



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

RECEIVED

SEP 07 2010  
PUBLIC SERVICE  
COMMISSION

**Kentucky Utilities Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
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Robert M. Conroy  
Director - Rates  
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September 7, 2010

**RE: *AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION  
OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF  
KENTUCKY UTILITIES COMPANY FOR THE SIX-MONTH  
BILLING PERIOD ENDING APRIL 30, 2010  
CASE NO. 2010-00241***

Dear Mr. DeRouen:

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

With this response, Kentucky Utilities Company requests the Commission take Case No. 2010-00241 under submission for decision and issue an order by October 31, 2010.

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

Sincerely,

Robert M. Conroy

Enclosures

cc: Parties of Record

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

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

Shannon L. Charnas  
**Shannon L. Charnas**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 17<sup>th</sup> day of September 2010.

Victoria B. Harper (SEAL)  
Notary Public

My Commission Expires:

Sept 20, 2010

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

**In the Matter of:**

**AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIRONMENTAL )  
SURCHARGE MECHANISM OF KENTUCKY ) CASE NO.  
UTILITIES COMPANY FOR THE SIX-MONTH ) 2010-00241  
BILLING PERIOD ENDING APRIL 30, 2010 )**

**RESPONSE OF  
KENTUCKY UTILITIES COMPANY  
TO  
COMMISSION STAFF'S QUESTION RAISED AT  
THE SEPTEMBER 1, 2010 INFORMAL CONFERENCE**

**FILED: September 7, 2010**

**KENTUCKY UTILITIES COMPANY**

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

**Case No. 2010-00241**

**Question No. 1**

**Witness: Shannon L. Charnas**

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