



an e-on company

RECEIVED

SEP 15 2009

PUBLIC SERVICE
COMMISSION

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

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

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

September 15, 2009

**RE: *AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION
OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF
LOUISVILLE GAS AND ELECTRIC COMPANY FOR THE TWO-
YEAR BILLING PERIOD ENDING APRIL 30, 2009
CASE NO. 2009-00311***

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and ten (10) copies of the Direct Testimony of Robert M. Conroy and the Response of Louisville Gas and Electric Company to the Information Requested in Appendix B of the Commission's Order dated August 18, 2009, in the above-referenced matter.

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

Sincerely,

Robert M. Conroy

Enclosures

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF LOUISVILLE GAS) CASE NO.
AND ELECTRIC COMPANY FOR THE TWO-YEAR) 2009-00311
BILLING PERIOD ENDING APRIL 30, 2009)**

DIRECT TESTIMONY OF

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

Filed: September 15, 2009

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

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

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

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

11 **Q. Are you sponsoring any exhibits?**

12 A. Yes. I am sponsoring Exhibit RMC-1 - Proposed LG&E Environmental Surcharge
13 ES Forms 1.00, 1.10, and 2.00.

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

15 A. The purpose of this proceeding is to review the past operation of LG&E’s
16 environmental surcharge during the six-month billing period ending April 30, 2009
17 that is part of the two-year billing period also ending April 30, 2009, determine
18 whether the surcharge amounts collected during the period are just and reasonable,
19 and then incorporate or “roll-in” such surcharge amounts into LG&E’s existing
20 electric base rates.

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

22 A. The purpose of my testimony is to review the operation of LG&E’s environmental
23 surcharge during the billing period under review, demonstrate the amounts collected

1 during the period were just and reasonable, present and discuss LG&E's proposed
2 adjustment to the Environmental Surcharge Revenue Requirement based on the
3 operation of the surcharge during the review period and explain how the
4 environmental surcharge factors were calculated during the period under review.
5 Further, my testimony will recommend that the cumulative ECR revenue requirement
6 for the twelve-months ending with the expense month of February 2009 be used for
7 purposes of incorporating or "rolling-into" LG&E's electric base rates the appropriate
8 surcharge amounts using the methodology approved by this Commission in Case Nos.
9 2006-00130 and 2007-00380. Finally, I will propose an improvement to the
10 calculation of the ECR mechanism for consideration by the Commission to help
11 reduce the fluctuation of the over- or under-recovery balance.

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

14 **A.** LG&E billed an environmental surcharge to its customers from November 1, 2008
15 through April 30, 2009. For purposes of the Commission's examination in this case,
16 the monthly LG&E environmental surcharges are considered as the six-month billing
17 period ending April 30, 2009; that same review period is part of the two-year billing
18 period also ending April 30, 2009. In each month of the period, LG&E calculated the
19 environmental surcharge factors by using the costs incurred as recorded on its books
20 and records for the expense months of September 2008 through February 2009 and in
21 accordance with the requirements of the Commission's previous orders concerning
22 LG&E's environmental surcharge.

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

3 A. The capital and operating costs included in the calculation of the environmental
4 surcharge factors for the billing period were the costs incurred each month by LG&E
5 from September 2008 through February 2009, as detailed in the attachment in
6 response to Question No. 2 of the Commission Staff Request for Information,
7 incorporating all required revisions.

8 The monthly environmental surcharge factors applied during the billing period
9 under review were calculated consistent with the Commission's orders in LG&E's
10 previous applications to assess or amend its environmental surcharge mechanism and
11 plan, as well as orders issued in previous review cases, most recently Case No. 2008-
12 00549. The monthly environmental surcharge reports filed with the Commission
13 during this time reflect the various changes to the reporting forms ordered by the
14 Commission from time to time.

15 **Q. Are there any changes or adjustments in Rate Base from the amounts originally**
16 **filed as part of the expense month reports?**

17 A. During the period under review, there were no changes to Rate Base from the
18 amounts originally filed during the billing period. This is shown in summary form in
19 LG&E's response to the Commission Staff Request for Information, Question No. 1.

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

22 A. Yes. Adjustments to E(m) are necessary for compliance with the Commission's
23 Order in Case No. 2000-00386, to reflect the actual changes in the overall rate of

1 return on capitalization that is used in the determination of the return on
2 environmental rate base associated with LG&E's Compliance Plans. The changes in
3 the actual cost of long term debt and capital structure result in a decrease to
4 cumulative E(m) of \$322,350. The details of and support for this calculation are
5 shown in the attachment to LG&E's response to Question No. 1 of the Commission
6 Staff Request for Information. Also shown are the revisions to the previous six-
7 month periods included in this two-year review as calculated in Case No. 2008-00217
8 for billing periods ending October 31, 2007 and April 30, 2008; and Case No. 2008-
9 00549 for billing period ending October 31, 2008. The true-up adjustments were
10 included in the monthly filings consistent with the Commission's final Orders in each
11 case.

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

14 A. Yes. LG&E experienced a cumulative under-recovery of \$1,802,891 for the six
15 month billing period ending April 30, 2009. The attachment to LG&E's response to
16 Question No. 2 of the Commission Staff Request for Information shows the
17 calculation of the \$1,802,891 cumulative under-recovery. Therefore, an adjustment
18 to the revenue requirement is necessary to reconcile the collection of past surcharge
19 revenues with actual costs for the billing period under review.

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

22 A. Yes. LG&E has identified four components that make up the net under-recovery
23 during the billing period under review. The components are (1) changes in overall

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

10

OVER/(UNDER) RECONCILIATION		
Combined Over/(Under) Recovery		(1,802,891)
Due to BESF Calculation Differences	(483,622)	
Due to use of BESF %	(179,166)	
Due to Change in ROR	322,350	
Use of 12 Month Average Revenues	<u>(1,462,454)</u>	
Subtotal		<u>(1,802,891)</u>
Unreconciled Difference		-

11

12

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

14 A. As previous stated, the cumulative impact of the revised rate of return resulted in a
 15 decrease to the jurisdictional revenue requirement and an over-recovery of \$322,350.

1 **Q. Please explain the calculation differences that occurred in determining BESF.**

2 A. In the course of preparing the responses in Case No. 2008-00549, LG&E's most
3 recent six-month review proceeding, LG&E determined that a difference between the
4 calculation of the BESF in the previous 2-year review case and the application of the
5 BESF in the monthly filings beginning with the March 2008 expense month.
6 Specifically, in Case No. 2007-00380, LG&E calculated the BESF factor using base
7 rate revenues excluding the customer charge revenues, while the monthly filings use
8 BESF times total base revenues to estimate the ECR revenues collected through base
9 rates. BESF was calculated using a lower revenue total than is used in its application
10 in the monthly filings, thereby overstating the BESF percentage. Because the
11 monthly estimate of ECR revenues collected through base rates is made by
12 multiplying BESF times total base revenues, overstating BESF results in a
13 corresponding overstatement of the estimated ECR revenues collected through base
14 rates. When estimated ECR revenues collected through base rates are overstated, the
15 monthly E(m) is correspondingly understated. As a result, LG&E's net recovery
16 position is understated. If the BESF had been calculated using total revenues, the
17 BESF would be 3.47% instead of 3.62% as filed. Applying the recalculated BESF to
18 the base rate revenues results in an under-recovery of \$483,622. As discussed later in
19 my testimony, LG&E is proposing a change in the use of BESF that will eliminate the
20 impacts from using the BESF percentage as discussed.

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

1 A. The first component is the use of the BESF percentage to estimate the amount
2 collected through base rates. In the monthly filings, the BESF percentage is used to
3 determine the amount of ECR revenue collected through base rates by applying the
4 percentage to total base rate revenues. In the review proceedings, however, the
5 billing determinants are used to determine the actual ECR revenues collected through
6 base rates. The difference between these two methodologies results in a continuous
7 mismatch between actual revenues collected and estimated revenues as reported in
8 the monthly filings. In the billing period under review, the mismatch resulted in an
9 under-recovery of \$179,166. As discussed later in my testimony, LG&E is proposing
10 a change in the use of BESF that will eliminate the impacts of using the BESF
11 percentage as discussed.

12 The second component is the use of 12-month average revenues to calculate
13 the MESF and then applying that same MESF to the actual monthly revenues. The
14 result is an over-collection during the summer months when actual revenues will
15 generally be greater than the 12-month average and an under-collection during the
16 shoulder months when actual revenues will generally be less than the 12-month
17 average. In the billing period under review, the use of 12-month average revenues
18 resulted in an under-recovery of \$1,462,454.

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

21 A. LG&E is proposing that the cumulative under-recovery of \$1,802,891 be recovered
22 over the three months following the Commission's Order in this proceeding.
23 Specifically, LG&E recommends that the Commission approve an increase to the

1 Environmental Surcharge Revenue Requirement of \$600,964 per month for the first
2 two months and \$600,963 per month for the third month, beginning in the second full
3 billing month following the Commission's Final Order in this proceeding. This
4 method is consistent with the method of implementing previous over- or under-
5 recovery positions in prior ECR review cases.

6 **Q. Should the Commission in the case approve the incorporation into LG&E's base**
7 **electric rates the environmental surcharge amounts found just and reasonable**
8 **for the two-year billing period ending April 2009?**

9 A. Yes. It is appropriate, at this time, to incorporate surcharge amounts found just and
10 reasonable for the two-year billing period ending April 2009 into electric base rates.
11 LG&E recommends that an incremental environmental surcharge amount of
12 \$5,289,981 be incorporated into base rates at the conclusion of this case. LG&E
13 determined the incremental roll-in amount of \$5,289,981 using the base-current
14 methodology, consistent with current practice and as previously approved by the
15 Commission. If approved, the total amount of environmental surcharge that will be
16 included in base rates will be \$30,945,008 upon conclusion of this proceeding.

17 **Q. If the Commission accepts LG&E's recommendation to incorporate the**
18 **proposed amount into base rates, what will be the impact on LG&E's revenue**
19 **requirement?**

20 A. The incorporation of the recommended surcharge amounts into base rates will
21 increase base rates and simultaneously reduce ECR revenues by an equal amount.
22 Therefore, there will be no impact on LG&E's revenue requirement or on LG&E's
23 total ECR revenue. In other words, the roll-in will be revenue neutral to LG&E.

1 **Q. Can improvements be made to the operation of the Environmental Cost**
2 **Recovery mechanism?**

3 A. Yes. LG&E reviews the operation of the ECR, during review cases and as a matter of
4 policy, in its ongoing efforts for continuous improvement. As a result of these
5 ongoing efforts, LG&E has identified a modification to the calculation of the ECR
6 that it is proposing for implementation following the Commission's final Order in this
7 proceeding. Specifically, LG&E is proposing to revise the calculation of the base-
8 current bill factor from a percentage method to a revenue requirement method.

9 **Q. Why is LG&E proposing a revision to the calculation of the base-current billing**
10 **factor?**

11 A. A frequently recurring issue with the ECR review cases is the significant fluctuation
12 in the cumulative over- or under-recovered balance of allowed ECR revenue
13 requirement, which typically results in true-up adjustments to the monthly
14 calculations. LG&E believes that a simple modification to the determination of the
15 monthly billing factor has the potential to significantly reduce these periodic
16 fluctuations, and further believes the modification can be implemented without
17 changing the basic structure of the monthly filing calculations in general or the base-
18 current practice in particular. Further, the modification LG&E is proposing is
19 completely consistent with the methodologies that have been followed in the periodic
20 ECR review cases beginning with Case No. 2003-00236, when LG&E began
21 presenting its cumulative over- or under-recovered position as a component of both
22 ECR billing factor revenues and ECR revenues collected through base rates.

1 With recent enhancements in reporting capabilities, LG&E can now determine
2 in a timely manner the ECR component collected through base rates. This can be
3 accomplished on a monthly basis and incorporated into the monthly filings instead of
4 waiting for a review proceeding. This change will result in more timely and accurate
5 collection of allowed ECR revenues while avoiding the potential for significant
6 swings in over- or under-collection of ECR revenues.

7 Importantly, there will be no change to the total revenues LG&E is allowed to
8 collect through the ECR as a result of this revision; only the timing and accuracy of
9 revenue collection will be impacted.

10 **Q. Please describe the Base-Current method of billing the ECR subsequent to a**
11 **base rate roll-in.**

12 **A.** LG&E implemented the Base-Current method of billing current ECR expenses in
13 Case No. 2002-00193, a two-year review of the ECR. In that proceeding, the
14 calculation to determine the Monthly Environmental Surcharge Factor (“MESF”) was
15 established by subtracting the Base Environmental Surcharge Factor (“BESF”) from
16 the Current Environmental Surcharge Factor (“CESF”). This is known as the “Base-
17 Current” methodology. All three environmental surcharge factors are based on a
18 percentage of 12 month historical revenue calculation. Since that time, both KU and
19 LG&E have consistently used the Base-Current method, using percentage of revenues
20 as the basis for all calculations, with only minor adjustments.

21 The CESF, BESF and MESF as currently defined are based on a percentage of
22 revenue for each component of the Base-Current methodology. The CESF is the net
23 jurisdictional E(m) divided by the 12-month average retail revenues (excluding ECR

1 revenues). The BESF is the ECR annual revenue requirement currently included in
2 base rates divided by 12-month base rate revenues (customer charges, energy charges
3 and demand charges) for the period immediately preceding the effective date of the
4 roll-in adjustment to base rates. The MESF is the arithmetic difference between
5 CESF and BESF and is the billing factor applied to retail bills. However, the CESF
6 and BESF are determined using different 12 month historical revenues in the
7 denominator.

8 **Q. Will you please explain the reason for LG&E's proposed modification to the**
9 **current methods?**

10 A. Yes. LG&E believes that greater accuracy and timeliness of revenue collection can
11 be achieved with a minor change to the manner in which the monthly revenue
12 requirement is determined. LG&E's proposal maintains the base-current
13 methodology, in that each month the revenue requirement to be collected from
14 customers will represent only that portion of the monthly revenue requirement above
15 the level embedded in LG&E's base rates as a result of cumulative ECR roll-ins.

16 Under the current methodology, LG&E calculates the appropriate ECR
17 revenue requirement to roll-in to base rates and the corresponding base rate change
18 needed to collect this amount of ECR revenue. This calculation is done on an
19 approximate two-year schedule. Commensurate with the determination of new base
20 rates, a BESF, representing twelve months of environmental costs to be rolled-in
21 divided by twelve month revenues, is determined. On a monthly basis, the
22 Companies calculate the CESF and adjust the CESF by the BESF to determine the

1 MESH. However, as previously mentioned, different twelve-month periods of
 2 revenues are used in the calculation of the CESF and BESF.

3 This percentage method results in accurate revenue recovery only when the
 4 environmental surcharge revenue collected through base rates is mathematically equal
 5 to the revenue that would be collected by applying the BESF to monthly revenues.

6 The following table, using February 2009 actual data, illustrates this point:
 7

(1)	Jurisdictional E(m) (actual Feb, before monthly true-up adjustment)		\$ 2,844,421
(2)	ECR Revenue Collected Through Base Rates (Actual Feb)		\$ 1,598,652
(3)	Retail Base, FAC and DSM Revenue (Actual, Feb)		\$56,125,434
(4)	BESF (Actual)		3.62%
(5)	BESF times Revenue (assumed revenue through base rates)	(3) x (4)	\$ 2,031,741
(6)	Assumed Revenue less Actual Revenue	(5) - (2)	\$ 433,089

8
 9 As shown above, the approved method of calculating the current billing factor
 10 is based on an assumption that more revenue will be collected through base rates than
 11 historically occurs. Because less revenue is collected through base rates than the
 12 amount assumed by the methodology, an understatement of the monthly billing factor
 13 (the MESF) is caused, which in turn results in an under-collection of the Company's
 14 Jurisdictional E(m).

15 **Q. Please explain the Company's proposed alternative to billing the monthly ECR.**

16 A. LG&E proposes that the determination of the environmental billing factor be
 17 modified in such a way that the monthly filings more accurately reflect the same
 18 determination of the over- or under-collected position that is used during the six-

1 month and two-year review cases. Through recent process improvements and
2 modifications to the billing system, LG&E now knows the amount of ECR revenue
3 collected through base rates in a given expense month *prior* to the filing of the ECR
4 monthly billing factor for the expense month. This eliminates the need to use a BESF
5 percentage method as an estimate of the ECR revenue collected through base rates.
6 This is so because the same calculation can be performed on a monthly basis that
7 LG&E now performs in each ECR review case.

8 The Companies propose that the monthly Net Jurisdictional E(m) (monthly
9 ECR revenue requirement) continue to be determined following current methods, but
10 eliminate the adjustment for the estimated over/under collection. This adjustment has
11 not resulted, as intended, in a reduction of the cumulative over- or under-collection
12 position presented in periodic review cases, as was its intent. LG&E believes that
13 with the implementation of the proposed modification to the monthly filings, the
14 adjustment for the estimated over/under-collection is not needed and will
15 unnecessarily complicate the monthly filing without any benefits.

16 The Net Jurisdictional E(m) revenue requirement reported on ES Form 1.10
17 will be reduced by the actual ECR revenue collected through base rates during the
18 expense month to arrive at the Net Jurisdictional E(m) to be collected through the
19 monthly billing factor applied to customer bills. The resulting Net Jurisdictional
20 E(m) divided by the average twelve month retail revenues (Jurisdictional R(m)) will
21 calculate the current billing factor (MESF) to be applied to customer bills. The
22 following table, again using actual February 2009 data, illustrates this point:

			Current		Proposed
(1)	Jurisdictional E(m)(actual Feb)*		\$ 2,844,421		\$2,844,421
(2)	Jurisdictional R(m)		\$64,867,798		\$64,867,798
(3)	Revenue Collected Through Base Rates (actual Feb)		\$ 1,598,652		\$ 1,598,652
(4)	Revenue Requirement to Collect Through Billing Factor (in April)			(1) - (3)	\$ 1,245,769
(5)	CESF*	(1) / (2)	4.38%	(4) / (2)	1.92%
(6)	BESF		3.62%		0.00%
(7)	MESF*	(5) - (6)	0.76%	(5) - (6)	1.92%
(8)	Revenue Subject to ECR (April)		\$53,620,406		\$53,620,406
(9)	Revenue Collected Through Billing Factor (April)*	(7) x (8)	\$ 407,515	(7) x (8)	\$ 1,029,512
(10)	Total Revenue Collected*	(3) + (9)	\$ 2,006,167	(3) + (9)	\$ 2,628,164
(11)	Revenue Under-collection*	(1) - (10)	\$ 838,254	(1) - (10)	\$ 216,257
* Amounts are exclusive of the adjustment for monthly true-up. Actual as-filed E(m) was \$3,205,970; actual CESF was 4.94% and actual revenue collected through billing factor was \$698,050					

2

3

4

5

6

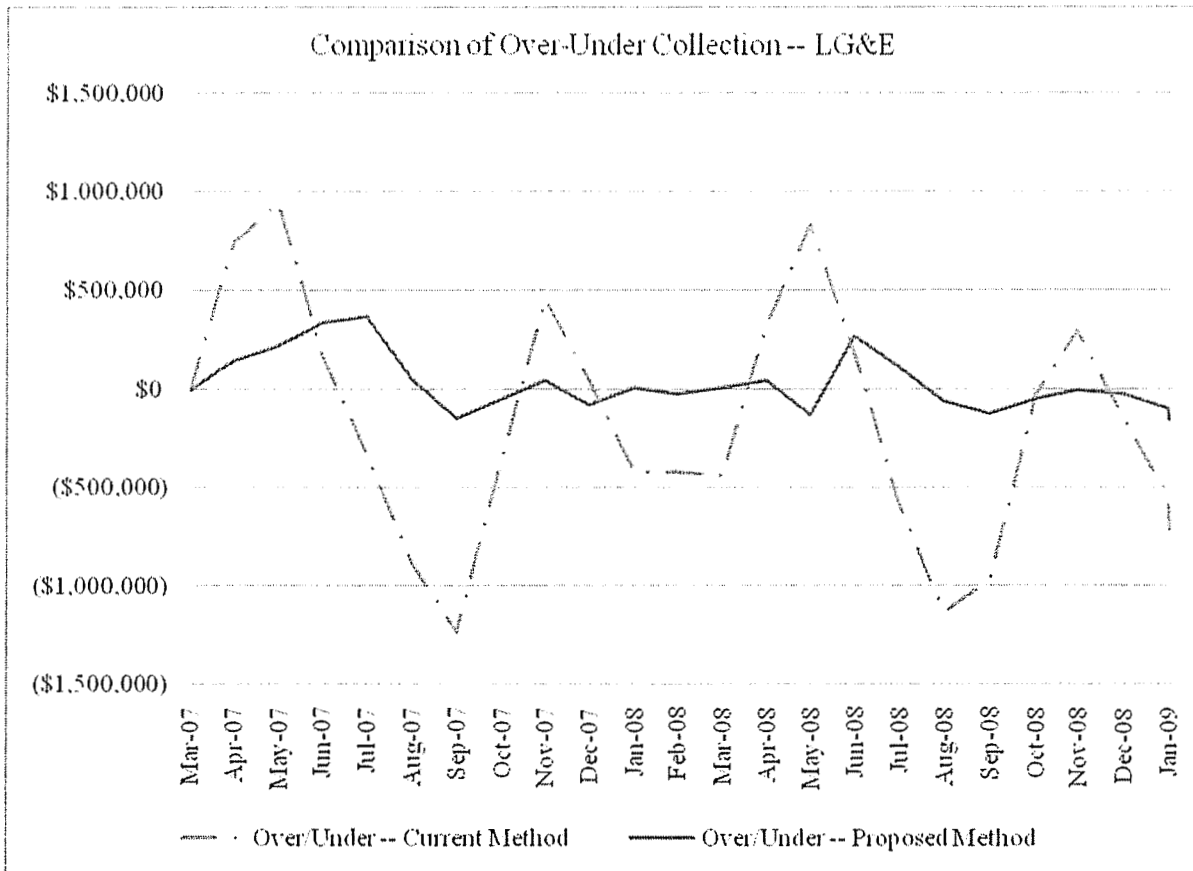
7

8

9

10

LG&E's proposed modification to the monthly filings is the same over/under calculation that LG&E uses in its six-month and two-year reviews. However, this modification allows for a more accurate and timely determination of the amount collected through base rates and minimizes the volatility from month to month of the impact to customers. The graph below illustrates the impact on LG&E's over- and under-collection of ECR revenues over the two-year period under review using the two methods of calculating the ECR monthly billing factor.



1
2
3
4
5
6
7
8
9
10
11
12

As shown by the figure above, the change in the Base - Current method from a percentage to a revenue amount mitigates the month-to-month volatility in the over- or under-collection of total ECR revenue.

Q. Will the implementation of this proposal require any revision to LG&E's monthly ECR filing forms?

A. Yes. LG&E is proposing a revision to ES Forms 1.00, 1.10 and 2.00 to reflect the proposed methodology and elimination of the CESF and BESF percentages. Please see Exhibit RMC-1 for an illustration of the modifications being proposed to the monthly filing forms. It is important to note that the change in methodology will not change the amount of environmental cost collected from customers. The two

1 methodologies, over time, are revenue neutral to customer but will temper the month-
2 to-month variance in the ECR billing factor.

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

5 A. LG&E is recommending an overall rate of return on capital of 11.18%, including the
6 currently approved 10.63% return on equity and adjusted capitalization, to be used to
7 calculate the environmental surcharge going forward upon Commission approval.
8 This is based on capitalization as of February 28, 2009 and the Settlement Agreement
9 approved by the Commission in its February 5, 2009 Order in Case No. 2008-00252.

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

11 A. LG&E makes the following recommendations to the Commission in this case:

- 12 a) The Commission should approve the proposed increase to the Environmental
13 Surcharge Revenue Requirement of \$600,964 per month for the first two
14 months and \$600,963 per month for the third month, beginning in the second
15 full billing month following the month in which the Commission issues its
16 Final Order in this Proceeding;
- 17 b) The Commission should determine environmental surcharge amounts for the
18 two-year billing period ending April 30, 2009 to be just and reasonable;
- 19 c) LG&E's proposed incremental roll-in amount of \$5,289,981 should be
20 approved as the incremental amount to be incorporated into base electric rates
21 for bills rendered on and after the second full billing month following the
22 month in which the Commission issues its Final Order in this Proceeding;

1 d) The Commission should (1) approve the proposed methodology to calculate
2 the revenue requirement using actual ECR revenues collected through base
3 rates, (2) eliminate the use of the BESF percentage, (3) eliminate the monthly
4 true-up, and (4) approve LG&E's proposed revisions to ES Forms 1.00, 1.10
5 and 2.00 beginning with the second full billing month following the month in
6 which the Commission issues its Final Order in this Proceeding; and

7 e) The Commission should approve the use of an overall rate of return on capital
8 of 11.18% using a return on equity of 10.63% beginning in the second full
9 billing month following the month in which the Commission issues its Final
10 Order in this Proceeding.

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

12 A. Yes.

APPENDIX A

Robert M. Conroy

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

Education

Masters of Business Administration
Indiana University (Southeast campus), December 1998. GPA: 3.9.
Bachelor of Science in Electrical Engineering;
Rose Hulman Institute of Technology, May 1987. GPA: 3.3

Essentials of Leadership, London Business School, 2004.

Center for Creative Leadership, Foundations in Leadership program, 1998.

Registered Professional Engineer in Kentucky, 1995.

Previous Positions

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

Professional/Trade Memberships

Registered Professional Engineer in Kentucky, 1995.

ES FORM 1.00

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

**Net Jurisdictional E(m) and
Jurisdictional Environmental Surcharge Billing Factor
For the Expense Month of**

Net Jurisdictional E(m) = Jurisdictional E(m) less Expense Month Revenue Collected Through Base Rates -- ES Form 1.10, line 13	=	\$	-
Jurisdictional Environmental Surcharge Billing Factor -- ES Form 1.10, line 15	=		0.00%

Effective Date for Billing: billing cycle beginning

Submitted by: _____

Title: Director, Rates

Date Submitted:

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

Calculation of Total E(m) and
Jurisdictional Surcharge Billing Factor

For the Expense Month of

Calculation of Total E(m)

$E(m) = [(RB / 12) (ROR + (ROR - DR)(TR / (1 - TR)))] + OE - BAS$, where
 RB = Environmental Compliance Rate Base
 ROR = Rate of Return on the Environmental Compliance Rate Base
 DR = Debt Rate (both short-term and long-term debt)
 TR = Composite Federal & State Income Tax Rate
 OE = Pollution Control Operating Expenses
 BAS = Total Proceeds from By-Product and Allowance Sales

		Environmental Compliance Plans	
(1)	RB	= \$	-
(2)	RB / 12	=	-
(3)	$(ROR + (ROR - DR) (TR / (1 - TR)))$	=	11.18%
(4)	OE	=	-
(5)	BAS	=	-
(6)	E(m)	= \$	-
			$(2) \times (3) + (4) - (5)$

Calculation of Jurisdictional Environmental Surcharge Billing Factor

(7)	Jurisdictional Allocation Ratio for Expense Month -- ES Form 3.00	=	0.00%
(8)	Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio [(6) x (7)]	= \$	-
(9)	Adjustment for (Over)/Under-collection pursuant to Case No. xxxx-xxxxx	=	-
(10)	Prior Period Adjustment (if necessary)	=	-
(11)	Adjusted Jurisdictional E(m) [(8) + (9) + (10)]	=	-
(12)	Revenue Collected through Base Rates	= \$	-
(13)	Net Jurisdictional E(m) = Jurisdictional E(m) less Expense Month Revenue Collected Through Base Rates [(11) - (12)]	= \$	-
(14)	Jurisdictional R(m) = Average Monthly Jurisdictional Revenue for the 12 Months Ending with the Current Expense Month -- ES Form 3.00	= \$	-
(15)	Jurisdictional Environmental Surcharge Billing Factor [(13) ÷ (14)]	=	0.00%

ES FORM 2.00

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
 Revenue Requirements of Environmental Compliance Costs
 For the Expense Month of

Determination of Environmental Compliance Rate Base

	Environmental Compliance Plan	
Eligible Pollution Control Plant	\$ -	
Eligible Pollution CWIP Excluding AFUDC	-	
Subtotal		\$ -
Additions:		
Inventory - Emission Allowances per ES Form 2.31, 2.32 and 2.33	-	
Cash Working Capital Allowance	-	
Deferred Debit Balance -- Mill Creek Ash Dredging	-	
Subtotal		-
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	-	
Pollution Control Deferred Income Taxes	-	
Subtotal		-
Environmental Compliance Rate Base		\$ -

Determination of Pollution Control Operating Expenses

	Environmental Compliance Plan
Monthly Operations & Maintenance Expense	\$ -
Monthly Depreciation & Amortization Expense	-
less investment tax credit amortization	-
Monthly Property and Other Applicable Taxes	-
Monthly Insurance Expense	-
Monthly Emission Allowance Expense from ES Form 2.31, 2.32 and 2.33	-
Monthly Permitting Fees	-
Amortization of Monthly Mill Creek Ash Dredging	-
Less : Operating Expenses Associated with Retirements or Replacements	-
Occuring Since Last Roll-In of Surcharge into Existing Rates	-
Total Pollution Control Operations Expense	\$ -

Proceeds From By-Product and Allowance Sales

	Total Proceeds	Amount in Base Rates	Net Proceeds
	(1)	(2)	(1) - (2)
Allowance Sales			\$ -
Scrubber By-Products Sales			\$ -
Total Proceeds from Sales			\$ -

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 TWO-YEAR)	2009-00311
BILLING PERIOD ENDING APRIL 30, 2009)	

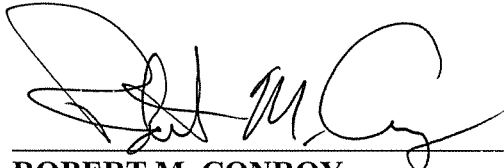
RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
INFORMATION REQUESTED IN
APPENDIX B OF COMMISSION'S ORDER
DATED AUGUST 18, 2009

FILED: September 15, 2009

VERIFICATION

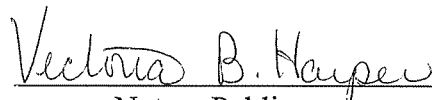
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is the Director - Rates for E.ON U.S. Services Inc., 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 11th day of September, 2009.

 (SEAL)

Notary Public

My Commission Expires:

Sept 20, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Shannon L. Charnas**, being duly sworn, deposes and says that she is the Director, Utility Accounting and Reporting for E.ON U.S. Services Inc., that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

Shannon L. Charnas
SHANNON L. CHARNAS

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 15th day of September 2009.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated August 18, 2009**

Case No. 2009-00311

Question No. 1

Witness: Robert M. Conroy / Shannon L. Charnas

Q-1. Concerning the rate of return on the four amendments to the environmental compliance plan, for the period under review, calculate any true-up adjustment needed to recognize changes in LG&E's cost of debt, preferred stock, accounts receivable financing (if applicable), or jurisdictional capital structure. Include all assumptions and other supporting documentation used to make this calculation. Any true-up adjustment is to be included in the determination of the over- or under-recovery of the surcharge for the corresponding billing period under review.

A-1. Please see the attachment.

LG&E calculated the true-up adjustment to recognize changes in the cost of debt and capital structure in two steps, shown on Pages 1 and 2 of the attachment to this response. Page 1 reflects the true-up required due to the changes between the Rate Base as filed and the Rate Base as Revised through the Monthly Filings. However, during the period under review there were no revisions to reflect. Page 2 represents the true-up in the Rate of Return as filed compared to the actual Rate of Return calculations. No further revisions to Rate Base were identified during this review period for the billing months of November 2008 through April 2009.

Revisions to the previous six-month review periods included in this two-year review were calculated in Case Nos. 2008-00217 (billing periods ending October 31, 2007 and April 30, 2008) and 2008-00549 (billing period ending October 31, 2008). The true-up adjustments were included in the monthly filings consistent with the Commission's final Orders in each case.

Pages 3 and 4 provide the adjusted weighted average cost of capital as of April 30, 2009 utilizing a 10.50% ROE (for the expense months of Sept. 2008 through Jan. 2009) and a 10.63% ROE (for the expense month of Feb. 2009), respectively.

LG&E did not engage in accounts receivable financing or have any preferred stock 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 00	Jurisdictional True up Adjustment
					(5) - (4)	(3) * (6) / 12		(7) * (8)
May-07	Mar-07	11.23%	\$ 220,837,798	\$ 220,837,798	\$ -	\$ -	78.33%	\$ -
Jun-07	Apr-07	11.23%	220,919,210	220,919,210	-	-	82.96%	-
Jul-07	May-07	11.23%	221,275,304	221,275,304	-	-	82.23%	-
Aug-07	Jun-07	11.23%	221,398,435	221,398,435	-	-	86.94%	-
Sep-07	Jul-07	11.23%	221,632,552	221,632,552	-	-	87.22%	-
Oct-07	Aug-07	11.23%	221,638,766	221,638,766	-	-	88.82%	-
						\$ -		\$ -
Nov-07	Sep-07	11.23%	\$ 222,307,180	\$ 222,307,180	\$ -	\$ -	92.01%	\$ -
Dec-07	Oct-07	11.23%	222,631,344	222,631,344	-	-	82.98%	-
Jan-08	Nov-07	11.23%	224,035,526	224,035,526	-	-	83.52%	-
Feb-08	Dec-07	11.23%	227,520,634	227,520,634	-	-	76.42%	-
Mar-08	Jan-08	11.23%	228,186,714	228,186,714	-	-	77.48%	-
Apr-08	Feb-08	11.23%	229,210,175	229,210,175	-	-	84.49%	-
						\$ -		\$ -
May-08	Mar-08	11.14%	\$ 230,945,310	\$ 230,945,310	\$ -	\$ -	76.23%	\$ -
Jun-08	Apr-08	11.14%	232,485,247	232,485,247	-	-	81.60%	-
Jul-08	May-08	11.14%	235,277,192	235,277,192	-	-	72.11%	-
Aug-08	Jun-08	11.14%	237,834,327	237,834,327	-	-	79.71%	-
Sep-08	Jul-08	11.14%	239,210,977	239,210,977	-	-	83.09%	-
Oct-08	Aug-08	11.49%	241,274,724	241,274,724	-	-	87.41%	-
						\$ -		\$ -
Nov-08	Sep-08	11.49%	\$ 241,851,374	\$ 241,851,374	\$ -	\$ -	78.92%	\$ -
Dec-08	Oct-08	11.49%	241,830,839	241,830,839	-	-	67.10%	-
Jan-09	Nov-08	11.49%	240,967,720	240,967,720	-	-	61.82%	-
Feb-09	Dec-08	11.49%	242,211,645	242,211,645	-	-	70.27%	-
Mar-09	Jan-09	11.49%	242,049,061	242,049,061	-	-	79.27%	-
Apr-09	Feb-09	10.98%	241,886,176	241,886,176	-	-	82.64%	-
						\$ -		\$ -
Impact of Change in Rate Base during the six-month billing period ending April 30, 2009						\$ -		\$ -
Cumulative Impact of Changes in Rate Base						\$ -		\$ -

Note: The billing periods ending October 31, 2007 and April 30, 2008 were reviewed in Case No. 2008-00217. No true-up adjustments were required.
 The billing period ending October 31, 2008 was reviewed in Case No. 2008-00549. No true-up adjustments were required.

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 1.00	Jurisdictional True up Adjustment
				(4) - (3)		(5) * (6) / 12		(7) * (8)
May-07	Mar-07	11.23%	10.89%	-0.34%	\$ 220,837,798	(62,571)	78.33%	(49,012)
Jun-07	Apr-07	11.23%	10.89%	-0.34%	220,919,210	(62,594)	82.96%	(51,928)
Jul-07	May-07	11.23%	10.89%	-0.34%	221,275,304	(62,695)	82.23%	(51,554)
Aug-07	Jun-07	11.23%	10.89%	-0.34%	221,398,435	(62,730)	86.94%	(54,537)
Sep-07	Jul-07	11.23%	10.89%	-0.34%	221,632,552	(62,796)	87.22%	(54,771)
Oct-07	Aug-07	11.23%	10.89%	-0.34%	221,638,766	(62,798)	88.82%	(55,777)
						(376,182)		(317,578)
Nov-07	Sep-07	11.23%	11.16%	-0.07%	\$ 222,307,180	(12,968)	92.01%	(11,932)
Dec-07	Oct-07	11.23%	11.16%	-0.07%	222,631,344	(12,987)	82.98%	(10,776)
Jan-08	Nov-07	11.23%	11.16%	-0.07%	224,035,526	(13,069)	83.52%	(10,915)
Feb-08	Dec-07	11.23%	11.16%	-0.07%	227,520,634	(13,272)	76.42%	(10,142)
Mar-08	Jan-08	11.23%	11.16%	-0.07%	228,186,714	(13,311)	77.48%	(10,313)
Apr-08	Feb-08	11.23%	11.16%	-0.07%	229,210,175	(13,371)	84.49%	(11,297)
						(78,977)		(65,376)
May-08	Mar-08	11.14%	10.97%	-0.17%	\$ 230,945,310	(32,717)	76.23%	(24,940)
Jun-08	Apr-08	11.14%	10.97%	-0.17%	232,485,247	(32,935)	81.60%	(26,875)
Jul-08	May-08	11.14%	10.97%	-0.17%	235,277,192	(33,331)	72.11%	(24,035)
Aug-08	Jun-08	11.14%	10.97%	-0.17%	237,834,327	(33,693)	79.71%	(26,857)
Sep-08	Jul-08	11.14%	10.97%	-0.17%	239,210,977	(33,888)	83.09%	(28,158)
Oct-08	Aug-08	11.49%	10.97%	-0.52%	241,274,724	(104,552)	87.41%	(91,389)
						(271,117)		(222,254)
Nov-08	Sep-08	11.49%	11.01%	-0.48%	\$ 241,851,374	(96,741)	78.92%	(76,348)
Dec-08	Oct-08	11.49%	11.01%	-0.48%	241,830,839	(96,732)	67.10%	(64,907)
Jan-09	Nov-08	11.49%	11.01%	-0.48%	240,967,720	(96,387)	61.82%	(59,586)
Feb-09	Dec-08	11.49%	11.01%	-0.48%	242,211,645	(96,885)	70.27%	(68,081)
Mar-09	Jan-09	11.49%	11.01%	-0.48%	242,049,061	(96,820)	79.27%	(76,749)
Apr-09	Feb-09	10.98%	11.12%	0.14%	241,886,176	28,220	82.64%	23,321
				Impact of Change in Rate of Return during the six-month billing period ending April 30, 2009		(455,344)		(322,350)
Cumulative Impact of Changes in Rate of Return						\$ (1,181,621)		\$ (927,558)

Note: The billing periods ending October 31, 2007 and April 30, 2008 were reviewed in Case No. 2008-00217. The true-up adjustments for those billing periods were included in the monthly filings consistent with the Commission's final Order.
The billing period ending October 31, 2008 was reviewed in Case No. 2008-00549. The true-up adjustment for this period was included in the monthly filings consistent with the Commission's final Order.

LOUISVILLE GAS AND ELECTRIC COMPANY

Adjusted Electric Rate of Return on Common Equity
at April 30, 2009 (using a 10.50% ROE)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Per Books 04-30-09	Capital Structure	Electric Rate Base Percentage	Electric Capitalization (Col 1 x Col 3)	Adjustments to Capitalization (Col 17)	Adjusted Electric Capitalization (Col 4 + Col 5)	Adjusted Capital Structure	Annual Cost Rate	Cost of Capital (Col 8 x Col 9)
1. Short Term Debt	\$ 132,010,400	5.90%	79.67%	\$ 105,172,686	\$ 1,310,693	\$ 106,483,379	5.90%	0.55%	0.03%
2. Long Term Debt	896,104,000	40.06%	79.67%	713,926,057	8,899,379	722,825,436	40.06%	5.03%	2.02%
3. Common Equity	1,208,670,013	54.04%	79.67%	962,947,399	12,005,054	974,952,453	54.04%	10.50%	5.67%
4. Total Capitalization	<u>\$ 2,236,784,413</u>	<u>100.00%</u>		<u>\$ 1,782,046,142</u>	<u>\$ 22,215,126</u>	<u>\$ 1,804,261,268</u>	<u>100.00%</u>		<u>7.72%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect (ROR + (ROR - DR) x (TR / (1 - TR)))									11.01%

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
	Capitalization (Col 4)	Capital Structure (11)	Trumble County Inventories (a) (Col 11 x Col 12 Line 4)	Investments in OVEC (Col 11 x Col 13 Line 4)	JDIC (Col 11 x Col 14 Line 4)	Environmental Surcharge (Net of ECR Roll-in) (Col 11 x Col 15 Line 4)	Advanced Coal Investment Tax Credit (b) (Col 11 x Col 16 Line 4)	Total Adjustments To Capital (17)
1. Short Term Debt	\$ 105,172,686	5.90%	\$ (228,056)	\$ (35,063)	\$ 1,672,624	\$ (1,338,579)	\$ 1,239,767	\$ 1,310,693
2. Long Term Debt	713,926,057	40.06%	(1,548,463)	(238,071)	11,356,831	(9,088,722)	8,417,804	8,899,379
3. Common Equity	962,947,399	54.04%	(2,088,840)	(321,152)	15,320,098	(12,260,472)	11,355,420	12,005,054
4. Total Capitalization	<u>\$ 1,782,046,142</u>	<u>100.00%</u>	<u>\$ (3,865,359)</u>	<u>\$ (594,286)</u>	<u>\$ 28,349,553</u>	<u>\$ (22,687,773)</u>	<u>\$ 21,012,991</u>	<u>\$ 22,215,126</u>

(a) Trumble County Inventories @ April 30, 2009

Stores	\$ 4,462,144
Stores Expense	639,635
Coal	9,963,820
Limestone	168,093
Fuel Oil	226,131
Emission Allowances	1,612
Total Trumble County Inventories	<u>\$ 15,461,435</u>
Multiplied by Disallowed Portion	25.00%
Trumble County Inv. Disallowed	<u>\$ 3,865,359</u>

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

LOUISVILLE GAS AND ELECTRIC COMPANY

**Adjusted Electric Rate of Return on Common Equity
at April 30, 2009 (using a 10.63% ROE)**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Per Books 04-30-09	Capital Structure	Electric Rate Base Percentage	Electric Capitalization (Col 4 x Col 3)	Adjustments to Capitalization (Col 5)	Adjusted Electric Capitalization (Col 4 + Col 5)	Adjusted Capital Structure	Annual Cost Rate	Cost of Capital (Col 8 x Col 9)
ELECTRIC									
1. Short Term Debt	\$ 132,010,400	5.90%	79.67%	\$ 105,172,686	\$ 1,310,693	\$ 106,483,379	5.90%	0.55%	0.03%
2. Long Term Debt	896,104,000	40.06%	79.67%	713,926,057	8,899,379	722,825,436	40.06%	5.03%	2.02%
3. Common Equity	1,208,670,013	54.04%	79.67%	962,947,399	12,005,054	974,952,453	54.04%	10.63%	5.74%
4. Total Capitalization	<u>\$ 2,236,784,413</u>	<u>100.00%</u>		<u>\$ 1,782,046,142</u>	<u>\$ 22,215,126</u>	<u>\$ 1,804,261,268</u>	<u>100.00%</u>		<u>7.79%</u>
5. Weighted Cost of Capital Grossed up for Income Tax Effect (ROE + (ROE - DR) x [TR / (1 - TR)])									11.12%

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
	Capitalization (Col 4)	Capital Structure	Trimble County Inventories (a) (Col 11 x Col 12 Lmt +)	Investments in OVEC (Col 11 x Col 13 Lmt +)	JDIC (Col 11 x Col 14 Lmt +)	Environmental Surcharge (Net of ECR Roll-in) (Col 11 x Col 15 Lmt +)	Advanced Coal Investment Tax Credit (b) (Col 11 x Col 16 Lmt +)	Total Adjustments To Capital (17)
ELECTRIC								
1. Short Term Debt	\$ 105,172,686	5.90%	\$ (228,056)	\$ (35,063)	\$ 1,672,624	\$ (1,336,579)	\$ 1,239,767	\$ 1,310,693
2. Long Term Debt	713,926,057	40.06%	(1,548,463)	(238,071)	11,356,831	(9,088,722)	8,417,804	8,899,379
3. Common Equity	962,947,399	54.04%	(2,088,840)	(321,152)	15,320,098	(12,260,472)	11,355,420	12,005,054
4. Total Capitalization	<u>\$ 1,782,046,142</u>	<u>100.00%</u>	<u>\$ (3,865,359)</u>	<u>\$ (594,286)</u>	<u>\$ 28,349,553</u>	<u>\$ (22,687,773)</u>	<u>\$ 21,012,991</u>	<u>\$ 22,215,126</u>

(a) Trimble County Inventories @ April 30, 2009

Stores	\$ 4,462,144
Stores Expense	639,635
Coal	9,963,820
Limestone	168,093
Fuel Oil	226,131
Emission Allowances	1,612
Total Trimble County Inventories	<u>\$ 15,461,435</u>
Multipled by Disallowed Portion	25.00%
Trimble County Inv. Disallowed	<u>\$ 3,865,359</u>

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

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated August 18, 2009**

Case No. 2009-00311

Question No. 2

Witness: Robert M. Conroy

- Q-2. Prepare a summary schedule showing the calculation of Total E(m), Net Retail E(m), and the surcharge factor for the expense months covered by the applicable billing period. Include the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included in the billing period under review. The summary schedule is to incorporate all corrections and revisions to the monthly surcharge filings LG&E has submitted during the billing period under review. Include a calculation of any additional over- or under-recovery amount LG&E believes needs to be recognized for the six-month review or the two-year review. Include all supporting calculations and documentation for any such additional over-or under- recovery.
- A-2. Please see the attachment to this response for the summary schedule of the two-year billing period ending April 30, 2009 and cumulative components which make up the net under-recovery of \$1,802,891 for the six-month billing period ending April 30, 2009.

The net under-recovery amounts occurring in the previous six-month review periods included in this two-year review were calculated in Case Nos. 2008-00217 (billing periods ending October 31, 2007 and April 30, 2008) and 2008-00549 (billing period ending October 31, 2008). The under-recovery amounts were included in the monthly filings consistent with the Commission's final Orders in each case.

(1) Expense Month	(2) Rate Base as Revised	(3) Monthly Rate Base as Revised	(4) Rate of Return as Revised	(5) Operating Expenses (net of allowance)	(6) Total E(m)	(7) Retail Allocation Ratio	(8) Retail E(m)	Comments: As Revised in This Review
	ES Form 2.00	(2) / 12		ES Form 2.00	(3) * (4) + (5)	ES Form 1.10	(6) * (7)	
Mar-07 \$	220,837,798	18,403,150	10.89%	437,420	2,441,523	78.33%	1,912,445	
Apr-07	220,919,210	18,409,934	10.89%	890,215	2,895,057	82.96%	2,401,739	
May-07	221,275,304	18,439,609	10.89%	972,070	2,980,143	82.23%	2,450,572	
Jun-07	221,398,435	18,449,870	10.89%	1,042,248	3,051,439	86.94%	2,652,921	
Jul-07	221,632,552	18,469,379	10.89%	1,078,093	3,089,408	87.22%	2,694,582	
Aug-07	221,638,766	18,469,897	10.89%	983,829	2,995,201	88.82%	2,660,337	
Sep-07 \$	222,307,180	18,525,598	11.16%	1,029,350	3,096,807	92.01%	2,849,372	
Oct-07	222,631,344	18,552,612	11.16%	790,668	2,861,139	82.98%	2,374,174	
Nov-07	224,035,526	18,669,627	11.16%	789,972	2,873,502	83.52%	2,399,949	
Dec-07	227,520,634	18,960,053	11.16%	864,435	2,980,377	76.42%	2,277,604	
Jan-08	228,186,714	19,015,560	11.16%	844,587	2,966,723	77.48%	2,298,617	
Feb-08	229,210,175	19,100,848	11.16%	842,460	2,974,115	84.49%	2,512,829	
Mar-08 \$	230,945,310	19,245,443	10.97%	648,928	2,760,153	76.23%	2,104,065	
Apr-08	232,485,247	19,373,771	10.97%	1,055,430	3,180,733	81.60%	2,595,478	
May-08	235,277,192	19,606,433	10.97%	1,320,334	3,471,160	72.11%	2,503,053	
Jun-08	237,834,327	19,819,527	10.97%	1,456,418	3,630,620	79.71%	2,893,967	
Jul-08	239,210,977	19,934,248	10.97%	1,404,689	3,591,476	83.09%	2,984,157	
Aug-08	241,274,724	20,106,227	10.97%	1,224,183	3,429,836	87.41%	2,998,020	
Sep-08 \$	241,851,374	20,154,281	11.01%	1,346,046	3,565,032	78.92%	2,813,524	
Oct-08	241,830,839	20,152,570	11.01%	944,520	3,163,318	67.10%	2,122,586	
Nov-08	240,967,720	20,080,643	11.01%	886,127	3,097,006	61.82%	1,914,569	
Dec-08	242,211,645	20,184,304	11.01%	1,241,809	3,464,101	70.27%	2,434,224	
Jan-09	242,049,061	20,170,755	11.01%	1,042,834	3,263,634	79.27%	2,587,083	
Feb-09	241,886,176	20,157,181	11.12%	1,228,684	3,470,163	82.64%	2,867,742	

Note: The billing periods ending October 31, 2007 and April 30, 2008 were reviewed in Case No. 2008-00217. No further revisions were required in the review.
 The billing period ending October 31, 2008 was reviewed in Case No. 2008-00549. No further revisions were required in the review.

Louisville Gas & Electric Company
Calculation of E(m) and Jurisdictional Surcharge Billing Factor
Summary Schedule for Expense Months March 2007 through November 2009

(1) Expense Month	(2) Retail E(m)	(3) Adjustment to Retail E(m) for Monthly True up	(4) Adjustment to Retail E(m) for Under-Collection Case Nos. 2006-00130 2007 00380 2008-00217	(5) Retail E(m) Including all Adjustments	(6) Average Monthly Retail Revenues	(7) Current Environmental Surcharge Factor (CESF) (5)/(6)	(8) Base Environmental Surcharge Factor (BESF)	(9) Monthly Environmental Surcharge Factor (MESF) (7)-(8)	(10) ECR Billing Factor Revenues	(11) ECR Revenue Recovered Through Base Rates	(12) Combined Total Over/(Under) Recovery	
Mar-07	1,912,445		576,005	2,488,450	58,872,829	4.23%	3.39%	0.84%	718,773	1,813,355	43,679	
Apr-07	2,401,739		576,005	2,977,744	59,240,731	5.03%	3.39%	1.64%	1,616,567	2,156,011	794,833	
May-07	2,450,572		576,005	3,026,577	59,739,102	5.07%	3.39%	1.68%	1,688,880	2,328,112	990,415	
Jun-07	2,652,921		576,005	3,228,926	60,543,994	5.33%	3.39%	1.94%	941,268	2,510,724	223,066	
Jul-07	2,694,582		576,005	3,270,588	61,140,690	5.35%	3.39%	1.96%	597,810	2,399,443	(273,334)	
Aug-07	2,660,337		576,005	3,236,343	61,674,085	5.25%	3.39%	1.86%	384,007	2,022,118	(830,218)	
Sep-07									5,947,304	13,229,764	948,440	
Oct-07												
Sep-07	2,849,372		576,006	3,425,378	63,078,813	5.43%	3.39%	2.04%	489,473	1,717,278	(1,218,628)	
Oct-07	2,374,174		576,006	2,950,180	64,073,639	4.60%	3.39%	1.21%	805,226	1,810,971	(333,982)	
Nov-07	2,399,949		576,006	2,975,955	64,442,120	4.62%	3.39%	1.23%	1,433,665	2,007,558	465,268	
Dec-07	2,277,604		576,006	2,853,610	64,652,125	4.41%	3.39%	1.02%	1,013,332	1,893,625	53,346	
Jan-08	2,298,617		576,006	2,298,617	65,652,037	3.50%	3.39%	0.11%	44,895	1,838,284	(415,438)	
Feb-08	2,512,829		576,006	2,512,829	66,156,852	3.80%	3.39%	0.41%	424,236	1,677,262	(411,331)	
Mar-08									4,210,827	10,944,978	(1,860,764)	
Apr-08												
Mar-08	2,104,065		209,987	2,314,052	66,273,489	3.49%	3.62%	-0.13%	189,132	1,710,336	(414,583)	
Apr-08	2,595,478		209,987	2,805,465	66,350,875	4.23%	3.62%	0.61%	1,030,406	2,125,384	350,325	
May-08	2,503,053		209,987	2,713,040	66,032,741	4.11%	3.62%	0.49%	1,160,679	2,403,522	851,160	
Jun-08	2,893,967		209,987	3,103,954	65,851,834	4.71%	3.62%	1.09%	842,640	2,466,595	205,281	
Jul-08	2,984,157		228,081	2,984,157	65,967,443	4.52%	3.62%	0.90%	116,583	2,310,965	(556,609)	
Aug-08	2,998,020		228,081	3,226,101	66,012,146	4.89%	3.62%	1.27%	308,766	1,873,222	(1,044,112)	
Sep-08									3,648,205	12,890,025	(608,538)	
Oct-08												
Sep-08	2,813,524		228,081	3,041,605	65,524,135	4.64%	3.62%	1.02%	410,730	1,733,033	(897,842)	
Oct-08	2,122,586		228,081	2,350,667	65,198,971	3.61%	3.62%	-0.01%	434,087	1,952,883	36,302	
Nov-08	1,914,569		228,081	2,142,650	65,324,695	3.28%	3.62%	0.10%	427,174	2,068,646	353,170	
Dec-08	2,434,224		-	2,434,224	65,376,605	3.72%	3.62%	0.36%	413,484	1,937,007	(83,733)	
Jan-09	2,587,083		-	2,587,083	65,011,287	3.98%	3.62%	0.80%	395,266	1,718,397	(473,420)	
Feb-09	2,867,742		-	2,867,742	64,867,798	4.42%	3.62%	0.80%	531,722	1,598,652	(737,369)	
Mar-09									2,612,463	11,008,617	(1,802,891)	
Apr-09												
Grand Total										\$ 16,418,800	\$ 48,073,384	\$ (3,323,753)

Note: The billing periods ending October 31, 2007 and April 30, 2008 were reviewed in Case No. 2008-00217. The net under recovery amount was included in the monthly filings consistent with the Commission's final Order. The billing period ending October 31, 2008 was reviewed in Case No. 2008-00549. The under-recovery amount was included in the monthly filings consistent with the Commission's final Order.

Louisville Gas & Electric Company
Reconciliation of Combined Over/(Under) Recovery
Summary Schedule for Expense Months September 2008 through February 2009

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Billing Month	Expense Month	Rate of Return as Filed	Rate of Return as Revised	Change in Rate of Return (3) - (4)	Rate Base as Revised	Impact of change in Rate of Return (5) * (6) / 12	Jurisdictional Allocation, ES Form 1 00	Jurisdictional Impact (7) * (8)
Nov-08	Sep-08	11.49%	11.01%	0.48%	\$ 241,851,374	96,741	78.92%	76,348
Dec-08	Oct-08	11.49%	11.01%	0.48%	241,830,839	96,732	67.10%	64,907
Jan-09	Nov-08	11.49%	11.01%	0.48%	240,967,720	96,387	61.82%	59,586
Feb-09	Dec-08	11.49%	11.01%	0.48%	242,211,645	96,885	70.27%	68,081
Mar-09	Jan-09	11.49%	11.01%	0.48%	242,049,061	96,820	79.27%	76,749
Apr-09	Feb-09	10.98%	11.12%	-0.14%	241,886,176	(28,220)	82.64%	(23,321)
Cumulative Impact of Changes in Rate of Return						\$ 455,344		\$ 322,350

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		Base Rate Revenues (from ES Form 3 00)	As filed BESF * Base Rates (from ES Form 2 00)	Actual ECR Base Rates (Q2, pg 2, Col 11)	As Filed BESF (from ES Form 1 00)	Recalculated BESF	Recalc BESF * Base Rates (3) * (7)	Recalculated Difference (8) - (4)	BESF % Difference (5) - (8)
Nov-08	Sep-08	51,128,688	1,850,859	1,733,033	3.62%	3.47%	1,774,165	(76,693)	(41,133)
Dec-08	Oct-08	57,953,763	2,097,926	1,952,883	3.62%	3.47%	2,010,996	(86,931)	(58,113)
Jan-09	Nov-08	60,876,805	2,203,740	2,068,646	3.62%	3.47%	2,112,425	(91,315)	(43,779)
Feb-09	Dec-08	56,125,434	2,031,741	1,937,007	3.62%	3.47%	1,947,553	(84,188)	(10,546)
Mar-09	Jan-09	48,018,179	1,738,258	1,718,397	3.62%	3.47%	1,666,231	(72,027)	52,166
Apr-09	Feb-09	48,311,610	1,748,880	1,598,652	3.62%	3.47%	1,676,413	(72,467)	(77,761)
		322,414,479	11,671,404	11,008,617			11,187,782	(483,622)	(179,166)
		Actual Base Rate Collections	11,008,617		Actual Base Rate Collections		11,008,617		
			(662,787)				(179,166)		

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Recovery Position Explanation - Over/(Under)						
Billing Month	Expense Month	Combined Total Over/(Under) Recovery (Q2, pg 2, Col 12)	ROR Trueup	BESF Calculation Differences	Use of BESF %	Use of 12 Month Average Revenues
Nov-08	Sep-08	(897,842)	76,348	(76,693)	(41,133)	(856,364)
Dec-08	Oct-08	36,302	64,907	(86,931)	(58,113)	116,438
Jan-09	Nov-08	353,170	59,586	(91,315)	(43,779)	428,678
Feb-09	Dec-08	(83,733)	68,081	(84,188)	(10,546)	(57,080)
Mar-09	Jan-09	(473,420)	76,749	(72,027)	52,166	(530,308)
Apr-09	Feb-09	(737,369)	(23,321)	(72,467)	(77,761)	(563,819)
		(1,802,891)	322,350	(483,622)	(179,166)	(1,462,454)

OVER/(UNDER) RECONCILIATION	
Combined Over/(Under) Recovery	(1,802,891)
Due to BESF Calculation Differences	(483,622)
Due to use of BESF %	(179,166)
Due to Change in ROR	322,350
Use of 12 Month Average Revenues	(1,462,454)
Subtotal	(1,802,891)
Unreconciled Difference	-

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated August 18, 2009**

Case No. 2009-00311

Question No. 3

Witness: Shannon L. Charnas

Q-3. Provide the calculations, assumptions, workpapers, and other supporting documents used to determine the amounts LG&E has reported for Pollution Control Deferred Income Taxes during the billing period under review.

A-3. LG&E calculates Deferred Income Taxes as the taxable portion of the difference between book depreciation, using straight line depreciation, and tax depreciation, generally using 20 year MACRS accelerated depreciation or 5 or 7 year rapid amortization. Accelerated depreciation results in a temporary tax savings to the Company and the Accumulated Deferred Tax balance reflects the value of those temporary savings as a reduction to environmental rate base.

See the attachment for the calculation of Deferred Income Taxes and the balance of Accumulated Deferred Income Taxes reported each month of the review period.

In 2007, LG&E filed a depreciation study with the Kentucky Commission (Case No. 2007-00564). In 2008, the Kentucky Commission issued an Order consolidating the depreciation study case with the base rate case (Case No. 2008-00252). On February 5, 2009, the Kentucky Commission approved the rate case settlement agreement that established new book depreciation rates that went into effect in February 2009, resulting in the change in that month's expense shown in the attached schedules.

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

2001 Plan
 Project 6 -- NOx

Month	Plant Balance	Book		Tax	Difference	Income Tax Rate	Deferred Tax	Accumulated		Deferred Taxes on Retirements
		Depreciation	Depreciation					Deferred Taxes	Retirements	
Mar-07	191,016,859	445,742	965,323	965,323	519,581	38.9000%	202,117	8,537,127	1,053,265	
Apr-07	191,016,859	445,742	965,323	965,323	519,581	38.9000%	202,117	8,739,244	1,053,265	
May-07	191,016,859	445,742	965,323	965,323	519,581	38.9000%	202,117	8,941,361	1,053,265	
Jun-07	191,016,859	445,742	965,323	965,323	519,581	38.9000%	202,117	9,143,478	1,053,265	
Jul-07	192,860,844	448,070	983,104	983,104	535,034	38.9000%	208,128	9,351,606	1,053,265	
Aug-07	192,860,844	450,398	983,104	983,104	532,706	38.9000%	207,223	9,558,829	1,053,265	
Sep-07	192,860,844	450,398	983,104	983,104	532,706	38.9000%	207,223	9,766,052	1,053,265	
Oct-07	192,860,844	450,398	983,104	983,104	532,706	38.9000%	207,223	9,973,275	1,053,265	
Nov-07	192,860,844	450,398	983,104	983,104	532,706	38.9000%	207,223	10,180,498	1,053,265	
Dec-07	192,860,844	450,398	983,104	983,104	532,706	38.9000%	207,223	10,387,721	1,053,265	
Jan-08	192,860,844	450,398	910,428	910,428	460,030	38.9000%	178,952	10,566,673	1,053,265	
Feb-08	192,860,844	450,398	910,428	910,428	460,030	38.9000%	178,952	10,745,625	1,053,265	
Mar-08	192,860,844	450,398	910,428	910,428	460,030	38.9000%	178,952	10,924,572	1,053,265	
Apr-08	192,860,844	450,398	910,428	910,428	460,030	38.9000%	178,952	11,103,524	1,053,265	
May-08	192,860,844	450,398	910,428	910,428	460,030	38.9000%	178,952	11,282,476	1,053,265	
Jun-08	192,860,844	450,398	910,428	910,428	460,030	38.9000%	178,952	11,461,428	1,053,265	
Jul-08	192,860,844	450,398	910,428	910,428	460,030	38.9000%	178,952	11,640,380	1,053,265	
Aug-08	192,860,844	450,398	910,428	910,428	460,030	38.9000%	178,952	11,819,332	1,053,265	
Sep-08	192,860,844	450,398	910,428	910,428	460,030	38.9000%	178,952	11,998,284	1,053,265	
Oct-08	192,860,844	450,398	910,428	910,428	460,030	38.9000%	178,952	12,177,236	1,053,265	
Nov-08	192,860,844	450,398	910,428	910,428	460,030	38.9000%	178,952	12,356,188	1,053,265	
Dec-08	192,860,844	450,398	910,428	910,428	460,030	38.9000%	178,952	12,535,140	1,053,265	
Jan-09	192,860,844	450,398	843,207	843,207	392,809	38.9000%	152,803	12,687,943	1,053,265	
Feb-09	192,860,844	617,234	843,207	843,207	225,973	38.9000%	87,903	12,775,846	1,053,265	

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

2003 - Plan
 Project 7 -- Mill Creek FGD Scrubber Conversion

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	655,676	516,073
Apr-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	671,475	516,073
May-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	687,274	516,073
Jun-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	703,073	516,073
Jul-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	718,872	516,073
Aug-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	734,671	516,073
Sep-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	750,470	516,073
Oct-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	766,269	516,073
Nov-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	782,068	516,073
Dec-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	797,867	516,073
Jan-08	30,861,686	115,079	144,166	29,087	38.9000%	11,315	809,182	516,073
Feb-08	30,861,686	115,079	144,166	29,087	38.9000%	11,315	820,497	516,073
Mar-08	30,861,686	115,079	144,166	29,087	38.9000%	11,315	831,812	516,073
Apr-08	30,861,686	115,079	144,166	29,087	38.9000%	11,315	843,127	516,073
May-08	30,861,686	115,079	144,166	29,087	38.9000%	11,315	854,442	516,073
Jun-08	30,861,686	115,079	144,166	29,087	38.9000%	11,315	865,757	516,073
Jul-08	30,861,686	115,079	144,166	29,087	38.9000%	11,315	877,072	516,073
Aug-08	30,861,686	115,079	144,166	29,087	38.9000%	11,315	888,388	516,073
Sep-08	30,861,686	115,079	144,166	29,087	38.9000%	11,315	899,703	516,073
Oct-08	30,861,686	115,079	52,418	(62,661)	38.9000%	(24,375)	875,328	516,073
Nov-08	30,861,686	115,079	167,983	52,904	38.9000%	20,580	895,908	516,073
Dec-08	30,861,686	115,079	142,578	27,499	38.9000%	10,697	906,605	516,073
Jan-09	30,861,686	115,079	131,890	16,811	38.9000%	6,539	913,144	516,073
Feb-09	30,861,686	103,474	131,890	28,416	38.9000%	11,054	924,198	516,073

Note: October 2008 tax depreciation adjusted due to Internal Revenue Service audit. Change in rapid amortization tax life.

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

2003 - Plan
 Project 8 -- Precipitators

Month	Plant Balance	Book		Tax	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated		Deferred Taxes on Retirements
		Depreciation	Depreciation					Deferred Taxes	Taxes	
Mar-07	11,929,133	28,278	55,432	55,432	27,154	38.9000%	10,563	708,292	275,252	
Apr-07	11,929,133	28,278	55,432	55,432	27,154	38.9000%	10,563	718,855	275,252	
May-07	11,929,133	28,278	55,432	55,432	27,154	38.9000%	10,563	729,418	275,252	
Jun-07	11,929,133	28,278	55,432	55,432	27,154	38.9000%	10,563	739,981	275,252	
Jul-07	11,929,133	28,278	55,432	55,432	27,154	38.9000%	10,563	750,544	275,252	
Aug-07	11,929,133	28,278	55,432	55,432	27,154	38.9000%	10,563	761,107	275,252	
Sep-07	11,929,133	28,278	55,432	55,432	27,154	38.9000%	10,563	771,670	275,252	
Oct-07	11,929,133	28,278	55,432	55,432	27,154	38.9000%	10,563	782,233	275,252	
Nov-07	11,929,133	28,278	55,432	55,432	27,154	38.9000%	10,563	792,796	275,252	
Dec-07	11,929,133	28,278	55,432	55,432	27,154	38.9000%	10,563	803,359	275,252	
Jan-08	11,929,133	28,278	51,275	51,275	22,997	38.9000%	8,946	812,305	275,252	
Feb-08	11,929,133	28,278	51,275	51,275	22,997	38.9000%	8,946	821,251	275,252	
Mar-08	11,929,133	28,278	51,275	51,275	22,997	38.9000%	8,946	830,196	275,252	
Apr-08	11,929,133	28,278	51,275	51,275	22,997	38.9000%	8,946	839,142	275,252	
May-08	11,929,133	28,278	51,275	51,275	22,997	38.9000%	8,946	848,088	275,252	
Jun-08	11,929,133	28,278	51,275	51,275	22,997	38.9000%	8,946	857,034	275,252	
Jul-08	11,929,133	28,278	51,275	51,275	22,997	38.9000%	8,946	865,980	275,252	
Aug-08	11,929,133	28,278	51,275	51,275	22,997	38.9000%	8,946	874,923	275,252	
Sep-08	11,929,133	28,278	51,275	51,275	22,997	38.9000%	8,946	883,869	275,252	
Oct-08	11,929,133	28,278	100,085	100,085	71,807	38.9000%	27,933	911,802	275,252	
Nov-08	11,929,133	28,278	51,275	51,275	22,997	38.9000%	8,946	920,748	275,252	
Dec-08	11,929,133	28,278	51,275	51,275	22,997	38.9000%	8,946	929,694	275,252	
Jan-09	11,929,133	28,278	48,721	48,721	20,443	38.9000%	7,952	937,646	275,252	
Feb-09	11,929,133	47,792	48,721	48,721	929	38.9000%	361	938,006	275,252	

Note: October 2008 had a retroactive "catch up" tax depreciation adjustment.

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

2003 - Plan
 Project 9 -- Clearwell Water System

Month	Plant Balance	Book		Tax	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated	
		Depreciation	Depreciation					Deferred Taxes	Deferred Taxes on Retirements
Mar-07	1,197,310	5,368	5,700	5,700	332	38.9000%	129	23,235	4,716
Apr-07	1,197,310	5,368	5,700	5,700	332	38.9000%	129	23,364	4,716
May-07	1,197,310	5,368	5,700	5,700	332	38.9000%	129	23,493	4,716
Jun-07	1,197,310	5,368	5,700	5,700	332	38.9000%	129	23,622	4,716
Jul-07	1,197,310	5,368	5,700	5,700	332	38.9000%	129	23,751	4,716
Aug-07	1,197,310	5,368	5,700	5,700	332	38.9000%	129	23,880	4,716
Sep-07	1,197,310	5,368	5,700	5,700	332	38.9000%	129	24,009	4,716
Oct-07	1,197,310	5,368	5,700	5,700	332	38.9000%	129	24,138	4,716
Nov-07	1,197,310	5,368	5,700	5,700	332	38.9000%	129	24,267	4,716
Dec-07	1,197,310	5,368	5,700	5,700	332	38.9000%	129	24,396	4,716
Jan-08	1,197,310	5,368	5,278	5,278	(90)	38.9000%	(35)	24,361	4,716
Feb-08	1,197,310	5,368	5,278	5,278	(90)	38.9000%	(35)	24,326	4,716
Mar-08	1,197,310	5,368	5,273	5,273	(95)	38.9000%	(37)	24,287	4,716
Apr-08	1,197,310	5,368	5,273	5,273	(95)	38.9000%	(37)	24,250	4,716
May-08	1,197,310	5,368	5,273	5,273	(95)	38.9000%	(37)	24,213	4,716
Jun-08	1,197,310	5,368	5,273	5,273	(95)	38.9000%	(37)	24,176	4,716
Jul-08	1,197,310	5,368	5,273	5,273	(95)	38.9000%	(37)	24,139	4,716
Aug-08	1,197,310	5,368	5,273	5,273	(95)	38.9000%	(37)	24,103	4,716
Sep-08	1,197,310	5,368	5,273	5,273	(95)	38.9000%	(37)	24,066	4,716
Oct-08	1,197,310	5,368	5,273	5,273	(95)	38.9000%	(37)	24,029	4,716
Nov-08	1,197,310	5,368	5,273	5,273	(95)	38.9000%	(37)	23,992	4,716
Dec-08	1,197,310	5,368	5,273	5,273	(95)	38.9000%	(37)	23,955	4,716
Jan-09	1,197,310	5,368	4,877	4,877	(491)	38.9000%	(191)	23,764	4,716
Feb-09	1,197,310	3,702	4,877	4,877	1,175	38.9000%	457	24,222	4,716

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

2003 - Plan
 Project 10 -- Absorber Trays

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,972	-
Apr-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,908	-
May-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,844	-
Jun-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,780	-
Jul-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,716	-
Aug-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,652	-
Sep-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,588	-
Oct-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,524	-
Nov-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,460	-
Dec-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	75,396	-
Jan-08	2,734,621	11,303	10,308	(995)	38.9000%	(387)	75,009	-
Feb-08	2,734,621	11,303	10,308	(995)	38.9000%	(387)	74,622	-
Mar-08	2,734,621	11,303	10,305	(998)	38.9000%	(388)	74,233	-
Apr-08	2,734,621	11,303	10,305	(998)	38.9000%	(388)	73,845	-
May-08	2,734,621	11,303	10,305	(998)	38.9000%	(388)	73,457	-
Jun-08	2,734,621	11,303	10,305	(998)	38.9000%	(388)	73,069	-
Jul-08	2,734,621	11,303	10,305	(998)	38.9000%	(388)	72,681	-
Aug-08	2,734,621	11,303	10,305	(998)	38.9000%	(388)	72,291	-
Sep-08	2,734,620	11,303	10,305	(998)	38.9000%	(388)	71,903	-
Oct-08	2,734,620	11,303	10,305	(998)	38.9000%	(388)	71,515	-
Nov-08	2,734,620	11,303	10,305	(998)	38.9000%	(388)	71,127	-
Dec-08	2,734,620	11,303	10,305	(998)	38.9000%	(388)	70,739	-
Jan-09	2,734,620	11,303	10,168	(1,135)	38.9000%	(442)	70,297	-
Feb-09	2,734,620	8,614	10,168	1,554	38.9000%	605	70,900	-

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

2005 - Plan
Project 11 -- Special Waste Landfill Expansion - MC

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	71,543	22,369
Apr-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	74,320	22,369
May-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	77,097	22,369
Jun-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	79,874	22,369
Jul-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	82,651	22,369
Aug-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	85,428	22,369
Sep-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	88,205	22,369
Oct-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	90,982	22,369
Nov-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	93,759	22,369
Dec-07	2,282,981	5,568	12,706	7,138	38.9000%	2,777	96,536	22,369
Jan-08	2,282,981	5,568	11,745	6,177	38.9000%	2,403	98,939	22,369
Feb-08	2,282,981	5,568	11,745	6,177	38.9000%	2,403	101,342	22,369
Mar-08	2,282,981	5,568	11,753	6,185	38.9000%	2,406	103,748	22,369
Apr-08	2,282,981	5,568	11,753	6,185	38.9000%	2,406	106,154	22,369
May-08	2,282,981	5,568	11,753	6,185	38.9000%	2,406	108,560	22,369
Jun-08	2,282,981	5,568	11,753	6,185	38.9000%	2,406	110,966	22,369
Jul-08	2,282,981	5,568	11,753	6,185	38.9000%	2,406	113,372	22,369
Aug-08	2,282,981	5,568	11,753	6,185	38.9000%	2,406	115,776	22,369
Sep-08	2,282,981	5,568	11,753	6,185	38.9000%	2,406	118,182	22,369
Oct-08	2,282,981	5,568	11,753	6,185	38.9000%	2,406	120,588	22,369
Nov-08	2,282,981	5,568	11,753	6,185	38.9000%	2,406	122,994	22,369
Dec-08	2,282,981	5,568	11,753	6,185	38.9000%	2,406	125,400	22,369
Jan-09	2,282,981	5,568	10,868	5,300	38.9000%	2,062	127,462	22,369
Feb-09	2,282,981	6,158	10,868	4,710	38.9000%	1,832	129,293	22,369

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

2005 - Plan
Project 12 -- Special Waste Landfill Expansion - CR

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	43,317	-
Apr-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	46,630	-
May-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	49,943	-
Jun-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	53,256	-
Jul-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	56,569	-
Aug-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	59,882	-
Sep-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	63,195	-
Oct-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	66,508	-
Nov-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	69,821	-
Dec-07	2,988,137	6,241	38,908	32,667	38.9000%	12,707	82,528	-
Jan-08	2,988,137	7,022	16,929	9,907	38.9000%	3,854	86,382	-
Feb-08	2,988,137	7,022	16,929	9,907	38.9000%	3,854	90,236	-
Mar-08	2,988,137	7,022	16,929	9,907	38.9000%	3,854	94,090	-
Apr-08	2,988,137	7,022	16,929	9,907	38.9000%	3,854	97,944	-
May-08	2,988,137	7,022	16,929	9,907	38.9000%	3,854	101,798	-
Jun-08	2,988,137	7,022	16,929	9,907	38.9000%	3,854	105,652	-
Jul-08	2,988,137	7,022	16,929	9,907	38.9000%	3,854	109,506	-
Aug-08	2,988,137	7,022	16,929	9,907	38.9000%	3,854	113,358	-
Sep-08	2,988,137	7,022	16,929	9,907	38.9000%	3,854	117,212	-
Oct-08	2,988,137	7,022	16,929	9,907	38.9000%	3,854	121,066	-
Nov-08	2,988,137	7,022	16,929	9,907	38.9000%	3,854	124,920	-
Dec-08	2,988,137	7,022	16,929	9,907	38.9000%	3,854	128,774	-
Jan-09	2,988,137	7,022	15,658	8,636	38.9000%	3,359	132,133	-
Feb-09	2,988,137	5,304	15,658	10,354	38.9000%	4,028	136,161	-

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

2005 - Plan
 Project 13 -- Scrubber Refurbishment - TC1

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	-	-	-	-	38.9000%	-	-	-
Apr-07	-	-	-	-	38.9000%	-	-	-
May-07	-	-	-	-	38.9000%	-	-	-
Jun-07	-	-	-	-	38.9000%	-	-	-
Jul-07	-	-	-	-	38.9000%	-	-	-
Aug-07	-	-	-	-	38.9000%	-	-	-
Sep-07	-	-	-	-	38.9000%	-	-	-
Oct-07	-	-	-	-	38.9000%	-	-	-
Nov-07	-	-	-	-	38.9000%	-	-	-
Dec-07	855,968	1,238	18,953	17,715	38.9000%	6,891	6,891	-
Jan-08	855,968	2,475	8,174	5,699	38.9000%	2,217	9,108	-
Feb-08	855,968	2,475	8,174	5,699	38.9000%	2,217	11,325	-
Mar-08	855,968	2,475	8,174	5,699	38.9000%	2,217	13,542	-
Apr-08	855,968	2,475	8,174	5,699	38.9000%	2,217	15,759	-
May-08	855,968	2,475	8,174	5,699	38.9000%	2,217	17,976	-
Jun-08	855,968	2,475	8,174	5,699	38.9000%	2,217	20,193	-
Jul-08	855,968	2,475	8,174	5,699	38.9000%	2,217	22,410	-
Aug-08	855,968	2,475	8,174	5,699	38.9000%	2,217	24,625	-
Sep-08	855,968	2,475	8,174	5,699	38.9000%	2,217	26,842	-
Oct-08	855,968	2,475	8,174	5,699	38.9000%	2,217	29,059	-
Nov-08	855,968	2,475	8,174	5,699	38.9000%	2,217	31,276	-
Dec-08	855,968	2,475	8,174	5,699	38.9000%	2,217	33,493	-
Jan-09	855,968	2,475	8,020	5,545	38.9000%	2,157	35,650	-
Feb-09	855,968	2,582	8,020	5,438	38.9000%	2,115	37,765	-

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

2005 - Plan
 Project 14 -- Scrubber Refurbishment - CR6

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	282,134	513	2,694	2,181	38.9000%	848	10,379	8,118
Apr-07	282,134	513	2,694	2,181	38.9000%	848	11,227	8,118
May-07	282,134	513	2,694	2,181	38.9000%	848	12,075	8,118
Jun-07	282,134	513	2,694	2,181	38.9000%	848	12,923	8,118
Jul-07	282,134	513	2,694	2,181	38.9000%	848	13,771	8,118
Aug-07	282,134	513	2,694	2,181	38.9000%	848	14,619	8,118
Sep-07	282,134	513	2,694	2,181	38.9000%	848	15,467	8,118
Oct-07	282,134	513	2,694	2,181	38.9000%	848	16,315	8,118
Nov-07	282,134	513	2,694	2,181	38.9000%	848	17,163	8,118
Dec-07	308,507	536	3,289	2,753	38.9000%	1,071	18,234	9,074
Jan-08	308,507	560	2,894	2,334	38.9000%	908	19,142	9,074
Feb-08	308,507	560	2,894	2,334	38.9000%	908	20,050	9,074
Mar-08	308,507	560	2,894	2,334	38.9000%	908	20,958	9,075
Apr-08	308,507	560	2,894	2,334	38.9000%	908	21,866	9,075
May-08	308,507	560	2,894	2,334	38.9000%	908	22,774	9,075
Jun-08	308,507	560	2,894	2,334	38.9000%	908	23,682	9,075
Jul-08	308,507	560	2,894	2,334	38.9000%	908	24,590	9,075
Aug-08	308,507	560	2,894	2,334	38.9000%	908	25,497	9,075
Sep-08	308,507	560	2,894	2,334	38.9000%	908	26,405	9,075
Oct-08	308,507	560	(34,219)	(34,779)	38.9000%	(13,529)	12,876	9,075
Nov-08	308,507	560	1,820	1,260	38.9000%	490	13,366	9,075
Dec-08	308,507	560	1,820	1,260	38.9000%	490	13,856	9,075
Jan-09	308,507	560	1,700	1,140	38.9000%	443	14,299	9,075
Feb-09	308,507	1,147	1,700	553	38.9000%	215	14,514	9,075

Note: October 2008 tax depreciation adjusted due to Internal Revenue Service audit. Change in rapid amortization tax life.

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

2005 - Plan
 Project 15 -- Scrubber Refurbishment - CR5

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	-	-	-	-	38.9000%	-	-	-
Apr-07	-	-	-	-	38.9000%	-	-	-
May-07	-	-	-	-	38.9000%	-	-	-
Jun-07	-	-	-	-	38.9000%	-	-	-
Jul-07	-	-	-	-	38.9000%	-	-	-
Aug-07	-	-	-	-	38.9000%	-	-	-
Sep-07	-	-	-	-	38.9000%	-	-	-
Oct-07	-	-	-	-	38.9000%	-	-	-
Nov-07	-	-	-	-	38.9000%	-	-	-
Dec-07	-	-	-	-	38.9000%	-	-	-
Jan-08	-	-	-	-	38.9000%	-	-	-
Feb-08	-	-	-	-	38.9000%	-	-	-
Mar-08	-	-	-	-	38.9000%	-	-	-
Apr-08	-	-	-	-	38.9000%	-	-	-
May-08	-	-	-	-	38.9000%	-	-	-
Jun-08	-	-	-	-	38.9000%	-	-	-
Jul-08	-	-	-	-	38.9000%	-	-	-
Aug-08	-	-	-	-	38.9000%	-	-	-
Sep-08	-	-	-	-	38.9000%	-	-	-
Oct-08	-	-	-	-	38.9000%	-	-	-
Nov-08	-	-	-	-	38.9000%	-	-	-
Dec-08	-	-	-	-	38.9000%	-	-	-
Jan-09	-	-	-	-	38.9000%	-	-	-
Feb-09	-	-	-	-	38.9000%	-	-	-

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

2005 - Plan
Project 16 -- Scrubber Improvements - TC1

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	281,743	26,166
Apr-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	300,506	26,166
May-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	319,269	26,166
Jun-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	338,032	26,166
Jul-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	356,795	26,166
Aug-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	375,558	26,166
Sep-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	394,321	26,166
Oct-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	413,084	26,166
Nov-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	431,847	26,166
Dec-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	450,610	26,166
Jan-08	7,361,078	21,286	68,253	46,967	38.9000%	18,270	468,880	26,166
Feb-08	7,361,078	21,286	68,253	46,967	38.9000%	18,270	487,150	26,166
Mar-08	7,361,078	21,286	68,250	46,964	38.9000%	18,269	505,419	26,166
Apr-08	7,361,078	21,286	68,250	46,964	38.9000%	18,269	523,688	26,166
May-08	7,361,078	21,286	68,250	46,964	38.9000%	18,269	541,957	26,166
Jun-08	7,361,078	21,286	68,250	46,964	38.9000%	18,269	560,226	26,166
Jul-08	7,361,078	21,286	68,250	46,964	38.9000%	18,269	578,495	26,166
Aug-08	7,361,078	21,286	68,250	46,964	38.9000%	18,269	596,764	26,166
Sep-08	7,361,078	21,286	68,250	46,964	38.9000%	18,269	615,033	26,166
Oct-08	7,361,078	21,286	68,250	46,964	38.9000%	18,269	633,302	26,166
Nov-08	7,361,078	21,286	68,250	46,964	38.9000%	18,269	651,571	26,166
Dec-08	7,361,078	21,286	68,250	46,964	38.9000%	18,269	669,840	26,166
Jan-09	7,361,078	21,286	67,079	45,793	38.9000%	17,813	687,653	26,166
Feb-09	7,361,078	22,206	67,079	44,873	38.9000%	17,456	705,109	26,166

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

2006 - Plan
 Project 18 -- TC2 AQCS Equipment

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	-	-	-	-	38.9000%	-	-	-
Apr-07	-	-	-	-	38.9000%	-	-	-
May-07	-	-	-	-	38.9000%	-	-	-
Jun-07	-	-	-	-	38.9000%	-	-	-
Jul-07	-	-	-	-	38.9000%	-	-	-
Aug-07	-	-	-	-	38.9000%	-	-	-
Sep-07	-	-	-	-	38.9000%	-	-	-
Oct-07	-	-	-	-	38.9000%	-	-	-
Nov-07	-	-	-	-	38.9000%	-	-	-
Dec-07	-	-	-	-	38.9000%	-	-	-
Jan-08	-	-	-	-	38.9000%	-	-	-
Feb-08	-	-	-	-	38.9000%	-	-	-
Mar-08	-	-	-	-	38.9000%	-	-	-
Apr-08	-	-	-	-	38.9000%	-	-	-
May-08	-	-	-	-	38.9000%	-	-	-
Jun-08	-	-	-	-	38.9000%	-	-	-
Jul-08	-	-	-	-	38.9000%	-	-	-
Aug-08	-	-	-	-	38.9000%	-	-	-
Sep-08	-	-	-	-	38.9000%	-	-	-
Oct-08	-	-	-	-	38.9000%	-	-	-
Nov-08	-	-	-	-	38.9000%	-	-	-
Dec-08	-	-	-	-	38.9000%	-	-	-
Jan-09	-	-	-	-	38.9000%	-	-	-
Feb-09	-	-	-	-	38.9000%	-	-	-

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

2006 - Plan
 Project 19 - Sorbent Injection, Mill Creek & Trimble 1

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	-	-	-	-	38.9000%	-	-	-
Apr-07	-	-	-	-	38.9000%	-	-	-
May-07	-	-	-	-	38.9000%	-	-	-
Jun-07	-	-	-	-	38.9000%	-	-	-
Jul-07	-	-	-	-	38.9000%	-	-	-
Aug-07	-	-	-	-	38.9000%	-	-	-
Sep-07	-	-	-	-	38.9000%	-	-	-
Oct-07	-	-	-	-	38.9000%	-	-	-
Nov-07	-	-	-	-	38.9000%	-	-	-
Dec-07	-	-	-	-	38.9000%	-	-	-
Jan-08	-	-	-	-	38.9000%	-	-	-
Feb-08	-	-	-	-	38.9000%	-	-	-
Mar-08	-	-	-	-	38.9000%	-	-	-
Apr-08	-	-	-	-	38.9000%	-	-	-
May-08	-	-	-	-	38.9000%	-	-	-
Jun-08	-	-	-	-	38.9000%	-	-	-
Jul-08	-	-	-	-	38.9000%	-	-	-
Aug-08	-	-	-	-	38.9000%	-	-	-
Sep-08	-	-	-	-	38.9000%	-	-	-
Oct-08	3,277,721	3,291	39,801	36,510	38.9000%	14,202	14,202	-
Nov-08	3,277,721	6,583	39,801	33,218	38.9000%	12,922	27,124	-
Dec-08	3,277,721	6,583	39,801	33,218	38.9000%	12,922	40,046	-
Jan-09	3,277,721	6,583	31,300	24,717	38.9000%	9,615	49,661	-
Feb-09	3,277,721	9,888	31,300	21,412	38.9000%	8,329	57,990	-

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

2006 - Plan
 Project 20 - Mercury Monitors, all plants

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	86,203	201	901	700	38.9000%	272	1,563	-
Apr-07	86,203	201	901	700	38.9000%	272	1,835	-
May-07	86,203	201	901	700	38.9000%	272	2,107	-
Jun-07	86,203	201	901	700	38.9000%	272	2,379	-
Jul-07	86,203	201	901	700	38.9000%	272	2,651	-
Aug-07	86,203	201	901	700	38.9000%	272	2,923	-
Sep-07	86,203	201	901	700	38.9000%	272	3,195	-
Oct-07	162,048	848	2,195	1,347	38.9000%	524	3,719	-
Nov-07	162,048	1,495	2,195	700	38.9000%	272	3,991	-
Dec-07	162,048	1,495	2,195	700	38.9000%	272	4,263	-
Jan-08	162,048	1,495	2,180	685	38.9000%	266	4,529	-
Feb-08	162,048	1,495	2,180	685	38.9000%	266	4,795	-
Mar-08	163,842	1,495	2,181	686	38.9000%	267	5,065	-
Apr-08	163,842	1,495	2,181	686	38.9000%	267	5,332	-
May-08	163,842	1,495	2,181	686	38.9000%	267	5,599	-
Jun-08	163,842	1,495	2,181	686	38.9000%	267	5,866	-
Jul-08	163,842	1,495	2,181	686	38.9000%	267	6,133	-
Aug-08	163,842	1,495	2,181	686	38.9000%	267	6,397	-
Sep-08	163,842	1,495	2,181	686	38.9000%	267	6,664	-
Oct-08	163,842	1,495	2,181	686	38.9000%	267	6,931	-
Nov-08	163,842	1,495	2,181	686	38.9000%	267	7,198	-
Dec-08	163,842	1,495	2,181	686	38.9000%	267	7,465	-
Jan-09	163,842	1,495	2,166	671	38.9000%	261	7,726	-
Feb-09	163,842	1,724	2,166	442	38.9000%	172	7,900	-

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

2006 - Plan
 Project 21 -- Particulate Monitors, Mill Creek

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	397,148	884	4,222	3,338	38.9000%	1,298	21,125	-
Apr-07	397,148	884	4,222	3,338	38.9000%	1,298	22,423	-
May-07	397,148	884	4,222	3,338	38.9000%	1,298	23,721	-
Jun-07	397,148	884	4,222	3,338	38.9000%	1,298	25,019	-
Jul-07	397,148	884	4,222	3,338	38.9000%	1,298	26,317	-
Aug-07	397,148	884	4,222	3,338	38.9000%	1,298	27,615	-
Sep-07	397,148	884	4,222	3,338	38.9000%	1,298	28,913	-
Oct-07	397,148	884	4,222	3,338	38.9000%	1,298	30,211	-
Nov-07	397,148	884	4,222	3,338	38.9000%	1,298	31,509	-
Dec-07	397,148	884	4,222	3,338	38.9000%	1,298	32,807	-
Jan-08	397,148	884	4,152	3,268	38.9000%	1,271	34,078	-
Feb-08	397,148	884	4,152	3,268	38.9000%	1,271	35,349	-
Mar-08	397,148	884	4,152	3,268	38.9000%	1,271	36,623	-
Apr-08	397,148	884	4,152	3,268	38.9000%	1,271	37,894	-
May-08	397,148	884	4,152	3,268	38.9000%	1,271	39,165	-
Jun-08	397,148	884	4,152	3,268	38.9000%	1,271	40,436	-
Jul-08	397,148	884	4,152	3,268	38.9000%	1,271	41,707	-
Aug-08	397,148	884	4,152	3,268	38.9000%	1,271	42,979	-
Sep-08	397,151	884	4,152	3,268	38.9000%	1,271	44,250	-
Oct-08	397,151	884	4,152	3,268	38.9000%	1,271	45,521	-
Nov-08	397,151	884	4,152	3,268	38.9000%	1,271	46,792	-
Dec-08	397,151	884	4,152	3,268	38.9000%	1,271	48,067	-
Jan-09	397,151	884	4,088	3,204	38.9000%	1,246	49,313	-
Feb-09	397,151	1,361	4,088	2,727	38.9000%	1,061	50,374	-

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated August 18, 2009**

Case No. 2009-00311

Question No. 4

Witness: Shannon L. Charnas

- Q-4. Provide the percentage of LG&E's long-term debt that has a variable interest rate as of the last expense month in the applicable billing period under review.
- A-4. For the last expense month of the billing period May 1, 2007, through April 30, 2009, the percentage of LG&E's long-term debt with a variable rate was 19%.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated August 18, 2009**

Case No. 2009-00311

Question No. 5

Witness: Shannon L. Charnas

- Q-5. Refer to ES Form 2.50, Pollution Control - Operations & Maintenance Expenses, for the September 2008 through February 2009 expense months. For each expense account number listed on this schedule, explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent.
- A-5. Attached please find a schedule showing the changes in the operations and maintenance expense accounts for September 2008 through February 2009 expense months. The changes in the expense levels are reasonable and occurred as a part of routine plant operations and maintenance.

Monthly variances in the NOx operation expenses, accounts 506104 and 506105, and the sorbent injection operation expenses, account 506109, result from the timing of the operation of the NOx removal systems (SCRs). The SCRs were operated during the 2008 ozone season (May - September) at Mill Creek and Trimble County, then in December 2008 to earn early reduction credits and prepare for the mandatory year-round SCR operation that began in January 2009. Consumables were purchased in the months prior to this in preparation for the December 2008 start.

Fluctuations in the NOx maintenance expenses, account 512101, are the result of routine monthly maintenance on the SCRs, including corrective maintenance In December 2008.

Fluctuations in the scrubber operation expenses, account 502006, are the result of regular operations of the Trimble County Unit 1 FGD. These are variable production expenses and will fluctuate with generation, coal quality and the SO₂ removal rate. Fluctuations in sorbent injection maintenance expenses, account 512102, are the result of normal system maintenance.

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

Pollution Control - Operations & Maintenance Expenses

O&M Expense Account	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	% Change from Prior Period	% Change from Prior Period	% Change from Prior Period
2001 Plan									
506104 NOx Operation -- Consumables	363,114	45,069	16,349	187,948	123,218	159,010	-88%	1050%	-34%
506105 NOx Operation -- Labor and Other	8,148	4,677	3,107	7,463	8,243	8,639	-43%	140%	10%
512101 NOx Maintenance	20,816	19,466	332	143,335	21,515	28,277	-6%	43073%	-85%
Total 2001 Plan O&M Expenses	392,078	69,212	19,788	338,746	152,976	195,926	-82%	1612%	-55%
									28%
2005 Plan									
502006 Scrubber Operations	40,507	47,591	51,182	42,394	50,689	11,325	17%	-17%	20%
512005 Scrubber Maintenance	-	-	-	-	-	-	0%	0%	0%
501201 Ashpond Dredging Expense	171,471	171,471	171,471	171,471	171,471	171,471	0%	0%	0%
Total 2005 Plan O&M Expenses	211,978	219,062	222,653	213,865	222,160	182,796	3%	-4%	4%
									-18%
2006 Plan									
506109 Sorbent Injection Operation	104,188	16,221	-	47,444	19,638	25,652	-84%	100%	-59%
512102 Sorbent Injection Maintenance	1,219	150	517	2,094	2,632	3,995	-88%	305%	26%
506110 Mercury Monitors Operation	-	-	-	-	-	-	0%	0%	0%
512103 Mercury Monitors Maintenance	-	-	-	-	-	-	0%	0%	0%
Total 2006 Plan O&M Expenses	105,407	16,371	517	49,538	22,270	29,647	-84%	9482%	-55%
									33%

¹ Off by \$1 from filing due to rounding.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated August 18, 2009**

Case No. 2009-00311

Question No. 6

Witness: Robert M. Conroy

- Q-6. KRS 278.183(3) provides that, during the two-year review, the Commission shall, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility.
- a. Provide the surcharge amount that LG&E believes should be incorporated into its existing base rates. Include all supporting calculations, workpapers, and assumptions.
 - b. The surcharge factor reflects a percentage-of-revenue approach, rather than a per-kWh approach. Taking this into consideration, explain how the surcharge amount should be incorporated into LG&E's base rates. Include any analysis that LG&E believes supports its position.
 - c. Provide the Base Period Jurisdictional Environmental Surcharge Factor ("BESF") that reflects all environmental surcharge amounts previously incorporated into existing base rates and the amount determined in part (a). Include all supporting calculations, workpapers, and assumptions.
 - d. Does LG&E believe that modifications will be needed to either the surcharge mechanism or the monthly surcharge reports, other than a revision to BESF, as a result of incorporating additional environmental surcharge amounts into LG&E's existing base rates? If yes, provide a detailed explanation of the modifications and provide updated monthly surcharge reports.
- A-6. a. LG&E is proposing to roll-in \$5,289,981 of incremental environmental surcharge revenues into base rates resulting in total environmental surcharge revenues in base rates of \$30,945,008. Please see the attached schedule for the determination of the roll-in amount.
- b. The Commission previously approved LG&E's proposed roll-in methodology in Case No. 2007-00380 which spread the amount of the roll-in to the energy portion of rates without a demand charge and to the demand portion of all rates that include a separately metered and billed demand component.

Lighting rates continue to be billed on a per-light basis. LG&E recommends that this method continue to be used to accomplish the roll-in to base rates.

- c. Attached is an illustrative calculation of the Base Period Jurisdictional Environmental Surcharge Factor ("BESF") using the 12-month period ending February 2009 based on the current methodology.

As discussed in Mr. Conroy's testimony, LG&E is proposing to modify the determination of the monthly environmental billing factor using actual base rate revenues. If the Commission approved LG&E's proposed modifications, the use of a BESF percentage will not be necessary.

If the Commission does not approve LG&E's proposed modifications, LG&E will recalculate the BESF following the Commission's Order in this proceeding based upon the most recent 12-month period for which information is available.

- d. No. The incorporation of additional environmental surcharge revenues into existing base rates does not require modifications to the surcharge mechanism or monthly ES Forms. However as explained in Mr. Conroy's testimony, LG&E is proposing modifications to the way the mechanism is calculated. If approved, the modifications will necessitate revisions to the monthly ES Forms as discussed in Mr. Conroy's testimony.

Louisville Gas And Electric Company**Calculation of ECR Roll-in At February 28, 2009**

Calculation of Revenue Requirement for Roll-In:		<u>Environmental Compliance Plans at Feb. 28, 2009</u>
Environmental Compliance Rate Base		
Pollution Control Plant in Service	ES Form 2.00, February 2009	242,856,023
Pollution Control CWIP Excluding AFUDC	ES Form 2.00, February 2009	<u>40,997,828</u>
	Subtotal	283,853,851
Additions:		
Mill Creek Deferred Debit	ES Form 2.00, February 2009	2,400,596
Cash Working Capital Allowance	ES Form 2.00, February 2009	<u>773,476</u>
	Subtotal	3,174,072
Deductions:		
Accumulated Depreciation on Pollution Control Plant	ES Form 2.00, February 2009	31,176,384
Pollution Control Deferred Income Taxes	ES Form 2.00, February 2009	13,965,363
Pollution Control Deferred Investment Tax Credit	ES Form 2.00, February 2009	<u>-</u>
	Subtotal	45,141,747
	Environmental Compliance Rate Base	<u>\$ 241,886,176</u>
Rate of Return -- Environmental Compliance Rate Base	ES Form 1.10, February 2009	10.98%
Return on Environmental Compliance Rate Base		<u>\$ 26,559,102</u>
Pollution Control Operating Expenses		
12 Month Depreciation and Amortization Expense	See Support Schedule A	7,494,634
12 Month Taxes Other than Income Taxes	See Support Schedule A	353,407
12 Month Operating and Maintenance Expense	See Support Schedule A	4,146,882
12 Month Ash Dredging Expense	See Support Schedule A	<u>2,040,926</u>
Total Pollution Control Operating Expenses		<u>\$ 14,035,849</u>
Gross Proceeds from By-Product & Allowance Sales	See Support Schedule B	235,844
Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount		
Return on Environmental Compliance Rate Base		26,559,102
Pollution Control Operating Expenses		14,035,849
Less Gross Proceeds from By-Product & Allowance Sales		<u>(235,844)</u>
Roll In Amount		<u>\$ 40,359,107</u>
Jurisdictional Allocation Ratio -- Roll In	See Support Schedule C	<u>76.6742%</u>
Jurisdictional Revenues for 12 Months for Roll In	See Support Schedule C	<u>778,413,572</u>
Roll In Jurisdictional Environmental Surcharge Factor:		
Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount		\$ 40,359,107
Jurisdictional Allocation Ratio -- Roll In		<u>76.6742%</u>
Jurisdictional Environmental Surcharge Gross Revenue Requirement -- Gross Roll In Amount		30,945,008
Less Jurisdictional Environmental Revenue Previously Rolled In (Case No. 2007-00380)		<u>25,655,027</u>
Jurisdictional Environmental Surcharge Gross Revenue Requirement -- Net Roll In Amount		<u>\$ 5,289,981</u>

Base Revenues for the 12-month Ending February 2009 \$ 733,885,051

BESF, Gross Roll-in Amount 4.2166%

Louisville Gas And Electric Company

Calculation of ECR Roll-in At February 28, 2009

Support Schedule A

12 Month Balances for Selected Operating Expense Accounts

	Depreciation & Amortization Steam Plant	Taxes Other than Income Taxes	Operating and Maintenance Expense			Ash Dredging Expense	Total
			FERC 502	FERC 506	FERC 512		
			Mar-08	607,510	29,073		
Apr-08	607,510	29,073	41,721	144,315	64,767	168,045	1,055,431
May-08	607,510	29,073	40,279	346,015	125,986	171,471	1,320,334
Jun-08	607,510	29,073	26,980	570,473	50,912	171,471	1,456,419
Jul-08	607,510	29,073	36,881	476,262	83,491	171,471	1,404,688
Aug-08	607,510	29,073	21,480	368,597	26,053	171,471	1,224,184
Sep-08	607,510	29,073	40,507	475,450	22,035	171,471	1,346,046
Oct-08	610,802	29,074	47,591	65,967	19,616	171,471	944,521
Nov-08	614,094	29,076	51,182	19,455	849	171,471	886,127
Dec-08	614,094	29,076	42,394	242,855	145,429	171,471	1,245,319
Jan-09	614,094	31,335	50,689	151,099	24,147	171,471	1,042,835
Feb-09	788,980	31,335	11,325	193,301	32,272	171,471	1,228,684
less Base Rate amount							
Totals	7,494,634	353,407	441,677	3,061,437	643,768	2,040,926	14,035,849
	5,746,448	270,972	338,652	2,347,331	493,604	1,564,863	10,761,870

Support Schedule B

12 Month Balances for Allowance Sales and By-Product Sales

	Total Proceeds from Allowance Sales	Proceeds from By- Product Sales	Total All Sale Proceeds	
	ES Form 2.00	ES Form 2.00		
	Mar-08	232,334	-	
Apr-08	-	-	-	
May-08	-	-	-	
Jun-08	-	-	-	
Jul-08	-	-	-	
Aug-08	-	-	-	
Sep-08	-	-	-	
Oct-08	-	-	-	
Nov-08	-	-	-	
Dec-08	3,510	-	3,510	
Jan-09	-	-	-	
Feb-09	-	-	-	
Totals	235,844	-	235,844	

Support Schedule C

12 Month Balances for Jurisdictional Revenues and Allocation Ratio

	KY Retail Revenues, Excl. Envir Surch. Revenues	Total Company Revenues, Excluding Envir. Surch. Revenues	Allocation Ratio		Base Customer, Energy, and Demand Revenue
	ES Form 3 00	ES Form 3 00	KY Retail/ Total Company		
	Mar-08	\$ 56,985,545	\$ 74,750,664		
Apr-08	54,531,268	66,827,830	81.5996%	Apr-08	52,429,719
May-08	52,559,376	72,889,640	72.1082%	May-08	50,387,614
Jun-08	70,012,086	87,828,476	79.7146%	Jun-08	67,289,649
Jul-08	79,274,662	95,411,822	83.0868%	Jul-08	75,567,412
Aug-08	83,346,563	95,349,261	87.4119%	Aug-08	77,370,827
Sep-08	78,393,754	99,329,696	78.9228%	Sep-08	72,709,783
Oct-08	61,075,942	91,026,607	67.0968%	Oct-08	55,222,204
Nov-08	55,718,035	90,127,177	61.8216%	Nov-08	51,128,688
Dec-08	59,437,102	84,584,270	70.2697%	Dec-08	57,953,763
Jan-09	64,664,974	81,571,098	79.2744%	Jan-09	60,876,805
Feb-09	62,414,265	75,526,238	82.6392%	Feb-09	56,125,434
Totals	\$ 778,413,572	\$ 1,015,222,779	76.6742%		733,885,051

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated August 18, 2009**

Case No. 2009-00311

Question No. 7

Witness: Shannon L. Charnas

- Q-7. In Case No. 2000-00439, the Commission ordered that LG&E's cost of debt and preferred stock would be reviewed and reestablished during the six-month review case. Provide the following information as of February 28, 2009:
- a. The outstanding balances for long-term debt, short-term debt, preferred stock, and common equity. Provide this information for 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 for total company and Kentucky jurisdictional bases.
 - c. LG&E's calculation of its weighted average cost of capital for environmental surcharge purposes.
- A-7.
- a. Please see the attachment. There was no preferred stock as of February 28, 2009, therefore it is not listed in the attached schedule.
 - b. Please see the attachment. There was no preferred stock as of February 28, 2009, therefore it is not listed in the attached schedule.
 - c. Please see the attachment. LG&E is utilizing a return on equity of 10.63% as approved by the Commission in its February 5, 2009 Order in Case No. 2008-00252.

Louisville Gas and Electric Company
Outstanding Balances - Capitalization
As of February 28, 2009

1	2	3
	Outstanding Balance Total Company	Outstanding Balance Electric Only 79.67%
1 Long-Term Debt	896,104,000	713,926,057
2 Short-Term Debt	147,801,400	117,753,375
3 Common Equity	1,246,075,639	992,748,461

Louisville Gas and Electric Company
Blended Interest Rates
As of February 28, 2009

	1
	Blended Interest Rate
	<u>Total Company</u>
1 Long-Term Debt	5.11%
2 Short-Term Debt	0.79%

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF THE EMBEDDED COST OF CAPITAL AT
February 28, 2009

LONG-TERM DEBT									
	Due	Rate	Principal	Annualized Cost					Embedded Cost
				Interest	Amortized Debt Issuance Expense	Premium	Amortized Loss-Required Debt	Total	
Pollution Control Bonds -									
Jefferson Co. 2000 Series A	05/01/27	5.37500% *	25,000,000 4	1,343,750	-	-	115,676	1,459,426	5.84
Trimble Co. 2000 Series A	08/01/30	0.50000% *	83,335,000	416,675	38,357	-	143,700	598,732	0.72
Jefferson Co. 2001 Series A	09/01/27	0.50000% *	10,104,000	50,520	19,992	-	-	70,512	0.70
Jefferson Co. 2001 Series A	09/01/26	1.25000% *	22,500,000	281,250	9,876	-	77,424	368,550	1.64
Trimble Co. 2001 Series A	09/01/26	1.25000% *	27,500,000	343,750	10,740	-	65,400	419,890	1.53
Jefferson Co. 2001 Series B	11/01/27	0.95000% *	35,000,000	332,500	10,944	-	49,056	392,500	1.12
Trimble Co. 2001 Series B	11/01/27	0.95000% *	35,000,000	332,500	10,944	-	48,864	392,308	1.12
Trimble Co. 2002 Series A	10/01/32	0.82700% *	41,665,000	344,570	36,908	-	55,812	437,290	1.05
Louisville Metro 2003 Series A	10/01/33	0.80000% *	128,000,000 3	1,024,000	-	-	311,191	1,335,191	1.04
Louisville Metro 2003 Series A	10/01/33	0.80000% *	(128,000,000) 3	(1,024,000)	-	-	-	(1,024,000)	0.80
Louisville Metro 2005 Series A	02/01/35	5.75000% *	40,000,000 4	2,300,000	-	-	94,899	2,394,899	5.99
Trimble Co. 2007 Series A	06/01/33	4.60000% *	60,000,000	2,760,000	47,192	-	6,567	2,813,759	4.69
Louisville Metro 2007 Series A	06/01/33	5.62500% *	31,000,000 4	1,743,750	-	-	39,656	1,783,406	5.75
Louisville Metro 2007 Series B	06/01/33	2.75000% *	35,200,000 3	968,000	-	-	27,036	995,036	2.83
Louisville Metro 2007 Series B	06/01/33	2.75000% *	(35,200,000) 3	(968,000)	-	-	-	(968,000)	2.75
Called Bonds			-	-	-	-	263,196 2	263,196	-
Total External Debt			411,104,000	10,249,265	184,953	-	1,298,477	11,732,695	1.31%
Interest Rate Swaps:									
JP Morgan Chase Bank	11/01/20	1		4,138,153	-	-	-	4,138,153	
Morgan Stanley Capital Services	10/01/33	1		1,086,464	-	-	-	1,086,464	
Morgan Stanley Capital Services	10/01/33	1		1,082,624	-	-	-	1,082,624	
Bank of America	10/01/33	1		1,098,624	-	-	-	1,098,624	
Interest Rate Swaps External Debt				7,405,865	-	-	-	7,405,865	0.83%
Notes Payable to Fidelia Corp									
Notes Payable to Fidelia Corp.	01/16/12	4.33%	25,000,000	1,082,500	-	-	-	1,082,500	4.33
Notes Payable to Fidelia Corp.	04/30/13	4.55%	100,000,000	4,550,000	-	-	-	4,550,000	4.55
Notes Payable to Fidelia Corp.	08/15/13	5.31%	100,000,000	5,310,000	-	-	-	5,310,000	5.31
Notes Payable to Fidelia Corp.	11/23/15	6.48%	50,000,000	3,240,000	-	-	-	3,240,000	6.48
Notes Payable to Fidelia Corp.	07/25/18	6.21%	25,000,000	1,552,500	-	-	-	1,552,500	6.21
Notes Payable to Fidelia Corp.	11/26/22	5.72%	47,000,000	2,688,400	-	-	-	2,688,400	5.72
Notes Payable to Fidelia Corp.	04/13/31	5.93%	68,000,000	4,032,400	-	-	-	4,032,400	5.93
Notes Payable to Fidelia Corp.	04/13/37	5.98%	70,000,000	4,186,000	-	-	-	4,186,000	5.98
Total Internal Debt			485,000,000	26,641,800	-	-	-	26,641,800	2.97%
Total			896,104,000	44,296,930	184,953	0.00	1,298,477	45,780,360	5.11%

SHORT TERM DEBT									
	Maturity	Rate	Principal	Annualized Cost				Embedded Cost	
				Interest	Expense	Premium	Loss		
Notes Payable to Associated Company	NA	0.7900% *	147,801,400	1,167,631	-	-	-	1,167,631	0.79
Total			147,801,400	1,167,631	-	-	-	1,167,631	0.79%

Embedded Cost of Total Debt 46,947,991 4.50%

* Composite rate at end of current month

1 Additional Interest due to Swap Agreements:	Underlying Debt Being Hedged	Notional Amount	Expiration of Swap Agreement	Fixed LG&E Swap Position	Variable Counterparty Swap Position
	Series Z - PCB	83,335,000	11/01/20	To Pay: 5.495%	BMA Index
	Series GG - PCB	32,000,000	10/01/32	To Pay: 3.657%	68% of 1 mo LIBOR
	Series GG - PCB	32,000,000	10/01/32	To Pay: 3.645%	68% of 1 mo LIBOR
	Series GG - PCB	32,000,000	10/01/32	To Pay: 3.695%	68% of 1 mo LIBOR
		179,335,000			

2 Call premium and debt expense is being amortized over the remaining life of bonds due 10/1/09, 6/1/15, 7/1/13 and 8/1/17.

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

4 Remarketed bonds, issued at long term fixed rate

Louisville Gas and Electric Company
 Outstanding Balances - Adjusted Electric Capitalization
 February 28, 2009

1	2	3	4	5	6	7
	Electric Only	Capital Structure	Cost Rate	Weighted Average Cost of Capital	Tax Gross-up Factor	Weighted Average Cost of Capital with Equity Gross-up
1	731,112,624	39.13%	5.11%	2.00%		2.00%
2	120,586,325	6.45%	0.79%	0.05%		0.05%
3	1,016,650,660	54.42%	10.63%	5.78%	0.58	9.13%
4	1,868,349,609			7.83%		11.18%

Rate of Return (ROR) Grossed Up:

11.18%

Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - Debt rate) x [TR/(1-TR)]}

See tax rate (TR) calculation on 7(c) page (2)

**ECR - Gross-up Revenue Factor &
Composite Income Tax Calculation
2009**

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