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February 23, 2012

RECEIVED

VIA HAND DELIVERY

FEB 23 2012

Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

PUBLIC SERVICE
COMMISSION

**RE: An Examination by the Public Service Commission of the Environmental
Surcharge Mechanism of Louisville Gas and Electric Company for the Two-Year
Billing Period Ending April 30, 2011**
Case No. 2011-00232

Dear Mr. DeRouen:

Enclosed please find and accept for filing an original and ten copies of Louisville Gas and Electric Company's Motion to Approve Revised ES Forms and Issue Order Granting Motion to Correct in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me via our office courier.

Should you have any questions please contact me at your convenience.

Yours very truly,

Kendrick R. Riggs

KRR:ec
Enclosures
cc: Parties of Record

400001.139563/791799.1

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) CASE NO. 2011-00232
GAS AND ELECTRIC COMPANY FOR THE)
TWO-YEAR BILLING PERIOD ENDING)
APRIL 30, 2011)**

**MOTION TO APPROVE REVISED ES FORMS AND
ISSUE ORDER GRANTING MOTION TO CORRECT**

Louisville Gas and Electric Company (“LG&E”) requests the Kentucky Public Service Commission (“KPSC” or “Commission”) approve proposed revisions and additions to LG&E’s monthly ES forms (described below) and to issue an order granting LG&E’s Motion to Correct Order by February 29, 2012. As grounds for its motion, LG&E states as follows:

1. On August 9, 2011, the Commission initiated a two-year review of Louisville Gas and Electric Company’s (“LG&E”) environmental surcharge as billed to customers for the two-year period from May 1, 2009 to April 30, 2011.¹ Pursuant to KRS 278.183(3), the Commission must review, at six-month intervals, the past operations of the environmental surcharge; disallow any surcharge amounts that are not just and reasonable; and reconcile past surcharge collections with actual costs recoverable. At two-year intervals, the Commission must review and evaluate the past operations of the environmental surcharge, disallow improper expenses and, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility.

¹ LG&E’s surcharge is billed on a two-month lag. Thus surcharge billings for May 2009 through April 2011 are based on costs incurred from March 2009 through February 2011.

2. The Commission issued a procedural schedule for this proceeding on August 9, 2011. LG&E filed prepared direct testimony and responded to requests for information. On November 10, 2011, LG&E requested that the Commission delay issuing an order in this proceeding until the issuance of a final Order in Case No. 2011-00162 concerning the Settlement Agreement, Stipulation, and Recommendation (“Settlement Agreement”) submitted in that case.² Kentucky Industrial Utility Customers, Inc. (“KIUC”) petitioned to intervene, which petition was granted on November 18, 2011.

3. On November 21, 2011, LG&E filed in Case No. 2011-00162 proposed revisions and additions to its monthly ES forms. An accurate copy of this filing is contained in Appendix A to this motion. On December 15, 2011, the Commission issued an order in Case No. 2011-00162 approving the Settlement Agreement, including a change in ECR allocation methodology to be implemented with the January 2012 expense month filing, and proposed ES forms. Following the Commission’s approval of the Settlement Agreement in Case No. 2011-00162, LG&E filed supplemental information in this case on January 5, 2012 concerning the allocation methodology to be used for its roll-in to base rates of environmental costs. LG&E requested that this case be submitted for a decision based on the existing record without a public hearing. Finding good cause, the Commission granted LG&E’s request, decided this case based on the evidence of record without a hearing and issued its order on January 31, 2012.

4. The Commission’s January 31, 2012 Order approved the past operations of LG&E’s environmental surcharge for the period under review and directed LG&E to incorporate the surcharge amounts found just and reasonable into LG&E’s existing base rates using the

² See *In the Matter of: Application of Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Approval of Its 2011 Compliance Plan for Recovery by Environmental Surcharge*, Case No. 2011-00162.

allocation methodology approved by the Commission in the Settlement Agreement in Case No. 2011-00162.

5. On February 3, 2012, LG&E filed a Motion to Correct Order requesting the Commission to correct certain inadvertent errors or omissions, *nunc pro tunc*, in the January 31, 2012 Order in this proceeding. On February 6, 2012, the KIUC filed a Response in which KIUC expressed its support for LG&E's Motion to Correct.

6. On February 17, 2012, LG&E filed its Environmental Surcharge Report for the expense month of January 2012. The Environmental Surcharge Report included the calculation and supporting documentation for the Monthly Surcharge Factors to be billed for service rendered on and after February 29, 2012. In its filing letter, LG&E advised that the calculation of the Monthly Surcharge Factors reflected the implementation of the changes to the allocation methodology of the monthly revenue requirement approved by the Commission in its January 31, 2011 Order in this proceeding.³ LG&E's letter further noted that some changes were made to ES Form 1.10, with conforming changes to ES Forms 1.00 and 3.00. These revisions and modifications are shown in the blank ES forms contained in Appendix B. An accurate copy of the February 17, 2012 filing, utilizing the proposed forms, is contained in Appendix C to this motion.

7. At LG&E's request, an informal conference with Commission Staff was held on February 22, 2012. KIUC attended the conference in person. The Attorney General attended the conference by telephone. During the informal conference, LG&E provided a summary of and detailed work papers supporting the proposed changes to the ES Forms.

³ The Commission's January 31, 2012 Order in this proceeding implemented the allocation methodology portion of the Settlement Agreement the Commission approved in its December 15, 2011 Order in *In the Matter of: Application of Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Approval of Its 2011 Compliance Plan for Recovery by Environmental Surcharge*, Case No. 2011-00162.

8. There are two principal changes to ES Form 1.10. The first adjusts the calculation of “Revenue as a Percentage of Total Revenue for the Current Month” by replacing the one-month value with a 12-month average value to arrive at “Revenue as a Percentage of 12-month Total Revenue ending with the Current Month.” The use of a 12-month average in lieu of a single month should reduce the volatility of the changes in the Monthly Surcharge Factors over time and comports with the use of 12-month revenues used to determine the billing factor . The second change is in the calculation of “Adjusted Net Jurisdictional E(m).” The calculation of E(m) is modified to include the adjustments for “(Over)/Under-collection” and “Revenue Collected through Base Rates” as part of the calculation prior to the allocation between Group 1 and Group 2. In doing so, the resulting calculation of the Group Environmental Surcharge Billing Factors more accurately reflects the requirements of the Settlement Agreement approved by the Commission in Case No. 2011-00162 by keeping the revenue allocated to Group 1 approximately the same as the revenue that would be allocated to those rate classes in Group 1 if there was no change to the allocation methodology.⁴ The proposed change in the calculation of E(m) continues to provide the rate classes in Group 2 the benefits of the revenue allocation methodology in the Settlement Agreement approved by the Commission in Case No. 2011-00162 through the use of net-revenues (total revenues less fuel revenues) to reallocate the revenues within Group 2.⁵

⁴ For LG&E, Group 1 would include the following rate classes: Residential Service, Volunteer Fire Department Service, Lighting Service, Residential Lighting Service, Lighting Energy Service, Traffic Energy Service, Dark Sky Friendly, Low Emission Vehicle Service, and Residential Responsive Pricing.

⁵ For LG&E, Group 2 would include the following rate classes: General Service, Power Service, Industrial Time-of-Day Secondary Service, Commercial Time-of-Day Secondary Service, Industrial Time-of-Day Primary Service, Commercial Time-of-Day Primary Service, Retail Transmission Service, Fluctuating Load Service, General Responsive Pricing Service, and special contracts.

WHEREFORE, Louisville Gas and Electric Company respectfully requests that the Commission issue an order by February 29, 2012 granting the following relief:

1. The sentence appearing on page 4 of the January 31, 2012 Order, under the section Allocation of Roll-In, should be corrected, *nunc pro tunc*, as follows:

The \$9,850,653 total roll-in was allocated between the two groups based on the percentage of each group's total revenue, excluding base environmental surcharge revenue, to LG&E's total revenue, excluding base environmental surcharge revenue.

2. The sentence appearing on page 5 of the January 31, 2012 Order, under the section Allocation of Roll-In, should be corrected, *nunc pro tunc*, as follows:

The Commission has reviewed and finds reasonable LG&E's proposal to allocate the roll-in of \$9,850,653 pursuant to the terms of the Settlement Agreement in Case No. 2011-00162.

3. Ordering paragraph number 3, at page 7 of the Order, inadvertently omits the word "total" from the second sentence when describing the total amount of the roll-in to be allocated in accordance with the Settlement Agreement. The second sentence appearing in ordering paragraph number 3, at page 7 of the Order should be corrected, *nunc pro tunc*, as follows:

The total roll-in shall be allocated to the customer classes as described in the Settlement Agreement approved in Case No. 2011-00162.

4. LG&E's proposed revisions and modifications to its monthly ES Forms 1.00, 1.10 and 3.00 as shown in Appendix B are approved effective with the date of the order.

Dated: February 23, 2012

Respectfully submitted,



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- and -

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

Counsel for Louisville Gas and Electric Company

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Motion was served via U.S. mail first-class, postage prepaid, this 23rd day of February 2012 upon the following persons:

Michael L. Kurtz
Kurt J. Boehm
Jody M. Kyler
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202

Dennis G. Howard II
Lawrence W. Cook
Office of the Attorney General
Office of Rate Intervention
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204


Counsel for Louisville Gas and Electric Company

Appendix A

ES FORM 1.00

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT

Net Group E(m) and
Group Environmental Surcharge Billing Factors
For the Expense Month of

GROUP 1 (Total Revenue)

Net Group E(m) = Group E(m) less Expense Month Revenue
Collected Through Base Rates -- ES Form 1.10, line 18 =

Group 1 ES Billing Factor -- ES Form 1.10, line 20 =

GROUP 2 (Net Revenue)

Net Group E(m) = Group E(m) less Expense Month Revenue
Collected Through Base Rates -- ES Form 1.10, line 18 =

Group 2 ES Billing Factor -- ES Form 1.10, line 20 =

Effective Date for Billing:

Submitted by: _____

Title: Director, Rates

Date Submitted:

ES FORM 1.10

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

Calculation of Total E(m) and
Group Surcharge Billing Factors

For the Expense Month of

Calculation of Total E(m)

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

	Pre-2011 Environmental Compliance Plans	2011 Environmental Compliance Plans
(1) RB	=	
(2) RB / 12	=	
(3) $(ROR + (ROR - DR) (TR / (1 - TR)))$	=	
(4) OE	=	
(5) BAS	=	Not Applicable
(6) BR	=	Not Applicable
(7) E(m) $(2) \times (3) + (4) - (5) + (6)$	=	
(8) Total E(m) = sum of Pre-2011 E(m) + 2011 E(m)		

Calculation of Adjusted Total Jurisdictional E(m)

(9) Jurisdictional Allocation Ratio for Expense Month -- ES Form 3.10	=
(10) Jurisdictional E(m) = Total E(m) x Jurisdictional Allocation Ratio [(8) x (9)]	=
(11) Prior Period Adjustment related to Rate Base or OE (if necessary)	=
(12) Adjusted Total Jurisdictional E(m) [(10) + (11)]	=

Calculation of Group Environmental Surcharge Billing Factors

	GROUP 1 (Total Revenue)	GROUP 2 (Net Revenue)
(13) Revenue as a Percentage of Total Revenue for Current Month -- ES Form 3.00	=	
(14) Group E(m) [(12) x (13)]	=	
(15) Adjustment for (Over)/Under-collection pursuant to Case No.	=	
(16) Prior Period Adjustment related to Revenue (if necessary)	=	
(17) Revenue Collected through Base Rates	=	
(18) Net Group E(m) = Group E(m) less Expense Month Revenue Collected Through Base Rates [(14) + (15) + (16) - (17)]	=	
(19) Group R(m) = Average Monthly Group Revenue for the 12 Months Ending with the Current Expense Month -- ES Form 3.00	=	
(20) Group Environmental Surcharge Billing Factors [(18) + (19)]	=	

ES FORM 2.00

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

Determination of Environmental Compliance Rate Base

	Pre-2011 Environmental Compliance Plans	2011 Environmental Compliance Plan
Eligible Pollution Control Plant		
Eligible Pollution CWIP Excluding AFUDC		
Subtotal		
Additions:		
Inventory - Emission Allowances per ES Form 2.31, 2.32 and 2.33		
Cash Working Capital Allowance		
Subtotal		
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant		
Pollution Control Deferred Income Taxes		
Subtotal		
Environmental Compliance Rate Base		

Determination of Pollution Control Operating Expenses

	Pre-2011 Environmental Compliance Plan	2011 Environmental Compliance Plan
Monthly Operations & Maintenance Expense		
Monthly Depreciation & Amortization Expense		
less investment tax credit amortization		
Monthly Taxes Other Than Income Taxes		
Monthly Emission Allowance Expense from ES Form 2.31, 2.32 and 2.33		
Monthly Surcharge Consultant Fee		
Total Pollution Control Operations Expense		

Determination of Beneficial Reuse Operating Expenses

	Environmental Compliance Plan
Total Monthly Beneficial Reuse Expense	
Adjustment for Beneficial Reuse in Base Rates (from ES Form 2.61)	
Net Beneficial Reuse Operations Expense	

Proceeds From By-Product and Allowance Sales

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

**LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT**
Plant, CWIP & Depreciation Expense

For the Month Ended:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Description	Eligible Plant In Service	Eligible Accumulated Depreciation	CWIP Amount Excluding AFUDC	Eligible Net Plant In Service	Deferred Tax Balance as of	Monthly ITC Amortization Credit	Monthly Depreciation Expense	Monthly Property Tax Expense
				(2)-(3)+(4)				
2005 Plan:								
Project 11 - Special Waste Landfill Expansion at Mill Creek								
Project 12 - Special Waste Landfill Expansion at Cane Run Station								
Project 13 - Scrubber Refurbishment at Trimble County Unit 1								
Project 14 - Scrubber Refurbishment at Cane Run Unit 6								
Project 15 - Scrubber Refurbishment at Cane Run Unit 5								
Project 16 - Scrubber Improvements at Trimble County Unit 1								
Subtotal								
Less Retirements and Replacement resulting from implementation of 2005 Plan								
Net Total - 2005 Plan:								
2006 Plan:								
Project 18 - TC2 AQCS Equipment								
Project 19 - Sorbent Injection								
Project 20 - Mercury Monitors								
Project 21 - Mill Creek Opacity and Particulate Monitors								
Subtotal								
Less Retirements and Replacement resulting from implementation of 2006 Plan								
Net Total - 2006 Plan:								
2009 Plan:								
Project 22 - Cane Run CCP Storage (Landfill - Phase 1)								
Project 23 - Trimble County Ash Treatment Basin (BAP/GSP)								
Project 24 - Trimble County CCP Storage (Landfill - Phase 1)								
Project 25 - Beneficial Reuse								
Subtotal								
Less Retirements and Replacement resulting from implementation of 2009 Plan								
Net Total - 2009 Plan:								
2011 Plan:								
Project 26 - Mill Creek Station Air Compliance								
Project 27 - Trimble County Unit 1 Air Compliance								
Subtotal								
Less Retirements and Replacement resulting from implementation of 2011 Plan								
Net Total - 2011 Plan:								
Net Total - All Plans:								

Note 1: Trimble County projects for the 2009 Plan are proportionately shared by KU at 48% and LG&E at 52%.

**LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Inventory of Emission Allowances**

For the Month Ended:

Vintage Year	Number of Allowances			Total Dollar Value Of Vintage Year			Comments and Explanations
	SO ₂	NOx Annual	NOx Ozone Season	SO ₂	NOx Annual	NOx Ozone Season	
Current Year							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031 - 2040							

In the "Comments and Explanation" Column, describe any allowance inventory adjustment other than the assignment of allowances by EPA. Inventory adjustments include, but are not limited to, purchases, allowances acquired as part of other purchases, and the sale of allowances.

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
 Inventory of Emission Allowances (SO₂) - Current Vintage Year

0

	Beginning Inventory	Allocations/Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity							
Dollars							
\$/Allowance							
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity							
Dollars							
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity							
Dollars							
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity							
Dollars							
\$/Allowance							
From KU							
Quantity							
Dollars							
\$/Allowance							

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor

**LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT**
Inventory of Emission Allowances (NOx) - Ozone Season Allowance Allocation

0

	Beginning Inventory	Allocations/Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity							
Dollars							
\$/Allowance							
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity							
Dollars							
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity							
Dollars							
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity							
Dollars							
\$/Allowance							
From KU:							
Quantity							
Dollars							
\$/Allowance							

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor.

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
 Inventory of Emission Allowances (NOx) - Annual Allowance Allocation

0

	Beginning Inventory	Allocations/Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity							
Dollars							
\$/Allowance							
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity							
Dollars							
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity							
Dollars							
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity							
Dollars							
\$/Allowance							
From KU:							
Quantity							
Dollars							
\$/Allowance							

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor.

ES FORM 2.40

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
O&M Expenses and Determination of Cash Working Capital Allowance

For the Month Ended:

Environmental Compliance Plan		
O&M Expenses	Pre-2011 Plans Amount	2011 Plan Amount
11th Previous Month		
10th Previous Month		
9th Previous Month		
8th Previous Month		
7th Previous Month		
6th Previous Month		
5th Previous Month		
4th Previous Month		
3rd Previous Month		
2nd Previous Month		
Previous Month		
Current Month		
Total 12 Month O&M		

Determination of Working Capital Allowance		
12 Months O&M Expenses		
One Eighth (1/8) of 12 Month O&M Expenses	1/8	1/8
Pollution Control Cash Working Capital Allowance		

**LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT**
Pollution Control - Operations & Maintenance Expenses
For the Month Ended:

O&M Expense Account	Cane Run	Mill Creek	Trimble County	Total
2005 Plan				
502056-ECR Scrubber Operations				
512055-ECR Scrubber Maintenance				
Total 2005 Plan O&M Expenses				
2006 Plan				
506159 - ECR Sorbent Injection Operation				
506152 - ECR Sorbent Reactant - Reagent Only				
512152 - ECR Sorbent Injection Maintenance				
506150 - ECR Mercury Monitors Operation				
512153 - ECR Mercury Monitors Maintenance				
502056 - ECR Scrubber Operations				
512055 - ECR Scrubber Maintenance				
506154 - ECR NOx Operation -- Consumables				
506155 - ECR NOx Operation -- Labor and Other				
512151 - ECR NOx Maintenance				
506051 - ECR Precipitator Operation				
506151 - ECR Activated Carbon				
512051 - ECR Precipitator Maintenance				
Total 2006 Plan O&M Expenses				
2009 Plan				
502012 - ECR Landfill Operations				
512105 - ECR Landfill Maintenance				
Adjustment for CCP Disposal in Base Rates (ES Form 2.51)				
Net 2009 Plan O&M Expenses				
2011 Plan				
502056 - ECR Scrubber Operations				
512055 - ECR Scrubber Maintenance				
506159 - ECR Sorbent Injection Operation				
506152 - ECR Sorbent Reactant - Reagent Only				
512152 - ECR Sorbent Injection Maintenance				
506156 - ECR Baghouse Operations				
512156 - ECR Baghouse Maintenance				
506151 - ECR Activated Carbon				
Adjustment for Base Rates Baseline Amounts				
Total 2011 Plan O&M Expenses				
Current Month O&M Expense for All Plans				

Note 1: Trimble County projects for the 2009 Plan are proportionately shared by KU at 48% and LG&E at 52%.

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
CCP Disposal Facilities Expenses
For the Month Ended:

On-Site CCP Disposal O&M Expense	Cane Run	Trimble County
Existing CCP Disposal Facilities (Pre 2009 Plan Project)		
(1) 12 Months Ending with Expense Month		
(2) Monthly Amount [(1) / 12]		
2009 Plan Project		
(3) Monthly Expense		
Total Generating Station		
(4) Monthly Expense [(2) + (3)]		
Base Rates		
(5) Annual Expense Amount (12 Mo Ending with Last Test Year)		
(6) Monthly Expense Amount [(5) / 12]		
(7) Total Generating Station Less Base Rates [(4) - (6)]		
(8) Less 2009 Plan Project [(7) - (3)]		
If Line (8) Greater than Zero, No Adjustment		
If Line (8) Less than Zero, Adjustment for Base Rates		
Adjustment for Base Rate Amount (to ES Form 2.50)		

Note 1: Trimble County projects for the 2009 Plan are proportionately shared by KU at 48% and LG&E at 52%.

Note 2: ES Form 2.51 will not be utilized until O&M costs associated with the 2009 Plan are incurred.

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

**Beneficial Reuse Opportunities
For the Month Ended:**

On-Site CCP Disposal O&M Expense		Cane Run	Mill Creek	Trimble County	Total
Existing Beneficial Reuse Opportunities (Pre 2009 Plan Project)					
(1)	12 Months Ending with Expense Month				
(2)	Monthly Amount [(1) / 12]				
2009 Plan Project 25					
(3)	Monthly Amount (Expense/Revenue)				
Total Beneficial Reuse - Generating Station					
(4)	Monthly Expense [(2) + (3)]				
Beneficial Reuse in Base Rates					
(5)	Annual Expense Amount (12 Mo Ending with Last Test Year)				
(6)	Monthly Expense Amount [(5) / 12]				
(7)	Total Generating Station Less Base Rates [(4) - (6)]				
(8)	Less 2009 Plan Project 25 [(7) - (3)]				
If Line (8) Greater than Zero, No Adjustment					
If Line (8) Less than Zero, Adjustment for Base Rates					
Adjustment for Base Rate Amount (to ES Form 2.60)					

Note 1: Trimble County projects for the 2009 Plan are proportionately shared by KU at 48% and LG&E at 52%.

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

Reconciliation of Reported Revenues

For the Month Ended:

	Revenues per Form 3.00	Revenues per Income Statement
Kentucky Retail Revenues		
(1) Base Rates (Customer Charge, Energy Charge, Demand Charge)	\$ -	\$ -
(2) Fuel Adjustment Clause	\$ -	\$ -
(3) DSM	\$ -	\$ -
(4) Environmental Surcharge		\$ -
(5) Total Kentucky Jurisdictional Revenues for Environmental Surcharge Purposes =		\$ -
Non -Jurisdictional Revenues		
(6) InterSystem (Total Less Transmission Portion Booked in Account 447)	\$ -	\$ -
(7) Total Non-Jurisdictional Revenues for Environmental Surcharge Purposes =	\$ -	\$ -
(8) Total Company Revenues for Environmental Surcharge Purposes =		
Jurisdictional Allocation Ratio for Current Month [(6) / (12)] =	%	
Reconciling Revenues		
(9) Brokered	\$ -	\$ -
(10) InterSystem (Transmission Portion Booked in Account 447)	\$ -	\$ -
(11) Unbilled	\$ -	\$ -
(12) Miscellaneous	\$ -	\$ -
(13) Total Company Revenues per Income Statement =		\$ -

Appendix B

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

**Net Group E(m) and
Group Environmental Surcharge Billing Factors
For the Expense Month of**

GROUP 1 (Total Revenue)

Group 1 E(m) -- ES Form 1.10, line 16 =

Group 1 ES Billing Factor -- ES Form 1.10, line 18 =

GROUP 2 (Net Revenue)

Group 2 E(m) -- ES Form 1.10, line 16 =

Group 2 ES Billing Factor -- ES Form 1.10, line 18 =

Effective Date for Billing:

Submitted by: _____

Title: Director, Rates

Date Submitted:

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

Calculation of Total E(m) and
Group Surcharge Billing Factors

For the Expense Month of

Calculation of Total E(m)

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

		Pre-2011 Environmental Compliance Plans	2011 Environmental Compliance Plans
(1) RB	=		
(2) RB / 12	=		
(3) $(ROR + (ROR - DR) (TR / (1 - TR)))$	=		
(4) OE	=		
(5) BAS	=		Not Applicable
(6) BR	=		Not Applicable
(7) E(m)	$(2) \times (3) + (4) - (5) + (6)$		
(8) Total E(m)	=	sum of Pre-2011 E(m) + 2011 E(m)	

Calculation of Adjusted Net Jurisdictional E(m)

(9)	Jurisdictional Allocation Ratio for Expense Month -- ES Form 3.10	=
(10)	Jurisdictional E(m) = Total E(m) x Jurisdictional Allocation Ratio [(8) x (9)]	=
(11)	Adjustment for (Over)/Under-collection pursuant to Case No. 2011-00232	=
(12)	Prior Period Adjustment (if necessary)	=
(13)	Revenue Collected through Base Rates	=
(14)	Adjusted Net Jurisdictional E(m) [(10) + (11) + (12) - (13)]	=

Calculation of Group Environmental Surcharge Billing Factors

		GROUP 1 (Total Revenue)	GROUP 2 (Net Revenue)
(15)	Revenue as a Percentage of 12-month Total Revenue ending with the Current Month -- ES Form 3.00	=	
(16)	Group E(m) [(14) x (15)]	=	
(17)	Group R(m) = Average Monthly Group Revenue for the 12 Months Ending with the Current Expense Month -- ES Form 3.00	=	
(18)	Group Environmental Surcharge Billing Factors [(16) ÷ (17)]	=	

Appendix C



a PPL company

Jeff DeRouen, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

**Louisville Gas and
Electric Company**
State Regulation and Rates
220 West Main Street
P.O. Box 32010
Louisville, Kentucky 40232
www.lge-ku.com

February 17, 2012

RE: Monthly Environmental Surcharge Report

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

Dear Mr. DeRouen:

Pursuant to KRS 278.183(3), Louisville Gas and Electric Company ("LG&E") files the original and three copies of its Environmental Surcharge Report for the month of January 2012. In accordance with the Commission's Order in the Environmental Surcharge cases, most recently Case No. 2011-00232, LG&E has included the calculation and supporting documentation of the Environmental Surcharge Factor that will be billed for service on and after February 29, 2012.

Included with this filing is the implementation of the changes to the allocation of the monthly revenue requirement approved by the Commission's Final Order dated January 31, 2012 in Case No. 2011-00232. Please note that some changes have been made to ES Form 1.10, with conforming changes to ES Forms 1.00 and 3.00. LG&E is requesting a technical conference with Commission Staff on Wednesday, February 22, 2012, to explain these changes.

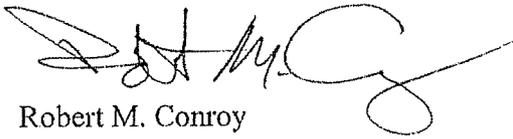
Through the process of implementing the changes approved by the Commission in the 2011 ECR Plan and in Case No. 2011-00232, it has come to my attention that the Curtailable Service Rider ("CSR) Credits have inadvertently been included in the revenues reported on ES Forms 3.00 and 3.10. Therefore, the revenues shown on ES Form 3.00 have been revised from the previously filed amounts to reflect the removal of the CSR Credits. Also, the CSR Credits have been added to ES Form 3.10 to correct this issue in future filings. Since the revenues are used to calculate the monthly billing factor but not the monthly revenue requirement, the impact of the inclusion of CSR Credits would be trued-up in the six-month and two-year review process.

Mr. Jeff DeRouen
February 17, 2012

Also attached to this letter is a copy of an invoice for services provided to the Commission by Vantage Consulting in LG&E's 2011 ECR Compliance Plan filing. ES Form 2.0 reflects the expenses paid in January 2012.

Please contact me if you have any questions about this filing.

Sincerely,

A handwritten signature in black ink, appearing to read "R. M. Conroy", written over a horizontal line.

Robert M. Conroy

Enclosures

Dennis G. Howard II
Lawrence W. Cook
Office of the Attorney General
Office of Rate Intervention
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204

Michael L. Kurtz
Kurt J. Boehm
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202

INVOICE FOR PROFESSIONAL FEES AND SERVICES
FOR : VANTAGE ENERGY CONSULTING, LLC
 FED TAX ID # . 27-2585037

INVOICE DATE: 1/4/2011
 INVOICE #: 20111206
 INVOICE PERIOD: 12/1/2011-12/31/2011
 PROJECT NAME: Kentucky LGE Environmental Compliance
 ITAGE PROJECT #: 2011-56

FIRM INVOICED: Mr. John A. Rogness III
 Kentucky Public Service Commission
 P.O. Box 615
 211 Sower Boulevard
 Frankfort, Kentucky 40602

PROJECT DESCRIPTION:
 LGE Environmental Compliance

CONSULTANT	MONTH	HOURS WORKED	HOURLY RATE	BILLABLE FEES	BILLABLE EXPENSES	PERIOD AMOUNT	TOTALS
Walt Drabinski	December	8	\$260	\$2,080.00		\$2,080.00	✓
Chuck Buechel	December	6	\$240	\$1,440.00		\$1,440.00	✓
Mike Boismenu	December	1	\$240	\$240.00		\$240.00	✓
Mark Fowler	December	0	\$240	\$0.00		\$0.00	
SUB TOTALS		15		\$3,760.00	\$0.00	\$3,760.00	
TOTAL FEES							\$3,760.00
TOTAL PERSONAL EXPENSES							\$0.00
OVERNIGHT MAIL							\$0.00
COPYING - Black/White							\$0.00
COPYING - Color							\$0.00
MISCELLANEOUS							
Invoice Amount							\$3,760.00
TOTAL MONTHLY INVOICE AMOUNT							\$3,760.00

The information provided in the above invoice is believed to be accurate. Should any questions or discrepancies arise, please call or write to the following billing address.

PLEASE REMIT TO:
 Vantage Energy Consulting, LLC.
 21460 Overseas Hwy.
 Cudjoe Key, FL 33042
 Attn: Walter P. Drabinski
 305-744-3440

[Handwritten signature]
 1/18/2012

Approved PO # 600185

ok *[Handwritten signature]* 1/20/12

ECR proceeding

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

**Net Group E(m) and
Group Environmental Surcharge Billing Factors
For the Expense Month of January 2012**

GROUP 1 (Total Revenue)

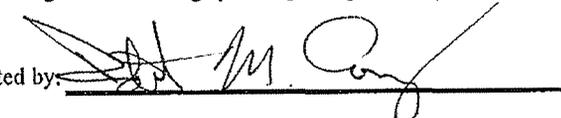
Group 1 E(m) -- ES Form 1.10, line 16	=	\$	211,980
Group 1 ES Billing Factor -- ES Form 1.10, line 18	=		0.67%

GROUP 2 (Net Revenue)

Group 2 E(m) -- ES Form 1.10, line 16	=	\$	291,177
Group 2 ES Billing Factor -- ES Form 1.10, line 18	=		1.02%

Effective Date for Billing: March billing cycle beginning February 29, 2012

Submitted by: _____



Title: Director, Rates

Date Submitted: February 17, 2012

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

Calculation of Total E(m) and
Group Surcharge Billing Factors

For the Expense Month of January 2012

Calculation of Total E(m)

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

RB = Environmental Compliance Rate Base
ROR = Rate of Return on the Environmental Compliance Rate Base
DR = Debt Rate (both short-term and long-term debt)
TR = Composite Federal & State Income Tax Rate
OE = Pollution Control Operating Expenses
BAS = Total Proceeds from By-Product and Allowance Sales
BR = Beneficial Reuse Operating Expenses

		Pre-2011 Environmental Compliance Plans	2011 Environmental Compliance Plans
(1) RB	= \$	74,898,464	\$ 1,282,783
(2) RB / 12	= \$	6,241,539	\$ 106,899
(3) $(ROR + (ROR - DR) (TR / (1 - TR)))$	=	10.82%	10.37%
(4) OE	= \$	366,668	\$ 55,910
(5) BAS	= \$	-	Not Applicable
(6) BR	= \$	-	Not Applicable
(7) E(m)	$(2) \times (3) + (4) - (5) + (6)$	= \$ 1,042,002	\$ 66,996
(8) Total E(m) = sum of Pre-2011 E(m) + 2011 E(m)	= \$	1,108,998	

Calculation of Adjusted Net Jurisdictional E(m)

(9) Jurisdictional Allocation Ratio for Expense Month -- ES Form 3.10	=	85.04%
(10) Jurisdictional E(m) = Total E(m) x Jurisdictional Allocation Ratio $\{(8) \times (9)\}$	= \$	943,092
(11) Adjustment for (Over)/Under-collection pursuant to Case No. 2011-00232	= \$	241,530
(12) Prior Period Adjustment (if necessary)	=	-
(13) Revenue Collected through Base Rates	=	681,464
(14) Adjusted Net Jurisdictional E(m) $\{(10) + (11) + (12) - (13)\}$	=	503,158

Calculation of Group Environmental Surcharge Billing Factors

		GROUP 1 (Total Revenue)	GROUP 2 (Net Revenue)
(15) Revenue as a Percentage of 12-month Total Revenue ending with the Current Month -- ES Form 3.00	=	42.13%	57.87%
(16) Group E(m) $\{(14) \times (15)\}$	= \$	211,980	\$ 291,177
(17) Group R(m) = Average Monthly Group Revenue for the 12 Months Ending with the Current Expense Month -- ES Form 3.00	= \$	31,682,177	\$ 28,684,742
(18) Group Environmental Surcharge Billing Factors $\{(16) \div (17)\}$	=	0.67%	1.02%

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT

Revenue Requirements of Environmental Compliance Costs
For the Expense Month of January 2012

Determination of Environmental Compliance Rate Base

	Pre-2011 Environmental Compliance Plans		2011 Environmental Compliance Plan	
Eligible Pollution Control Plant	\$ 74,459,569		\$ -	
Eligible Pollution CWIP Excluding AFUDC	8,035,659		1,269,464	
Subtotal		\$ 82,495,228		\$ 1,269,464
Additions:				
Inventory - Emission Allowances per ES Form 2.31, 2.32 and 2.33	18,355			
Cash Working Capital Allowance	214,428		13,319	
Subtotal		232,783		13,319
Deductions:				
Accumulated Depreciation on Eligible Pollution Control Plant	4,353,308		-	
Pollution Control Deferred Income Taxes	3,476,239		-	
Subtotal		7,829,547		-
Environmental Compliance Rate Base		\$ 74,898,464		\$ 1,282,783

Determination of Pollution Control Operating Expenses

	Pre-2011 Environmental Compliance Plan	2011 Environmental Compliance Plan
Monthly Operations & Maintenance Expense	\$ 137,600	\$ 54,008
Monthly Depreciation & Amortization Expense	232,123	-
less investment tax credit amortization	(14,527)	
Monthly Taxes Other Than Income Taxes	9,712	135
Monthly Emission Allowance Expense from ES Form 2.31, 2.32 and 2.33	1,760	
Monthly Surcharge Consulting Fees		1,767
Construction Monitoring Consultant Fee		-
Total Pollution Control Operations Expense	\$ 366,668	\$ 55,910

Determination of Beneficial Reuse Operating Expenses

	Environmental Compliance Plan
Total Monthly Beneficial Reuse Expense	\$ -
Adjustment for Beneficial Reuse in Base Rates (from ES Form 2.61)	-
Net Beneficial Reuse Operations Expense	\$ -

Proceeds From By-Product and Allowance Sales

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

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Plant, CWIP & Depreciation Expense

For the Month Ended: January 31, 2012

(1) Description	(2) Eligible Plant In Service	(3) Eligible Accumulated Depreciation	(4) CWIP Amount Excluding AFUDC	(5) Eligible Net Plant In Service	(6) Deferred Tax Balance as of 1/31/2012	(7) Monthly ITC Amortization Credit	(8) Monthly Depreciation Expense	(9) Monthly Property Tax Expense
				(2)-(3)+(4)				
2005 Plan:								
Project 11 - Special Waste Landfill Expansion at Mill Creek	\$ 4,818,430	\$ 484,681	\$ 2,669	\$ 4,336,417	\$ 635,816		\$ 10,067	\$ 544
Project 12 - Special Waste Landfill Expansion at Cane Run Station	\$ 4,730,568	\$ 430,125	\$ 864,497	\$ 5,164,941	\$ 352,249		\$ 8,397	\$ 646
Project 13 - Scrubber Refurbishment at Trimble County Unit 1	\$ 850,100	\$ 125,497	\$ -	\$ 724,604	\$ 109,613		\$ 2,564	\$ 91
Project 14 - Scrubber Refurbishment at Cane Run Unit 6	\$ 308,507	\$ 59,708	\$ -	\$ 248,799	\$ 20,369		\$ 1,147	\$ 31
Project 15 - Scrubber Refurbishment at Cane Run Unit 5	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Project 16 - Scrubber Improvements at Trimble County Unit 1	\$ 7,361,077	\$ 1,542,231	\$ -	\$ 5,818,846	\$ 1,299,962		\$ 22,206	\$ 730
Subtotal	\$ 18,068,683	\$ 2,642,242	\$ 867,167	\$ 16,293,607	\$ 2,418,008		\$ 44,380	\$ 2,042
Less Retirements and Replacement resulting from implementation of 2005 Plan	\$ (2,520,865)	\$ (969,332)	\$ -	\$ (1,551,534)	\$ (384,695)		\$ (5,253)	\$ (194)
Net Total - 2005 Plan:	\$ 15,547,817	\$ 1,672,910	\$ 867,167	\$ 14,742,073	\$ 2,033,313		\$ 39,127	\$ 1,848
2006 Plan:								
Project 18 - TC2 AQCS Equipment	\$ 43,429,831	\$ 1,898,411	\$ 772,187	\$ 42,303,607	\$ 789,291	\$ 14,527	\$ 152,553	\$ 5,303
Project 19 - Sorbent Injection	\$ 3,440,076	\$ 376,387	\$ -	\$ 3,063,689	\$ 355,554		\$ 9,777	\$ 384
Project 20 - Mercury Monitors	\$ 2,050,346	\$ 290,834	\$ -	\$ 1,759,513	\$ 67,594		\$ 8,867	\$ 221
Project 21 - Mill Creek Opacity and Particulate Monitors	\$ 397,151	\$ 84,108	\$ -	\$ 313,043	\$ 79,993		\$ 1,361	\$ 39
Subtotal	\$ 49,317,405	\$ 2,649,740	\$ 772,187	\$ 47,439,852	\$ 1,292,431	\$ 14,527	\$ 172,558	\$ 5,947
Less Retirements and Replacement resulting from implementation of 2006 Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Total - 2006 Plan:	\$ 49,317,405	\$ 2,649,740	\$ 772,187	\$ 47,439,852	\$ 1,292,431	\$ 14,527	\$ 172,558	\$ 5,947
2009 Plan:								
Project 22 - Cane Run CCP Storage (Landfill - Phase I)	\$ -	\$ -	\$ 1,450,965	\$ 1,450,965	\$ -		\$ -	\$ 180
Project 23 - Trimble County Ash Treatment Basin (BAP/GSP)	\$ 9,594,347	\$ 30,657	\$ (66,645)	\$ 9,497,045	\$ 150,494		\$ 20,438	\$ 1,198
Project 24 - Trimble County CCP Storage (Landfill - Phase 1)	\$ -	\$ -	\$ 3,488,068	\$ 3,488,068	\$ -		\$ -	\$ 400
Project 25 - Beneficial Reuse	\$ -	\$ -	\$ 1,523,917	\$ 1,523,917	\$ -		\$ -	\$ 138
Subtotal	\$ 9,594,347	\$ 30,657	\$ 6,396,305	\$ 15,959,995	\$ 150,494		\$ 20,438	\$ 1,917
Less Retirements and Replacement resulting from implementation of 2009 Plan	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Net Total - 2009 Plan:	\$ 9,594,347	\$ 30,657	\$ 6,396,305	\$ 15,959,995	\$ 150,494		\$ 20,438	\$ 1,917
Subtotal - Pre-2011 Plans:	\$ 74,459,569	\$ 4,353,308	\$ 8,035,659	\$ 78,141,921	\$ 3,476,239	\$ 14,527	\$ 232,123	\$ 9,712

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT

Plant, CWIP & Depreciation Expense

For the Month Ended: January 31, 2012

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Description	Eligible Plant In Service	Eligible Accumulated Depreciation	CWIP Amount Excluding AFUDC	Eligible Net Plant In Service	Deferred Tax Balance as of 1/31/2012	Monthly ITC Amortization Credit	Monthly Depreciation Expense	Monthly Property Tax Expense
				(2)-(3)+(4)				
2011 Plan:								
Project 26 - Mill Creek Station Air Compliance	\$ -	\$ -	\$ 1,242,309	\$ 1,242,309	\$ -		\$ -	\$ 135
Project 27 - Trimble County Unit 1 Air Compliance	\$ -	\$ -	\$ 27,155	\$ 27,155	\$ -		\$ -	\$ 1
Subtotal	\$ -	\$ -	\$ 1,269,464	\$ 1,269,464	\$ -		\$ -	\$ 135
Less Retirements and Replacement resulting from implementation of 2011 Plan	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Net Total - 2011 Plan:	\$ -	\$ -	\$ 1,269,464	\$ 1,269,464	\$ -	\$ -	\$ -	\$ 135
Net Total - All Plans:	\$ 74,459,569	\$ 4,353,308	\$ 9,305,123	\$ 79,411,384	\$ 3,476,239	\$ 14,527	\$ 232,123	\$ 9,848

Note 1: Trimble County projects for the 2009 Plan are proportionately shared by KU at 48% and LG&E at 52%.

**LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT**
Inventory of Emission Allowances

For the Month Ended: January 31, 2012

Vintage Year	Number of Allowances			Total Dollar Value Of Vintage Year			Comments and Explanations
	SO ₂	NOx Annual	NOx Ozone Season	SO ₂	NOx Annual	NOx Ozone Season	
Current Year	166,024	13,091	7,299	\$ 1,581.21	\$ 17,490.40	\$ 865.13	
2013	62,379						
2014	62,379						
2015	62,379						
2016	62,379						
2017	62,379						
2018	62,379						
2019	62,379						
2020	62,379						
2021	62,379						
2022	62,379						
2023	62,379						
2024	62,379						
2025	62,379						
2026	62,379						
2027	62,379						
2028	62,379						
2029	62,379						
2030	62,379						
2031	62,379						
2032 - 2040	561,411						

In the "Comments and Explanation" Column, describe any allowance inventory adjustment other than the assignment of allowances by EPA. Inventory adjustments include, but are not limited to, purchases, allowances acquired as part of other purchases, and the sale of allowances.

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
 Inventory of Emission Allowances (SO₂) - Current Vintage Year

For the Expense Month of January 2012

	Beginning Inventory	Allocations/ Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity	172,884	0	6,860	0	0	166,024	
Dollars	\$ 1,646.54	\$ -	\$ 65.33	\$ -	\$ -	\$ 1,581.21	
\$/Allowance	\$ 0.01	\$ -	\$ 0.01	\$ -	\$ -	\$ 0.01	
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity	168,814	22	6,763	-	-	162,073	Beginning Inventory includes 59,966 2012 vintage allowances;
Dollars	\$ 1,599.17	\$ 0.21	\$ 64.40	\$ -	\$ -	\$ 1,534.98	transferred 22 allowances from TC CTs to TC1
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity	4,070	(22)	97	-	-	3,951	Beginning Inventory includes 2,413 2012 vintage allowances;
Dollars	\$ 47.37	\$ (0.21)	\$ 0.93	\$ -	\$ -	\$ 46.23	transferred 22 allowances from TC CTs to TC1
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity	-	-	-	-	-	-	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
From KU							
Quantity	-	-	-	-	-	-	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Inventory of Emission Allowances (NOx) - Ozone Season Allowance Allocation

For the Expense Month of January 2012

	Beginning Inventory	Allocations/Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity	7,299	0	0	0	0	7,299	
Dollars	\$ 865.13	\$ -	\$ -	\$ -	\$ -	\$ 865.13	
\$/Allowance	\$ 0.12	\$ -	\$ -	\$ -	\$ -	\$ 0.12	
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity	7,108	-	-	-	-	7,108	Beginning Inventory includes 6,128 2012 vintage
Dollars	\$ 864.83	\$ -	\$ -	\$ -	\$ -	\$ 864.83	allowances
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity	191	-	-	-	-	191	Beginning Inventory includes 84 2012 vintage
Dollars	\$ 0.30	\$ -	\$ -	\$ -	\$ -	\$ 0.30	allowances
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
From KU:							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor.

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Inventory of Emission Allowances (NOx) - Annual Allowance Allocation

For the Expense Month of January 2012

	Beginning Inventory	Allocations/Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity	14,133	275	1,317	0	0	13,091	
Dollars	\$ -	\$ 19,250.00	\$ 1,759.60	\$ -	\$ -	\$ 17,490.40	
\$/Allowance	\$ -	\$ 70.00	\$ 1.34	\$ -	\$ -	\$ 1.34	
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity	14,030	-	1,317	-	-	12,988	Beginning inventory includes 14,030 2012 vintage allowances;
Dollars	\$ -	\$ -	\$ 1,759.60	\$ -	\$ -	\$ 17,490.40	Ending inventory includes total from below
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity	103	-	-	-	-	103	Beginning inventory includes 103 2012 vintage allowances
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity	0	275	0	0	0	0	Included in total above - purchase of 275 allowances from AEP
Dollars	\$ -	\$ 19,250.00	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ 70.00	\$ -	\$ -	\$ -	\$ -	
From KU:							
Quantity	0	0	0	0	0		
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor.

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
O&M Expenses and Determination of Cash Working Capital Allowance

For the Month Ended: January 31, 2012

Environmental Compliance Plan		
O&M Expenses	Pre-2011 Plans Amount	2011 Plan Amount
11th Previous Month	160,038	\$ -
10th Previous Month	150,155	
9th Previous Month	102,021	
8th Previous Month	148,079	
7th Previous Month	106,254	
6th Previous Month	170,289	
5th Previous Month	270,125	
4th Previous Month	174,545	
3rd Previous Month	61,568	
2nd Previous Month	104,274	
Previous Month	130,472	52,540
Current Month	137,600	54,008
Total 12 Month O&M	\$ 1,715,420	\$ 106,548

Determination of Working Capital Allowance			
12 Months O&M Expenses	\$	1,715,420	\$ 106,548
One Eighth (1/8) of 12 Month O&M Expenses		1/8	1/8
Pollution Control Cash Working Capital Allowance	\$	214,428	\$ 13,319

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
 Pollution Control - Operations & Maintenance Expenses
 For the Month Ended: January 31, 2012

O&M Expense Account	Cane Run	Mill Creek	Trimble County	Total
2005 Plan				
502056-ECR Scrubber Operations			48,774.09	48,774.09
512055-ECR Scrubber Maintenance			-	-
Total 2005 Plan O&M Expenses			48,774.09	48,774.09
2006 Plan				
506159 - ECR Sorbent Injection Operation			2,581.46	2,581.46
506152 - ECR Sorbent Reactant - Reagent Only			9,441.96	9,441.96
512152 - ECR Sorbent Injection Maintenance			153.59	153.59
506150 - ECR Mercury Monitors Operation	(317.67)	(851.96)	(106.28)	(1,275.91)
512153 - ECR Mercury Monitors Maintenance	-	-	-	-
502056 - ECR Scrubber Operations			16,540.61	16,540.61
512055 - ECR Scrubber Maintenance			8,468.04	8,468.04
506154 - ECR NOx Operation - Consumables			20,246.05	20,246.05
506155 - ECR NOx Operation - Labor and Other			780.34	780.34
512151 - ECR NOx Maintenance			641.62	641.62
506051 - ECR Precipitator Operation			1,484.24	1,484.24
506151 - ECR Activated Carbon			29,489.95	29,489.95
512051 - ECR Precipitator Maintenance			274.31	274.31
Total 2006 Plan O&M Expenses	\$ (317.67)	(851.96)	89,995.89	88,826.26
2009 Plan				
502012 - ECR Landfill Operations	-		-	-
512105 - ECR Landfill Maintenance	-		-	-
Adjustment for CCP Disposal in Base Rates (ES Form 2.51)	-		-	-
Net 2009 Plan O&M Expenses	-		-	-
Subtotal - Pre-2011 Plans				
	(317.67)	(851.96)	138,769.98	137,600.35
2011 Plan				
502056 - ECR Scrubber Operations			-	-
512055 - ECR Scrubber Maintenance			-	-
506159 - ECR Sorbent Injection Operation			9,836.77	9,836.77
506152 - ECR Sorbent Reactant - Reagent Only			43,940.23	43,940.23
512152 - ECR Sorbent Injection Maintenance			231.46	231.46
506156 - ECR Baghouse Operations			-	-
512156 - ECR Baghouse Maintenance			-	-
506151 - ECR Activated Carbon			-	-
Adjustment for Base Rates Baseline Amounts			-	-
Total 2011 Plan O&M Expenses			54,008.46	54,008.46
Current Month O&M Expense for All Plans				
	\$ (317.67)	\$ (851.96)	\$ 192,778.44	\$ 191,608.81

Note 1: Trimble County projects for the 2009 Plan are proportionately shared by KU at 48% and LG&E at 52%.

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

CCP Disposal Facilities Expenses
For the Month Ended: January 31, 2012

On-Site CCP Disposal O&M Expense	Cane Run	Trimble County
Existing CCP Disposal Facilities (Pre 2009 Plan Project)		
(1) 12 Months Ending with Expense Month	\$ -	\$ -
(2) Monthly Amount [(1) / 12]	\$ -	\$ -
2009 Plan Project		
(3) Monthly Expense	\$ -	\$ -
Total Generating Station		
(4) Monthly Expense [(2) + (3)]	\$ -	\$ -
Base Rates		
(5) Annual Expense Amount (12 Mo Ending with Last Test Year)	\$ -	\$ -
(6) Monthly Expense Amount [(5) / 12]	\$ -	\$ -
(7) Total Generating Station Less Base Rates [(4) - (6)]	\$ -	\$ -
(8) Less 2009 Plan Project [(7) - (3)]	\$ -	\$ -
If Line (8) Greater than Zero, No Adjustment		
If Line (8) Less than Zero, Adjustment for Base Rates		
Adjustment for Base Rate Amount (to ES Form 2.50)	\$ -	\$ -

Note 1: Trimble County projects for the 2009 Plan are proportionately shared by KU at 48% and LG&E at 52%.

Note 2: ES Form 2.51 will not be utilized until O&M costs associated with the 2009 Plan are incurred.

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

Beneficial Reuse - Operations & Maintenance Expenses

For the Month Ended: January 31, 2012

Third Party	O&M Expense Account	Plant	Total O&M
Total Monthly Beneficial Reuse Expense			\$ -
Adjustment for Beneficial Reuse in Base Rates (from ES Form 2.61)			\$ -
Net Beneficial Reuse O&M Expense			\$ -

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

Beneficial Reuse Opportunities
For the Month Ended: January 31, 2012

On-Site CCP Disposal O&M Expense	Cane Run	Mill Creek	Trimble County	Total
Existing Beneficial Reuse Opportunities (Pre 2009 Plan Project)				
(1) 12 Months Ending with Expense Month	\$ -	\$ -	\$ -	
(2) Monthly Amount [(1) / 12]	\$ -	\$ -	\$ -	
2009 Plan Project 25				
(3) Monthly Amount (Expense/Revenue)	\$ -	\$ -	\$ -	
Total Beneficial Reuse - Generating Station				
(4) Monthly Expense [(2) + (3)]	\$ -	\$ -	\$ -	
Beneficial Reuse in Base Rates				
(5) Annual Expense Amount (12 Mo Ending with Last Test Year)	\$ -	\$ -	\$ -	
(6) Monthly Expense Amount [(5) / 12]	\$ -	\$ -	\$ -	
(7) Total Generating Station Less Base Rates [(4) - (6)]	\$ -	\$ -	\$ -	
(8) Less 2009 Plan Project 25 [(7) - (3)]	\$ -	\$ -	\$ -	
If Line (8) Greater than Zero, No Adjustment				
If Line (8) Less than Zero, Adjustment for Base Rates				
Adjustment for Base Rate Amount (to ES Form 2.60)	\$ -	\$ -	\$ -	\$ -

Note 1: Trimble County projects for the 2009 Plan are proportionately shared by KU at 48% and LG&E at 52%.

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
 Monthly Average Revenue Computation of R (m) for GROUP 1 AND GROUP 2

For the Month Ended: January 31, 2012

GROUP 1 (Total Revenues) - Kentucky Jurisdictional Revenues								
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Month	Non-fuel Base Rate Revenues	Base Rate Fuel Component	Fuel Clause Revenues	DSM Revenues	Environmental Surcharge Revenues	Total (2)+(3)+(4)+(5)+(6)	Total Excluding Environmental Surcharge (7)-(6)	
Feb-11	\$ 21,057,007	\$ 7,011,752	\$ 831,565	\$ 1,172,666	\$ 386,720	\$ 30,459,710	\$ 30,072,990	
Mar-11	19,413,371	6,273,687	165,608	1,046,734	293,582	27,192,982	26,899,400	
Apr-11	17,467,777	5,532,667	613,800	528,908	340,308	24,483,461	24,143,152	
May-11	17,737,681	5,602,741	639,978	534,474	245,308	24,758,182	24,514,873	
Jun-11	25,146,037	8,665,166	1,773,309	1,016,250	525,262	37,124,023	36,600,762	
Jul-11	29,070,447	11,111,091	2,093,173	1,210,544	639,187	44,124,443	43,485,256	
Aug-11	33,399,998	12,974,166	1,968,910	1,417,659	91,996	49,852,729	49,760,733	
Sep-11	26,354,514	9,870,751	1,052,813	1,075,015	73,129	38,426,222	38,353,093	
Oct-11	16,917,330	5,712,112	579,003	615,870	45,322	23,869,637	23,824,315	
Nov-11	16,019,215	5,348,290	753,833	574,844	47,672	22,743,854	22,696,182	
Dec-11	19,118,883	6,721,406	692,251	725,481	70,722	27,528,743	27,258,021	
Jan-12	22,522,340	8,201,363	994,616	859,027	123,538	32,700,884	32,577,346	
Average Monthly Jurisdictional Revenues, Excluding Environmental Surcharge, for 12 Months Ending Current Expense Month.							\$ 31,682,177	
Average Kentucky Jurisdictional Revenues excluding Environmental Surcharge for 12-months ending with Current Month =							\$ 75,194,874	
GROUP 1 Revenues as a Percentage of Total Revenues for 12-months ending with the Current Month								42.13%

GROUP 2 (Net Revenues) - Kentucky Jurisdictional Revenues								
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Month	Non-fuel Base Rate Revenues	Base Rate Fuel Component	Fuel Clause Revenues	DSM Revenues	Environmental Surcharge Revenues	Total (2)+(3)+(4)+(5)+(6)	Total Excluding Environmental Surcharge (7)-(6)	Total Non-Fuel Revenues plus DSM (2)+(5)
Feb-11	\$ 24,649,727	\$ 11,072,492	\$ 1,327,377	\$ 236,681	\$ 432,388	\$ 37,718,665	\$ 37,286,277	\$ 24,886,408
Mar-11	26,932,047	12,560,884	511,033	249,263	448,801	40,702,028	40,253,227	27,181,310
Apr-11	25,607,191	11,508,317	1,126,717	301,374	533,813	39,077,412	38,543,600	25,908,566
May-11	27,604,702	11,911,717	1,329,618	317,400	423,072	41,586,510	41,163,439	27,922,103
Jun-11	32,147,653	13,819,406	2,664,211	398,792	682,917	49,712,979	49,030,062	32,546,445
Jul-11	31,666,233	14,463,421	2,713,117	416,798	722,853	49,982,421	49,259,568	32,083,031
Aug-11	35,719,338	16,969,571	2,622,710	473,895	180,792	55,966,305	55,785,513	36,193,232
Sep-11	32,105,558	14,854,983	1,624,813	424,224	92,240	49,101,818	49,009,578	32,529,782
Oct-11	27,905,295	13,743,723	1,371,878	342,652	82,268	43,445,815	43,363,547	28,247,947
Nov-11	24,296,515	11,773,278	1,586,245	293,591	79,183	38,028,812	37,949,630	24,590,106
Dec-11	24,749,375	12,161,662	1,252,433	315,812	98,162	38,577,443	38,479,281	25,065,186
Jan-12	26,659,672	13,394,478	1,371,373	403,116	156,181	42,184,820	42,028,639	27,062,789
Average Monthly Jurisdictional Revenues, Excluding Environmental Surcharge and Fuel, for 12 Months Ending Current Expense Month.							\$ 43,512,697	\$ 28,684,742
Average Kentucky Jurisdictional Revenues excluding Environmental Surcharge for 12-months ending with Current Month =							\$ 75,194,874	
GROUP 2 Revenues as a Percentage of Total Revenues for 12-months ending with the Current Month								57.87%

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT

Reconciliation of Reported Revenues

For the Month Ended: January 31, 2012

	Revenues per Form 3.00	Revenues per Income Statement
Kentucky Retail Revenues		
(1) Base Rates (Customer Charge, Energy Charge, Demand Charge)	\$ 70,777,853	\$ 70,777,853
(2) Fuel Adjustment Clause	\$ 2,565,988	\$ 2,565,988
(3) DSM	\$ 1,262,144	\$ 1,262,144
(4) Environmental Surcharge		\$ 279,719
(5) CSR Credits		\$ (77,538)
(6) Total Kentucky Jurisdictional Revenues for Environmental Surcharge Purposes =	\$ 74,605,985	
Non -Jurisdictional Revenues		
(7) InterSystem (Total Less Transmission Portion Booked in Account 447)	\$ 13,123,235	\$ 13,123,235
(8) Total Non-Jurisdictional Revenues for Environmental Surcharge Purposes =	\$ 13,123,235	
(9) Total Company Revenues for Environmental Surcharge Purposes =	\$ 87,729,220	
Jurisdictional Allocation Ratio for Current Month [(5) / (8)] =	85.04%	
Reconciling Revenues		
(10) Brokered	\$ -	\$ -
(11) InterSystem (Transmission Portion Booked in Account 447)		\$ -
(12) Unbilled		\$ (1,162,381)
(13) Miscellaneous		\$ 1,351,718
(14) Total Company Revenues per Income Statement =		\$ 88,120,738