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DEC 28 2006

PUBLIC SERVICE
COMMISSION

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

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
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Robert M. Conroy
Manager - Rates
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December 28, 2006

RE: In the Matter of: The Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity to Construct a Selective Catalytic Reduction System and Approval of Its 2006 Compliance Plan for Recovery by Environmental Surcharge – Case No. 2006-00206

Dear Ms. O'Donnell:

In accordance with Ordering Paragraph 7 of the Commission's Order dated December 21, 2006, in the above-referenced proceeding, Kentucky Utilities Company ("KU") files herewith an original and four copies of the Second Revision of Original Sheet No. 72 of its tariff, P.S.C. No. 13, which reflects KU's Environmental Cost Recovery tariff as approved in said Order.

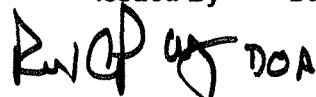
Should you have any questions or need any additional information, please contact me at your convenience.

Sincerely,

Robert M. Conroy
by D M
Robert M. Conroy

| ECR | |
|--|-----------------------|
| Environmental Cost Recovery Surcharge | |
| APPLICABLE | |
| In all territory served. | |
| AVAILABILITY OF SERVICE | |
| To all electric rate schedules. | |
| RATE | |
| The monthly billing amount under each of the schedules to which this mechanism is applicable, including the fuel adjustment clause, demand-side management cost recovery mechanism and STOD program cost recovery factor, shall be increased or decreased by a percentage factor calculated in accordance with the following formula. | |
| $CESF = E(m) / R(m)$ | $MESF = CESF - BESF$ |
| MESF = Monthly Environmental Surcharge Factor CESF = Current Environmental Surcharge Factor BESF = Base Environmental Surcharge Factor | |
| Where E(m) is the jurisdictional total of each approved environmental compliance plan revenue requirement of environmental compliance costs for the current expense month and R(m) is the revenue for the current expense month as set forth below. | |
| DEFINITIONS | |
| 1) For all Plans, $E(m) = [(RB/12) (ROR + (ROR - DR) (TR / (1 - TR)))] + OE - BAS$ | T |
| Where: | |
| a) RB is the Total Environmental Compliance Rate Base. | |
| b) ROR is the Rate of Return in Environmental Compliance Rate Base, designated as the overall all rate of return [cost of short term debt, long term debt, preferred stock, and common equity] | T |
| c) DR is the Debt Rate [cost of short term debt, and long term debt] | T |
| d) TR is the Composite Federal and State Income Tax Rate. | T |
| e) OE is the Operating Expenses [Depreciation and Amortization Expense, Property Taxes, Emission Allowance Expense and O&M expense adjusted for the Average Month Expense already included in existing rates]. Includes operation and maintenance expense recovery authorized by the K.P.S.C. in Case Nos. 2000-439, 2002-146, 2004-00426 and 2006-00206. | T |
| f) BAS is the total proceeds from by-product and allowance sales. | T |
| 2) Total E(m) (sum of each approved environmental compliance plan revenue requirement) is multiplied by the Jurisdictional Allocation Factor to arrive at Net Jurisdictional E(m) | T |
| 3) The revenue R(m) is the average monthly base revenue for the Company for the 12 months ending with the current expense month. Base revenue includes the customer, energy and demand charge for each rate schedule to which this mechanism is applicable and automatic adjustment clause revenues for the Fuel Adjustment Clause, the Demand-Side Management Cost Recovery Mechanism and STOD Program Cost Recovery Factor as applicable for each rate schedule. | T T T T T |
| 4) Current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed. | T |

Date of Issue: December 28, 2006
Canceling First Revision to
Original Sheet No. 72
Issued June 28, 2005

Issued By


Date Effective: With Service Rendered
On and After
December 21, 2006

John R. McCall, General Counsel and Secretary
Louisville, Kentucky

Issued by Authority of an Order of the KPSC in Case No. 2006-00206 dated December 21, 2006

ECR

Environmental Cost Recovery Surcharge

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

To all electric rate schedules.

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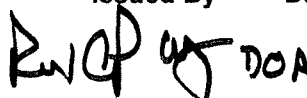
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