



Louisville Gas and Electric Company
220 West Main Street (40202)
P.O. Box 32010
Louisville, Kentucky 40232

February 18, 2005

RECEIVED

FEB 18 2005

PUBLIC SERVICE
COMMISSION

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RE: The Application of Louisville Gas and Electric Company for Approval of Its 2004 Compliance Plan for Recovery by Environmental Surcharge
Case No. 2004-00421

Dear Ms. O'Donnell:

Please find enclosed and accept for filing the original and ten (10) copies of Louisville Gas and Electric Company's Certificate of Completed Notice in the above-referenced matter.

If you have any questions regarding this matter, please contact me at 502-627-3324.

Sincerely,

Robert M. Conroy
Manager, Rates

Enclosures

cc: Hon. Elizabeth E. Blackford
Hon. Michael L. Kurtz

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FEB 18 2005

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS)
AND ELECTRIC COMPANY FOR APPROVAL)
OF ITS 2004 COMPLIANCE PLAN FOR) CASE NO. 2004-00421
RECOVERY BY ENVIRONMENTAL)
SURCHARGE)

CERTIFICATE OF COMPLETED NOTICE

To: The Public Service Commission, Frankfort, Kentucky

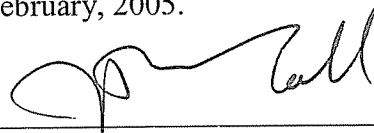
Pursuant to the Rules Governing Tariffs effective August 4, 1984, I hereby certify that I am John R. McCall, Executive Vice President, General Counsel and Corporate Secretary, LG&E Energy Services Inc. for Louisville Gas and Electric Company ("LG&E" or "Company"), a utility furnishing retail electric service within the Commonwealth of Kentucky which, on the 20th day of December 2004, filed an application with the Kentucky Public Service Commission for approval of an amended compliance plan for purposes of recovering the costs of new and additional pollution control facilities and to amend its Environmental Surcharge Tariff as required by KRS 278.183, as follows:

That more than twenty (20) customers will be affected by said change by way of an increase in their bills, and that on the 14th day of December 2004 there was delivered to *The Courier Journal*, a newspaper of general circulation throughout the areas in the Commonwealth of Kentucky in which customers affected reside, for publication therein once a week for three consecutive weeks prior to the effective date of said change, a notice of the filing of LG&E's Application in this case. Publication of this notice is now complete. Affidavits confirming this publication and a copy of said notice are attached as Exhibit A.

On the 20th day of December 2004, notice was exhibited for public inspection at the offices and places of business of the Company in the territory affected thereby, to wit, at the places listed on Exhibit B, and that the same will be kept open to public inspection at said offices and places of business in conformity with the requirements of 807 KAR 5:011, Section 8.

In addition, Louisville Gas and Electric Company included a general statement explaining the application in this case with the bills for all Kentucky retail customers during the course of their regular monthly billing cycle beginning January 4, 2005. A copy of the general statement is attached as Exhibit C hereto.

Given under my hand this 18th day of February, 2005.



John R. McCall
Executive Vice President, General Counsel
and Corporate Secretary
LG&E Energy Services Inc. for
LOUISVILLE GAS AND ELECTRIC COMPANY
220 West Main Street
Louisville, Kentucky 40202

Exhibit A

Affidavits Attesting to Publication of Notice to Customers

Exhibit B

List of LG&E's Offices and Places of Business Where Notice to Customers is Exhibited

Broadway Office Complex, Louisville, Ky.
Bardstown, Ky. Office
Muldraugh, Ky. Compressor Station

Exhibit C

Copy of the General Statement Included
In Customers' Bills During the Course
Of their Regular Monthly Billing Cycle
Beginning January 4, 2005

Dear LG&E Customer,

Louisville Gas and Electric Company recently announced a series of facility improvements to enhance electric reliability for customers and cleaner air for all Kentuckians. These enhancements are in addition to scrubbers and NOx removal equipment either completed or under construction at other Kentucky plants, plus six low-emission, gas-fired combustion turbines completed last year. All of these improvements will better position LG&E to meet federal proposed limits on air emissions for mercury and to address carbon dioxide restrictions when imposed in the future.

LG&E has a dual commitment of environmental stewardship and of being a provider of low-cost energy services to its customers. LG&E is committed to protecting and improving our environment. Continued compliance with current and proposed environmental regulations occasionally causes LG&E to invest in additional pollution control facilities and LG&E is seeking permission from the Kentucky Public Service Commission to pass along the costs of those facilities that are associated with retail service, to our retail customers through the existing Environmental Surcharge billing factor. LG&E estimates that the initial impact, upon approval from the Kentucky Public Service Commission, will be an increase in the environmental surcharge of \$0.14 per month for a typical residential customer using 1,000 kWh per month. The text below is included to comply with Kentucky Public Service Commission regulations regarding notice of tariff changes to customers. If approved as filed, this change will be included no sooner than your July 2005 bill.

**NOTICE TO CUSTOMERS OF
LOUISVILLE GAS AND ELECTRIC COMPANY**

**RECOVERY BY ENVIRONMENTAL SURCHARGE OF LG&E'S 2004
ENVIRONMENTAL COMPLIANCE PLAN**

PLEASE TAKE NOTICE that on December 20, 2004, Louisville Gas and Electric Company ("LG&E") filed with the Kentucky Public Service Commission ("Commission") in Case No. 2004-00421, an Application pursuant to Kentucky Revised Statute 278.183 for approval of an amended compliance plan ("LG&E's 2004 Environmental Compliance Plan") for the purpose of recovering the capital costs of and operation and maintenance costs associated with new pollution control facilities, and the cost of emission allowances by way of assessment of an environmental surcharge on customers' bills beginning July 1, 2005, through LG&E's existing rate mechanism known as the environmental cost recovery surcharge or "Electric Rate Schedule ECR"

Compliance with all federal, state and local environmental regulations requires LG&E to continually build and upgrade equipment or facilities required to continue to operate in an environmentally sound manner. Specifically, in 2005 LG&E will expand its special waste landfills at the Mill Creek Generating Station and the Cane Run Generating Station at Louisville, Kentucky to meet by-product disposal and water quality standards.

LG&E will also rebuild the flue gas desulfurization systems at the Mill Creek and Cane Run Stations as well as the Trimble County Generating Station at Bedford, Kentucky to meet current environmental SO₂ emission limitations. The total capital cost of these new pollution control facilities is estimated to be \$40.2 million. In addition to the construction of these new pollution control facilities, LG&E expects, beginning in 2005 and continuing through 2008, to sell emission allowances to Kentucky Utilities Company ("KU") at market prices. The proceeds from the sale of these emission allowances, based on LG&E's current forecast of market prices, is estimated to be a total of \$35.5 million from 2005 through 2008. In 2009 and 2010, LG&E anticipates purchasing emission allowances from KU and/or the market at then-current market prices.

The estimated impact on a residential customer using 1,000 kilowatt hours per month is expected to be an initial increase of \$0.14 for LG&E customers in 2005, with the maximum increase expected to be \$0.32 in 2008. These impacts do not include any potential reductions that customers will realize from the aforementioned sale of emission allowances to KU or potential increase in environmental compliance costs from the aforementioned purchase of emission allowances beginning in 2009.

The Environmental Surcharge Application described in this Notice is proposed by LG&E. However, the Public Service Commission may make an order modifying or denying LG&E's Environmental Surcharge Application. Such action may result in an environmental surcharge for consumers other than the environmental surcharge described in this Notice.

Any corporation, association, body politic or person may, by motion within thirty (30) days after publication, request leave to intervene in Case No. 2004-00421. That motion shall be submitted to the Public Service Commission, 211 Sower Blvd., P.O. Box 615, Frankfort, Kentucky, 40602, and shall set forth the grounds for the request including the status and interest of the party. Intervenors may obtain copies of the Application and testimony by contacting Louisville Gas and Electric Company at 220 West Main Street, Louisville, Kentucky, 40202, Attention: Kent W. Blake, Director, State Regulation and Rates. A copy of the Application and testimony will be available for public inspection at LG&E's offices where bills are paid after December 20, 2004.