.86%	423,362	Jun-13	1,602,385	2,753,864	(12,091)
May-13	5,048,388	0	5,048,388	4.24%	7.36%	355,318	Jul-13	2,047,689	3,053,535	408,154
Jun-13	5,014,778	0	5,014,778	4.17%	7.25%	390,332	Aug-13	1,911,882	3,065,470	352,907
Jul-13	5,289,578	0	5,289,578	4.39%	7.65%	431,471	Sep-13	2,050,794	3,160,751	353,438
Aug-13	5,359,719	0	5,359,719	4.47%	7.78%	421,674	Oct-13	1,601,933	2,989,573	(346,538)
			\$ 30,322,546			\$ 2,460,647		\$ 10,600,739	\$ 17,608,188	\$ 347,028
Sep-13	5,602,434	\$ 0	\$ 5,602,434	4.65%	8.07%	\$ 427,062	Nov-13	\$ 1,733,077	\$ 2,763,204	\$ (679,091)
Oct-13	5,734,640	0	5,734,640	4.78%	8.30%	376,987	Dec-13	2,599,351	3,230,357	472,055
Nov-13	6,337,396	(444,933)	5,892,463	4.86%	8.41%	355,518	Jan-14	3,562,881	3,409,510	1,435,447
Dec-13	6,997,231	0	6,997,231	5.66%	9.79%	457,453	Feb-14	4,154,270	4,280,945	1,895,437
Jan-14	7,248,948	0	7,248,948	1.60%	2.77%	5,100,375	Mar-14	1,054,776	1,398,455	304,658
Feb-14	7,347,497	0	7,347,497	1.22%	2.11%	5,603,061	Apr-14	526,790	843,969	(373,677)
			\$ 38,823,212			\$ 12,320,456		\$ 13,631,147	\$ 15,926,439	\$ 3,054,830
Over-Recovery returned to customers for the period ending February 28, 2014 calculated in Case No. 2015-00020										\$ 3,321,609
										\$ (266,779)
Mar-14	7,671,021	\$ 0	\$ 7,671,021	2.19%	3.80%	\$ 4,786,970	May-14	\$ 813,841	\$ 1,479,499	\$ (590,711)
Apr-14	7,708,173	0	7,708,173	2.99%	5.19%	3,868,869	Jun-14	1,355,795	2,180,162	(303,347)
May-14	7,920,931	0	7,920,931	3.33%	5.79%	3,642,921	Jul-14	1,697,994	2,628,532	48,515
Jun-14	8,243,166	0	8,243,166	3.21%	5.59%	4,071,075	Aug-14	1,418,374	2,352,336	(401,380)
Jul-14	8,766,042	(347,028)	8,419,014	3.05%	5.30%	4,491,538	Sep-14	1,459,896	2,415,727	(51,853)
Aug-14	8,555,281	0	8,555,281	3.52%	6.11%	4,060,849	Oct-14	1,267,031	2,529,826	(697,575)
			\$ 48,517,587			\$ 24,922,222		\$ 8,012,932	\$ 13,586,082	\$ (1,996,351)
Under-Recovery collected from customers for the period ending August 31, 2014 calculated in Case No. 2015-00020										\$ (1,843,499)
										\$ (152,852)
Sep-14	9,323,409	\$ 0	\$ 9,323,409	3.89%	6.73%	\$ 4,377,643	Nov-14	\$ 1,562,853	\$ 2,232,594	\$ (1,150,318)
Oct-14	9,371,030	0	9,371,030	4.39%	7.62%	3,786,932	Dec-14	2,488,537	3,181,589	86,029
Nov-14	9,357,175	0	9,357,175	4.65%	8.04%	3,467,079	Jan-15	3,133,635	3,454,924	698,463
Dec-14	9,746,867	0	9,746,867	3.92%	6.76%	4,716,164	Feb-15	2,766,524	2,620,604	356,425
Jan-15	10,220,253	0	10,220,253	3.98%	6.91%	5,099,582	Mar-15	2,610,455	3,113,349	603,132
Feb-15	9,960,946	0	9,960,946	3.95%	6.86%	4,878,988	Apr-15	1,564,356	2,642,049	(875,553)
			\$ 57,979,679			\$ 26,326,388		\$ 14,126,360	\$ 17,245,109	\$ (281,821)
Total for the 2-year period:			\$ 175,643,024			\$ 66,029,713		\$ 46,371,178	\$ 64,365,818	\$ 1,123,686
Less Amounts from previous 6-month reviews:										
	Case No. 2013-00436		30,322,546			2,460,647		10,600,739	17,608,188	347,028
	Case No. 2015-00020		38,823,212			12,320,456		13,631,147	15,926,439	3,054,830
	Case No. 2015-00020		48,517,587			24,922,222		8,012,932	13,586,082	(1,996,351)
Total for the current 6-month period:			\$ 57,979,679			\$ 26,326,388		\$ 14,126,360	\$ 17,245,109	\$ (281,821)
Net Under-Recovery due to Revised ROR to be collected from customers for the 6-month billing period ending April 30, 2014										\$ (266,779)
Net Under-Recovery due to Revised ROR to be collected from customers for the 6-month billing period ending October 31, 2014										(152,852)
Under-Recovery to be collected from customers for the 6-month billing period ending April 30, 2015										(281,821)
Total Under-Recovery to be collected from customers for the all periods under review										\$ (701,452)

Kentucky Utilities Company
Reconciliation of Combined Over/(Under) Recovery
Summary Schedule for Expense Months March 2013 through February 2015

Attachment to Response to Question No. 2
Page 3 of 4
Conroy

(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 (Over)/Under (7) * (8)
May-13	Mar-13	10.26%	10.25%	-0.01%	\$ 466,605,240	\$ (3,888)	87.29%	\$ (3,394)
Jun-13	Apr-13	10.30%	10.25%	-0.05%	488,353,534	(20,348)	88.61%	(18,030)
Jul-13	May-13	10.30%	10.25%	-0.05%	500,727,214	(20,864)	86.28%	(18,001)
Aug-13	Jun-13	10.30%	10.25%	-0.05%	522,490,759	(21,770)	87.29%	(19,003)
Sep-13	Jul-13	10.30%	10.25%	-0.05%	545,861,106	(22,744)	88.29%	(20,081)
Oct-13	Aug-13	10.30%	10.25%	-0.05%	565,466,957	(23,561)	87.53%	(20,623)
						\$ (113,176)		\$ (99,133)
Nov-13	Sep-13	10.30%	10.30%	0.00%	\$ 584,887,914	\$ 0	88.74%	\$ 0
Dec-13	Oct-13	10.30%	10.30%	0.00%	622,806,349	0	86.95%	0
Jan-14	Nov-13	10.10%	10.30%	0.20%	678,217,552	113,036	87.11%	98,466
Feb-14	Dec-13	10.10%	10.30%	0.20%	751,970,332	125,328	86.55%	108,472
Mar-14	Jan-14	10.10%	10.65%	0.55%	770,708,068	353,241	85.21%	300,997
Apr-14	Feb-14	10.10%	10.65%	0.55%	784,851,040	359,723	86.79%	312,204
						\$ 951,329		\$ 820,138
May-14	Mar-14	10.10%	10.56%	0.46%	\$ 807,289,854	\$ 309,461	87.86%	\$ 271,893
Jun-14	Apr-14	10.10%	10.56%	0.46%	835,560,012	320,298	88.57%	283,688
Jul-14	May-14	10.10%	10.56%	0.46%	869,643,132	333,363	86.83%	289,459
Aug-14	Jun-14	10.10%	10.56%	0.46%	882,323,119	338,224	88.37%	298,888
Sep-14	Jul-14	10.22%	10.56%	0.34%	899,691,626	254,913	89.22%	227,433
Oct-14	Aug-14	10.22%	10.56%	0.34%	916,873,351	259,781	87.11%	226,295
						\$ 1,816,040		\$ 1,597,656
Nov-14	Sep-14	10.22%	10.54%	0.32%	\$ 930,776,213	\$ 248,207	89.08%	\$ 221,103
Dec-14	Oct-14	10.22%	10.54%	0.32%	945,540,539	252,144	88.09%	222,114
Jan-15	Nov-14	10.22%	10.54%	0.32%	955,837,140	254,890	87.76%	223,691
Feb-15	Dec-14	10.22%	10.54%	0.32%	951,842,719	253,825	88.07%	223,543
Mar-15	Jan-15	10.22%	10.54%	0.32%	969,125,037	258,433	87.43%	225,948
Apr-15	Feb-15	10.22%	10.54%	0.32%	990,499,868	264,133	86.33%	228,026
						\$ 1,531,632		\$ 1,344,426

(1)	(2)	(3)	(4)	(5)	(6)
Recovery Position Explanation - Over/(Under)					
Billing Month	Expense Month	Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11)	Rate of Return True-up as Originally Filed	Rate of Return True-up Correction	Use of 12 Month Average Revenues
May-13	Mar-13	\$ (408,841)	\$ 3,394		\$ (412,235)
Jun-13	Apr-13	(12,091)	18,030		(30,122)
Jul-13	May-13	408,154	18,001		390,153
Aug-13	Jun-13	352,907	19,003		333,903
Sep-13	Jul-13	353,438	20,081		333,357
Oct-13	Aug-13	(346,538)	20,623		(367,162)
Total for 6 months		\$ 347,028	\$ 99,133	\$ 0	\$ 247,895
Nov-13	Sep-13	\$ (679,091)	\$ (47,578)	\$ 47,578	\$ (679,091)
Dec-13	Oct-13	472,055	(49,640)	49,640	472,055
Jan-14	Nov-13	1,435,447	44,310	54,156	1,336,981
Feb-14	Dec-13	1,895,437	48,812	59,659	1,786,965
Mar-14	Jan-14	304,658	273,633	27,363	3,662
Apr-14	Feb-14	(373,677)	283,822	28,382	(685,881)
Total for 6 months		\$ 3,054,830	\$ 553,359	\$ 266,779	\$ 2,234,692
May-14	Mar-14	\$ (590,711)	\$ 248,250	\$ 23,643	\$ (862,604)
Jun-14	Apr-14	(303,347)	259,019	24,669	(587,035)
Jul-14	May-14	48,515	264,289	25,170	(240,944)
Aug-14	Jun-14	(401,380)	272,898	25,990	(700,269)
Sep-14	Jul-14	(51,853)	200,676	26,757	(279,286)
Oct-14	Aug-14	(697,575)	199,672	26,623	(923,870)
Total for 6 months		\$ (1,996,351)	\$ 1,444,804	\$ 152,852	\$ (3,594,007)
Nov-14	Sep-14	\$ (1,150,318)	\$ (221,103)		\$ (929,215)
Dec-14	Oct-14	86,029	(222,114)		308,143
Jan-15	Nov-14	698,463	(223,691)		922,154
Feb-15	Dec-14	356,425	(223,543)		579,968
Mar-15	Jan-15	603,132	(225,948)		829,081
Apr-15	Feb-15	(875,553)	(228,026)		(647,527)
Total for 6 months		\$ (281,821)	\$ (1,344,426)	\$ 0	\$ 1,062,605

Total Over-Recovery 2-yr period \$ 1,123,686
Over-Recovery CN 2013-00436 347,028 Returned for period ending August 31, 2013
Over-Recovery CN 2015-00020 3,321,609 Returned for period ending February 28, 2014
Under-Recovery CN 2015-00020 (1,843,499) Collected for period ending August 31, 2014
Remaining Under-Recovery for 2-yr period \$ (701,452) To Collect

OVER/(UNDER) RECONCILIATION	
Combined Over/(Under) Recovery	\$ (701,452)
Due to Change in ROR in Current 6-month Period	\$ (1,344,426)
Use of 12 Month Average Revenues	\$ 1,062,605
Correction to ROR in 2 6-month Periods	\$ (419,631)
Subtotal	\$ (701,452)
Unreconciled Difference	\$ 0

KENTUCKY UTILITIES COMPANY

**Response to the Commission Staff's First Request for Information
Dated July 10, 2015**

Case No. 2015-00221

Question No. 3

Witness: Christopher M. Garrett

- Q-3. Provide the calculations, assumptions, work papers, and other supporting documents used to determine the amounts KU has reported during each billing period under review for Pollution Control Deferred Income Taxes.
- A-3. Please see the attachment for the calculation of Deferred Income Taxes and the balance of Accumulated Deferred Income Taxes reported each month of the review period.

KU 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.

**Kentucky Utilities Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project**

**2009 - Plan
Project 28 - Brown 3 SCR**

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							16,993,413	
Mar-13	91,793,424	179,762	593,165	413,403	38.9000%	160,814	17,154,227	-
Apr-13	91,793,424	179,762	593,164	413,402	38.9000%	160,813	17,315,040	-
May-13	91,793,424	179,762	593,164	413,402	38.9000%	160,813	17,475,854	-
Jun-13	91,793,424	179,762	593,164	413,402	38.9000%	160,813	17,636,667	-
Jul-13	91,793,424	179,762	593,168	413,406	38.9000%	160,815	17,797,481	-
Aug-13	91,793,424	179,762	593,167	413,405	38.9000%	160,815	17,958,294	-
Sep-13	91,793,424	179,762	593,165	413,403	38.9000%	160,814	18,119,108	-
Oct-13	91,793,424	179,762	593,164	413,402	38.9000%	160,813	18,279,922	-
Nov-13	91,793,424	179,762	593,164	413,402	38.9000%	160,813	18,440,735	-
Dec-13	91,793,424	179,762	593,164	413,402	38.9000%	160,813	18,601,548	-
Jan-14	91,793,424	179,762	617,289	437,527	38.9000%	170,198	18,771,745	-
Feb-14	91,793,424	179,762	617,289	437,527	38.9000%	170,198	18,941,942	-
Mar-14	91,793,424	179,762	617,287	437,525	38.9000%	170,197	19,112,140	-
Apr-14	91,793,424	179,762	617,287	437,525	38.9000%	170,197	19,282,337	-
May-14	91,793,424	179,762	617,286	437,524	38.9000%	170,197	19,452,534	-
Jun-14	91,793,424	179,762	617,286	437,524	38.9000%	170,197	19,622,730	-
Jul-14	91,793,424	179,762	617,288	437,526	38.9000%	170,198	19,792,927	-
Aug-14	94,427,917	182,342	874,003	691,661	38.9000%	269,056	20,061,982	31,119
Sep-14	94,427,917	184,921	876,576	691,655	38.9000%	269,054	20,331,036	31,119
Oct-14	94,427,917	184,921	876,579	691,658	38.9000%	269,055	20,600,091	31,119
Nov-14	94,427,917	184,921	876,579	691,658	38.9000%	269,055	20,869,146	31,119
Dec-14	94,427,917	184,921	871,577	686,656	38.9000%	267,109	21,136,255	31,119
Jan-15	94,427,917	184,921	626,860	441,939	38.9000%	171,914	21,308,168	31,119
Feb-15	94,427,917	184,921	626,860	441,939	38.9000%	171,914	21,480,081	31,119

Due to Bonus Depreciation for tax purposes taken on certain components of Project 28, 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 Feb 2015 is shown below:

Federal Basis	Book Depr.	Federal Tax Depr	Fed. Difference	Fed Tax Rate	Fed Def Tax
18,534,899	184,921	95,408	(89,513)	35.0000%	(31,330)
27,538,078		458,968	458,968	35.0000%	160,639
(176,214)		(981)	(981)	35.0000%	(343)
526,899		3,170	3,170	35.0000%	1,110
790,348		13,173	13,173	35.0000%	4,611
State Basis	Book Depr.	State Tax Depr	St. Difference	State Tax Rate	St Def Tax
37,069,798	184,921	190,817	5,896	6.0000%	354
55,076,054		917,934	917,934	6.0000%	55,076
(352,428)		(1,961)	(1,961)	6.0000%	(118)
1,053,797		6,340	6,340	6.0000%	380
1,580,696		26,345	26,345	6.0000%	1,581
					St. Offset for Fed Taxes not Owed
					(20,046)
					Total Deferred Tax
					171,914

**Kentucky Utilities Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project**

**2009 - Plan
Project 29 - ATB Expansion at E.W. Brown Station (Phase II)**

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							861,626	
Mar-13	16,622,587	22,343	704,140	681,797	38.9000%	265,219	1,126,844	-
Apr-13	16,622,587	22,343	703,623	681,280	38.9000%	265,018	1,391,862	-
May-13	16,622,587	22,343	703,625	681,282	38.9000%	265,019	1,656,880	-
Jun-13	16,622,587	22,343	703,623	681,280	38.9000%	265,018	1,921,898	-
Jul-13	16,622,587	22,343	703,627	681,284	38.9000%	265,019	2,186,916	-
Aug-13	16,622,587	22,343	703,626	681,283	38.9000%	265,019	2,451,934	-
Sep-13	16,622,587	22,343	703,621	681,278	38.9000%	265,017	2,716,951	-
Oct-13	16,622,587	32,523	703,621	671,098	38.9000%	261,057	2,978,008	-
Nov-13	16,622,587	32,523	703,622	671,099	38.9000%	261,057	3,239,065	-
Dec-13	16,622,587	32,523	703,622	671,099	38.9000%	261,057	3,500,122	-
Jan-14	16,622,587	32,523	111,862	79,339	38.9000%	30,863	3,530,984	-
Feb-14	16,622,587	32,523	111,862	79,339	38.9000%	30,863	3,561,846	-
Mar-14	16,622,587	32,523	111,862	79,339	38.9000%	30,863	3,592,709	-
Apr-14	16,622,587	32,523	111,861	79,338	38.9000%	30,862	3,623,571	-
May-14	16,622,587	32,523	111,861	79,338	38.9000%	30,862	3,654,433	-
Jun-14	16,622,587	32,523	111,861	79,338	38.9000%	30,862	3,685,295	-
Jul-14	16,622,587	32,523	111,863	79,340	38.9000%	30,863	3,716,158	-
Aug-14	16,622,587	32,523	111,863	79,340	38.9000%	30,863	3,747,020	-
Sep-14	16,622,587	32,523	111,861	79,338	38.9000%	30,862	3,777,882	-
Oct-14	16,622,587	32,523	111,859	79,336	38.9000%	30,862	3,808,744	-
Nov-14	16,622,587	32,523	111,861	79,338	38.9000%	30,862	3,839,605	-
Dec-14	16,622,587	32,523	107,619	75,096	38.9000%	29,212	3,868,818	-
Jan-15	16,622,587	32,523	110,333	77,810	38.9000%	30,268	3,899,085	-
Feb-15	16,622,587	32,523	110,333	77,810	38.9000%	30,268	3,929,352	-

Due to Bonus Depreciation for tax purposes taken on certain components of Project 29, 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 Feb 2015 is shown below:

Federal Basis	Book Depr.	Federal Tax Depr	Fed. Difference	Fed Tax Rate	Fed Def Tax
3,199,833	32,523	16,471	(16,052)	35.0000%	(5,618)
4,799,749		79,996	79,996	35.0000%	27,999
124,684		694	694	35.0000%	243
187,027		3,117	3,117	35.0000%	1,091
State Basis	Book Depr.	State Tax Depr	St. Difference	State Tax Rate	St Def Tax
6,399,666	32,523	32,942	419	6.0000%	25
9,599,498		159,992	159,992	6.0000%	9,600
249,369		1,388	1,388	6.0000%	83
374,053		6,234	6,234	6.0000%	374
					St. Offset for Fed Taxes not Owed (3,529)
					Total Deferred Tax 30,268

**Kentucky Utilities Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project**

**2009 - Plan
Project 30 - Ghent CCP Storage (Landfill-Phase I)**

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Beg Balance							435	
Mar-13	34,137	406	1,506	1,100	38.9000%	428	862	-
Apr-13	34,137	406	2,257	1,851	38.9000%	720	1,581	-
May-13	2,335,800	2,622	133,293	130,671	38.9000%	50,831	52,411	-
Jun-13	2,335,800	4,837	135,284	130,447	38.9000%	50,744	103,154	-
Jul-13	2,335,800	4,837	135,284	130,447	38.9000%	50,744	153,897	-
Aug-13	2,335,800	4,837	135,284	130,447	38.9000%	50,744	204,640	-
Sep-13	2,335,800	4,837	135,284	130,447	38.9000%	50,744	255,382	-
Oct-13	2,335,800	4,837	135,286	130,449	38.9000%	50,745	306,126	-
Nov-13	2,335,800	4,837	195,854	191,017	38.9000%	74,306	380,431	-
Dec-13	2,335,800	4,837	135,284	130,447	38.9000%	50,744	431,174	-
Jan-14	2,335,800	4,837	8,007	3,170	38.9000%	1,233	432,406	-
Feb-14	2,335,800	4,837	8,004	3,167	38.9000%	1,232	433,637	-
Mar-14	2,335,800	4,837	8,006	3,169	38.9000%	1,233	434,868	-
Apr-14	2,335,800	4,837	8,006	3,169	38.9000%	1,233	436,100	-
May-14	2,335,800	4,837	8,004	3,167	38.9000%	1,232	437,331	-
Jun-14	55,740,733	46,130	2,902,869	2,856,739	38.9000%	1,111,271	1,548,602	-
Jul-14	55,740,733	87,424	2,944,165	2,856,741	38.9000%	1,111,272	2,659,873	-
Aug-14	55,740,733	87,424	2,944,165	2,856,741	38.9000%	1,111,272	3,771,144	-
Sep-14	311,581,083	333,727	33,189,715	32,855,988	38.9000%	12,780,979	16,552,122	-
Oct-14	311,581,083	580,030	33,189,712	32,609,682	38.9000%	12,685,166	29,237,288	-
Nov-14	311,581,083	580,030	33,189,715	32,609,685	38.9000%	12,685,167	41,922,454	-
Dec-14	311,581,083	580,030	32,238,279	31,658,249	38.9000%	12,315,059	54,237,512	-
Jan-15	311,581,083	580,030	1,266,256	686,226	38.9000%	266,942	54,504,453	-
Feb-15	311,581,083	580,030	1,266,256	686,226	38.9000%	266,942	54,771,394	-

Due to Bonus Depreciation for tax purposes taken on certain components of Project 30, 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 Dec 2014 is shown below:

Federal Basis	Book Depr.	Federal Tax Dep	Fed. Difference	Fed Tax Rate	Fed Def Tax
17,069	580,030	455	(579,575)	35.0000%	(202,851)
863,123		5,192	5,192	35.0000%	1,817
172,625		2,877	2,877	35.0000%	1,007
115,083		692	692	35.0000%	242
		(1,944)	(1,944)	35.0000%	(680)
20,386,943		2,912,420	2,912,420	35.0000%	1,019,347
16,958,769		90,851	90,851	35.0000%	31,798
3,391,754		56,529	56,529	35.0000%	19,785
2,261,169		12,113	12,113	35.0000%	4,240
		(906,386)	(906,386)	35.0000%	(317,235)
127,920,175		31,980,044	31,980,044	35.0000%	11,193,015
96,326,943		903,065	903,065	35.0000%	316,073
18,955,939		315,932	315,932	35.0000%	110,576
12,637,293		118,475	118,475	35.0000%	41,466
		112,818	112,818	35.0000%	39,486
State Basis	Book Depr.	State Tax Depr	St. Difference	State Tax Rate	St Def Tax
34,138	580,030	910	(579,120)	6.0000%	(34,747)
1,726,247		10,385	10,385	6.0000%	623
345,249		5,754	5,754	6.0000%	345
230,166		1,384	1,384	6.0000%	83
		(3,888)	(3,888)	6.0000%	(233)
32,248,976		172,762	172,762	6.0000%	10,366
6,449,795		107,497	107,497	6.0000%	6,450
4,299,864		23,035	23,035	6.0000%	1,382
192,267,075		1,802,504	1,802,504	6.0000%	108,150
38,143,965		(317,865)	(317,865)	6.0000%	(19,072)
25,429,310		238,400	238,400	6.0000%	14,304
10,406,298					

St. Offset for Fed Taxes not Owed
(30,678)

Total Deferred Tax
12,315,060

**Kentucky Utilities Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project**

2009 - Plan**Project 31 - Trimble County Ash Treatment Basin (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							322,320	
Mar-13	9,102,469	14,253	50,656	36,403	38.9000%	14,161	336,480	-
Apr-13	9,102,469	14,253	50,656	36,403	38.9000%	14,161	350,641	-
May-13	9,102,469	14,253	50,658	36,405	38.9000%	14,162	364,801	-
Jun-13	9,102,469	14,253	50,656	36,403	38.9000%	14,161	378,962	-
Jul-13	9,102,469	14,253	50,656	36,403	38.9000%	14,161	393,122	-
Aug-13	9,102,469	14,253	50,660	36,407	38.9000%	14,162	407,283	-
Sep-13	9,102,469	14,253	50,656	36,403	38.9000%	14,161	421,443	-
Oct-13	9,102,469	15,881	50,656	34,775	38.9000%	13,528	434,970	-
Nov-13	9,102,469	15,881	50,655	34,774	38.9000%	13,527	448,496	-
Dec-13	9,102,469	15,881	50,654	34,773	38.9000%	13,527	462,023	-
Jan-14	9,102,469	15,881	46,855	30,974	38.9000%	12,049	474,071	-
Feb-14	9,102,469	15,881	46,855	30,974	38.9000%	12,049	486,119	-
Mar-14	9,102,469	15,881	46,855	30,974	38.9000%	12,049	498,167	-
Apr-14	9,031,671	15,831	46,559	30,728	38.9000%	11,953	510,120	71,277
May-14	9,031,671	15,782	46,560	30,778	38.9000%	11,973	522,092	71,277
Jun-14	9,031,671	15,782	46,560	30,778	38.9000%	11,973	534,064	71,277
Jul-14	9,031,671	15,782	46,560	30,778	38.9000%	11,973	546,036	71,277
Aug-14	9,031,671	15,782	46,560	30,778	38.9000%	11,973	558,008	71,277
Sep-14	9,031,671	15,782	46,560	30,778	38.9000%	11,973	569,979	71,277
Oct-14	9,031,671	15,782	46,560	30,778	38.9000%	11,973	581,952	71,277
Nov-14	9,031,671	15,782	46,560	30,778	38.9000%	11,973	593,924	71,277
Dec-14	9,031,671	15,782	46,649	30,867	38.9000%	12,007	605,931	71,277
Jan-15	9,031,671	15,782	42,913	27,131	38.9000%	10,554	616,484	71,277
Feb-15	9,031,671	15,782	42,913	27,131	38.9000%	10,554	627,037	71,277

Kentucky Utilities Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project

2009 - Plan
Project 33 - 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							785,464	
Mar-13	4,279,420	7,489	14,163	6,674	38.9000%	2,596	788,060	-
Apr-13	4,279,420	7,489	14,163	6,674	38.9000%	2,596	790,656	-
May-13	4,279,420	7,489	14,161	6,672	38.9000%	2,595	793,252	-
Jun-13	4,279,420	7,489	14,165	6,676	38.9000%	2,597	795,849	-
Jul-13	4,279,420	7,489	14,165	6,676	38.9000%	2,597	798,445	-
Aug-13	4,279,420	7,489	14,165	6,676	38.9000%	2,597	801,041	-
Sep-13	4,279,420	7,489	14,163	6,674	38.9000%	2,596	803,637	-
Oct-13	4,279,420	7,489	14,163	6,674	38.9000%	2,596	806,233	-
Nov-13	4,279,420	7,489	14,162	6,673	38.9000%	2,596	808,829	-
Dec-13	4,279,420	7,489	14,162	6,673	38.9000%	2,596	811,425	-
Jan-14	4,279,420	7,489	13,103	5,614	38.9000%	2,184	813,607	-
Feb-14	4,279,420	7,489	13,103	5,614	38.9000%	2,184	815,791	-
Mar-14	4,279,420	7,489	13,101	5,612	38.9000%	2,183	817,974	-
Apr-14	4,279,420	7,489	13,102	5,613	38.9000%	2,183	820,158	-
May-14	4,279,420	7,489	13,102	5,613	38.9000%	2,183	822,341	-
Jun-14	4,279,420	7,489	13,102	5,613	38.9000%	2,183	824,525	-
Jul-14	4,279,420	7,489	13,102	5,613	38.9000%	2,183	826,707	-
Aug-14	4,279,420	7,489	13,103	5,614	38.9000%	2,184	828,890	-
Sep-14	4,279,420	7,489	13,103	5,614	38.9000%	2,184	831,074	-
Oct-14	4,279,420	7,489	13,102	5,613	38.9000%	2,183	833,257	-
Nov-14	4,279,420	7,489	13,100	5,611	38.9000%	2,183	835,440	-
Dec-14	4,279,420	7,489	13,078	5,589	38.9000%	2,174	837,614	-
Jan-15	4,279,420	7,489	12,121	4,632	38.9000%	1,802	839,415	-
Feb-15	4,279,420	7,489	12,121	4,632	38.9000%	1,802	841,216	-

Due to Bonus Depreciation for tax purposes taken on certain components of Project 33, 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 Feb 2015 is shown below:

Federal Basis	Book Depr.	Federal Tax Dep	Fed. Differenc	Fed Tax Rate	Fed Def Tax
2,139,710	7,489	11,014	3,525	35.0000%	1,234
State Basis	Book Depr.	State Tax Depr	St. Difference	State Tax Rate	St Def Tax
4,279,420	7,489	22,028	14,539	6.0000%	872
					St. Offset for Fed Taxes not Owed (305)
					Total Deferred Tax 1,801

Kentucky Utilities Company
Deferred Tax Calculations
Environmental Compliance Plans, by Approved Project

2011 - Plan
Project 35 - Ghent 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							1,253,783	
Mar-13	3,645,863	7,026	2,201	(4,825)	38.9000%	(1,877)	1,251,906	-
Apr-13	12,079,086	12,156	456,058	443,902	38.9000%	172,678	1,424,584	-
May-13	12,079,086	17,286	463,571	446,285	38.9000%	173,605	1,598,189	-
Jun-13	12,079,086	17,286	463,571	446,285	38.9000%	173,605	1,771,794	-
Jul-13	11,376,711	16,902	407,504	390,602	38.9000%	151,944	1,923,738	949
Aug-13	12,184,254	17,009	483,891	466,882	38.9000%	181,617	2,105,354	949
Sep-13	12,184,254	17,500	484,382	466,882	38.9000%	181,617	2,286,971	949
Oct-13	12,184,254	17,500	484,380	466,880	38.9000%	181,616	2,468,587	949
Nov-13	12,184,254	17,500	484,380	466,880	38.9000%	181,616	2,650,204	949
Dec-13	12,184,254	17,500	484,380	466,880	38.9000%	181,616	2,831,820	949
Jan-14	12,184,254	17,500	46,888	29,388	38.9000%	11,432	2,843,252	949
Feb-14	12,184,254	17,500	46,890	29,390	38.9000%	11,433	2,854,684	949
Mar-14	12,184,254	17,500	46,889	29,389	38.9000%	11,432	2,866,116	949
Apr-14	12,184,254	17,500	46,888	29,388	38.9000%	11,432	2,877,548	949
May-14	12,184,254	17,500	46,889	29,389	38.9000%	11,432	2,888,980	949
Jun-14	165,435,581	144,542	10,569,911	10,425,369	38.9000%	4,055,469	6,944,449	949
Jul-14	165,435,581	271,584	10,696,954	10,425,370	38.9000%	4,055,469	10,999,918	949
Aug-14	165,435,581	271,584	10,696,954	10,425,370	38.9000%	4,055,469	15,055,386	1,743,778
Sep-14	165,535,581	271,584	10,696,954	10,425,370	38.9000%	4,055,469	19,110,855	1,743,778
Oct-14	165,535,581	271,584	10,696,954	10,425,370	38.9000%	4,055,469	23,166,323	1,743,778
Nov-14	165,535,581	271,584	10,696,953	10,425,369	38.9000%	4,055,469	27,221,792	1,743,778
Dec-14	302,758,416	402,860	74,164,234	73,761,374	38.9000%	28,693,174	55,914,967	1,743,778
Jan-15	302,758,416	534,135	1,572,356	1,038,221	38.9000%	403,868	56,318,834	1,747,653
Feb-15	311,363,296	538,724	1,597,521	1,058,797	38.9000%	411,872	56,730,706	2,035,962

Due to Bonus Depreciation for tax purposes taken on certain components of Project 35, 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 Dec 2014 is shown below:

Federal Basis	Book Depr.	Federal Tax Dep	Fed. Difference	Fed Tax Rate	Fed Def Tax
1,707,678	402,859	10,273	(392,586)	35.0000%	(137,405)
2,561,517		30,494	30,494	35.0000%	10,673
76,625,664		10,946,523	10,946,523	35.0000%	3,831,283
30,650,265		164,198	164,198	35.0000%	57,469
45,975,398		586,244	586,244	35.0000%	205,185
68,661,418		68,661,418	68,661,418	35.0000%	24,031,496
27,464,567		1,029,921	1,029,921	35.0000%	360,472
41,196,851		490,439	490,439	35.0000%	171,654
State Basis	Book Depr.	State Tax Depr	St. Difference	State Tax Rate	St Def Tax
3,645,863	402,859	20,286	(382,573)	6.0000%	(22,954)
3,415,356		20,546	20,546	6.0000%	1,233
5,123,034		60,989	60,989	6.0000%	3,659
61,300,531		328,396	328,396	6.0000%	19,704
91,950,796		1,094,652	1,094,652	6.0000%	65,679
54,929,134		2,059,843	2,059,843	6.0000%	123,591
82,393,701		980,877	980,877	6.0000%	58,853
St. Offset for Fed Taxes not Owed (87,417)					
Total Deferred Tax 28,693,174					

KENTUCKY UTILITIES COMPANY

Response to the Commission Staff's First Request for Information

Dated July 10, 2015

Case No. 2015-00221

Question No. 4

Witness: Christopher M. Garrett

- Q-4. Refer to ES Form 2.50, Pollution Control - Operations & Maintenance Expenses, for the September 2014 through February 2015 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 2014 through February 2015 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.

2009 Plan

Monthly variances in the NOx operation expenses, account 506154 reflect normal SCR operations at E. W. Brown Unit 3. The variances for account 506154 is driven by the purchase and delivery timing of the raw consumable material (ammonia), as well as variations in generation and coal quality.

Fluctuations in the NOx maintenance expenses, account 512151, are the result of routine monthly maintenance on the SCR at E.W. Brown Unit 3. The increases in September 2014, December 2014, January and February 2015 are the result of a variety of maintenance activities; items of note are: corrective maintenance on valves for excessive vibration, sootblower air compressor valves, yearly inspection of catalyst, and EW Brown Unit 3 SCR Catalyst testing.

Landfill operations, account 502013, reflect new landfill operations at Ghent.

Landfill maintenance, account 512107, reflect new landfill operations at Ghent.

2011 Plan

Fluctuations in sorbent injection operation expenses, account 506159, are the result of on-going operations of Ghent and E.W. Brown Units.

Fluctuations in sorbent injection reactant (hydrated lime) expenses, account 506152, are the result of on-going operations of all Ghent and E.W. Brown Units. The variances are

driven by the purchase and delivery timing of the raw consumable material as well as variations in generation and coal quality.

Fluctuations in sorbent injection maintenance expenses, account 512152, are the result of normal system maintenance and the timing of preventive maintenance performed. The increase in September and December 2014 is the result of payment for compressed air agreement at Ghent Unit 1. In November and December 2014, airlock valves were replaced at Ghent Units 2 and 4. In January 2015, Ghent Unit 4 emergency repairs to an air compressor. In February 2015 at E.W. Brown Unit 3, yearly service agreement for air compressors.

Fluctuations in activated carbon expenses, account 506151, are the result of on-going operation of Ghent Units 3 and 4. The variances are driven by the purchase and delivery timing of the raw consumable material as well as variations in generation and coal quality.

**KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT**

Pollution Control - Operations & Maintenance Expenses

O&M Expense Account	Aug-14	Sep-14	% Change from Prior Period	Oct-14	% Change from Prior Period	Nov-14	% Change from Prior Period	Dec-14	% Change from Prior Period	Jan-15	% Change from Prior Period	Feb-15	% Change from Prior Period
2009 Plan													
506154 - ECR NOx Operation -- Consumables	\$ 54,510	\$ 41,947	-23%	\$ 59,384	42%	\$ 47,980	-19%	\$ 80,965	69%	\$ 41,114	-49%	\$ 49,438	20%
506155 - ECR NOx Operation -- Labor and Other	-	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
512151 - ECR NOx Maintenance	14,807	102,637	593%	(3,634)	-104%	13,147	-462%	225,391	1614%	125,272	-44%	59,253	-53%
502013 - ECR Landfill Operations	-	281,173	100%	287,592	2%	228,895	-20%	224,558	-2%	337,393	50%	287,304	-15%
512107 - ECR Landfill Maintenance	-	17,082	100%	9,370	-45%	4,680	-50%	5,132	10%	14,184	176%	41,393	192%
Adjustment for CCP Disposal in Base Rates (ES Form 2.51)	-	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Total 2009 Plan O&M Expenses	\$ 69,316	\$442,839	539%	\$352,713	-20%	\$294,703	-16%	\$536,046	82%	\$ 517,963	-3%	\$437,388	-16%
2011 Plan													
506159 - ECR Sorbent Injection Operation	\$ 86,806	\$ 80,632	-7%	\$ 95,560	19%	\$ 84,139	-12%	\$ 81,706	-3%	\$ 102,709	26%	\$ 75,404	-27%
506152 - ECR Sorbent Reactant - Reagent Only	874,163	798,787	-9%	625,994	-22%	661,937	6%	727,713	10%	1,054,622	45%	746,721	-29%
512152 - ECR Sorbent Injection Maintenance	15,429	28,221	83%	5,712	-80%	36,405	537%	31,301	-14%	29,399	-6%	33,551	14%
506156 - ECR Baghouse Operations	-	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
512156 - ECR Baghouse Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
506151 - ECR Activated Carbon	-	-	0%	74,071	100%	-	-100%	-	0%	-	0%	66,038	100%
Total 2011 Plan O&M Expenses	\$ 976,398	\$907,640	-7%	\$801,338	-12%	\$782,480	-2%	\$840,720	7%	\$ 1,186,730	41%	\$921,714	-22%

KENTUCKY UTILITIES COMPANY

Response to the Commission Staff's First Request for Information

Dated July 10, 2015

Case No. 2015-00221

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 KU believes should be incorporated into its existing base rates. Include all supporting calculations, work papers, 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 KU's base rates. Include any analysis that KU believes supports its position.
 - c. Does KU believe that modifications will need to be made to either the surcharge mechanism or the monthly surcharge reports as a result of incorporating additional environmental surcharge amounts into KU's existing base rates? If so, provide a detailed explanation of the modifications and provide updated monthly surcharge reports.
- A-5. a. Please see the attachment being provided in Excel format. KU is proposing to roll-in \$65,367,762 of incremental environmental surcharge revenues into base rates resulting in total environmental surcharge revenues in base rates of \$111,188,413.
- b. The Commission previously approved KU's proposed roll-in methodology in Case No. 2011-00231, 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 KU'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. KU 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.

Kentucky Utilities Company

Calculation of ECR Roll-in At February 28, 2015

Calculation of Revenue Requirement for Roll-In:		Environmental Compliance Plans at Feb. 28, 2015	Jurisdictional Basis
Environmental Compliance Rate Base			
Pollution Control Plant in Service		736,715,040	647,475,904
Pollution Control CWIP Excluding AFUDC	ES Form 2.00, February 2015	398,897,795	350,578,848
	Subtotal	1,135,612,835	998,054,752
Additions:			
Emission Allowances	ES Form 2.00, February 2015	153,228	134,667
Cash Working Capital Allowance	ES Form 2.00, February 2015	1,840,984	1,617,984
	Subtotal	1,994,212	1,752,651
Deductions:			
Accumulated Depreciation on Pollution Control Plant	ES Form 2.00, February 2015	10,865,750	9,549,569
Pollution Control Deferred Income Taxes	ES Form 2.00, February 2015	136,241,429	119,738,349
	Subtotal	147,107,179	129,287,918
Environmental Compliance Rate Base		\$ 990,499,868	\$ 870,519,485
Rate of Return -- Environmental Compliance Rate Base	ES Form 1.10, February 2015	10.22%	
Return on Environmental Compliance Rate Base		\$ 101,229,087	\$ 88,967,091
Pollution Control Operating Expenses			
12 Month Depreciation and Amortization Expense	See Support Schedule A	9,147,025	8,039,036
12 Month Taxes Other than Income Taxes	See Support Schedule A	1,236,204	1,086,461
12 Month Operating and Maintenance Expense	See Support Schedule A	14,563,724	12,799,603
12 Month Emission Allowance Expense	See Support Schedule A	132,080	116,081
12 Month Beneficial Reuse Expense, net of amounts in base rates	See Support Schedule A	164,150	144,266
12 Month KPSC Consultant Expense	See Support Schedule A	41,364	36,354
Total Pollution Control Operating Expenses		\$ 25,284,547	\$ 22,221,801
Gross Proceeds from Allowance Sales	See Support Schedule B	546	480
Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount			
Return on Environmental Compliance Rate Base		101,229,087	88,967,091
Pollution Control Operating Expenses		25,284,547	22,221,801
Less Gross Proceeds from Allowance Sales		546	480
		\$ 126,513,088	\$ 111,188,413
Jurisdictional Allocation Ratio -- Roll In	See Support Schedule C	87.8869%	
Jurisdictional Revenues for 12 Months for Roll In	See Support Schedule C	1,462,365,852	
Roll In Jurisdictional Environmental Surcharge Factor:			
Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount		\$ 126,513,088	
Jurisdictional Allocation Ratio -- Roll In		87.8869%	
Jurisdictional Environmental Surcharge Gross Revenue Requirement -- Gross Roll In Amount		\$ 111,188,413	
Less Jurisdictional Environmental Revenue Previously Rolled In		45,820,651	
Jurisdictional Environmental Surcharge Gross Revenue Requirement -- Net Roll In Amount		\$ 65,367,762	

Kentucky Utilities Company

Calculation of ECR Roll-in At February 28, 2015

Support Schedule A

12 Month Balances for Selected Operating Expense Accounts

	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					
Mar-14	\$ 257,881	\$ 97,090	\$ -	\$ 1,185,974	\$ 61,254	\$ 13,023	\$ 13,971	\$ -	1,629,193
Apr-14	257,241	97,067	-	862,276	101,640	10,741	18,021	4,876	1,351,861
May-14	257,191	97,067	-	982,599	116,864	12,131	5,159	-	1,471,010
Jun-14	425,527	97,067	-	880,718	120,395	12,553	19,012	10,440	1,565,712
Jul-14	593,863	97,067	-	1,081,172	102,845	12,693	22,535	-	1,910,174
Aug-14	567,291	95,959	-	1,015,479	30,235	13,539	18,041	14,419	1,754,964
Sep-14	816,174	95,959	281,173	921,366	147,940	17,527	12,928	-	2,293,067
Oct-14	1,062,477	95,959	287,592	855,009	11,449	10,541	11,847	-	2,334,875
Nov-14	1,062,477	95,959	228,895	794,056	54,232	12,011	20,824	-	2,268,454
Dec-14	1,193,753	95,959	224,558	890,384	261,824	13,848	16,909	11,629	2,708,864
Jan-15	1,324,944	135,581	337,393	1,198,445	168,854	1,837	12,323	-	3,179,378
Feb-15	1,328,205	135,471	287,304	937,601	134,197	1,636	15,893	-	2,840,306
less Base Rate amount							(23,312)		(23,312)
Totals	9,147,025	1,236,204	1,646,916	11,605,079	1,311,729	132,080	164,150	41,364	25,284,547

Support Schedule B

12 Month Balances for Allowance Sales

	Total Proceeds from Allowance Sales ES Form 2.00
Mar-14	546
Apr-14	-
May-14	-
Jun-14	-
Jul-14	-
Aug-14	-
Sep-14	-
Oct-14	-
Nov-14	-
Dec-14	-
Jan-15	-
Feb-15	-
Totals	546

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-14	\$ 136,863,721	\$ 155,777,295	87.8586%
Apr-14	111,914,158	126,350,884	88.5741%
May-14	109,521,148	126,139,530	86.8254%
Jun-14	124,236,406	140,591,623	88.3669%
Jul-14	132,309,962	148,302,323	89.2164%
Aug-14	114,464,253	131,406,267	87.1071%
Sep-14	125,759,902	141,178,825	89.0784%
Oct-14	108,462,439	123,122,863	88.0928%
Nov-14	94,346,395	107,505,944	87.7592%
Dec-14	127,814,019	145,124,157	88.0722%
Jan-15	141,822,958	162,211,631	87.4308%
Feb-15	134,850,492	156,206,822	86.3282%
Totals	\$ 1,462,365,852	\$ 1,663,918,165	87.8869%

KENTUCKY UTILITIES COMPANY

**Response to the Commission Staff's First Request for Information
Dated July 10, 2015**

Case No. 2015-00221

Question No. 6

Witness: Christopher M. Garrett

- Q-6. In Case No. 2000-00439, the Commission ordered that KU'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, 2015:
- 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. KU's calculation of its weighted average cost of capital for environmental surcharge purposes.
- A-6.
- a. Please see the attachments being provided in Excel format for the period ended February 28, 2015 under review. There was no preferred stock outstanding as of February 28, 2015; therefore, it is not listed in the attached schedules.
 - b. For the period ended February 28, 2015, KU proposes utilizing a return on equity of 10.00% as agreed to for all ECR Plans and approved by the Commission in its June 30, 2015 Order in Case No. 2014-00371.
 - c. KU recommends the continued use of an effective tax rate of 38.6660% in the gross-up revenue factor used in the rate of return calculation for the period ended February 28, 2015. As discussed in the response to Question No. 1, KU expects to incur a tax loss in both 2014 and 2015 as a result of bonus depreciation and will be unable to take the Internal Revenue Code §199 manufacturing tax deduction.

KENTUCKY UTILITIES

**Adjusted Electric Rate of Return on Common Equity - ECR Plans
As of February 28, 2015**

	Balance at 02-28-15 (1)	Capital Structure (2)	EEI (3)	Investments in OVEC and Other (Col 2 x Col 4 Line 4) (4)	Adjustments to Total Co. Capitalization (Sum of Col 3 - Col 4) (5)	Adjusted Total Company Capitalization (Col 1 + Col 5) (6)	Jurisdictional Rate Base Percentage (7)	Kentucky Jurisdictional Capitalization (Col 6 x Col 7) (8)
1. Short Term Debt	\$ 264,890,746	5.32%	\$ -	\$ (64,974)	\$ (64,974)	\$ 264,825,772	88.82%	\$ 235,218,251
2. Long Term Debt	2,090,880,875	41.96%	-	(512,463)	(512,463)	2,090,368,412	88.82%	1,856,665,224
3. Common Equity	2,627,305,883	52.72%	(504,066)	(643,876)	(1,147,942)	2,626,157,941	88.82%	2,332,553,483
4. Total Capitalization	<u>\$ 4,983,077,504</u>	<u>100.000%</u>	<u>\$ (504,066)</u>	<u>\$ (1,221,313)</u>	<u>\$ (1,725,379)</u>	<u>\$ 4,981,352,125</u>		<u>\$ 4,424,436,958</u>

	Kentucky Jurisdictional Capitalization (8)	Capital Structure (9)	Environmental Surcharge (Col 9 x Col 10 Line 4) (10)	DSM Rate Base (Col 9 x Col 11 Line 4) (11)	Adjusted Kentucky Jurisdictional Capitalization (Col 8 + Col 10 + Col 11) (12)	Adjusted Capital Structure (13)	Annual Cost Rate (14)	Cost of Capital (Col 13 x Col 14) (15)
1. Short Term Debt	\$ 235,218,251	5.32%	\$ (46,803,337)	\$ (129,639)	\$ 188,285,275	5.32%	0.45%	0.02%
2. Long Term Debt	1,856,665,224	41.96%	(369,148,128)	(1,022,495)	1,486,494,601	41.96%	3.67%	1.54%
3. Common Equity	2,332,553,483	52.72%	(463,810,518)	(1,284,698)	1,867,458,267	52.72%	10.00%	5.27%
4. Total Capitalization	<u>\$ 4,424,436,958</u>	<u>100.000%</u>	<u>\$ (879,761,983)</u>	<u>\$ (2,436,832)</u>	<u>\$ 3,542,238,143</u>	<u>100.000%</u>		<u>6.83%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (1 - TR)]}								<u>10.15%</u>

KENTUCKY UTILITIES COMPANY
ANALYSIS OF THE EMBEDDED COST OF CAPITAL AT
February 28, 2015

LONG-TERM DEBT										
Annualized Cost										
Due	Rate	Principal	Interest	Amortized Debt Issuance Exp/Discount	Amortized Loss-Reacquired Debt	Letter of Credit and other fees	Total	Embedded Cost		
Pollution Control Bonds -										
Mercer Co. 2000 Series A	05/01/23	0.020%	\$ 12,900,000	\$ 2,580	c \$ 10,154	\$ 33,018	\$ 110,843	a \$ 156,595	1.214%	
Carroll Co. 2002 Series A	02/01/32	0.250%	20,930,000	52,325	c 3,682	33,395	20,930	b 110,332	0.527%	
Carroll Co. 2002 Series B	02/01/32	0.250%	2,400,000	6,000	c 2,569	3,823	2,400	b 14,792	0.616%	
Muhlenberg Co. 2002 Series A	02/01/32	0.250%	2,400,000	6,000	c 1,032	11,733	2,400	b 21,165	0.882%	
Mercer Co. 2002 Series A	02/01/32	0.250%	7,400,000	18,500	c 2,859	11,872	7,400	b 40,631	0.549%	
Carroll Co. 2002 Series C	10/01/32	0.200%	96,000,000	192,000	c 66,755	171,166	300,538	c 730,459	0.761%	
Carroll Co. 2004 Series A	10/01/34	0.020%	50,000,000	10,000	c 9,317	87,342	431,473	a 538,132	1.076%	
Carroll Co. 2006 Series B	10/01/34	0.020%	54,000,000	10,800	c 43,884	-	466,490	a 521,174	0.965%	
Carroll Co. 2007 Series A	02/01/26	5.750%	17,875,000	1,027,813	c 10,061	20,611	-	1,058,485	5.922%	
Trimble Co. 2007 Series A	03/01/37	6.000%	8,927,000	535,620	c 4,849	9,939	-	550,408	6.166%	
Carroll Co. 2008 Series A	02/01/32	0.020%	77,947,405	15,589	c 31,561	-	673,364	a 720,514	0.924%	
Called Bonds				-	-	1	101,454	101,454		
First Mortgage Bonds -										
2010 due 2015	11/01/15	1.625%	250,000,000	4,062,500	c 430,681 **	-	-	4,493,181	1.797%	
Debt discount on FMB	11/01/15	1.625%	(123,306)	-	a 162,341 **	-	-	162,341	-131.657%	
2010 due 2020	11/01/20	3.250%	500,000,000	16,250,000	c 386,566 **	-	-	16,636,566	3.327%	
Debt discount on FMB	11/01/15	3.250%	(1,078,797)	-	a 174,558 **	-	-	174,558	-16.181%	
2010 due 2040	11/01/40	5.125%	750,000,000	38,437,500	c 229,941 **	-	-	38,667,441	5.156%	
Debt discount on FMB	11/01/40	5.125%	(6,973,813)	-	a 249,858 **	-	-	249,858	-3.583%	
2013 due 2043	11/15/43	4.650%	250,000,000	11,625,000	c 84,916 **	-	-	11,709,916	4.684%	
Debt discount on FMB	11/15/43	4.650%	(1,722,614)	-	a 55,193 **	-	-	55,193	-3.204%	
Regulatory Liability - Swap Hedging FMB	11/15/43			(1,319,793)				(1,319,793)	-3.067%	
S-3 SEC Shelf Registration	03/27/15				c 2,095			2,095		
Revolving Credit Facility	07/28/19				b 493,868	2	49,173	500,000	d 1,043,041	
Letter of Credit Facility	04/29/14				b 203,354		95,675		299,029	
Total External Debt			\$ 2,090,880,875	\$ 70,932,434	\$ 2,660,094		\$ 629,201	\$ 2,515,838	\$ 76,737,567	3.670%
Notes Payable to PPL			\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Total Internal Debt			\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	0.000%
Total			\$ 2,090,880,875	\$ 70,932,434	\$ 2,660,094		\$ 629,201	\$ 2,515,838	\$ 76,737,567	3.670%

SHORT-TERM DEBT									
Annualized Cost									
Maturity	Rate	Principal	Interest	Expense	Loss	Premium	Total	Embedded Cost	
Notes Payable to Associated Company		\$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.000%
Revolving Credit Facility Payable		-	-	-	-	-	-	-	0.000%
Commercial Paper Program	Varies	264,890,746	1,190,272	-	-	-	1,190,272	-	0.449%
Total		\$ 264,890,746	\$ 1,190,272	\$ -	\$ -	\$ -	\$ 1,190,272	\$ -	0.449%

Embedded Cost of Total Debt	\$ 2,355,771,620	\$ 72,122,705	\$ 2,660,094	\$ 629,201	\$ 2,515,838	\$ 77,927,839	3.308%
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** Debt discount shown on separate line.

1 Call premium and debt expense is being amortized in accordance with ASC 980, Regulated Operations.

2 Includes setup fees for Wells Fargo, Bank of America and Royal Bank of Scotland amended July 28, 2014 with a five year term.

a - Letter of credit fee = (principal bal + 45 days interest)*2% L/C Fee and .25% L/C Fronting Fee. Rate based on company credit rating. Remarketing Fee = 10 basis points.

b - Remarketing fee = 10 basis points

c - Remarketing fee = 25 basis points (25bp on \$43.7M; 5bp on \$52.3M; avg 14bp + \$166,137.60 Annual Ins. Premium)

d - Revolving Credit facility fee = 12.5 basis points

**ECR - Gross-up Revenue Factor &
Composite Income Tax Calculation
2015**

	2015 State Production Credit W/ 6% 2015 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	0%	
(8) b. Allocation to Production Income	100%	
(9) c. Allocated Production Rate (a x b)	0.00%	
(10)		
(11) Less: Production tax credit	<u>-</u>	(6)*(9)
(12)		
(13) Taxable income for Federal income tax	94.3600	(6)-(11)
(14)		
(15) Federal income tax	<u>\$ 33.0260</u>	(13)*35%
(16)		
(17)		
(18) Total State and Federal income taxes	<u>\$ 38.6660</u>	(3)+(15)
(19)		
(20) Gross-up Revenue Factor	<u><u>\$ 61.3340</u></u>	100-(18)
(21)		
(22) Therefore, the composite rate is:		
(23) Federal	33.0260%	(15)/100
(24) State	<u>5.6400%</u>	(3)/100
(25) Total	<u><u>38.6660%</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) Less: Production tax 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)

KENTUCKY UTILITIES COMPANY

**Response to the Commission Staff's First Request for Information
Dated July 10, 2015**

Case No. 2015-00221

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, 2015 is 1,234 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 cumulative under-recovered position of \$701,452 in one month, the ECR billing factor will be increased by approximately 0.58% for that month. For a residential customer using 1,234 kWh per month the impact of the adjusted ECR billing factor would be an increase of approximately \$0.69 on that month's bill, using rates and adjustment clause factors in effect for the July 2015 billing month.

KU ECR 2-Year Review Case No. 2015-00221

INPUTS:		
Expense Month for calculations		May-15
<u>ECR Monthly Filing - Expense Month for calculations</u>		
Form 1.10 - Line 13 Adjusted Net Juris E(M) as filed	\$	6,858,968
Form 1.10 - Line 14 Group 1 Rev as % 12-mo Total Rev		41.20%
Form 1.10 - Line 15 Group 1 E(m)	\$	2,825,895
Form 1.10 - Line 16 Group 1 12-month avg revenue	\$	49,917,036
Form 1.10 - Line 17 Billing Factor filed		5.66%
<u>Financial Reports - Year Ended Current Month</u>		
		May-15
Page 28.1 Residential Sales (kWh)		6,257,642,708
Page 17 Residential Avg Customers Year Ended		422,740
		times 12 for 12-month number
		5,072,880
Response to DR Q2 Adjustment for (Over)/Under Collection	\$	701,452
Number of Months to collect/distribute		1
Monthly Adj for (Over)/Under Collection	\$	701,452
Position for Review Period Collection		UNDER
<u>Billing Factors</u>		
Tariff Basic Service Charge	\$	10.75
Tariff Base Rate		0.08508
Monthly Filing FAC for May-15		(0.00079)
Tariff DSM		0.00376

Residential Bill Impact Calculations

Adjusted Net Juris E(M) as filed	\$	6,858,968
Adjustment for (Over)/Under Collection		701,452
Adjusted Net Juris E(M) as adjusted for (Over)/Under Collection	\$	7,560,420

Group 1 Rev as % 12-mo Total Rev	41.20%
Group 1 E(m) as filed	\$ 2,825,895
Group 1 E(m) as adjusted	\$ 3,114,893

Group 1 12-month revenue	\$49,917,036
Billing Factor as filed	5.66%
Billing Factor as adjusted	6.24%
Impact to billing factor	0.58%

Bill Impact, Average Residential Customer

Basic Service Charge	10.75	\$ 10.75
Base Rate	0.08508	104.99
FAC for May-15	(0.00079)	(0.97)
DSM	0.00376	4.64
		\$ 119.41

Average Residential Usage
1,234 kWh

ECR (as billed)	5.66%	\$ 6.76
ECR (as adjusted)	6.24%	\$ 7.45
Change in ECR	0.58%	\$ 0.69

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