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JUN 28 2012

PUBLIC SERVICE COMMISSION Louisville Gas and Electric Company

State Regulation and Rates 220 West Main Street PO Box 32010 Louisville, Kentucky 40232 www.lge-ku.com

Robert M. Conroy Director – Rates T 502-627-3324 F 502-627-3213 robert.conroy@lge-ku.com

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

June 28, 2012

RE: AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR THE SIX-MONTH BILLING PERIODS ENDING OCTOBER 31, 2011 AND APRIL 30, 2012 CASE NO. 2012-00208

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and seven (7) copies of the Direct Testimony of Robert M. Conroy and the Response of Louisville Gas and Electric Company to the First Request for Information in Appendix B of the Commission's Order dated June 13, 2012, in the above-referenced matter.

Also enclosed are an original and ten (10) copies of a Petition for Confidential Protection regarding certain information contained in response to Question No. 5(b).

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

Sincerely,

Robert M. Conroy

Enclosures

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF LOUISVILLE GAS) CASE NO.
AND ELECTRIC COMPANY FOR THE SIX-MONTH) 2012-00208
BILLING PERIODS ENDING OCTOBER 31, 2011)
AND APRIL 30, 2012)

DIRECT TESTIMONY OF

ROBERT M. CONROY DIRECTOR - RATES LG&E AND KU SERVICES COMPANY

Filed: June 28, 2012

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

My name is Robert M. Conroy. I am the Director - Rates for LG&E and KU 2 A. Services Company, which provides services to Louisville Gas and Electric Company 3 ("LG&E" or "Company") and Kentucky Utilities Company ("KU") (collectively "the 4 Companies"). My business address is 220 West Main Street, Louisville, Kentucky, 5 40202. A complete statement of my education and work experience is attached to this 6 7 testimony as Appendix A.

Have you previously testified before this Commission? 8 Q.

Yes. I have previously testified before this Commission in proceedings concerning 9 A. 10 the Companies' most recent rate cases, fuel adjustment clauses, and environmental cost recovery ("ECR") surcharge mechanisms. 11

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

The purpose of this proceeding is to review the past operation of LG&E's A. 13 environmental surcharge during the six-month billing periods ending October 31, 14 15 2011 (expense months of March 2011 through August 2011), and April 30, 2012 (expense months of September 2011 through February 2012), and to determine 16 whether the surcharge amounts collected during the periods are just and reasonable. 17

18 Q.

What is the purpose of your testimony?

The purpose of my testimony is to summarize the operation of LG&E's 19 Α. environmental surcharge during the billing periods under review, demonstrate that the 20 amounts collected during the periods were just and reasonable, present and discuss 21 LG&E's proposed adjustment to the Environmental Surcharge Revenue Requirement 22

based on the operation of the surcharge during the periods and explain how the environmental surcharge factors were calculated during the periods under review.

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3 Q. Please summarize the operation of the environmental surcharge for the billing 4 periods included in this review.

LG&E billed an environmental surcharge to its customers from May 1, 2011 through 5 A. April 30, 2012. For purposes of the Commission's examination in this case, the 6 7 monthly LG&E environmental surcharges are considered as of the six-month billing periods ending October 31, 2011 and April 30, 2012. In each month of the six-month 8 periods under review in this proceeding, LG&E calculated the environmental 9 surcharge factors in accordance with its tariff ECR, and the requirements of the 10 Commission's previous orders concerning LG&E's environmental surcharge. The 11 calculations were made in accordance with the Commission-approved monthly forms 12 and filed with the Commission ten days before the new monthly charge was billed by 13 the Company. 14

Q. What costs were included in the calculation of the environmental surcharge factors for the billing periods under review?

A. The capital and operating costs included in the calculation of the environmental surcharge factors for the billing periods under review were the costs incurred each month by LG&E from March 2011 through February 2012, as detailed in the attachment in response to Question No. 2 of the Commission Staff's Request for Information, incorporating all required revisions.

The monthly environmental surcharge factors applied during the billing periods under review were calculated consistent with the Commission's Orders in

LG&E's previous applications to assess or amend its environmental surcharge mechanism and plan, as well as Orders issued in previous review cases. The monthly environmental surcharge reports filed with the Commission during this time reflect the various changes to the reporting forms ordered by the Commission from time to time.

Q. Has the Commission recently approved changes to LG&E's ECR Compliance

Plan?

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Yes. In Case No. 2011-00162, the Commission approved LG&E's 2011 ECR A. 8 Compliance Plan that included two new projects and associated operation and 9 maintenance costs, and approved recovery of operation and maintenance costs 10 associated with sorbent injection approved with the 2006 Plan for Mill Creek Units 3 11 12 and 4 and Trimble County Unit 1 as part of the 2011 Plan. Pursuant to the Commission's December 15, 2011 Order approving the Settlement Agreement in 13 Case No. 2011-00162, LG&E began including the approved projects in the monthly 14 filing for the December 2011 expense month that was billed in February 2012 with 15 separate authorized rates of return for the Pre-2011 and 2011 ECR Plans. In addition, 16 the Commission approved the use of net (non-fuel) revenues to calculate the 17 jurisdictional revenue requirement for non-residential customers defined as Group 2 18 in the ECR tariff. The use of net revenues for Group 2 customers was implemented 19 in Case No. 2011-00232 as discussed below. 20

Q. Has the Commission recently approved changes to the environmental surcharge mechanism and the monthly ES Forms?

A. Yes. In Case No. 2011-00232, LG&E's most recent ECR two-year review, the Commission implemented the use of net revenues to calculate the jurisdictional revenue requirement for non-residential customers defined as Group 2 in the ECR Tariff in conjunction with the ECR Roll-in, and revisions to the monthly reporting forms to reflect the implementation of Group 1 and Group 2 billing factors. Pursuant to the Commission's January 31, 2012 Order in that case, the changes were implemented with the January 2012 expense month that was billed in March 2012.

8 Q. Are there any changes or adjustments in Rate Base from the originally filed 9 expense months?

10 A. No. During the periods under review, there were no changes to Rate Base from the 11 originally filed billing periods as summarized in LG&E's response to the 12 Commission Staff's Request for Information, Question No. 1. In addition, there were 13 no changes identified as a result of preparing responses to the requests for 14 information in this review.

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

A. Yes. Adjustments to E(m) are necessary for compliance with the Commission's Order in Case No. 2000-00386, to reflect the actual changes in the overall rate of return on capitalization that is used in the determination of the return on environmental rate base. For the six-month billing period ending October 31, 2011 and the billing months of November 2011 through January 2012, the weighted average cost of capital was based on the balances as of October 31, 2011 and January 31, 2012, respectively. Pursuant to the terms of the Settlement Agreement approving

the 2011 ECR Plan, LG&E calculated the short- and long-term debt rate using
average daily balances and daily interest rates in the calculation of the overall rate of
return true-up adjustment for the February 2012 through April 2012 billing months.
The details of and support for this calculation are shown in LG&E's response to
Question No. 1 of the Commission Staff's Request for Information.

Are there corrections to information provided in the monthly filings during the

Q.

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billing periods under review?

Yes. LG&E inadvertently transposed Kentucky Retail DSM and Environmental 8 A. Surcharge Revenues reported on ES Form 3.10 for the November 2011 expense 9 month. The impact of the error is the understatement of the Jurisdictional Allocation 10 Ratio and the Average Monthly Jurisdictional Revenue for the 12-Months Ending 11 with the Current Expense Month of November 2011 that resulted in the 12 understatement of the Net Jurisdictional E(m) by \$1,865. Revised ES Forms 1.10, 13 3.00, and 3.10 are attached to this testimony as Appendix B. 14 The revised 15 Jurisdictional Allocation Ratio was used in LG&E's response to Question Nos. 1 and 2 of the Commission Staff's Request for Information. 16

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

A. Yes. LG&E experienced a cumulative over-recovery of \$506,722 for the billing
 periods ending October 31, 2011 and April 30, 2012. LG&E's response to Question
 No. 2 of the Commission Staff's Request for Information shows the calculation of the
 cumulative over-recovery. An adjustment to the revenue requirement is necessary to

reconcile the collection of past surcharge revenues with actual costs for the billing
 periods under review.

Q. Has LG&E identified the causes of the net over-recovery during the billing periods under review?

A. Yes. LG&E has identified the components that make up the net over-recovery during
the billing periods under review. The components are (1) changes in overall rate of
return as previously discussed, and (2) the use of 12 month average revenues to
determine the billing factor. The details and support of the components that make up
the net over-recovery during the billing periods under review are shown in LG&E's
response to Question No. 2 of the Commission Staff's Request for Information.

Q. Please explain how the function of the ECR mechanism contributes to the net over-recovery in the billing periods under review?

A. The use of 12-month average revenues to calculate the monthly billing factors and then applying those same billing factors to the actual monthly revenues will result in an over- or under-collection of ECR revenues. The table below shows a comparison of the 12-month average revenues used in the monthly filings to determine the ECR billing factors and the actual revenues to which the ECR billing factors were applied in the billing month.

	12-Month Average		Actual Revenues Subject to ECR							
Expense Month	Revenues	Billing Month	Billing Factors							
March 2011	\$ 73,335,896	May 2011	\$ 65,590,042							
April 2011	73,839,618	June 2011	85,552,331							
May 2011	74,567,904	July 2011	92,680,126							
June 2011	75,008,056	August 2011	105,502,255							
July 2011	74,979,613	September 2011	87,284,465							
August 2011	76,198,522	October 2011	67,100,418							
September 2011	76,075,877	November 2011	60,554,239							
October 2011	75,853,157	December 2011	65,648,206							
November 2011	75,789,762	January 2012	74,605,985							
December 2011	75,619,349	February 2012	66,491,403							
January 2012*	60,366,919	March 2012	52,984,989							
February 2012*	60,254,038	April 2012	51,812,128							
*Effective with the January 2012 expense month, the 12-month average revenues and the Actual Revenues subject to ECR Billing Factors reflect net revenues for Group 2.										

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Generally, an under-recovery will occur when actual revenues for the billing month are less than the 12-month average revenues used for the expense month. Likewise, an over-recovery will occur when actual revenues for the billing month are greater than the 12-month average revenues used for the expense month.

6 Q. What kind of adjustment is LG&E proposing in this case as a result of the 7 operation of the environmental surcharge during the billing periods?

A. LG&E is proposing that the net over-recovery be distributed in one month following
the Commission's Order in this proceeding. Specifically, LG&E recommends that
the Commission approve a decrease to the Environmental Surcharge Revenue
Requirement of \$506,722 for one month, in the second full billing month following
the Commission's Order in this proceeding. This method is consistent with the

method of implementing previous over- or under-recovery positions in prior ECR
 review cases.

Q. What is the bill impact on a residential customer for the proposed distribution of the over-recovery?

5 A. The inclusion of the distribution reflecting the over-recovery position in the 6 determination of the ECR billing factor will decrease the billing factor by 7 approximately 1.25%. For a residential customer using 1,000 kWh the impact of the 8 adjusted ECR billing factor would be a decrease of approximately \$0.90 for one 9 month (using rates and adjustment clause factors in effect for the April 2012 billing 10 month).

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

- 13 Α. LG&E is recommending an overall rate of return on capital of 10.85%, including the currently approved 10.63% return on equity and adjusted capitalization for the 2005, 14 15 2006, and 2009 Plans, and an overall rate of return on capital of 10.40%, including the currently approved 10.10% return on equity and adjusted capitalization for the 16 2011 Plan, to be used to calculate the environmental surcharge. This is based on 17 18 capitalization as of February 29, 2012 and the Commission's Order of December 15, 2011 in Case No. 2011-00162. Please see the response and attachment to 19 Commission Staff's Request for Information Question No. 5 following this testimony. 20
- 21
 - Q. What is your recommendation to the Commission in this case?
- 22

Α.

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

1		a)	The Commission should approve the proposed decrease to the Environmental
2			Surcharge Revenue Requirement of \$506,722 for one month in the second full
3			billing month following the Commission's Order in this proceeding;
4		b)	The Commission should determine the environmental surcharge amounts for
5			the six-month billing periods ending October 31, 2011 and April 30, 2012 to
6			be just and reasonable;
7		c)	The Commission should approve the use of an overall rate of return on capital
8			of 10.85%, using a return on equity of 10.63% for the 2005, 2006 and 2009
9			Plans, and an overall rate of return on capital of 10.40% using a return on
10			equity of 10.10% for the 2011 Plan, beginning in the second full billing month
11			following the Commission's Order in this proceeding.
12	Q.	Does	this conclude your testimony?

13 A. Yes.

VERIFICATION

COMMONWEALTH OF KENTUCKY)) SS: COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says he is the Director – Rates for LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the foregoing testimony, 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 $17\frac{4h}{2}$ day of June 2012.

Alvery

Notary Public

My Commission Expires: $-\frac{\mu \mu \alpha}{\beta} \frac{\partial b}{\partial 5}$

APPENDIX A

Robert M. Conroy

Director - Rates LG&E and LG&E Services Company 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.

APPENDIX B

Robert M. Conroy Testimony

ES FORM 1.10

LOUISVILLE GAS AND ELECTRIC COMPANY ENVIRONMENTAL SURCHARGE REPORT Calculation of Total E(m) and

Jurisdictional Surcharge Billing Factor

For the Expense Month of November 2011 as Recalculated in Case No 2012-00208 - ECR 6-month Review

Calculation of Total E(m)

0E

E(m) = [(RB / 12) (ROR + (ROR - DR)(TR/(1-TR)))] + OE - BAS + BR, whereRB

- +[KOK -DK] [17(1-1K)]] + OE BAS + BK, Where
 = Environmental Compliance Rate Base
 = Rate of Return on the Environmental Compliance Rate Base
 = Debt Rate (both short-term and long-term debt)
 = Composite Federal & State Income Tax Rate
- ROR DR TR
- 11 H Pollution Control Operating Expenses Total Proceeds from By-Product and Allowance Sales Beneficial Reuse Operating Expenses BAS BR
 - =

<u></u>			Er	AS FILED wironmental opliance Plans	Er	REVISED nvironmental npliance Plans
(1) RB			s	72,720,796	\$	72,720.796
(2) RB / 12		=		6.060,066		6,060,066
(3) (ROR + (ROR - D)	R) (TR / (1 - TR)))	=		11 31%		11.31%
(4) OE		=		350,770		350,770
(5) BAS		=		-		•
(6) BR		=		•		-
(7) E(m)	(2) x (3) + (4) - (5) + (6)	=	s	1,036,164	\$	1,036,164

Calculation of Jurisdictional Environmental Surcharge Billing Factor

			AS FILED	 REVISED	 CHANGE
(8)	Jurisdictional Allocation Ratio for Expense Month ES Form 3 00	**	81 95%	82 13%	-0 18%
(9)	Jurisdictional $E(m) = E(m) \times Jurisdictional Allocation Ratio [(7) × (8)]$	= \$	849,136	\$ 851,001	\$ 1.865
(10)	Adjustment for (Over)/Under-collection pursuant to	==	-	÷	
(11)	Prior Period Adjustment (if necessary)	=	-	-	
(12)	Adjusted Jurisdictional E(m) [(9) + (10) + (11)]	=	849.136	851,001	\$ 1,865
(13)	Revenue Collected through Base Rates	= \$	562,500	\$ 562,500	
(14)	Net Jurisdictional E(m) = Jurisdictional E(m) less Expense Month Revenue Collected Through Base Rates [[12] - (13)]	= \$	286.636	\$ 288.501	\$ 1.865
(15)	Jurisdictional R(m) = Average Monthly Jurisdictional Revenue for the 12 Months Ending with the Current Expense Month ES Form 3 00	= \$	75,789,762	\$ 75,851,560	\$ 61.798
(16)	Jurisdictional Environmental Surcharge Billing Factor [(14) + (15)]	55	0.38%	0.38%	

LOUISVILLE GAS AND ELECTRIC COMPANY ENVIRONMENTAL SURCHARGE REPORT

Monthly Average Revenue Computation of R (m)

For the Month Ended: November 30, 2011 as Revised in Case No. 2012-00208 - ECR 6-month Review

		29 - 29 - 29 - 29 - 20 - 20 - 20 - 20 -	Non- Jurisdictional Revenues	Total Company Revenues					
(1)	(2)	(8)	(9)	(10)					
Month	Base Rate Revenues	Fuel Clause Revenues	DSM Revenues	Environmental Surcharge Revenues	Total	Total Excluding Environmental Surcharge	Total Including Off-System Sales	Total	Total Excluding Environmental Surcharge
			1		(2)+(3)+(4)+(5)	(6)-(5)	(See Note 1)	(6)+(8)	(9)-(5)
Dec-10	65,013,096	2,253,831	1,167,812	26,808	68,461,547	68,434,739	13,561,291	82,022,838	81,996,030
Jan-11	76,121,173	3,138,445	1,766,317	146,568	81,172,503	81,025,935	18,303,562	99,476,065	99,329,497
Feb-11	63,590,360	2,158,942	1.409,347	819,108	67,977,757	67,158,649	13,880,982	81,858,739	81,039,631
Mar-11	64,963,148	676,641	1,295.997	742,383	67,678,169	66,935,786	13,374,699	81,052,868	80,310,485
Apr-11	59,828,935	1.740.517	830,283	874,121	63,273,856	62,399,735	9,742,182	73,016,038	72,141,917
May-11	62,768,571	1.969,596	851,874	666,380	66,256,422	65,590,042	9,952,934	76,209,356	75,542,976
Jun-11	79,699,769	4,437,519	1,415.042	1,206,179	86,758,510	85,552,331	7,170,418	93,928,928	92,722,749
Jul-11	86,246,494	4,806,290	1,627,342	1,362,039	94,042,165	92,680,126	8,276,729	102,318,894	100,956,855
Aug-11	99,019,080	4,591,621	1,891,554	272,788	105,775,043	105,502,255	7,222,945	112,997,988	112,725,200
Sep-11	83,107,600	2,677.626	1,499,239	165,369	87,449,834	87,284,465	12,412.938	99,862,772	99,697,403
Oct-11	64,191,015	1.950,880	958,522	127,590	67,228,008	67,100,418	14,051,649	81,279,657	81,152,067
Nov-11	57,345,726	2,340,079	868,435	126,855	60,681,094	60,554,239	13,174,028	73,855,122	73,728,267
for 12 Months Endi	urisdictional Revenues, Ex ng Current Expense Mon	th.	-			\$ 75,851,560			
	ation Percentage for Curr Centucky Jurisdictional Re				(7) / Column (10) =				82.13%
				· .			Note 1 - Excludes Tot	Brokered Sales, tal for Current Month =	\$ (121,507.24)

ES FORM 3.00

ES FORM 3.10

LOUISVILLE GAS AND ELECTRIC COMPANY ENVIRONMENTAL SURCHARGE REPORT

Reconciliation of Reported Revenues

For the Month Ended: November 30, 2011 as Revised in Case No. 2012-00208 - ECR 6-month Review

		Revenues per	R	levenues per
		Form 3.00	Inc	ome Statement
Kentucky Retail Revenues				
Base Rates (Customer Charge, Energy Charge, Demand Charge)	\$	57,345,726	\$	57,345,726
Fuel Adjustment Clause	\$	2,340,079	\$	2,340,079
DSM	\$	868,435	\$	868,435
Environmental Surcharge			\$	126,855
Total Kentucky Jurisdictional Revenues for Environmental Surcharge Purposes =	\$	60,554,239		
Non -Jurisdictional Revenues InterSystem (Total Less Transmission Portion Booked in Account 447)	\$	13,174,028	\$	13,174,028
Total Non-Jurisdictional Revenues for Environmental Surcharge Purposes =	\$	13,174,028	Ψ	10,171,020
Total Company Revenues for Environmental Surcharge Purposes =	\$	73,728,267		
Reconciling Revenues				
Brokered	\$	(121,507)		(121,507
InterSystem (Transmission Portion Booked in Account 447)	L	- Martin Inc	\$	-
Unbilled			\$	4,859,516
Miscellaneous			\$	1,197.467
Total Company Revenues per Income Statement =			\$	79,790,597

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF LOUISVILLE GAS) CASE NO.
AND ELECTRIC COMPANY FOR THE SIX-MONTH) 2012-00208
BILLING PERIOD ENDING OCTOBER 31, 2011)
AND APRIL 30, 2012)

RESPONSE OF LOUISVILLE GAS AND ELECTRIC COMPANY TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION IN APPENDIX B OF COMMISSION'S ORDER DATED JUNE 13, 2012

FILED: June 28, 2012

VERIFICATION

COMMONWEALTH OF KENTUCKY)) SS: COUNTY OF JEFFERSON)

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

Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this $27\frac{11}{2}$ day of ______ 2012.

(SEAL)

My Commission Expires:

July 21, 2015

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Response to Question No. 1 Page 1 of 2 Conroy

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Commission Staff's First Request for Information in Appendix B of Commission's Order Dated June 13, 2012

Case No. 2012-00208

Question No. 1

Witness: Robert M. Conroy

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 changes in LG&E's jurisdictional capital structure. Include all assumptions and other supporting documentation used to make this calculation. Any true-up adjustment is to be included in the determination of the over- or under-recovery of the surcharge for the corresponding billing period under review.

A-1. Please see the attachment.

LG&E calculated the true-up adjustment to recognize changes in the cost of debt and capital structure in two steps, shown on Pages 1 and 2 of the attachment to this response. Page 1 reflects the true-up required due to the changes between the Rate Base as filed and the Rate Base as Revised through the Monthly Filings. However, during the period under review there were no revisions to reflect. Page 2 represents the true-up in the Rate of Return as filed compared to the actual Rate of Return calculations. As discussed in testimony, the November 2011 expense month included an inadvertent error that impacted the Jurisdictional Allocation reported on ES Form 1.10. The corrected Jurisdictional Allocation was reported on Page 1 of the attachment to this response and used for the calculations on Page 2 of the attachment to this response. No further revisions to Rate Base were identified in preparation of this response.

Page 3 provides the adjusted weighted average cost of capital for the period under review ending October 31, 2011. Page 4 provides the adjusted weighted average cost of capital for the period ending January 31, 2012 to true-up the months in the review period ending April 30, 2012 that were not calculated using the daily average balances and daily interest rates for short- and long-term debt.

Pages 5 and 6 provide the weighted average cost of capital for the Pre-2011 and 2011 Plans for the period ending April 30, 2012. LG&E calculated the short- and long-term debt rates using average daily balances and daily interest rates pursuant to the Commission's Order in Case No. 2011-00162. The Pre-2011 and 2011 Plans are also shown separately to reflect the different rates of returns approved by the Commission in Case No. 2011-00162.

LG&E did not engage in accounts receivable financing or have any preferred stock during the period under review.

Attachment to Response to Question No. 1 Page 1 of 6 Conroy

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

(1) (2)		(3)	(4)	(5)	(6)	(7)	(8)	(9)
Billing Month	Expense Month	Rate of Return as Filed	Rate Base as Filed	Rate Base As Revised	Change in Rate Base	True-up Adjustment	Jurisdictional Allocation, ES Form 1 10	Jurisdictional True up Adjustment
					(5) - (4)	(3)*(6)/12		(7) * (8)
May-11	Mar-11	11.31%	\$ 72,746,119	\$72,746,119	\$-	\$ -	83.35%	\$ -
Jun-11	Apr-11	11.31%	72,896,086	72,896,086	-	-	86 50%	•
Jul-11	May-11	11 31%	74,234,883	74,234,883	-	-	86 82%	-
Aug-11	Jun-11	11 31%	71,757,124	71,757,124	-	-	92.27%	*
Sep-11	Jul-11	11 31%	72,032,384	72,032,384	-	•	91.80%	-
Oct-11	Aug-11	11.31%	72,163,121	72,163,121	-	-	93 59%	-
						\$-		\$-
		[Pre-2011 Plans				
Nov-11	Sep-11	11 31%	\$ 72,226,494	\$72,226,494	\$-	\$-	87.55%	\$-
Dec-11	Oct-11	11 31%	72,290,860	72,290,860	-	-	82 68%	-
Jan-12	Nov-11	11 31%	72,720,796	72,720,796	-	-	82 13%	-
Feb-12	Dec-11	11.31%	74,552,944	74,552,944	-	-	81.15%	-
Mar-12	Jan-12	10.82%	74,898,464	74,898,464	-	-	85.04%	-
Apr-12	Feb-12	10 82%	76,154,412	76,154,412	-		90 50%	-
						\$ -		s -
				2011 Plan				
Nov-11	Sep-11							
Dec-11	Oct-11							
Jan-12	Nov-11							
Feb-12	Dec-11	10 84%	1,090,517	1,090,517	-	-	81 15%	•
Mar-12	Jan-12	10.37%	1,282,783	1,282,783	-	-	85.04%	-
Apr-12	Feb-12	10.37%	1,467,219	1,467,219	-		90 50%	-
						\$-		\$-
				Cumulative Impact of C			xr m	£

Notes: Pursuant to the Commission's Order dated December 15, 2011 approving the Settlement Agreement in Case No 2011-00162, LG&E calculated the short- and long-term debt using average daily balances and daily interest rates in connection with the ECR true-up calculation shown above and used a separate rate of return for the Pre-2011 and 2011 ECR Plans beginning with the December 2011 expense month. The November 2011 expense month included an inadvertent error that impacted the Jurisdictional Allocation on ES Form 1 10 The corrected

Jurisdictional Allocation is included in the calculation of the Jurisdictional True-up Adjustment on Page 2 of this schedule.

Louisville Gas & Electric Company Overall Rate of Return True-up Adjustment - Revised Rate of Return Impact on Calculated E(m) Attachment to Response to Question No. 1 Page 2 of 6 Conroy

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Billing	Funance	Rate of Return	Rate of Return as	Change in Rate of			Jurisdictional Allocation, ES	Jurisdictional True
Month	Expense Month	as Filed	Revised	Return	Rate Base as Revised	True-up Adjustment	Form 1 10	up Adjustment
10101111	Month	us r neu	revised	reduin		ride up ridjubilioni		ap rightenioni
				(4) - (3)		(5) * (6) / 12		(7)*(8)
May-11	Mar-11	1131%	10 89%	-0 42%	\$ 72,746,119	(25,461)	83 35%	(21,222)
Jun-11	Apr-11	11 31%	10.89%	-0.42%	72,896,086	(25,514)	86.50%	(22,069)
Jul-11	May-11	11.31%	10.89%	-0.42%	74,234,883	(25,982)	86 82%	(22,558)
Aug-11	Jun-11	11 31%	10.89%	-0.42%	71,757,124	(25,115)	92.27%	(23,174)
Sep-11	Jul-11	11 31%	10.89%	-0 42%	72,032,384	(25,211)	91 80%	(23,144)
Oct-11	Aug-11	11 31%	10 89%	-0 42%	72,163,121	(25,257)	93 59%	(23,638)
						(152,540)		(135,805)
		[Pre-2011 Pla	15			
Nov-11	Sep-11	11.31%	10 85%	-0.46%	\$ 72,226,494	(27,687)	87 55%	(24,240)
Dec-11	Oct-11	11.31%	10 85%	-0.46%	72,290,860	(27,711)	82 68%	(22,912)
Jan-12	Nov-11	11 31%	10.85%	-0.46%	72,720,796	(27,876)	82.13%	(22,895)
Feb-12	Dec-11	11.31%	10.87%	-0 44%	74,552,944	(27,336)	81.15%	(22,183)
Mar-12	Jan-12	10.82%	10.87%	0.05%	74,898,464	3,121	85 04%	2,654
Apr-12	Feb-12	10 82%	10 87%	0 05%	76,154,412		90.50%	2,872
					· · · · · · · · · · ·	(104,317)		(86,704)
				2011 Plan				
Nov-11	Sep-11			2011110				
Dec-11	Oct-11							
Jan-12	Nov-11							
Feb-12	Dec-11	10 84%	10 40%	-0 44%	1,090,517	(400)	81 15%	(324)
Mar-12	Jan-12	10.37%	10 40%	0 03%	1,282,783	32	85.04%	27
Apr-12	Feb-12	10.37%	10 40%	0 03%	1,467,219	37	90 50%	33
					· · ·	(331)		(264)
			Cum	ulative Impact of Ch	anges in Rate of Return	\$ (257,188)		\$ (222,773)
					-	<u></u>		

Notes: Pursuant to the Commission's Order dated December 15, 2011 approving the Settlement Agreement in Case No. 2011-00162, LG&E calculated the short- and long-term debt using average daily balances and daily interest rates in connection with the ECR true-up calculation shown above and used a separate rate of return for the Pre-2011 and 2011 ECR Plans beginning with the December 2011 expense month The November 2011 expense month included an inadvertent error that impacted the Jurisdictional Allocation on ES Form 1.10. The corrected Jurisdictional Allocation is included in the calculation of the Jurisdictional True-up Adjustment on Page 2 of this schedule

Adjusted Electric Rate of Return on Common Equity As of October 31, 2011

ELECTRIC	Per Books 10-31-11 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 1 x Col 3) (4)	Adjustments to Capitalization (Col 17) (5)	Adjusted Electric Capitalization (Col 4 + Col 5) (6)	Adjusted Capıtal Structure (7)	Annual Cost Rate (8)	Cost of Capital (Col 8 x Col 7) (9)
1. Short Term Debt	\$-	0.00%	78.940%	\$-	\$-	\$ -	0.00%	0.00%	0.00%
2. Long Term Debt	1,105,588,899	44.38%	78.940%	872,751,877	(15,296,210)	857,455,667	44.38%	3.82%	1.70%
3. Common Equity	1,385,778,218	55.62%	78.940%	1,093,933,325	(19,170,237)	1,074,763,088	55.62%	10.63%	5.91%
4. Total Capitalization	\$ 2,491,367,117	100.000%		\$ 1,966,685,202	\$ (34,466,447)	\$ 1,932,218,755	100.000%		7.61%

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

EL	<u>ECTRIC</u>	Electric Capitalization (Col 4) (10)	Capital Structure (11)	Trimble County Inventories (a) (Cot 11 x Cot 12 Line 4) (12)	Investments in OVEC & Other (Col 11 x Col 13 Line 4) (13)	JDIC (Col 11 x Col 14 Line 4) (14)	Environmental Compliance Ratebase (Col 11 x Col 15 Line 4) (15)	Advanced Coal Investment Tax Credit (b) (Col 11 x Col 16 Line 4) (16)	Total Adjustments To Capital (Sum of Col 12 - Col 16) (17)
1.	Short Term Debt	\$ -	0.00%	\$-	\$-	s -	s -	s -	\$-
2.	Long Term Debt	872,751,877	44.38%	(1,855,780)	(269,016)	8,595,928	(32,082,684)	10,315,342	(15,296,210)
3.	Common Equity	1,093,933,325	55.62%	(2,325,789)	(337,149)	10,772,996	(40,208,176)	12,927,881	(19,170,237)
4.	Total Capitalization	\$ 1,966,685,202	100.000%	\$ (4,181,569)	\$ (606,165)	\$ 19,368,924	\$ (72,290,860)	\$ 23,243,223	\$ (34,466,447)

(a)	Trimble County Inventories	As of October 31, 2011	
	Materials and Supplies		\$ 5,559,839
	Stores Expense		1,032,970
	Coal		9,724,626
	Limestone		243,196
	Fuel Oil		165,037
	Emission Allowances		609
	Total Trimble County Inventories		\$ 16,726,277
	Multiplied by Disallowed Portion		 25.00%
	Trimble County Inv. Disallowed		\$ 4,181,569

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

10.89%

Adjusted Electric Rate of Return on Common Equity As of January 31, 2012

ELECTRIC	Per Books 01-31-12 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 1 x Col 3) (4)	Adjustments to Capitalization (Col 17) (5)	Adjusted Electric Capitalization (Col 4 + Col 5) (6)	Adjusted Capıtal Structure (7)	Annual Cost Rate (8)	Cost of Capital (Col 8 x Col 7) (9)
1. Short Term Debt	\$-	0.00%	78.980%	\$-	s -	s -	0.00%	0.00%	0.00%
2. Long Term Debt	1,105,658,864	44.30%	78.980%	873,249,371	(16,647,376)	856,601,995	44.30%	3.70%	1.64%
3. Common Equity	1,390,407,679	55.70%	78.980%	1,098,143,985	(20,931,353)	1,077,212,632	55.70%	10.63%	5.92%
4. Total Capitalization	\$ 2,496,066,543	100.000%		\$ 1,971,393,356	\$ (37,578,729)	\$ 1,933,814,627	100.000%		7.56%

5. Weighted Cost of Capital Grossed up for Income Tax Effect {ROR + (ROR - DR) x [TR / (I - TR)]}

Environmental Advanced Coal Total Compliance Investment Adjustments Electric Trimble County Investments in OVEC & Other JDIC Capitalization Capital Inventories (a) Ratebase Tax Credit (b) To Capital (Col 4) Structure (Col 11 x Col 12 Line 4) (Col 11 x Col 13 Line 4) (Col 11 x Col 14 Line 4) (Col 11 x Col 15 Line 4) (Col 11 x Col 16 Line 4) (Sum of Col 12 - Col 16) (10)(12) (13) (14) (15) (16) (17) (11)ELECTRIC \$ \$ \$ S \$ Short Term Debt \$ 0.00% \$ 1. ---_ 2. Long Term Debt 873,249,371 44.30% (1,214,293) (268,531) . 8,357,887 (33,748,292) 10,225,853 (16,647,376) 10,508,674 (42,432,955) 12,857,336 (20,931,353) 3. Common Equity 1,098,143,985 55.70% (1,526,774) (337,634) Total Capitalization \$ 1,971,393,356 100.000% \$ (2,741,067) \$ (606,165) \$ 18,866,561 \$ (76,181,247) \$ 23,083,189 \$ (37,578,729) 4.

(a)	Trimble County Inventories	As of January 31, 2012	
	Materials and Supplies		\$ 5,664,921
	Stores Expense		1,067,629
	Coal		3,711,024
	Limestone		290,333
	Fuel Oil		229,869
	Emission Allowances		492
	Total Trimble County Inventories		\$ 10,964,268
	Multiplied by Disallowed Portion		25.00%
	Trimble County Inv. Disallowed		\$ 2,741,067

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

10.85%

Adjusted Electric Rate of Return on Common Equity - Pre-2011 ECR Plans <u>As of April 30, 2012</u>

ELECTRIC	Per Books 04-30-12 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 1 x Col 3) (4)	Adjustments to Capitalization (Col 17) (5)	Adjusted Electric Capitalization (Col 4 + Col 5) (6)	Adjusted Capital Structure (7)	Annual Cost Rate (8)	Cost of Capital (Col 8 x Col 7) (9)
ELECTRIC									
1. Short Term Debt	\$ 39,474 (c)	0.00%	78.980%	\$ 31,177	\$-	\$ 31,177	0.00%	0.48%	0.00%
2. Long Term Debt	1,105,681,879 (c)	44.32%	78.980%	873,267,548	(19,071,935)	854,195,613	44.32%	3.75%	1.66%
3. Common Equity	1,388,793,363	55.68%	78.980%	1,096,868,998	(23,960,410)	1,072,908,588	55.68%	10.63%	5.92%
4. Total Capitalization	\$ 2,494,514,716	100.000%		\$ 1,970,167,723	\$ (43,032,345)	\$ 1,927,135,378	100.000%		7.58%

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

ELECTRIC	Electric Capitalization (Col 4) (10)	Capital Structure (11)	Trimble County Inventories (a) (Col 11 x Col 12 Line 4) (12)	Investments in OVEC & Other (Col 11 x Col 13 Line 4) (13)	JDIC (Col 11 x Col 14 Line 4) (14)	Environmental Compliance Ratebase (Col 11 x Col 15 Line 4) (15)	Advanced Coal Investment Tax Credit (b) (Col 11 x Col 16 Line 4) (16)	Total Adjustments To Capital (Sum of Col 12 - Col 16) (17)
I. Short Term Debt	\$ 31,177	0.00%	s -	\$-	s -	s -	\$ -	\$ -
2. Long Term Debt	873,267,548	44.32%	(2,115,953)	(268,652)	8,149,531	(34,996,403)	10,159,542	(19,071,935)
3. Common Equity	1,096,868,998	55.68%	(2,658,309)	(337,513)	10,238,400	(43,966,601)	12,763,613	(23,960,410)
4. Total Capitalization	\$ 1,970,167,723	100.000%	\$ (4,774,262)	\$ (606,165)	\$ 18,387,931	\$ (78,963,004)	\$ 22,923,155	\$ (43,032,345)

.

Trimble County Inventories	As of April 30, 2012		
Materials and Supplies		\$	5,261,432
Stores Expense			984,147
Coal			12,372,736
Limestone			247,251
Fuel Oil			231,032
Emission Allowances			448
Total Trimble County Inventories		\$	19,097,046
Multiplied by Disallowed Portion			25.00%
Trimble County Inv. Disallowed		\$	4,774,262
	Materials and Supplies Stores Expense Coal Limestone Fuel Oil Emission Allowances Total Trimble County Inventories Multiplied by Disallowed Portion	Materials and Supplies Stores Expense Coal Limestone Fuel Oil Emission Allowances Total Trimble County Inventories Multiplied by Disallowed Portion	Materials and Supplies \$ Stores Expense Coal Coal Limestone Fuel Oil Emission Allowances Total Trimble County Inventories \$ Multiplied by Disallowed Portion

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

(c) Average daily balance.

Adjusted Electric Rate of Return on Common Equity - 2011 ECR Plan As of April 30, 2012

ELECTRIC	Per Books 04-30-12 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 1 x Col 3) (4)	Adjustments to Capitalization (Col 17) (5)	Adjusted Electric Capitalization (Cot 4 + Col 5) (6)	Adjusted Capital Structure (7)	Annual Cost Rate (8)	Cost of Capital (Cel 8 x Cel 7) (9)
1. Short Term Debt	\$ 39,474 (c)	0.00%	78.980%	\$ 31,177	\$ -	\$ 31,177	0.00%	0.48%	0.00%
2. Long Term Debt	1,105,681,879 (c)	44.32%	78.980%	873,267,548	(19,071,935)	854,195,613	44.32%	3.75%	1.66%
3. Common Equity	1,388,793,363	55.68%	78,980%	1,096,868,998	(23,960,410)	1,072,908,588	55.68%	10.10%	5.62%
4. Total Capitalization	\$ 2,494,514,716	100.000%		\$ 1,970,167,723	\$ (43,032,345)	\$ 1,927,135,378	100.000%		7.28%

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

EL	ECTRIC	Electric Capitalization (Col 4) (10)	Capital Structure (11)	Trimble Coun Inventories (a (Col 11 x Col 12 Lin (12)	i) in (Investments OVEC & Other of 11 x Col 13 Line 4) (13)	(Col 1	JDIC 1 x Col 14 Line 4) (14)	(ovironmental Compliance Ratebase 11 x Col 15 Line 4) (15)	l Ta	Ivanced Coal Investment ax Credit (b) 11 x Col 16 Line 4) (16)		Total Adjustments To Capital 1 of Col 12 - Col 16) (17)
1	Short Term Debt	\$ 31,177	0.00%	s ·	S.	-	s	-	s	-	s	-	s	-
		,		(2.115.0		(2(8(52)		9 140 571		(24.006.402)		10 160 642		(10.071.025)
2.	Long Term Debt	873,267,548	44.32%	(2,115,9	53)	(268,652)		8,149,531		(34,996,403)		10,159,542		(19,071,935)
3.	Common Equity	1,096,868,998	55.68%	(2,658,3	09)	(337,513)		10,238,400		(43,966,601)		12,763,613		(23,960,410)
4.	Total Capitalization	\$ 1,970,167,723	100.000%	\$ (4,774,2	62) \$	(606,165)	\$	18,387,931	\$	(78,963,004)	\$	22,923,155	\$	(43,032,345)

(a)	Trimble County Inventories	As of April 30, 2012	
	Materials and Supplies		\$ 5,261,432
	Stores Expense		984,147
	Coal		12,372,736
	Limestone		247,251
	Fuel Oil		231,032
	Emission Allowances		 448
	Total Trimble County Inventories		\$ 19,097,046
	Multiplied by Disallowed Portion		25.00%
	Trimble County Inv. Disallowed		\$ 4,774,262

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

10.40%

Response to Commission Staff's First Request for Information in Appendix B of Commission's Order Dated June 13, 2012

Case No. 2012-00208

Question No. 2

Witness: Robert M. Conroy

- Q-2. Prepare a summary schedule showing the calculation of Total E(m), Net Retail E(m), and the surcharge factor for the expense months covered by the applicable billing period. Include the expense months for the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included for the billing period under review. The summary schedule is to incorporate all corrections and revisions to the monthly surcharge filings LG&E has submitted during the billing period under review. Include a calculation of any additional over- or under-recovery amount LG&E believes needs to be recognized 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 and cumulative components which make up the net over-recovery.

For the period under review, LG&E experienced a net over-recovery of \$506,722.

As discussed in testimony, LG&E inadvertently transposed the Kentucky Retail DSM and Environmental Surcharge Revenues reported on ES Form 3.10 for the November 2011 expense month that impacted the Total E(m), Jurisdictional Allocation Ratio, and Jurisdictional E(m) on ES Form 1.10. The calculations on the attachment to this response reflect the corrected Total E(m), Jurisdictional Allocation Ratio, and Jurisdictional E(m) of the total over/under calculation for the periods under review. Revised ES Forms 1.10, 3.00, and 3.10 are attached to testimony as Appendix B.

Louisville Gas & Electric Company Calculation of E(m) and Jurisdictional Surcharge Billing Factor Summary Schedule for Expense Months March 2011 through February 2012

	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Expense Month	Rate Base as Revised	Monthly Rate Base as Revised	Rate of Return as Revised	Operating Expenses (net of allowance proceeds)	Total E(m)	Jurisdictional Allocation Ratio	Retail E(m)	Comments: As Revised in This Review
	ES Form 2.00	(2) / 12		ES Form 2.00	(3) * (4) + (5)	ES Form 1.10	(6) * (7)	
Mar-11	\$ 72,746,119	6,062,177	10.89%	\$ 577,743	1,237,914	83.35%	1,031,801	
Apr-11	72,896,086	6,074,674	10.89%	308,266	969,798	86.50%	838,875	
May-11	74,234,883	6,186,240	10.89%	356,250	1,029,931	86.82%	894,186	
Jun-11	71,757,124	5,979,760	10.89%	310,177	961,372	92.27%	887,058	
Jul-11	72,032,384	6,002,699	10.89%	376,294	1,029,988	91.80%	945,529	
Aug-11	72,163,121	6,013,593	10.89%	476,145	1,131,025	93.59%	1,058,526	
Г		Pre	e-2011 Plans					
Sep-11	\$ 72,226,494	6,018,875	10,85%	\$ 395,130	1,048,178	87.55%	917,680	
Oct-11	72,290,860	6,024,238	10.85%	322,060	975,690	82.68%	806,700	
Nov-11	72,720,796	6,060,066	10.85%	350,770	1,008,287	82.13%	,	See Note below regarding correction
Dec-11	74,552,944	6,212,745	10.87%	374,820	1,050,145	81.15%	852,193	5 5
Jan-12	74,898,464	6,241,539	10.87%	366,668	1,045,123	85.04%	888,772	
Feb-12	76,154,412	6,346,201	10.87%	389,521	1,079,354	90.50%	976,815	
Г			2011 Plan		2	}		
Sep-11						1		
Oct-11								
Nov-11	1.000 515	00.071	10.100			01.150/	()	
Dec-11	1,090,517	90,876	10.40%	66,958	76,409	81.15%	62,006	
Jan-12	1,282,783	106,899	10.40%	55,910	67,028	85.04%	57,000	
Feb-12	1,467,219	122,268	10.40%	42,893	55,609	90.50%	50,326	

Notes: In Case No. 2011-00162, the Commission approved the 2011 ECR Plan and the use of separate rates of return for the Pre-2011 and 2011 ECR Plans beginning with the December 2011 expense month.

The November 2011 expense month included an inadvertent error that impacted the Total E(m), Jurisdictional Allocation Ratio, and Jurisdictional E(m) on ES Form 1.10. The impact of the correction is reflected in the Total E(m), Jurisdictional Allocation, and Retail E(m) shown above and the total Over/Under calculation for the 6-month period under review. ES Forms 1.10, 3.00, and 3.10 are attached to Mr. Conroy's testimony as Appendix B.

Attachment to Response to Question No. 2 Page 1 of 3 Conroy Louisville Gas & Electric Company Calculation of E(m) and Jurisdictional Surcharge Billing Factor Summary Schedule for Expense Months March 2011 through February 2012

(1)	(2)	(3)	(4) Retail E(m)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
		Adjustment to Retail	Including all	Monthly	Monthly	ECR Revenue		ECR Billing		
Expense	Retail E(m) for	E(m) for Under-	Adjustments to be	Billing Factor	Billing Factor	Recovered Through	Billing	Factor Revenues	ECR Billing Factor	Combined Total
Month	All ECR Plans	Collection	billed as ECR	(Group 1)	(Group 2)	Base Rates	Period	(Group 1)	Revenues (Group 2)	Over/(Under) Recov
month		Case No. 10-242, 10-		(010-p 1)	(· · /	· · ·	·
	Page 1 Col (8)	475, & 11-232	(2) + (3)	As Filed	As Filed	As Filed		As Filed	As Filed	(7) + (9) + (10) - (10)
Mar-11	1,031,801		1,349,026	0.99%		\$ 641,449	May-11	\$ 666,380		\$ (41,1
Apr-11	838,875	795,605	1,634,480	1.43%		603,043	Jun-11	1,206,179		174,7
May-11	894,186	795,604	1,689,790	1.47%		617,028	Jul-11	1,362,039		289,2
Jun-11	887,058	-	887,058	0.18%		778,769	Aug-11	272,788		164,4
Jul-11	945,529	-	945,529	0.19%		823,052	Sep-11	165,369		42,8
Aug-11	1,058,526	-	1,058,526	0.19%		937,365	Oct-11	127,590		6,4
U			\$ 7,564,410	-	and a final set of the	\$ 4,400,705		\$ 3,800,346	_	\$ 636,6
Sep-11	\$ 917,680	\$ -	\$ 917,680	0.21%		\$ 785,071	Nov-11	\$ 126,855		\$ (5,7
Oct-11	\$ 917,080	- to	\$ \$11,000	0.26%		630,391	Dec-11	168,884		(7,4
Nov-11	828,106	-	828,106	0.38%		562,500	Jan-12	279,719		14,1
Dec-11	914,198	-	914,198	0.43%		610,687	Feb-12	284,828		(18,6
Jan-12	945,773	241,530	1,187,303	0.67%	1.02%	681,464	Mar-12	176,476		(63,7
Feb-12	1,027,141	211,000	1,027,141	0.56%	0.84%	606,863	Apr-12	136,901	234,914	(48,4
100-12	1,027,171		\$ 5,681,129	-	0.0110	\$ 3,876,975	- F	\$ 1,173,664		
								3 3		
	Not Over Perev	ery to be returned to	anatamana far tha f	month billing r	and and ing			7012.		\$ 506,7

In Case No. 2011-00162, the Commission approved the 2011 ECR Plan and the use of separate rates of return for the Pre-2011 and 2011 ECR Plans beginning Note: with the December 2011 expense month.

The November 2011 expense month included an inadvertent error that impacted the Total E(m), Jurisdictional Allocation Ratio, and Jurisdictional E(m) on ES Form 1.10. The impact of the correction is reflected in the total Over/Under calculation for the 6-month period under review.

Page 2 of 3 Conroy

Attachment to Response to Question No. 2

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

Louisville Gas & Electric Company Reconciliation of Combined Over/(Under) Recovery Summary Schedule for Expense Months March 2011 through February 2012

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8) Jurisdictional	(9)
Billing Month	Expense Month	Rate of Return as Filed	Rate of Return as Revised	Change in Rate of Return (4) - (3)	Rate	Base as Revised	Impact of change in Rate of Return (5) * (6) / 12	Allocation, ES Form 1 10	Jursidictional Impact (7) * (8)
May-11	Mar-11	11 31%	10.89%	-0 42%	\$	72,746,119	(25,461)	83 35%	(21,222
Jun-11	Apr-11	11 31%	10 89%	-0 42%	*	72,896,086	(25,514)	86 50%	(22,069
Jul-11	May-11	11 31%	10 89%	-0 42%		74,234,883	(25,982)	86 82%	(22,558
Aug-11	Jun-11	11 31%	10 89%	-0 42%		71,757,124	(25,115)	92 27%	(23,174
Sep-11	Jul-11	11 31%	10 89%	-0.42%		72,032,384	(25,211)	91 80%	(23,144
Oct-11	Aug-11	11 31%	10.89%	-0.42%		72,163,121	(25,257)	93 59%	(23,63)
	-	11 5170	10.0770	0.1270		/	(152,540)	20 22 10	(135,80
011 Plans (Note 1 Nov-11)	1131%	10 85%	-0.46%	<u>s</u>	72,226,494	(27,687)	87 55%	(24,24
Dec-11	Oct-11	11 31%	10 85%	-0 46%	Ψ	72,290,860	(27,711)	82 68%	(22,91)
Jan-12	Nov-11	11.31%	10 85%	-0 46%		72,720,796	(27,876)	82 13%	(22,89)
Feb-12	Dec-11	11 31%	10 87%	-0 44%		74,552,944	(27,336)	81.15%	(22,18)
	Jan-12	10 82%	10 87%	0.05%		74,332,944	3,121	85.04%	2,65
Mar-12		10 82%	10 87%	0.05%		76,154,412	3,173	90 50%	2,872
Apr-12	Feb-12	10.82%	10 87%	0.03%		70,154,412	(104,317)	90 30%	(86,704
Plan (Note 1)									
Nov-11	Sep-11								
Dec-11	Oct-11								
Jan-12	Nov-11								
Feb-12	Dec-11	10 84%	10.40%	-0 44%		1,090,517	(400)	81 15%	(32-
Mar-12	Jan-12	10 37%	10 40%	0 03%		1,282,783	32	85 04%	2
Apr-12	Feb-12	10 37%	10 40%	0.03%		1,467,219	(331)	90 50%	3
			Cumul	ative Impact of Cha	nges i	n Rate of Return	\$ (257,188)		\$ (222,77
(1)	(2)	(3)	(4)	(5)		n Rate of Return	\$ (257,188)		<u>\$ (222,773</u>
(1)	(2)	Rec		(5)			\$ (257,188)		<u>\$ (222,77</u> .
	-	Rec Combined Total	(4) overy Position Expl	(5) anation - Over/(Und	er)	(6)	\$ (257,188)		<u>\$ (222,77</u>
Billing	Expense	Rec Combined Total Over/(Under)	(4) overy Position Expl ROR Trueup (Pre-	(5) anation - Over/(Und ROR Trueup	er) Use	(6) e of 12 Month	<u>\$ (257,188)</u>		<u>\$ (222,77</u>
	-	Rec Combined Total	(4) overy Position Expl	(5) anation - Over/(Und	er) Use	(6)	<u>\$ (257,188)</u>		<u>\$ (222,77</u>
Billing Month	Expense Month	Rec Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11)	(4) overy Position Expl ROR Trueup (Pre- 2011 Plans)	(5) anation - Over/(Und ROR Trueup	er) Use Ave	(6) e of 12 Month rage Revenues	<u>\$ (257,188)</u>		<u>\$ (222,77</u>
Billing Month May-11	Expense Month Mar-11	Rec Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11) \$ (41,198)	(4) overy Position Expl ROR Trueup (Pre- 2011 Plans) 21,222	(5) anation - Over/(Und ROR Trueup	er) Use	(6) e of 12 Month rage Revenues (62,419)	<u>\$ (257,188)</u>		<u>\$ (222,77</u>
Billing Month May-11 Jun-11	Expense Month Mar-11 Apr-11	Rec Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11) \$ (41,198) 174,741	(4) overy Position Expl ROR Trueup (Pre- 2011 Plans) 21,222 22,069	(5) anation - Over/(Und ROR Trueup	er) Use Ave	(6) e of 12 Month rage Revenues (62,419) 152,672	<u>\$ (257,188)</u>		<u>\$ (222,77</u>
Billing Month May-11 Jun-11 Jul-11	Expense Month Mar-11 Apr-11 May-11	Rec Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11) \$ (41,198) 174,741 289,277	(4) overy Position Expl ROR Trueup (Pre- 2011 Plans) 21,222 22,069 22,558	(5) anation - Over/(Und ROR Trueup	er) Use Ave	(6) e of 12 Month rage Revenues (62,419) 152,672 266,719	<u>\$ (257,188)</u>		<u>\$ (222,77</u>
Billing Month Jun-11 Jul-11 Aug-11	Expense Month Mar-11 Apr-11 May-11 Jun-11	Rec Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11) \$ (41,198) 174,741 289,277 164,499	(4) overy Position Expl ROR Trueup (Pre- 2011 Plans) 21,222 22,069 22,558 23,174	(5) anation - Over/(Und ROR Trueup	er) Use Ave	(6) e of 12 Month rage Revenues (62,419) 152,672 266,719 141,325	<u>\$ (257,188)</u>		<u>\$ (222,77</u>
Billing Month Jun-11 Jul-11 Aug-11 Sep-11	Expense Month Mar-11 Apr-11 May-11 Jun-11 Jul-11	Rec Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11) \$ (41,198) 174,741 289,277 164,499 42,893	(4) overy Position Expl ROR Trueup (Pre- 2011 Plans) 21,222 22,069 22,558 23,174 23,144	(5) anation - Over/(Und ROR Trueup	er) Use Ave	(6) e of 12 Month rage Revenues (62,419) 152,672 266,719 141,325 19,749	<u>\$ (257,188)</u>		<u>\$ (222,77</u>
Billing Month Jun-11 Jul-11 Aug-11 Sep-11 Oct-11	Expense Month Mar-11 Apr-11 Jun-11 Jul-11 Aug-11	Rec Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11) \$ (41,198) 174,741 289,277 164,499 42,893 6,429	(4) overy Position Expl ROR Trueup (Pre- 2011 Plans) 21,222 22,069 22,558 23,144 23,144 23,638	(5) anation - Over/(Und ROR Trueup	er) Use Ave	(6) e of 12 Month rage Revenues (62,419) 152,672 266,719 141,325 19,749 (17,209)	<u>\$ (257,188)</u>		<u>\$ (222,77</u>
Billing Month Jun-11 Jul-11 Aug-11 Sep-11 Oct-11 Nov-11	Expense Month Apr-11 May-11 Jun-11 Jul-11 Aug-11 Sep-11	Rec Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11) \$ (41,198) 174,741 289,277 164,499 42,893 6,429 (5,754)	(4) overy Position Expl ROR Trueup (Pre- 2011 Plans) 21,222 22,069 22,558 23,174 23,144 23,638 24,240	(5) anation - Over/(Und ROR Trueup	er) Use Ave	(6) e of 12 Month rage Revenues (62,419) 152,672 266,719 141,325 19,749 (17,209) (29,994)	<u>\$ (257,188)</u>		<u>\$ (222,77</u>
Billing Month Jun-11 Jul-11 Aug-11 Sep-11 Oct-11 Nov-11 Dec-11	Expense Month Apr-11 May-11 Jun-11 Jul-11 Aug-11 Sep-11 Oct-11	Rec Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11) \$ (41,198) 174,741 289,277 164,499 42,893 6,429 (5,754) (7,426)	(4) overy Position Expl ROR Trueup (Pre- 2011 Plans) 21,222 22,069 22,558 23,174 23,144 23,638 24,240 22,912	(5) anation - Over/(Und ROR Trueup	er) Use Ave	(6) e of 12 Month rage Revenues (62,419) 152,672 266,719 141,325 19,749 (17,209) (29,994) (30,338)	<u>\$ (257,188)</u>		<u>\$ (222,77</u>
Billing Month Jun-11 Jul-11 Aug-11 Sep-11 Oct-11 Nov-11 Dec-11 Jan-12	Expense Month Apr-11 May-11 Jun-11 Jul-11 Aug-11 Sep-11 Oct-11 Nov-11	Rec Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11) \$ (41,198) 174,741 289,277 164,499 42,893 6,429 (5,754) (7,426) 14,113	(4) overy Position Expl ROR Trueup (Pre- 2011 Plans) 21,222 22,069 22,558 23,174 23,144 23,638 24,240 22,912 22,895	(5) anation - Over/(Und ROR Trueup (2011 Plan)	er) Use Ave	(6) e of 12 Month rage Revenues (62,419) 152,672 266,719 141,325 19,749 (17,209) (29,994) (30,338) (8,782)	<u>\$ (257,188)</u>		<u>\$ (222,77</u>
Billing Month Jun-11 Jul-11 Aug-11 Sep-11 Oct-11 Nov-11 Dec-11 Jan-12 Feb-12	Expense Month Mar-11 Apr-11 Jun-11 Jul-11 Aug-11 Sep-11 Oct-11 Nov-11 Dec-11	Rec Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11) \$ (41,198) 174,741 289,277 164,499 42,893 6,429 (5,754) (7,426) 14,113 (18,683)	(4) overy Position Expl ROR Trueup (Pre- 2011 Plans) 21,222 22,069 22,558 23,174 23,144 23,638 24,240 22,912 22,895 22,183	(5) anation - Over/(Und ROR Trueup (2011 Plan) - - - - - - - - - - - - - - - - - - -	er) Use Ave	(6) e of 12 Month rage Revenues (62,419) 152,672 266,719 141,325 19,749 (17,209) (29,994) (30,338) (8,782) (41,191)	<u>\$ (257,188)</u>		<u>\$ (222,77</u>
Billing Month Jun-11 Jul-11 Aug-11 Sep-11 Oct-11 Nov-11 Dec-11 Jan-12 Feb-12 Mar-12	Expense Month Mar-11 Apr-11 Jun-11 Jun-11 Jun-11 Sep-11 Oct-11 Nov-11 Dec-11 Jan-12	Rec Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11) \$ (41,198) 174,741 289,277 164,429 42,893 6,429 (5,754) (7,426) 14,113 (18,663) (63,705)	(4) overy Position Expl ROR Trueup (Pre- 2011 Plans) 21,222 22,069 22,558 23,174 23,144 23,638 24,240 22,912 22,895 22,183 (2,654)	(5) anation - Over/(Und ROR Trueup (2011 Plan) - - - - - - - - - - - - - - - - - - -	er) Use Ave	(6) e of 12 Month rage Revenues (62,419) 152,672 266,719 141,325 19,749 (17,209) (29,994) (30,338) (8,782) (41,191) (61,024)	<u>\$ (257,188)</u>		<u>\$ (222,77</u>
Billing Month Jun-11 Jul-11 Aug-11 Sep-11 Oet-11 Nov-11 Dec-11 Jan-12 Feb-12 Mar-12 Apr-12	Expense Month Mar-11 Apr-11 Jun-11 Jul-11 Aug-11 Sep-11 Oct-11 Nov-11 Dec-11 Jan-12 Feb-12	Rec Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11) \$ (41,198) 174,741 289,277 164,499 42,893 6,429 (5,754) (7,426) 14,113 (18,683)	(4) overy Position Expl ROR Trueup (Pre- 2011 Plans) 21,222 22,069 22,558 23,174 23,144 23,638 24,240 22,912 22,895 22,183	(5) anation - Over/(Und ROR Trueup (2011 Plan) - - - - - - - - - - - - - - - - - - -	er) Use Ave	(6) e of 12 Month rage Revenues (62,419) 152,672 266,719 141,325 19,749 (17,209) (29,994) (30,338) (8,782) (41,191)	<u>\$ (257,188)</u>		<u>\$ (222,77</u>
Billing Month Jun-11 Jul-11 Aug-11 Sep-11 Oct-11 Nov-11 Dec-11 Jan-12 Feb-12 Mar-12 Apr-12 Total Over-	Expense Month Mar-11 Apr-11 Jun-11 Jul-11 Jul-11 Aug-11 Sep-11 Oct-11 Nov-11 Dec-11 Jan-12 Feb-12	Rec Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11) \$ (41,198) 174,741 289,277 164,499 42,893 6,429 (5,754) (7,426) 14,113 (18,683) (63,705) (48,463)	(4) overy Position Expl ROR Trueup (Pre- 2011 Plans) 21,222 22,069 22,558 23,174 23,144 23,638 24,240 22,912 22,895 22,183 (2,654) (2,872)	(5) anation - Over/(Und ROR Trueup (2011 Plan) - - - - - - - - - - - - - - - - - - -	er) Use Ave	(6) e of 12 Month rage Revenues (62,419) 152,672 266,719 141,325 19,749 (17,209) (29,994) (30,338) (8,782) (41,191) (61,024) (45,559)	<u>\$ (257,188)</u>		<u>\$ (222,77</u> ;
Billing Month Jun-11 Jul-11 Aug-11 Sep-11 Oct-11 Nov-11 Dec-11 Jan-12 Feb-12 Mar-12 Apr-12 Total Over-	Expense Month Mar-11 Apr-11 Jun-11 Jul-11 Aug-11 Sep-11 Oct-11 Nov-11 Dec-11 Jan-12 Feb-12	Rec Combined Total Over/(Under) Recovery (Q2, pg 2, Col 11) \$ (41,198) 174,741 289,277 164,429 42,893 6,429 (5,754) (7,426) 14,113 (18,663) (63,705)	(4) overy Position Expl ROR Trueup (Pre- 2011 Plans) 21,222 22,069 22,558 23,174 23,144 23,638 24,240 22,912 22,895 22,183 (2,654)	(5) anation - Over/(Und ROR Trueup (2011 Plan) - - - - - - - - - - - - - - - - - - -	er) Use Ave	(6) e of 12 Month rage Revenues (62,419) 152,672 266,719 141,325 19,749 (17,209) (29,994) (30,338) (8,782) (41,191) (61,024)	<u>\$ (257,188)</u>		<u>\$ (222,77</u>

OVER/(UNDER) RECONCILIATION						
Combined Over/(Under) Recovery		506,722				
Due to Change in ROR (Pre-2011 Plans)	222,509					
Due to Change in ROR (2011 Plan)	264					
Use of 12 Month Average Revenues	283,949					
Subtotal		506,722				
Unreconciled Difference		-				
	Combined Over/(Under) Recovery Due to Change in ROR (Pre-2011 Plans) Due to Change in ROR (2011 Plan) Use of 12 Month Average Revenues Subtotal	Combined Over/(Under) Recovery Due to Change in ROR (Pre-2011 Plans) 222,509 Due to Change in ROR (2011 Plan) 264 Use of 12 Month Average Revenues 283,949 Subtotal				

NOTE 1: Pursuant to the KPSC's Order dated December 15, 2011 approving the Settlement Agreement in Case No 2011-00161, the 2011 ECR Plan, LG&E calculated the short- and long-term debt rates using average daily balances and daily interest rates in connection with the ECR true-up calculation shown above and used a separate rate of return for the Pre-2011 and 2011 Plans beginning with the December 2011 expense month.

NOTE 2: The November 2011 expense month included an inadvertent error that impacted the Jurisdictional Allocation Ratio on ES Form 1 10. The corrected Jurisdictional Allocation Ratio is used in the calculation of the Jurisdictional True-up Adjustment shown on this schedule. Revised ES Forms 1 10, 3 00, and 3 10 are provided as Appendix B to Mr Conroy's testimony

Response to Commission Staff's First Request for Information in Appendix B of Commission's Order Dated June 13, 2012

Case No. 2012-00208

Question No. 3

Witness: Robert M. Conroy

- Q-3 Provide the calculations, assumptions, workpapers, and other supporting documents used to determine the amounts LG&E has reported during each billing period under review for Pollution Control Deferred Income Taxes.
- A-3. LG&E calculates Deferred Income Taxes as the taxable portion of the difference between book depreciation, using straight line depreciation, and tax depreciation, generally using 20 year MACRS accelerated depreciation or 5 or 7 year rapid amortization. Accelerated depreciation results in a temporary tax savings to the Company and the Accumulated Deferred Tax balance reflects the value of those temporary savings as a reduction to environmental rate base.

See the attachment for the calculation of Deferred Income Taxes and the balance of Accumulated Deferred Income Taxes reported each month of the period under review.
<u> 2005 - Plan</u>

Project 11 -- Special Waste Landfill Expansion - MC

			-	-			Accumulated	Deferred
		Book	Тах	Temporary	Income Tax		Deferred	Taxes on
Month	Plant Balance	Depreciation	Depreciation	Difference	Rate	Deferred Tax	Taxes	Retirements
Beg Balance							257,276	
Mar-11	4,607,107	9,741	22,231	12,490	38.9000%	4,859	262,135	22,369
Apr-11	4,607,107	9,741	22,231	12,490	38.9000%	4,859	266,994	22,369
May-11	7,142,556	11,695	169,217	157,522	38.9000%	61,276	328,270	22,369
Jun-11	4,818,430	(50,844)	(161,558)	(110,714)	38.9000%	(43,068)	285,202	275,368
Jul-11	4,818,430	8,275	165,596	157,321	38.9000%	61,198	346,400	275,368
Aug-11	4,818,430	10,067	153,748	143,681	38.9000%	55,892	402,292	275,368
Sep-11	4,818,430	10,067	158,411	148,344	38.9000%	57,706	459,998	275,368
Oct-11	4,818,430	10,067	158,411	148,344	38.9000%	57,706	517,704	275,368
Nov-11	4,818,430	10,067	158,411	148,344	38.9000%	57,706	575,410	275,368
Dec-11	4,818,430	10,067	158,023	147,956	38.9000%	57,555	632,965	275,368
Jan-12	4,818,430	10,067	17,396	7,329	38.9000%	2,851	635,816	275,368
Feb-12	4,818,430	10,067	16,995	6,928	38.9000%	2,695	638,511	275,368

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

Federal Basis	Book Depr.	Federal Tax D	Fed. Differenc	Fed Tax Rate	Fed Def Tax
2,285,981	6,158	9,299	3,141	35.0000%	1,099
1,267,725	3,909	5,943	2,034	35.0000%	712
1,267,725		158,466	158,466	35.0000%	55,463
State Basis	Book Depr.	State Tax Dep	St. Difference	State Tax Rate	St Def Tax
2,282,981	6,158	9,299	3,141	6.0000%	188
2,535,449	3,909	11,885	7,976	6.0000%	479
					St. Offset for Fed Taxes not Owed
					(233)

Total Deferred Tax 57,708

<u>2005 - Plan</u> Project 12 -- Special Waste Landfill Expansion - CR

							Accumulated	Deferred
		Book	Tax	Temporary	Income Tax		Deferred	Taxes on
Month	Plant Balance	Depreciation	Depreciation	Difference	Rate	Deferred Tax	Taxes	Retirements
Beg Balance							290,034	
Mar-11	4,730,568	8,397	23,096	14,699	38.9000%	5,718	295,751	536
Apr-11	4,730,568	8,397	23,096	14,699	38.9000%	5,718	301,469	536
May-11	4,730,568	8,397	23,096	14,699	38.9000%	5,718	307,186	536
Jun-11	4,730,568	8,397	23,096	14,699	38.9000%	5,718	312,903	536
Jul-11	4,730,568	8,397	23,096	14,699	38.9000%	5,718	318,620	536
Aug-11	4,730,568	8,397	23,096	14,699	38.9000%	5,718	324,338	536
Sep-11	4,730,568	8,397	23,096	14,699	38.9000%	5,718	330,055	536
Oct-11	4,730,568	8,397	23,096	14,699	38.9000%	5,718	335,772	536
Nov-11	4,730,568	8,397	23,096	14,699	38.9000%	5,718	341,489	536
Dec-11	4,730,568	8,397	23,096	14,699	38.9000%	5,718	347,206	536
Jan-12	4,730,568	8,397	21,360	12,963	38.9000%	5,043	352,249	536
Feb-12	4,730,568	8,397	21,360	12,963	38.9000%	5,043	357,292	536

<u>2005 - Plan</u> Project 13 -- Scrubber Refurbishment - TC1

							Accumulated	Deferred
		Book	Tax	Temporary	Income Tax		Deferred	Taxes on
Month	Plant Balance	Depreciation	Depreciation	Difference	Rate	Deferred Tax	Taxes	Retirements
Beg Balance							87,635	
Mar-11	850,100	2,564	7,718	5,154	38.9000%	2,005	89,637	73,550
Apr-11	850,100	2,564	7,718	5,154	38.9000%	2,005	91,639	73,550
May-11	850,100	2,564	7,718	5,154	38.9000%	2,005	93,642	73,550
Jun-11	850,100	2,564	7,718	5,154	38.9000%	2,005	95,644	73,550
Jul-11	850,100	2,564	7,718	5,154	38.9000%	2,005	97,646	73,550
Aug-11	850,100	2,564	7,718	5,154	38.9000%	2,005	99,648	73,550
Sep-11	850,100	2,564	7,718	5,154	38.9000%	2,005	101,650	73,550
Oct-11	850,100	2,564	7,718	5,154	38.9000%	2,005	103,653	73,550
Nov-11	850,100	2,564	7,718	5,154	38.9000%	2,005	105,655	73,550
Dec-11	850,100	2,564	7,718	5,154	38.9000%	2,005	107,657	73,550
Jan-12	850,100	2,564	7,591	5,027	38.9000%	1,956	109,613	73,550
Feb-12	850,100	2,564	7,591	5,027	38.9000%	1,956	111,568	73,550

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2005 - Plan Project 14 -- Scrubber Refurbishment - CR6

							Accumulated	Deferred
		Book	Tax	Temporary	Income Tax		Deferred	Taxes on
Month	Plant Balance	Depreciation	Depreciation	Difference	Rate	Deferred Tax	Taxes	Retirements
Beg Balance							18,975	
Mar-11	308,507	1,147	1,481	334	38.9000%	130	19,105	9,075
Apr-11	308,507	1,147	1,481	334	38.9000%	130	19,235	9,075
May-11	308,507	1,147	1,481	334	38.9000%	130	19,365	9,075
Jun-11	308,507	1,147	1,481	334	38.9000%	130	19,495	9,075
Jul-11	308,507	1,147	1,481	334	38.9000%	130	19,626	9,075
Aug-11	308,507	1,147	1,481	334	38.9000%	130	19,756	9,075
Sep-11	308,507	1,147	1,481	334	38.9000%	130	19,886	9,075
Oct-11	308,507	1,147	1,481	334	38.9000%	130	20,016	9,075
Nov-11	308,507	1,147	1,481	334	38.9000%	130	20,146	9,075
Dec-11	308,507	1,147	1,481	334	38.9000%	130	20,276	9,075
Jan-12	308,507	1,147	1,386	239	38.9000%	93	20,369	9,075
Feb-12	308,507	1,147	1,386	239	38.9000%	93	20,461	9,075

2005 - Plan Project 15 -- Scrubber Refurbishment - CR5

		Book	Тах	Temporary	Income Tax		Accumulated Deferred	Deferred Taxes on
Month	Plant Balance	Depreciation	Depreciation	Difference	Rate	Deferred Tax	Taxes	Retirements
Beg Balance							-	
Mar-11	-	-	-	-	38.9000%	-	-	-
Apr-11	-	-	-	-	38.9000%	-	-	-
May-11	-	-	-	-	38.9000%	-	-	-
Jun-11	-	-	-	-	38.9000%	-	-	-
Jul-11	-	-	-	-	38.9000%	-	-	-
Aug-11	-	-	-	-	38 9000%	-	-	-
Sep-11	-	-	-	-	38.9000%	-	-	-
Oct-11	-	-	-	-	38.9000%		-	-
Nov-11	-	-	-	-	38.9000%	-	-	-
Dec-11	-	*	-	-	38.9000%	-	-	-
Jan-12	-		-	-	38.9000%	-	~	-
Feb-12	-	**		-	38.9000%	-	-	-

2005 - Plan Project 16 -- Scrubber Improvements - TC1

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							Accumulated	Deferred
		Book	Tax	Temporary	Income Tax		Deferred	Taxes on
Month	Plant Balance	Depreciation	Depreciation	Difference	Rate	Deferred Tax	Taxes	Retirements
Beg Balance							1,117,288	
Mar-11	7,361,078	22,206	64,980	42,774	38.9000%	16,639	1,133,930	26,166
Apr-11	7,361,078	22,206	64,980	42,774	38.9000%	16,639	1,150,569	26,166
May-11	7,361,078	22,206	64,980	42,774	38.9000%	16,639	1,167,209	26,166
Jun-11	7,361,078	22,206	64,980	42,774	38.9000%	16,639	1,183,848	26,166
Jul-11	7,361,078	22,206	64,980	42,774	38.9000%	16,639	1,200,487	26,166
Aug-11	7,361,078	22,206	64,980	42,774	38.9000%	16,639	1,217,127	26,166
Sep-11	7,361,078	22,206	64,980	42,774	38.9000%	16,639	1,233,766	26,166
Oct-11	7,361,078	22,206	64,980	42,774	38.9000%	16,639	1,250,405	26,166
Nov-11	7,361,078	22,206	64,980	42,774	38.9000%	16,639	1,267,045	26,166
Dec-11	7,361,078	22,206	64,980	42,774	38.9000%	16,639	1,283,684	26,166
Jan-12	7,361,078	22,206	64,051	41,845	38.9000%	16,278	1,299,962	26,166
Feb-12	7,361,078	22,206	64,051	41,845	38.9000%	16,278	1,316,239	26,166

2006 - Plan Project 18 -- Trimble County 2 AQCS

		. .	-				Accumulated	Deferred
		Book	Tax	Temporary	Income Tax		Deferred	Taxes on
Month	Plant Balance	Depreciation	Depreciation	Difference	Rate	Deferred Tax	Taxes	Retirements
Beg Balance							108,057	
Mar-11	42,999,801	150,853	386,385	235,532	38.9000%	91,622	199,679	w.
Apr-11	42,999,801	150,853	297,822	146,969	38.9000%	57,171	256,850	-
May-11	42,999,801	150,853	297,822	146,969	38.9000%	57,171	314,022	-
Jun-11	43,429,831	151,703	300,127	148,424	38.9000%	57,737	371,759	-
Jul-11	43,429,831	152,553	300,127	147,574	38.9000%	57,406	429,165	-
Aug-11	43,429,831	152,553	300,127	147,574	38.9000%	57,406	486,571	-
Sep-11	43,429,831	152,553	300,127	147,574	38.9000%	57,406	543,977	-
Oct-11	43,429,831	152,553	300,127	147,574	38.9000%	57,406	601,383	-
Nov-11	43,429,831	152,553	300,127	147,574	38.9000%	57,406	658,789	-
Dec-11	43,429,831	152,553	300,127	147,574	38.9000%	57,406	716,195	•
Jan-12	43,429,831	152,553	340,460	187,907	38.9000%	73,096	789,291	-
Feb-12	43,429,831	152,553	340,460	187,907	38.9000%	73,096	862,387	-

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

		Book	Тах	Temporary	Income Tax		Accumulated Deferred	Deferred Taxes on
Month	Plant Balance		Depreciation	Difference	Rate	Deferred Tax	Taxes	Retirements
Beg Balance							261,903	
Mar-11	3,440,076	9,777	31,710	21,933	38.9000%	8,532	270,435	-
Apr-11	3,440,076	9,777	31,710	21,933	38.9000%	8,532	278,968	-
May-11	3,440,076	9,777	31,710	21,933	38.9000%	8,532	287,501	-
Jun-11	3,440,076	9,777	31,710	21,933	38.9000%	8,532	296,034	-
Jul-11	3,440,076	9,777	31,710	21,933	38.9000%	8,532	304,566	-
Aug-11	3,440,076	9,777	31,710	21,933	38.9000%	8,532	313,099	~
Sep-11	3,440,076	9,777	31,710	21,933	38.9000%	8,532	321,632	-
Oct-11	3,440,076	9,777	31,710	21,933	38.9000%	8,532	330,164	÷
Nov-11	3,440,076	9,777	31,710	21,933	38.9000%	8,532	338,697	-
Dec-11	3,440,076	9,777	31,710	21,933	38.9000%	8,532	347,230	-
Jan-12	3,440,076	9,777	31,175	21,398	38.9000%	8,324	355,554	-
Feb-12	3,440,076	9,777	31,175	21,398	38.9000%	8,324	363,878	-

<u>2006 - Plan</u> Project 20 - Mercury Monitors, all plants

		Book	Тах	Temporary	Income Tax		Accumulated Deferred	Deferred Taxes on
Month	Plant Balance	Depreciation	Depreciation	Difference	Rate	Deferred Tax	Taxes	Retirements
Beg Balance							51,980	
Mar-11	2,050,346	8,867	12,642	3,775	38.9000%	1,468	53,448	-
Apr-11	2,050,346	8,867	12,642	3,775	38.9000%	1,468	54,915	-
May-11	2,050,346	8,867	12,642	3,775	38.9000%	1,468	56,382	-
Jun-11	2,050,346	8,867	12,642	3,775	38.9000%	1,468	57,850	-
Jul-11	2,050,346	8,867	12,642	3,775	38.9000%	1,468	59,316	-
Aug-11	2,050,346	8,867	12,642	3,775	38.9000%	1,468	60,783	-
Sep-11	2,050,346	8,867	12,642	3,775	38.9000%	1,468	62,250	-
Oct-11	2,050,346	8,867	12,642	3,775	38.9000%	1,468	63,718	-
Nov-11	2,050,346	8,867	12,642	3,775	38.9000%	1,468	65,185	-
Dec-11	2,050,346	8,867	12,363	3,496	38.9000%	1,360	66,545	
Jan-12	2,050,346	8,867	11,563	2,696	38.9000%	1,049	67,594	-
Feb-12	2,050,346	8,867	11,563	2,696	38.9000%	1,049	68,643	-

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

		Book	Tax	Temporary Difference	Income Tax	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Month	Plant Balance	Depreciation	Depreciation	Difference	Rate	Deferred Tax		Retirements
Beg Balance							75,466	
Mar-11	397,151	1,361	3,978	2,617	38.9000%	1,018	76,481	-
Apr-11	397,151	1,361	2,373	1,012	38.9000%	394	76,875	-
May-11	397,151	1,361	2,373	1,012	38.9000%	394	77,269	-
Jun-11	397,151	1,361	2,373	1,012	38.9000%	394	77,663	-
Jul-11	397,151	1,361	2,373	1,012	38.9000%	394	78,057	-
Aug-11	397,151	1,361	2,373	1,012	38.9000%	394	78,451	-
Sep-11	397,151	1,361	2,373	1,012	38.9000%	394	78,845	-
Oct-11	397,151	1,361	2,373	1,012	38.9000%	394	79,239	
Nov-11	397,151	1,361	2,373	1,012	38.9000%	394	79,639	-
Dec-11	397,151	1,361	2,373	1,012	38.9000%	394	80,034	-
Jan-12	397,151	1,361	1,255	(106)	38.9000%	(41)	79,993	-
Feb-12	397,151	1,361	1,255	(106)	38.9000%	(41)	79,952	-

<u>2009 - Plan</u> Project 23 - Trimble County Ash Treatment Basis (BAP/GSP)

		Deals	T	Townson	Income Tex		Accumulated	Deferred
		Book	Tax	Temporary	Income Tax		Deferred	Taxes on
Month	Plant Balance	Depreciation	Depreciation	Difference	Rate	Deferred Tax	Taxes	Retirements
Beg Balance							-	
Mar-11	-	0	-	-	38.9000%	-	-	-
Apr-11	-	0	-	-	38.9000%	-	-	-
May-11	-	0	-	-	38.9000%	-	-	-
Jun-11	-	0	-	-	38.9000%	-	-	-
Jul-11	-	0	-	-	38.9000%	*	-	-
Aug-11	-	0	-	-	38.9000%	-	-	-
Sep-11	-	0	-	-	38.9000%	-	-	-
Oct-11	-	0	•	-	38.9000%	-	-	-
Nov-11	-	0	-	-	38.9000%	-	-	-
Dec-11	9,594,347	10,219	359,787	349,568	38.9000%	135,982	135,982	~
Jan-12	9,594,347	20,438	57,743	37,305	38.9000%	14,512	150,494	-
Feb-12	9,594,347	20,438	57,743	37,305	38.9000%	14,512	164,986	-

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Response to Question No. 4 Page 1 of 2 Conroy

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Commission Staff's First Request for Information in Appendix B of Commission's Order Dated June 13, 2012

Case No. 2012-00208

Question No. 4

Witness: Robert M. Conroy

- Q-4. Refer to ES Form 2.50, Pollution Control Operations & Maintenance Expenses, for the March 2011 through February 2012 expense months. For each expense account number listed on this schedule, explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent.
- A-4. Attached please find a schedule showing the changes in the operations and maintenance expense accounts for March 2011 through February 2012 expense months. The changes in the expense levels are reasonable and generally occurred as a part of routine plant operations and maintenance or normal annual testing expenses.

2005 Plan

Fluctuations in the scrubber operation expenses, account 502056, are the result of regular operation of the Trimble County Unit 1 ("TC1") FGD. These are variable production expenses and fluctuate with generation, coal quality and the SO₂ removal rate. TC1 was offline in October and November 2011 for a planned outage.

2006 Plan

Fluctuations in sorbent injection reactant expenses, accounts 506159 and 506152, are the result of on-going system operation of TC1 and Trimble County Unit 2 ("TC2").

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

Fluctuations in the mercury monitor operation expenses, account 506150, reflect normal periodic purchases of mercury traps for the monitors at Trimble County.

Fluctuations in mercury monitor maintenance, account 512153, are the result of routine maintenance performed on the mercury monitors at Mill Creek.

Fluctuations in the scrubber operation expenses, account 502056, are the result of regular operation of the TC2 FGD. These are variable production expenses and fluctuate with generation, coal quality and the SO_2 removal rate. TC2 was offline in April 2011 for a planned outage.

Fluctuations in the scrubber maintenance expenses, account 512055, are the result of routine maintenance of TC2. The increase in Nov 2011 reflects analysis that was done on the mercury stack and baghouse traps.

Monthly variances in the NOx operation expenses, accounts 506154 and 506155, reflect normal and expected SCR operations of TC2. The variances for account 506154 are driven by the purchase and delivery timing of the raw consumable material (ammonia) as well as variations in generation and coal quality. TC2 was offline in April 2011 for a planned outage.

Fluctuations in the NOx maintenance expenses, account 512151, are the result of routine monthly maintenance on the SCR at TC2. The increase in December 2011 is the result of catalyst sample testing.

Fluctuations for activated carbon, account 506151, are the result of regular operation of the TC2 baghouse for the removal of mercury. This is a variable production expense and fluctuates with generation, coal quality and flue gas chemistry.

Fluctuations in the precipitator maintenance expenses, accounts 512051 and 506051, are the result of routine monthly operation and maintenance on the precipitator at TC2.

<u>2011 Plan</u>

Effective with the December 2011 expense month, LG&E is including sorbent injection O&M from the 2006 Plan in the 2011 Plan for all units except Trimble County Unit 2, which will continue to be recovered through the 2006 Plan as part of Project 18, TC2 AQCS Equipment.

LOUISVILLE GAS AND ELECTRIC COMPANY ENVIRONMENTAL SURCHARGE REPORT

Pollution Control - Operations Maintenance Expenses

			% Change from Prior		% Change from Prior		% Change from Рпог		% Change from Prior		% Change from Prior
O&M Expense Account	Mar-11	Apr-11	Penod	May-11	Period	Jun-11	Period	Jul-11	Period	Aug-11	Period
2005 Plan	49,276.85	35,899.41	-27%	16,976,27	-53%	20,219.33	19%	79,604.24	294%	52,402,46	-34%
502056 Scrubber Operations			-27%	16,976.27	-33%	20,219.33	0%	79,004.24	0%	52,402.40	0%
512055 Scrubber Maintenance		-	0%	-	0%	-	0%	-	0%		0%
501201 Ashpond Dredging Expense		- 35,899.41	-27%	- 16,976.27	-53%	20,219,33	19%	79,604,24	294%	52,402.46	-34%
Total 2005 Plan O&M Expenses	49,276.85	35,899.41	-2770	10,970.27	-3370	20,219.33	1970	1 79,004,24	29470	1 52,402.40	-5470
2006 Plan											
506159 Sorbent Injection Operation	8,233.22	5,996.23	-27%	8,928.25	49%	8,342.96	-7%	10,718.43	28%	12,834.85	20%
506152 Sorbent Reactant - Reagent Only	48,156.00	47,014.18	-2%	54,552,74	16%	48,108.28	-12%	53,112.01	10%	54,189.18	2%
512152 Sorbent Injection Maintenance	-	4,609.57	100%	711.38	-85%	277.26	-61%	(218.37)	-179%	318.80	246%
506150 Mercury Monitors Operation	-	-	0%	-	0%	-	0%	-	0%	-	0%
512153 Mercury Monitors Maintenance	11,364.00	-	-100%	0.69	100%	-	-100%	-	0%	-	0%
502056 Scrubber Operations	8,749.41	-	-100%	20,601.74	100%	19,586.10	-5%	(4,642.25)	-124%	13,597.19	393%
512055 Scrubber Maintenance	4,369.19	6,449.12	48%	5,880.75	-9%	7,738.51	32%	6,094.51	-21%	7,706.74	26%
506154 NOx Operation Consumables	13,241.65	739.31	-94%	16,124,53	2081%	22,290.31	38%	23,586.70	6%	19,151.11	-19%
506155 NOx Operation Labor and Other	352.64	578.06	64%	603.42	4%	507.78	-16%	772.87	52%	1,542.80	100%
512151 NOx Maintenance	152.26	165.09	8%	223.91	36%	(74.32)	-133%	587.43	890%	99.29	-83%
506051 Precipitator Operation	-	-	0%	-	0%	-	0%	-	0%		0%
506151 Activated Carbon	4,600.07	(1,003.46)	-122%	21,845.25	2277%	(21,845.25)	-200%	-	100%	104,635.06	100%
512051 Precipitator Maintenance	1,659.34	1,573.87	-5%	1,630.11	4%	1,103.00	-32%	673.55	-39%	3,647.55	442%
Total 2006 Plan O&M Expenses	100,877.78	66,121.97	-34%	131,102.77	98%	86,034.63	-34%	90,684.88	5%	217,722.57	140%
2009 Plan											.
502012 Landfill Operations	-	-	0%	-	0%	-	0%	-	0%	-	0%
512105 Landfill Maintenance	-	-	0%	-	0%	-	0%		0%	-	0%
Adjustment for CCP Disposal in Base Rates (ES Form 2.51)	-	-	0%	-	0%	-	0%	<u> </u>	0%	-	0%
Total 2009 Plan O&M Expenses	-	-	0%	-	0%		0%	-	0%	<u> </u>	0%
2011 Plan											
502056 Scrubber Operations	-	-	0%	-	0%	-	0%	-	0%	-	0%
512055 Scrubber Maintenance	-	-	0%	-	0%	-	0%	-	0%	<u> </u>	0%
506159 Sorbent Injection Operation	-	-	0%	-	0%	-	0%	<u> </u>	0%	-	0%
506152 Sorbent Reactant - Reagent Only	-	-	0%	-	0%	-	0%	-	0%	-	0%
512152 Sorbent Injection Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
506156 Baghouse Operations	-	-	0%	-	0%	<u> </u>	0%	-	0%	-	0%
512156 Baghouse Maintenance	-	-	0%	-	0%	-	0%	-	0%	-	0%
506151 Activated Carbon	-	-	0%	-	0%	-	0%	-	0%	-	0%
Adjustment for Base Rates Baseline Amounts	-	-	0%	-	0%	-	0%	-	0%	-	0%
Total 2011 Plan O&M Expenses	-	-	0%	-	0%	-	0%	-	0%		0%

LOUISVILLE GAS AND ELECTRIC COMPANY ENVIRONMENTAL SURCHARGE REPORT

Pollution Control - Operations Maintenance Expenses

		% Change from Prior		% Change from Prior		% Change from Prior		% Change from Prior		% Change from Prior		% Change from Prior
O&M Expense Account	Sep-11	Period	Oct-11	Period	Nov-11	Period	Dec-11	Period	Jan-12	Period	Feb-12	Period
2005 Plan			(0 (0 0 0 0 0))	anone the second	(100 000 0 C)				10 774 00	1.01		50/
502056 Scrubber Operations	51,108.65	-2%	(36,302.90)	-171%	(37,080.26)	-2%	33,300.30	190%	48,774.09	46%	51,258.80	5%
512055 Scrubber Maintenance	-	0%	-	0%	-	0%		0%	-	0%		0%
501201 Ashpond Dredging Expense	-	0%	-	0%	-	0%		0%	-	0%	-	0% 5%
Total 2005 Plan O&M Expenses	51,108.65	-2%	(36,302.90)	-171%	(37,080.26)	-2%	33,300.30	190%	48,774.09	46%	51,258.80	5%
2006 Plan												
506159 Sorbent Injection Operation	12,206.01	-5%	16,765.31	37%	10,765.16	-36%	987.40	-91%	2,581.46	161%	1,221.48	-53%
506152 Sorbent Reactant - Reagent Only	61,808.18	14%	(3,269.33)	-105%	22,988.27	803%	12,191.05	-47%	9,441.96	-23%	10,763.59	14%
512152 Sorbent Injection Maintenance	(217.55)	-168%	1,427.52	756%	2,585.66	81%	43.16	-98%	153,59	256%	2,502.41	1529%
506150 Mercury Monitors Operation	-	0%	981.31	100%	2,297.38	134%	4,305.81	87%	(1,275.91)	-130%	2,668.13	309%
512153 Mercury Monitors Maintenance	-	0%	720.00	100%	-	-100%	-	0%	-	0%	-	0%
502056 Scrubber Operations	7,351.37	-46%	22,169.19	202%	19,405.52	-12%	18,376.36	-5%	16,540.61	-10%	22,626.13	37%
512055 Scrubber Maintenance	5,518.97	-28%	6,953.42	26%	13,351.12	92%	8,573.27	-36%	8,468.04	-1%	11,851.66	40%
506154 NOx Operation Consumables	9,734.31	-49%	22,612.17	132%	26,186.95	16%	21,328.60	-19%	20,246.05	-5%	21,605.05	7%
506155 NOx Operation Labor and Other	762.93	-51%	571.56	-25%	645.25	13%	939.28	46%	780.34	-17%	765.34	-2%
512151 NOx Maintenance	903.17	810%	480.33	-47%	1,017.42	112%	2,886.27	184%	641.62	-78%	1,435.12	124%
506051 Precipitator Operation	475.51	100%	870.13	83%	846.37	-3%	881.64	4%	1,484.24	68%	1,772.45	19%
506151 Activated Carbon	16,511.48	-84%	26,392.00	60%	40,309.69	53%	25,944.69	-36%	29,489.95	14%	30,060.66	2%
512051 Precipitator Maintenance	8,381.97	130%	1,197.64	-86%	955.54	-20%	713.71	-25%	274.31	-62%	2,476.21	803%
Total 2006 Plan O&M Expenses	123,436.35	-43%	97,871.25	-21%	141,354.33	44%	97,171.24	-31%	88,826.26	-9%	109,748.23	24%
2009 Plan		· · · · · · · · · · · · · · · · · · ·		rr		·······				······		
502012 Landfill Operations	-	0%	-	0%		0%	-	0%	-	0%		0%
512105 Landfill Maintenance	-	0%	-	0%		0%	-	0%	-	0%	-	0%
Adjustment for CCP Disposal in Base Rates (ES Form 2.51)	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Total 2009 Plan O&M Expenses	-	0%	<u> </u>	0%	<u> </u>	0%	-	0%		0%	-	0%
2011 Plan												
502056 Scrubber Operations	1	0%		0%	Τ	0%	<u> </u>	0%	-	0%	1	0%
512055 Scrubber Maintenance		0%		0%		0%		0%		0%	<u> </u>	0%
506159 Sorbott Injection Operation		0%		0%	-	0%	3,679.25	100%	9,836.77	167%	4,918.39	-50%
506152 Sorbent Reactant - Reagent Only		0%		0%	-	0%	48,067.47	100%	43,940,23	-9%	37,131,61	-16%
512152 Sorbert Injection Maintenance		0%		0%		0%	793.13	100%	231.46	-71%	707.72	206%
506156 Baghouse Operations	-	0%		0%	-	0%	-	0%		0%	1 -	0%
512156 Baghouse Maintenance	-	0%	-	0%	-	0%	-	0%	-	0%	1 -	0%
506151 Activated Carbon	1 _	0%	-	0%		0%	<u> </u>	0%		0%	-	0%
Adjustment for Base Rates Baseline Amounts	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Total 2011 Plan O&M Expenses	-	0%	-	0%	-	0%	52,539.85	100%	54,008,46	3%	42,757.72	-21%

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

Response to Commission Staff's First Request for Information in Appendix B of Commission's Order Dated June 13, 2012

Case No. 2012-00208

Question No. 5

Witness: Robert M. Conroy

- Q-5. In Case No. 2000-00386, the Commission ordered that LG&E's cost of debt and preferred stock would be reviewed and re-established during the six-month review case. Provide the following information as of February 29, 2012:
 - a. The outstanding balances for long-term debt, short-term debt, preferred stock, and common equity. Provide this information on total company and Kentucky jurisdictional bases.
 - b. The blended interest rates for long-term debt, short-term debt, and preferred stock. Include all supporting calculations showing how these blended interest rates were determined. If applicable, provide the blended interest rates on total company and Kentucky jurisdictional bases. For each outstanding debt listed, indicate whether the interest rate is fixed or variable.
 - c. LG&E's calculation of its weighted average cost of capital for environmental surcharge purposes.
- A-5. a. Please see the attachment. There was no preferred stock as of February 29, 2012 therefore it is not listed in the attached schedule.
 - b. Please see the attachment, page 3 of which is being provided under seal pursuant to a petition for confidential treatment. There was no preferred stock as of February 29, 2012, 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 agreed to for the Pre-2011 ECR Plans and 10.10% for the 2011 ECR Plan and approved by the Commission in its January 31, 2012 Order in Case No. 2011-00232.

Adjusted Electric Rate of Return on Common Equity - Pre-2011 ECR Plans <u>As of February 29, 2012</u>

ELECTRIC	Per Books 02-29-12 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 1 x Col 3) (4)	Adjustments to Capitalization (Col 17) (5)	Adjusted Electric Capitalization (Col 4 + Col 5) (6)	Adjusted Capital Structure (7)	Annual Cost Rate (8)	Cost of Capital (Col 8 x Col 7) (9)
1. Short Term Debt	\$ -	0.00%	78.980%	s -	\$ -	s -	0.00%	0.00%	0.00%
2. Long Term Debt	1,105,682,186	44.47%	78.980%	873,267,791	(17,730,687)	855,537,104	44.47%	3.75%	1.67%
3. Common Equity	1,380,618,781	55.53%	78.980%	1,090,412,713	(22,140,433)	1,068,272,280	55.53%	10.63%	5.90%
4. Total Capitalization	\$ 2,486,300,967	100.000%		\$ 1,963,680,504	\$ (39,871,120)	\$ 1,923,809,384	100.000%		7.57%

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

EL	<u>ECTRIC</u>	Electric Capitalization (Col 4) (10)	Capital Structure (11)	Trimble County Inventories (a) (Col 11 x Col 12 Line 4) (12)	Investments in OVEC & Other (Cot 11 x Cot 13 Line 4) (13)	JDIC (Col 11 x Col 14 Line 4) (14)	Environmental Compliance Ratebase (Col 11 x Col 15 Line 4) (15)	Advanced Coal Investment Tax Credit (b) (Col 11 x Col 16 Line 4) (16)	Total Adjustments To Capital (Sum of Cal 12 - Col 16) (17)
1.	Short Term Debt	\$-	0.00%	s -	\$-	ş -	s -	ş -	\$-
2.	Long Term Debt	873,267,791	44.47%	(1,503,169)	(269,562)	8,319,011	(34,518,339)	10,241,372	(17,730,687)
3.	Common Equity	1,090,412,713	55.53%	(1,877,017	(336,603)	10,388,007	(43,103,292)	12,788,472	(22,140,433)
4.	Total Capitalization	\$ 1,963,680,504	100.000%	\$ (3,380,186	\$ (606,165)	\$ 18,707,018	\$ (77,621,631)	\$ 23,029,844	\$ (39,871,120)

(a)	Trimble County Inventories A	As of February 29, 2012	
	Materials and Supplies		\$ 5,790,277
	Stores Expense		1,070,579
	Coal		6,189,602
	Limestone		263,311
	Fuel Oil		206,519
	Emission Allowances	_	457
	Total Trimble County Inventories		\$ 13,520,745
	Multiplied by Disallowed Portion	_	25.00%
	Trimble County Inv. Disallowed		\$ 3,380,186

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

10.85%

Adjusted Electric Rate of Return on Common Equity - 2011 ECR Plan As of February 29, 2012

ELECTRIC	Per Books 02-29-12 (1)	Capital Structure (2)	Electric Rate Base Percentage (3)	Electric Capitalization (Col 1 x Col 3) (4)	Adjustments to Capitalization (Col 17) (5)	Adjusted Electric Capitalization (Col 4 + Col 5) (6)	Adjusted Capıtal Structure (7)	Annual Cost Rate (8)	Cost of Capital (Col 8 x Col 7) (9)
1. Short Term Debt	\$-	0.00%	78.980%	s -	\$-	s -	0.00%	0.00%	0.00%
2. Long Term Debt	1,105,682,186	44.47%	78.980%	873,267,791	(17,730,687)	855,537,104	44.47%	3.75%	1.67%
3. Common Equity	1,380,618,781	55.53%	78.980%	1,090,412,713	(22,140,433)	1,068,272,280	55.53%	10.10%	5.61%
4. Total Capitalization	\$ 2,486,300,967	100.000%		\$ 1,963,680,504	\$ (39,871,120)	\$ 1,923,809,384	100.000%		7.28%

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

EL	ECTRIC	Electric Capitalization (Col 4) (10)	Capital Structure (11)	Trimble County Inventories (a) (Col 11 x Col 12 Line 4) (12)	Investments in OVEC & Other (Col 11 x Col 13 Line 4) (13)	JDIC (Col 11 x Col 14 Line 4) (14)	Environmental Compliance Ratebase (Col 11 x Col 15 Line 4) (15)	Advanced Coal Investment Tax Credit (b) (Col 11 x Col 16 Line 4) (16)	Total Adjustments To Capital (sum of Col 12 - Col 16) (17)
1.	Short Term Debt	\$ -	0.00%	s -	\$-	s -	s -	\$ -	\$-
2.	Long Term Debt	873,267,791	44.47%	(1,503,169)	(269,562)	8,319,011	(34,518,339)	10,241,372	(17,730,687)
3.	Common Equity	1,090,412,713	55.53%	(1,877,017)	(336,603)	10,388,007	(43,103,292)	12,788,472	(22,140,433)
4.	Total Capitalization	\$ 1,963,680,504	100.000%	\$ (3,380,186)	\$ (606,165)	\$ 18,707,018	\$ (77,621,631)	\$ 23,029,844	\$ (39,871,120)

(a)	Trimble County Inventories A	As of February 29, 2012	
	Materials and Supplies		\$ 5,790,277
	Stores Expense		1,070,579
	Coal		6,189,602
	Lunestone		263,311
	Fuel Oil		206,519
	Emission Allowances		 457
	Total Trimble County Inventories		\$ 13,520,745
	Multiplied by Disallowed Portion		 25.00%
	Trimble County Inv. Disallowed		\$ 3,380,186

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

10.40%

CONFIDENTIAL INFORMATION REDACTED

LOUISVILLE GAS AND ELECTRIC COMPANY ANALYSIS OF THE EMBEDDED COST OF CAPITAL AT February 29, 2012

				LC	ONG-TERM DEB	T									
							mortized Debt	Ai	nnualiz	ed Cost					ļ
	Due	Rate	Principal	Ir	nterest/(Income)		Issuance Exp/Discount			rtized Loss-		tter of Credit		Total	Embedded Cost
Pollution Control Bonds -	Diffe	Mate	1.11100220		Noresu (integrite)		Expressouri	•		iquica bobi			•		
Jefferson Co 2000 Series A	05/01/27	0 857%	\$ 25.000,000	4 \$	214.265	\$	-		\$	135.283	s	-	S	349,548	1 398%
Trimble Co 2000 Series A	08/01/30	0 060%	83.335,000		50,001		38,707			143,700		305,898	d	538,306	0 646%
Jefferson Co 2001 Series A	09/01/27	0 120%	10,104.000		12.125		20,393			-		35.546	d	68,064	0 674%
Jefferson Co 2001 Series A	09/01/26	0 310%	22,500,000		69,750		9,924			77.424		22.500	b	179,598	0 798%
Trimble Co 2001 Series A	09/01/26	0 230%	27.500.000		63.250		10,790			65.400		27.500	b	166.940	0 607%
Jefferson Co 2001 Series B	11/01/27	0 400%	35,000,000		140.000		10,995			49.056		35.000	b	235,051	0 672%
Trimble Co 2001 Series B	11/01/27	0 400%	35,000,000		140,000		10.997			48.864		35,000	b	234.861	0 671%
Trimble Co 2002 Series A	10/01/32	0 160%	41.665,000		66.664		37.221			55,812		176,268	d	335.965	0 806%
Louisville Metro 2003 Series A	10/01/33	1 900%	128,000.000	3	2,432.000		19.887			313,727		-	а	2.765,614	2.161%
Louisville Metro 2005 Series A	02/01/35	5 750%	40,000,000	4	2.300,000		•			96.444		-		2,396,444	5 991%
Trimble Co 2007 Series A	06/01/33	4 600%	60.000,000		2,760.000		47.534			6.615		18.270	а	2.832,419	4.721%
Louisville Metro 2007 Series A	06/01/33	5 625%	31.000,000	4	1.743,750					41,718		-		1,785.468	5 760%
Louisville Metro 2007 Series B	06/01/33	1 900%	35.200.000	3	668,800		7,756			27,526		-	а	704.082	2 000%
Called Bonds			-				-			167,868	2			167.868	
First Mortgage Bonds -															
2010 due 2015	11/15/15	1 625%	250,000,000		4.062.500		522.243	••		~		-		4.584.743	1.834%
Debt discount on FMB	11/15/15	1 625%	(654,521)				176,500	••						176.500	-26 966%
2010 due 2020	11/15/40	5 125%	285,000,000		14.606.250		119.249	**		•		-		14,725.499	5 167%
Debt discount on FMB	11/15/40	5 125%	(2,967,293)				103,360	••						103.360	-3 483%
Revolving Credit Facility	10/19/16						an a	6&7				500.000			
Total External Debt			\$ 1,105,682,186	\$	29,329,355	\$	1,918,436		\$	1,229,437	\$	1,155,982	5	33,633,210	3.042%
Interest Rate Swaps:															
JP Morgan Chase Bank	11/01/20	1		\$		\$	-		\$	-	\$	-	8		
Morgan Stanley Capital Services 3 657%	10/01/33	1			1,113.920		-			-		-		1,113,920	
Morgan Stanley Capital Services 3 645%	10/01/33	1			1,110,080 1,126,080		-			-		-		1.110.080 1,126,080	
Bank of America	10/01/33	1		s		\$			\$		S				0.707%
interest Rate Swaps External Debt					7,620,047	-				•			3	1,020,047	0.70778
Notes Payable to PPL		5	s -	s	i -	\$			\$:	\$		s	· ·	
Total Internal Debt			<u>\$</u> -	\$	•	\$	•		\$	·	\$	-		-	0.000%
		Total	\$ 1,105,682,186	5	37,149,402	\$	1,918,436		<u>s</u>	1,229,437	\$	1,155,982		41,453,257	3.749%
						tero ter									

					SHOR	T-TERM DE	BT									
									Annualiz	ed Cost					_	
	Maturity	Rate	P	rincipal		Interest	E	Expense		Loss	Pre	mium	٦	Fotal		Embedded Cost
Notes Payable to Associated Company Revolving Credit Facility Payable	NA	0 430% •	S		\$:	\$:	Ş	-	\$	-	\$		-	0 000% 0 000%
		Total	<u>s</u>	-	\$	-	\$		\$	<u> </u>	5	<u> </u>	<u>s</u>		- C	0.000%
Embedded Cost of Total Debt			<u>\$ 1,1</u>	105,682,186	\$	37,149,402	\$	1,918,436	\$	1,229,437	<u>\$</u> 1	155,982	\$ 41	,453,25	7_	3.749%

** Debt discount shown on separate line

1 Additional interest due to Swap Agr

greements:		Expiration of Swap	Fixed LG&E Swap	Fixed LG&E Swap	Variable Counterparty
Underlying Debt Being Hedged	Notional Amount	Agreement	Position	Position	Swap Position
Series Z - PCB	83,335.000	11/01/20	5 495%	5 495%	BMA Index
Series CC. DD & EE - PCB	32.000.000	10/01/33	3 657%	3 657%	68% of 1 mo LIBOR
Series CC. DD & EE - PCB	32,000,000	10/01/33	3 645%	3 645%	68% of 1 mo LIBOR
Series CC, DD & EE - PCB	32,000,000	10/01/33	3 695%	3 695%	68% of 1 mo LIBOR
	179,335,000				

Call premium and debt expense is being amortized over the remaining life of bonds due 6/1/15. 7/1/13 and 8/1/17
Remarketed bonds, issued at long term fixed rate
Fidelia Notes Payable were paid off on 11/1/2010 with PPL Notes Payable that were paid off with the new FMB issues on 11/16/2010
Included setup fees for the Wachovia Credit Facility in Long-term Debt due to 4 year credit arrangement
Credit Facility amended effective October 19. 2011 New term of 5 years at lower interest rate
a - Insurance premiums annualized - based on actual invoices
B - Remarketing fee = 10 basis points
c - Remarketing fee = 25 basis points
d - Combination of a and c

ECR - Gross-up Revenue Factor & Composite Income Tax Calculation 2012

(1)	Assume pre-tax income of	Prod W/ 6	2012 eral & State uction Credit % 2011 State <u>Rate Included</u> 100.0000	
(2) (3) (4)	State income tax (see below)		5.6604	(40)
(5)	Taxable income for Federal income tax			
(6)	before production credit		94.3396	(1)-(3)
(7)	a. Production Rate		9%	
(8)	b. Allocation to Production Income		100%	
(9)	c. Allocated Production Rate (a x b)		9.00%	
(10)				
(11)	Less: Production tax credit		8.4906	(6)*(9)
(12)				
(13)	Taxable income for Federal income tax		85.8490	(6)-(11)
(14)				
(15)	Federal income tax		30.0472	(13)*35%
(16)				
(17)				
(18)	Total State and Federal income taxes	\$	35.7076	(3)+(15)
(19)				
(20)	Gross-up Revenue Factor		64.2924	100-(18)
(21)				
(22)	Therefore, the composite rate is:			
(23)	Federal		30.0472%	(15)/100
(24)	State		5.6604%	(3)/100
(25)	Total		35.7076%	(23)+(24)
(26)				
(27)				
(28)				
(29)				
(30)				
(31)	State Income Tax Calculation			
(32)	Assume pre-tax income of	\$	100.0000	
(33)				
(34)	Production credit @ 6%		5.6604	
(35)				
(36)	Taxable income for State income tax		94.3396	(32)-(34)
(37)				
(38)	State Tax Rate		6.0000%	
(39)				
(40)	State Income Tax		5.6604	(36)*(38)

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Response to Commission Staff's First Request for Information in Appendix B of Commission's Order Dated June 13, 2012

Case No. 2012-00208

Question No. 6

Witness: Robert M. Conroy

- Q-6. Provide the actual average residential customer's usage. Based on this usage amount, provide the dollar impact the over/under recovery will have on the average residential customer's bill for the requested recovery period.
- A-6. Based upon distributing the net over-recovered position of \$506,722 in one month, the ECR billing factor for a residential customer using 1,000 kWh will decrease by approximately \$0.90 per month, using rates and adjustment clause factors in effect for the April 2012 billing month.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

JUN 2 8 2012

PUBLIC SERVICE

COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF LOUISVILLE GAS)
)
)
AND ELECTRIC COMPANY FOR THE SIX MONTH)
BILLING PERIODS ENDING OCTOBER 31, 2011)
AND APRIL 30, 2012)

CASE NO. 2012-00208

PETITION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR CONFIDENTIAL PROTECTION FOR CERTAIN OF COMMISSION STAFF'S FIRST REQUESTS FOR INFORMATION

Louisville Gas and Electric Company ("LG&E") hereby petitions the Kentucky Public Service Commission ("Commission") pursuant to 807 KAR 5:001, Section 7, and KRS 61.878(l)(c) to grant confidential protection for the item described herein, which LG&E seeks to provide in response to the Commission Staffs Initial Data Requests No. 5(b). In support of this Petition, KU states as follows:

Confidential or Proprietary Commercial Information (KRS 61.878(1)(c))

1. The Kentucky Open Records Act exempts from disclosure certain commercial information. KRS 61.878(1)(c). To qualify for the exemption and, therefore, maintain the confidentiality of the information, a party must establish that the material is of a kind generally recognized to be confidential or proprietary, and the disclosure of which would permit an unfair commercial advantage to competitors of the party seeking confidentiality.

2. Commission Staff Request No. 5(b) asks LG&E to provide, "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." In response to this data request,

1

LG&E is providing as an attachment a spreadsheet that demonstrates LG&E's embedded cost of capital. Within the spreadsheet are the annualized costs associated with LG&E's revolving credit facility. Pursuant to the terms of agreements associated with the revolving credit facility, LG&E is not permitted to publicly disclose the costs and thus public disclosure of the costs would result in LG&E breaching the agreement. Revealing publicly the costs would significantly compromise LG&E's ability to obtain a revolving credit facility at a competitive interest rate, which would in turn financially harm LG&E's customers. Moreover, financial institutions do not permit public disclosure of the rates because those rates would be used against them in future negotiations with other customers. They would therefore be more likely to insist on standard provisions and less willing to negotiate favorable rates with LG&E in the future, thus jeopardizing LG&E's ability to obtain the lowest possible interest rates, placing it at an additional financial disadvantage.

3. If the Commission disagrees with this request for confidential protection, however, it must hold an evidentiary hearing (a) to protect LG&E's due process rights and (b) to supply the Commission with a complete record to enable it to reach a decision with regard to this matter. <u>Utility Regulatory Commission v. Kentucky Water Service Company, Inc.</u>, 642 S.W.2d 591, 592-94 (Ky. App. 1982).

4. The information for which LG&E is seeking confidential treatment is not known outside of LG&E, is not disseminated within LG&E except to those employees with a legitimate business need to know and act upon the information, and is generally recognized as confidential and proprietary information in the energy industry. LG&E will disclose the confidential information, pursuant to a confidentiality agreement, to intervenors and others with a legitimate interest in this information and as required by the Commission.

2

5. In accordance with the provisions of 807 KAR 5:001, Section 7 and the Commission's June 13, 2012 Order in this proceeding, LG&E herewith files with the Commission one copy of the above-discussed response with the confidential information highlighted and ten (10) copies of its response without the confidential information.

WHEREFORE, Louisville Gas and Electric Company respectfully requests that the Commission grant confidential protection for the information at issue, or in the alternative, schedule an evidentiary hearing on all factual issues while maintaining the confidentiality of the information.

Dated: June 28, 2012

Respectfully submitted,

turen

Allyson K Sturgeon Senior Corporate Attorney LG&E and KU Services Company 220 West Main Street Louisville, Kentucky 40202 Telephone: (502) 627-2088

Counsel for Louisville Gas & Electric Company