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COMMISSION

Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

**Louisville Gas and  
Electric Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.eon-us.com

Robert M. Conroy  
Manager - Rates  
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October 17, 2007

**RE: AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION  
OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF  
LOUISVILLE GAS AND ELECTRIC COMPANY FOR THE SIX-  
MONTH BILLING PERIOD ENDING OCTOBER 31, 2006 AND  
FOR THE TWO-YEAR BILLING PERIOD ENDING APRIL 30,  
2007  
CASE NO. 2007-00380**

Dear Ms. O'Donnell:

Please find enclosed and accept for filing the original and ten (10) copies of the Direct Testimony of Robert M. Conroy and the Response of Louisville Gas and Electric Company to the Information Requested in Appendix B of the Commission's Order dated September 19, 2007, in the above-referenced matter.

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

Sincerely,

Robert M. Conroy

Enclosures

cc: Parties of Record



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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 ) 2007-00380  
BILLING PERIOD ENDING OCTOBER 31, 2006 )  
AND FOR THE TWO-YEAR BILLING PERIOD )  
ENDING APRIL 30, 2007 )

DIRECT TESTIMONY OF  
  
ROBERT M. CONROY  
MANAGER, RATES  
E.ON U.S. SERVICES INC.

Filed: October 17, 2007

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

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

7 **Q. Have you previously testified before this Commission?**

8 A. Yes. I have previously testified before this Commission in proceedings concerning  
9 the Companies’ fuel adjustment clauses and environmental surcharge mechanisms.

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

11 A. The purpose of this proceeding is to review the past operation of LG&E’s  
12 environmental surcharge during the six-month billing period ending October 31, 2006  
13 and the six month billing period ending April 30, 2007 that are part of the two year  
14 billing period ending April 30, 2007, determine whether the surcharge amounts  
15 collected during these periods are just and reasonable, and then incorporate or “roll-  
16 in” such surcharge amounts into LG&E’s existing electric base rates.

17 **Q. What is the purpose of your testimony?**

18 A. The purpose of my testimony is to review the operation of LG&E’s environmental  
19 surcharge during the billing periods under review, demonstrate the amounts collected  
20 during these periods were just and reasonable, present and discuss LG&E’s proposed  
21 adjustment to the Environmental Surcharge Revenue Requirement based on the  
22 operation of the surcharge during those periods and explain how the environmental  
23 surcharge factors were calculated during the period under review. Further, my  
24 testimony will recommend that the cumulative ECR revenue requirement for the

1 twelve-months ending with the expense month of February 2007 be used for purposes  
2 of incorporating or “rolling-into” LG&E’s electric base rates the appropriate  
3 surcharge amounts consistent with the methodology approved by this Commission in  
4 Case No. 2006-00130.

5 **Q. Please review the operation of the environmental surcharge for the billing**  
6 **periods included in this review.**

7 A. LG&E billed an environmental surcharge to its customers from May 1, 2006 through  
8 October 31, 2006 and November 1, 2006 through April 30, 2007. For purposes of the  
9 Commission’s examination in this case, the monthly LG&E environmental surcharges  
10 are considered in the six-month billing period ending October 31, 2006 and the six  
11 month billing period ending April 30, 2007 that are part of the two-year billing period  
12 ending April 30, 2007. In each month of these periods, LG&E calculated the  
13 environmental surcharge factors by using the costs incurred as recorded on its books  
14 and records for the expense months of March 2006 through February 2007 and in  
15 accordance with the requirements of the Commission’s previous orders concerning  
16 LG&E’s environmental surcharge.

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

19 A. The capital and operating costs included in the calculation of the environmental  
20 surcharge factors for these billing periods were the costs incurred each month by  
21 LG&E from March 2006 through February 2007, as detailed in the attachment to  
22 Question No. 2 of the Commission Staff Request for Information, incorporating all  
23 required revisions.

1           The monthly environmental surcharge factors applied during the billing  
2 periods under review were calculated consistent with the Commission's orders in  
3 LG&E's previous applications to assess or amend an environmental surcharge, as  
4 well as orders issued in previous review cases, most recently Case No. 2006-00130.  
5 The monthly environmental surcharge reports filed with the Commission during this  
6 time reflect the various changes to the reporting forms ordered by the Commission  
7 from time to time.

8 **Q. During the billing periods under review, did LG&E submit any monthly filings**  
9 **that contained adjustments to the ECR jurisdictional revenue requirement**  
10 **(E(m)) ?**

11 A. Yes. LG&E's Environmental Cost Recovery filing for the January 2007 expense  
12 month, (filed with the Commission on February 23, 2007) included a restatement of  
13 rate base to reflect the impact on accumulated deferred income taxes of the  
14 Company's election, under the provisions of the 2005 Energy Policy Act, to take  
15 rapid amortization on certain pollution control facilities. The scope of these  
16 adjustments included the expense months of March 2005 through April 2006. The  
17 Commission examined these expense months in connection with the last two six-  
18 month billing period reviews in Case No. 2006-00130.<sup>1</sup> The scope of the adjustment  
19 however did not extend to the ECR amounts collected in and found just and  
20 reasonable for the two-year billing period examined in Case No. 2006-00130.<sup>2</sup>

21           The adjustment made to these expense months in February 2007 also  
22 impacted the amount of LG&E's under-collection previously determined in Case No.

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<sup>1</sup> May 2005 through October 2005 and November 2005 through April 2006.

<sup>2</sup> May 2003 through April 2005.

1 2006-00130. Therefore, LG&E is revising its previously determined under-collection  
2 balance. In addition to this change LG&E is now reflecting corrections to the  
3 Weighted Cost of Capital calculation for the April 2006 time period. These were  
4 corrections caused by a formula error in calculating the Common Equity Adjustment  
5 for the Trimble County Inventory, and a correction related to the Minimum Pension  
6 Liability. These two corrections impacted the April 2006 Weighted Cost of Capital  
7 percentage by 0.03%. The updated calculation is shown in the response to the  
8 Commission Staff Request for Information, Question No. 1(b) page 3 of 5. The  
9 adjustment made to the expense months September 2005 through February 2006  
10 changed LG&E's under-collection. Both of these adjustments created an increase in  
11 the previously determined under collection of \$22,878 in Case No. 2006-00130.  
12 Therefore, LG&E is revising its previously determined under-collection balance. The  
13 details of these adjustments are shown in LG&E's response to Question No. 1(b) of  
14 the Commission Staff Request for Information.

15 **Q. Are there any additional changes or adjustments in Rate Base from the**  
16 **originally filed expense months?**

17 **A.** With the exception of the previously discussed changes, all changes to Rate Base  
18 from the originally filed billing periods and their associated impact on the ECR  
19 billing factor have been reflected in the expense month where the changes were made.  
20 All changes to Rate Base and their impact are summarized in response to the  
21 Commission Staff Request for Information, Question No. 1(b).

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

1 A. Yes. In addition to the changes discussed above, as discussed in Mr. Conroy's  
2 testimony filed with the Commission in Case No. 2006-00130, LG&E is making an  
3 adjustment to the operating expenses for the expense months of March 2006 through  
4 December 2006 to eliminate the monthly exclusion as ordered by this Commission in  
5 its September 4, 2003 Order in Case No. 2002-00147. This adjustment is consistent  
6 with ordering paragraph 6 of the January 31, 2007 Order in Case No. 2006-00130.  
7 Furthermore, adjustments to E(m) are necessary for compliance with the  
8 Commission's Order in Case No. 2000-00386, to reflect the actual changes in the  
9 overall rate of return on capitalization that is used in the determination of the return  
10 on environmental rate base associated with the Post 1995 Plans. The changes in the  
11 actual cost of long term debt and capital structure result in an increase to cumulative  
12 E(m) of \$989,868. The details of and support for this calculation is shown in  
13 LG&E's response to Question No. 1(b) of the Commission Staff Request for  
14 Information.

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

17 A. Yes. LG&E experienced a cumulative under-recovery of \$839,948 for the billing  
18 periods ending April 30, 2007. LG&E's response to Question No. 2 of the  
19 Commission Staff Request for Information shows the calculation of the \$839,948  
20 cumulative under-recovery. Therefore, an adjustment to the revenue requirement is  
21 necessary to reconcile the collection of past surcharge revenues with actual costs for  
22 the billing periods under review.

23 **Q. What kind of recovery of the under-recovery amount is LG&E proposing in this**  
24 **case?**

1 A. LG&E is proposing that the cumulative under-recovery of \$839,948 be recovered  
2 over the four months following the Commission's Order in this proceeding.  
3 Specifically, LG&E recommends that the Commission approve an increase to the  
4 Environmental Surcharge Revenue Requirement by \$209,987 for the first four  
5 months, beginning in the first full billing month following the Commission's Order in  
6 this proceeding. This method is consistent with the method of implementing previous  
7 over- or under-recovery positions in prior ECR review cases.

8 **Q. Should the Commission in this case approve the incorporation into LG&E's base**  
9 **electric rates the environmental surcharge amounts found just and reasonable**  
10 **for the two-year billing period ending April 2007?**

11 A. Yes. It is appropriate, at this time, to incorporate surcharge amounts found just and  
12 reasonable for the two-year billing period ending April 2007 into electric base rates.  
13 LG&E recommends that a surcharge amount of \$2,641,636 be incorporated into base  
14 rates at the conclusion of this case. LG&E determined the roll-in amount of  
15 \$2,641,636 using the base-current methodology, consistent with current practice and  
16 as previously approved by the Commission. LG&E further recommends continuation  
17 of the base-current methodology to calculate the monthly environmental surcharge  
18 factors going forward. The details of this methodology and the calculation of the  
19 amount are presented as attachments to LG&E's response to Question No. 8 to the  
20 Commission Staff Request for Information.

21 **Q. Does LG&E believe that there will need to be modifications to the BESF**  
22 **methodology, as a result of incorporating additional environmental surcharge**  
23 **amounts into LG&E's existing base rates?**

1 A. No. LG&E believes there is no need for any modifications to the methodology used  
2 in incorporating additional environmental surcharge amounts into LG&E's existing  
3 base rates. LG&E proposes to utilize the same methodology to roll-in the amount to  
4 the base rate components most recently approved by the Commission in Case No.  
5 2006-00130.

6 **Q. If the Commission accepts LG&E's recommendation to incorporate \$2,641,636**  
7 **into base rates, what will be the impact on LG&E's revenue requirement?**

8 A. The incorporation of the recommended surcharge amounts into base rates will  
9 increase base rates and simultaneously reduce ECR revenues by an equal amount.  
10 Therefore, there will be no impact on LG&E's revenue requirement.

11 **Q. What Base Environmental Surcharge Factor (BESF) is LG&E proposing to use**  
12 **for the amount rolled into base rates?**

13 A. LG&E calculated a new BESF, using base revenues for the 12-months ending  
14 September 2007, of 3.7713%. However, the actual BESF will be calculated using  
15 base revenues for the 12-month period ending with the month preceding the month  
16 the Commission issues an order approving the roll-in. The timing and method LG&E  
17 will use to determine the final BESF is consistent with the Commission's Order in  
18 Case No. 2003-00068<sup>3</sup> and most recently in Case No. 2006-00130.

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

21 A. As shown in response to the Commission Staff Request for Information, Question No.  
22 9, LG&E is recommending an overall rate of return on capital of 11.14%, including

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<sup>3</sup> *In the Matter of: An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Utilities Company for the Six-Month Billing Periods Ending January 31, 2001, July 31,*

1 the currently approved 10.50% return on equity and adjusted capitalization, to be used  
2 to calculate the environmental surcharge.

3 **Q. What is your recommendation to the Commission in this case?**

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

5 a) The Commission should approve the proposed increase to the Environmental  
6 Surcharge Revenue Requirement of \$209,987 per month in the first four  
7 billing months beginning in the first full billing month following the  
8 Commission's decision in this proceeding;

9 b) The Commission should determine environmental surcharge amounts for the  
10 two-year billing period ending April 2007 to be just and reasonable;

11 c) The \$2,641,636 should be approved as the amount to be incorporated into  
12 base electric rates for bills rendered on and after the second full billing month  
13 following the month in which an order is received in this case;

14 d) The Base Environmental Surcharge Factor should be reset to an amount based  
15 on the roll-in amount and the most recent twelve-month period available  
16 following the Commission's Order in this proceeding; and

17 e) The rate of return on capital for the Post-1995 Plan be established as 11.14%.

18 **Q. Does this conclude your testimony?**

19 A. Yes.

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*2001, January 31, 2002, and January 31, 2003 and for the Two-Year Billing Periods Ending July 31, 2000 and July 31, 2002, Case No. 2003-00068, Order (October 17, 2003).*



## APPENDIX A

### **Robert M. Conroy**

Manager, Rates  
E.ON U.S. Services Inc.  
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, 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.

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

**In the Matter of:**

<b>AN EXAMINATION BY THE PUBLIC SERVICE</b>	)	
<b>COMMISSION OF THE ENVIRONMENTAL</b>	)	
<b>SURCHARGE MECHANISM OF LOUISVILLE GAS</b>	)	<b>CASE NO.</b>
<b>AND ELECTRIC COMPANY FOR THE SIX-MONTH</b>	)	<b>2007-00380</b>
<b>BILLING PERIOD ENDING OCTOBER 31, 2006</b>	)	
<b>AND FOR THE TWO-YEAR BILLING PERIOD</b>	)	
<b>ENDING APRIL 30, 2007</b>	)	

**RESPONSE OF**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**TO**  
**INFORMATION REQUESTED IN**  
**APPENDIX B OF COMMISSION'S ORDER**  
**DATED SEPTEMBER 19, 2007**

**FILED: October 17, 2007**







**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Information Requested in Appendix B of  
Commission's Order Dated September 19, 2007**

**Case No. 2007-00380**

**Question No. 1**

**Witness: Valerie L. Scott / Robert M. Conroy**

For Each of the Six Periods Under Review

- Q-1. Concerning the rate of return on the original environmental compliance plan ("1995 Plan") and the three amendments to the environmental compliance plan ("Post-1995 Plans"), provide the following information for each of the billing periods under review:
- a. For the 1995 Plan, calculate any true-up adjustment needed to recognize changes in the weighted average cost of LG&E's pollution control debt during the applicable months of each review period. 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.
  - b. For the Post-1995 Plans, 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 electric 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.
- a. The 1995 Plan has been eliminated from the ECR and was included in base rates in Case No. 2003-00433. It is no longer part of the ECR calculations.
  - b. 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 changes between the Rate Base as Filed and the Rate Base as Revised through the Monthly Filings, Page 2 represents the true-up in the Rate of Return as filed compared to the actual Rate of Return calculations.

LG&E's rate base, as submitted in this case, includes revisions related to the deferred taxes caused by the rapid amortization methodology and additional corrections to the amounts used to calculate the weighted cost of capital, in the Commission's most recent examination of LG&E's environmental surcharge in Case No. 2006-00130. The true-up's for changes in the deferred taxes and the additional corrections are additionally reflected on Page 1 and 2. Pages 3 through 5 provided the adjusted weighted average cost of capital for all periods under review.

Louisville Gas & Electric Company  
 Cumulative Rate of Return True-up Adjustment - Revised Rate Base  
 Impact on Calculated E(m) - Post 1995 Plan

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Billing Month	Expense Month	Rate of Return as Revised in Case No. 2006-00130	Rate Base as Revised in Case No. 2006-00130	Rate Base As Revised Through Current Review Case No. 2007-00380	Change in Rate Base (5) - (4)	True-up Adjustment (3) * (6) / 12	Jurisdictional Allocation, ES Form 1.00	Jursidictional True up Adjustment (7) * (8)
May-05	Mar-05	11.00%	\$ 213,557,104	\$ 213,555,725	\$ (1,379)	\$ (13)	65.39%	\$ (8)
Jun-05	Apr-05	11.00%	213,364,150	213,362,311	(1,839)	(17)	74.98%	(13)
Jul-05	May-05	11.00%	212,535,346	212,533,047	(2,299)	(21)	68.97%	(15)
Aug-05	Jun-05	10.83%	215,846,002	215,843,243	(2,759)	(25)	78.37%	(20)
Sep-05	Jul-05	10.83%	215,118,010	215,114,791	(3,219)	(29)	91.73%	(27)
Oct-05	Aug-05	10.83%	216,037,388	216,033,709	(3,679)	(33)	85.18%	(28)
						\$ (138)		\$ (110)
Nov-05	Sep-05	11.27%	\$ 216,396,233	\$ 216,392,095	\$ (4,138)	\$ (39)	75.74%	\$ (29)
Dec-05	Oct-05	11.27%	217,402,517	217,388,273	(14,244)	(134)	74.76%	(100)
Jan-06	Nov-05	11.27%	219,386,879	219,364,978	(21,901)	(206)	61.10%	(126)
Feb-06	Dec-05	11.27%	220,772,278	220,762,268	(10,010)	(94)	59.82%	(56)
Mar-06	Jan-06	11.27%	220,270,361	220,253,454	(16,907)	(159)	67.76%	(108)
Apr-06	Feb-06	11.27%	221,754,055	221,730,247	(23,808)	(224)	80.14%	(179)
						\$ (855)		\$ (598)

(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 (5) - (4)	True-up Adjustment (3) * (6) / 12	Jurisdictional Allocation, ES Form 1.00	Jursidictional True up Adjustment (7) * (8)
May-06	Mar-06	10.39%	\$ 219,617,795	\$ 220,931,064	\$ 1,313,269	\$ 11,371	83.21%	\$ 9,462
Jun-06	Apr-06	10.39%	220,903,781	221,895,202	991,421	8,584	82.10%	7,048
Jul-06	May-06	10.39%	222,390,014	221,483,244	(906,770)	(7,851)	72.30%	(5,676)
Aug-06	Jun-06	10.39%	221,126,542	221,087,195	(39,347)	(341)	80.89%	(276)
Sep-06	Jul-06	10.39%	220,509,935	220,526,532	16,597	144	79.00%	114
Oct-06	Aug-06	10.39%	219,879,628	219,888,881	9,253	80	84.97%	68
						\$ 11,987		\$ 10,739
Nov-06	Sep-06	10.39%	\$ 219,150,189	\$ 219,080,345	\$ (69,844)	\$ (605)	83.50%	\$ (505)
Dec-06	Oct-06	10.39%	218,308,441	218,229,519	(78,922)	(683)	72.08%	(493)
Jan-07	Nov-06	10.39%	217,715,080	217,626,865	(88,215)	(764)	61.16%	(467)
Feb-07	Dec-06	10.39%	220,309,716	220,286,371	(23,345)	(202)	76.57%	(155)
Mar-07	Jan-07	11.23%	219,445,795	219,445,795	-	-	70.84%	-
Apr-07	Feb-07	11.23%	219,199,794	219,199,794	-	-	75.53%	-
						\$ (2,254)		\$ (1,619)
Cumulative Impact of Changes in Rate Base						\$ 8,740		\$ 8,412

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Billing Month	Expense Month	Rate of Return as Revised in Case No. 2006-00130	Rate of Return as Through Current Case No. 2007-00380	Change in Rate of Return (4) - (3)	Rate Base as Revised	True-up Adjustment (5) * (6) / 12	Jurisdictional Allocation, ES Form 1.00	Jursidictional True up Adjustment (7) * (8)
May-05	Mar-05	11.00%	11.00%	0.00%	\$ 213,555,725	-	65.39%	-
Jun-05	Apr-05	11.00%	11.00%	0.00%	213,362,311	-	74.98%	-
Jul-05	May-05	11.00%	11.00%	0.00%	212,533,047	-	68.97%	-
Aug-05	Jun-05	10.83%	10.83%	0.00%	215,843,243	-	78.37%	-
Sep-05	Jul-05	10.83%	10.83%	0.00%	215,114,791	-	91.73%	-
Oct-05	Aug-05	10.83%	10.83%	0.00%	216,033,709	-	85.18%	-
						-		-
Nov-05	Sep-05	11.27%	11.30%	0.03%	\$ 216,392,095	4,688	75.74%	3,551
Dec-05	Oct-05	11.27%	11.30%	0.03%	217,388,273	4,710	74.76%	3,521
Jan-06	Nov-05	11.27%	11.30%	0.03%	219,364,978	4,753	61.10%	2,904
Feb-06	Dec-05	11.27%	11.30%	0.03%	220,762,268	4,783	59.82%	2,861
Mar-06	Jan-06	11.27%	11.30%	0.03%	220,253,454	4,772	67.76%	3,234
Apr-06	Feb-06	11.27%	11.30%	0.03%	221,730,247	4,804	80.14%	3,850
						28,511		19,921

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(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	True-up Adjustment (5) * (6) / 12	Jurisdictional Allocation, ES Form 1.00	Jursidictional True up Adjustment (7) * (8)
May-06	Mar-06	10.39%	11.17%	0.78%	\$ 220,931,064	143,973	83.21%	119,802
Jun-06	Apr-06	10.39%	11.17%	0.78%	221,895,202	144,602	82.10%	118,722
Jul-06	May-06	10.39%	11.17%	0.78%	221,483,244	144,333	72.30%	104,347
Aug-06	Jun-06	10.39%	11.17%	0.78%	221,087,195	144,075	80.89%	116,545
Sep-06	Jul-06	10.39%	11.17%	0.78%	220,526,532	143,710	79.00%	113,524
Oct-06	Aug-06	10.39%	11.17%	0.78%	219,888,881	143,294	84.97%	121,759
						863,988		694,699
Nov-06	Sep-06	10.39%	11.01%	0.62%	\$ 219,080,345	113,739	83.50%	94,967
Dec-06	Oct-06	10.39%	11.01%	0.62%	218,229,519	113,297	72.08%	81,661
Jan-07	Nov-06	10.39%	11.01%	0.62%	217,626,865	112,985	61.16%	69,098
Feb-07	Dec-06	10.39%	11.01%	0.62%	220,286,371	114,365	76.57%	87,574
Mar-07	Jan-07	11.23%	11.01%	-0.22%	219,445,795	(39,683)	70.84%	(28,112)
Apr-07	Feb-07	11.23%	11.01%	-0.22%	219,199,794	(39,639)	75.53%	(29,940)
						375,065		275,248
Cumulative Impact of Changes in Rate of Return					\$	<u>1,267,563</u>		\$ <u>989,868</u>

Louisville Gas & Electric Company  
Adjusted Electric Rate of Return on Common Equity  
4/30/2006

(1)	(2) Total Company	(3) Adjustments to Total Co Capitalization (20)	(4) Adjusted Total Company Capitalization (2) - (3)	(5) Capital Structure (4) / (4), row 7	(6) Jurisdictional Capitalization Allocation	(7) Kentucky Jurisdictional Capitalization (5) * (6)
1 Long-Term Debt	820,554,000	18,384,514	802,169,486	41.19%	80.71%	647,430,992
2 Med Term Notes Payable	-	-	-	0.00%	80.71%	-
3 Short-Term Debt	28,065,000	628,795	27,436,205	1.41%	80.71%	22,143,761
4 Preferred Stock	70,424,594	1,577,862	68,846,732	3.54%	80.71%	55,566,198
5 Accounts Receivable Financing	-	-	-	0.00%	80.71%	-
6 Common Equity	1,025,063,922	(23,956,944)	1,049,020,865	53.87%	80.71%	846,664,740
	1,944,107,516	(3,365,773)	1,947,473,288	100.00%		1,571,805,691

(1)	(8) Kentucky Jurisdictional Capitalization (7)	(9) Adjustments to Ky Juris Capitalization (25)	(10) Adjusted Ky Jurisdictional Capitalization (8) - (9)	(11) Capital Structure (10) / (10), row 7	(12) Annual Cost Rate	(13) Weighted Cost of Capital (11) * (12)
1 Long-Term Debt	647,430,992	72,802,678	574,628,314	41.19%	4.211%	1.73%
2 Med Term Notes Payable	-	-	-	0.00%	0.000%	0.00%
3 Short-Term Debt	22,143,761	2,490,033	19,653,728	1.41%	4.780%	0.07%
4 Preferred Stock	55,566,198	6,248,334	49,317,864	3.54%	5.325%	0.19%
5 Accounts Receivable Financing	-	-	-	0.00%	0.000%	0.00%
6 Common Equity	846,664,740	95,206,225	751,458,515	53.87%	10.500%	5.66%
7	1,571,805,691	176,747,270	1,395,058,421	100.00%		7.65%
8 Weighted Cost of Capital Grossed up for Income Tax Effect (ROR + (ROR - DR) x [(TR - TR)])						11.30%

Adjustments to Total Company Capitalization

(1)	(14) Total Company Capitalization (2)	(15) Capital Structure (14) / (14), row 7	(16) Trimble County Inventory Adjustment (16) row 7 x (15)	(17) Job Credits (17) row 7 x (15)	(18) Other Investments (15) row 7 x (15)	(19) Minimum Pension Liability (19) row 7 x (15)	(20) Total Adjustments to Capitalization (18) + (17) + (19) - (19)
1 Long-Term Debt	820,554,000	42.21%	1,541,385	16,592,298	250,832	-	18,384,514
2 Med Term Notes Payable	-	0.00%	-	-	-	-	-
3 Short-Term Debt	28,065,000	1.44%	52,719	567,497	8,579	-	628,795
4 Preferred Stock	70,424,594	3.62%	132,290	1,424,044	21,528	-	1,577,862
5 Accounts Receivable Financing	-	0.00%	-	-	-	-	-
6 Common Equity	1,025,063,922	52.73%	1,925,550	20,727,664	313,347	46,923,505	(23,956,944)
7	1,944,107,516	100.00%	3,651,945	39,311,506	594,286	46,923,505	(3,365,773)

Adjustments to Kentucky Jurisdictional Capitalization

(1)	(21) Kentucky Jurisdictional Capitalization (8)	(22) Capital Structure (21) / (21), row 7	(23) Environmental Surcharge 1994 Plan	(24) Environmental Surcharge Post-1994 Plan	(25) Adjustments to Ky Juris. Capitalization (23) + (24)
1 Long-Term Debt	647,430,992	41.19%	-	72,802,678	72,802,678
2 Med Term Notes Payable	-	0.00%	-	-	-
3 Short-Term Debt	22,143,761	1.41%	-	2,490,033	2,490,033
4 Preferred Stock	55,566,198	3.54%	-	6,248,334	6,248,334
5 Accounts Receivable Financing	-	0.00%	-	-	-
6 Common Equity	846,664,740	53.87%	-	95,206,225	95,206,225
7	1,571,805,691	100.00%	-	176,747,270	176,747,270

Louisville Gas & Electric Company  
Adjusted Electric Rate of Return on Common Equity  
10/31/2006

(1)	(2) Total Company	(3) Adjustments to Total Co Capitalization (20)	(4) Adjusted Total Company Capitalization (2) - (3)	(5) Capital Structure (4) / (4), row 7	(6) Jurisdictional Capitalization Allocation	(7) Kentucky Jurisdictional Capitalization (5) * (6)
1 Long-Term Debt	819,304,000	17,019,028	802,284,972	39.92%	80.71%	647,524,201
2 Med Term Notes Payable	-	-	-	0.00%	80.71%	-
3 Short-Term Debt	89,247,000	1,853,885	87,393,115	4.35%	80.71%	70,534,983
4 Preferred Stock	70,424,594	1,462,898	68,961,696	3.43%	80.71%	55,658,985
5 Accounts Receivable Financing	-	-	-	0.00%	80.71%	-
6 Common Equity	1,025,253,133	(25,626,390)	1,050,879,523	52.30%	80.71%	848,164,863
	2,004,228,727	(5,290,578)	2,009,519,305	100.00%		1,621,883,031

(1)	(8) Kentucky Jurisdictional Capitalization (7)	(9) Adjustments to Ky Juris Capitalization (25)	(10) Adjusted Ky Jurisdictional Capitalization (8) - (9)	(11) Capital Structure (10) / (10), row 7	(12) Annual Cost Rate	(13) Weighted Cost of Capital (11) * (12)
1 Long-Term Debt	647,524,201	72,949,744	574,574,456	39.92%	4.345%	1.74%
2 Med Term Notes Payable	-	-	-	0.00%	0.000%	0.00%
3 Short-Term Debt	70,534,983	7,946,443	62,588,540	4.35%	5.260%	0.23%
4 Preferred Stock	55,658,985	6,270,512	49,388,473	3.43%	5.148%	0.18%
5 Accounts Receivable Financing	-	-	-	0.00%	0.000%	0.00%
6 Common Equity	848,164,863	95,553,826	752,611,036	52.30%	10.500%	5.49%
7	1,621,883,031	182,720,525	1,439,162,506	100.00%		7.63%
8 Weighted Cost of Capital Grossed up for Income Tax Effect $(ROR + (ROR - DR) \times [TR / (1 - TR)])$						11.17%

Adjustments to Total Company Capitalization

(1)	(14) Total Company Capitalization (2)	(15) Capital Structure (14) / (14), row 7	(16) Trimble County Inventory Adjustment (16) row 7 x (15)	(17) Job Credits (17) row 7 x (15)	(18) Other Investments (15) row 7 x (15)	(19) Minimum Pension Liability (19) row 7 x (15)	(20) Total Adjustments to Capitalization (16) + (17) + (18) - (19)
1 Long-Term Debt	819,304,000	40.88%	1,492,437	15,283,654	242,937	-	17,019,028
2 Med Term Notes Payable	-	0.00%	-	-	-	-	-
3 Short-Term Debt	89,247,000	4.45%	162,571	1,664,851	26,463	-	1,853,885
4 Preferred Stock	70,424,594	3.51%	128,285	1,313,731	20,882	-	1,462,898
5 Accounts Receivable Financing	-	0.00%	-	-	-	-	-
6 Common Equity	1,025,253,133	51.15%	1,867,592	19,125,519	304,004	46,923,505	(25,626,390)
7	2,004,228,727	100.00%	3,650,886	37,387,755	594,286	46,923,505	(5,290,578)

Adjustments to Kentucky Jurisdictional Capitalization

(1)	(21) Kentucky Jurisdictional Capitalization (8)	(22) Capital Structure (21) / (21), row 7	(23) Environmental Surcharge 1994 Plan	(24) Environmental Surcharge Post-1994 Plan	(25) Adjustments to Ky Juris. Capitalization (23) + (24)
1 Long-Term Debt	647,524,201	39.92%	-	72,949,744	72,949,744
2 Med Term Notes Payable	-	0.00%	-	-	-
3 Short-Term Debt	70,534,983	4.35%	-	7,946,443	7,946,443
4 Preferred Stock	55,658,985	3.43%	-	6,270,512	6,270,512
5 Accounts Receivable Financing	-	0.00%	-	-	-
6 Common Equity	848,164,863	52.30%	-	95,553,826	95,553,826
7	1,621,883,031	100.00%	-	182,720,525	182,720,525

Louisville Gas & Electric Company  
Adjusted Electric Rate of Return on Common Equity  
4/30/2007

(1)	(2) Total Company	(3) Adjustments to Total Co Capitalization (20)	(4) Adjusted Total Company Capitalization (2) - (3)	(5) Capital Structure (4) / (4), row 7	(6) Jurisdictional Capitalization Allocation	(7) Kentucky Jurisdictional Capitalization (5) * (6)
1 Long-Term Debt	937,304,000	18,704,781	918,599,219	45.72%	79.89%	733,868,916
2 Med Term Notes Payable	-	-	-	0.00%	79.89%	-
3 Short-Term Debt	21,033,000	419,734	20,613,266	1.03%	79.89%	16,467,939
4 Preferred Stock	-	-	-	0.00%	79.89%	-
5 Accounts Receivable Financing	-	-	-	0.00%	79.89%	-
6 Common Equity	1,091,804,504	21,787,984	1,070,016,520	53.26%	79.89%	854,836,198
	2,050,141,504	40,912,499	2,009,229,005	100.00%		1,605,173,052

(1)	(8) Kentucky Jurisdictional Capitalization (7)	(9) Adjustments to Ky Juris. Capitalization (25)	(10) Adjusted Ky Jurisdictional Capitalization (8) - (9)	(11) Capital Structure (10) / (10), row 7	(12) Annual Cost Rate	(13) Weighted Cost of Capital (11) * (12)
1 Long-Term Debt	733,868,916	83,082,459	650,786,457	45.72%	4.649%	2.13%
2 Med Term Notes Payable	-	-	-	0.00%	0.000%	0.00%
3 Short-Term Debt	16,467,939	1,864,363	14,603,576	1.03%	5.260%	0.05%
4 Preferred Stock	-	-	-	0.00%	0.000%	0.00%
5 Accounts Receivable Financing	-	-	-	0.00%	0.000%	0.00%
6 Common Equity	854,836,198	96,777,357	758,058,841	53.26%	10.500%	5.59%
7	1,605,173,052	181,724,179	1,423,448,873	100.00%		7.77%

8 Weighted Cost of Capital Grossed up for Income Tax Effect (ROR + (ROR - DR) x [TR / (1 - TR)]) 11.01%

Adjustments to Total Company Capitalization

(1)	(14) Total Company Capitalization (2)	(15) Capital Structure (14) / (14), row 7	(16) Trimble County Inventory Adjustment (18) row 7 x (15)	(17) Job Credits (17) row 7 x (15)	(18) Other Investments (15) row 7 x (15)	(19) Minimum Pension Liability (19) row 7 x (15)	(20) Total Adjustments to Capitalization (16) + (17) + (18) - (19)
1 Long-Term Debt	937,304,000	45.72%	2,207,570	16,225,510	271,702	-	18,704,781
2 Med Term Notes Payable	-	0.00%	-	-	-	-	-
3 Short-Term Debt	21,033,000	1.03%	49,538	364,099	6,097	-	419,734
4 Preferred Stock	-	0.00%	-	-	-	-	-
5 Accounts Receivable Financing	-	0.00%	-	-	-	-	-
6 Common Equity	1,091,804,504	53.26%	2,571,455	18,900,041	316,487	-	21,787,984
7	2,050,141,504	100.00%	4,828,563	35,489,650	594,286	-	40,912,499

Adjustments to Kentucky Jurisdictional Capitalization

(1)	(21) Kentucky Jurisdictional Capitalization (8)	(22) Capital Structure (21) / (21), row 7	(23) Environmental Surcharge 1994 Plan	(24) Environmental Surcharge Post-1994 Plan	(25) Adjustments to Ky Juris Capitalization (23) + (24)
1 Long-Term Debt	733,868,916	45.72%	-	83,082,459	83,082,459
2 Med Term Notes Payable	-	0.00%	-	-	-
3 Short-Term Debt	16,467,939	1.03%	-	1,864,363	1,864,363
4 Preferred Stock	-	0.00%	-	-	-
5 Accounts Receivable Financing	-	0.00%	-	-	-
6 Common Equity	854,836,198	53.26%	-	96,777,357	96,777,357
7	1,605,173,052	100.00%	-	181,724,179	181,724,179



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Information Requested in Appendix B of  
Commission's Order Dated September 19, 2007**

**Case No. 2007-00380**

**Question No. 2**

**Witness: Robert M. Conroy**

For Each of the Six Periods Under Review

- 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 periods under review. Include a calculation of any additional over- or under-recovery amount LG&E believes needs to be recognized for the 6-month review or the 2-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.

Louisville Gas & Electric Company  
Calculation of E(m) and Jurisdictional Surcharge Billing Factor  
Summary Schedule for Expense Months March 2005 through February 2007

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Expense Month	Rate Base as Revised ES Form 2.00	Monthly Rate Base as Revised (2) / (1)	Rate of Return as Revised	Operating Expenses (net of allowance proceeds) ES Form 2.00	Adjustments to Operating Expenses**	Total E(m) (3) * (4) + (5) + (6)	Retail Allocation Ratio Allocation Ratio ES Form 1.00	Retail E(m) Retail E(m) (7) * (8)
								Comments: As Revised in Review
Mar-05	213,555,725	17,796,310	11.00%	601,240		2,558,834	65.39%	1,673,222
Apr-05	213,562,311	17,780,193	11.00%	629,608		2,585,429	74.98%	1,938,555
May-05	212,533,047	17,711,087	11.00%	(74,421)		1,873,799	68.97%	1,292,359
Jun-05	215,843,243	17,986,937	10.83%	961,467		2,909,452	78.37%	2,280,138
Jul-05	215,114,791	17,926,233	10.83%	900,787		2,842,198	91.73%	2,607,148
Aug-05	216,033,709	18,002,809	10.83%	737,189		2,686,893	85.18%	2,288,696
Sep-05	216,392,095	18,032,675	11.30%	978,832		3,015,803	75.74%	2,284,169
Oct-05	217,388,273	18,115,689	11.30%	653,861		2,700,209	74.76%	2,018,676
Nov-05	219,364,978	18,280,415	11.30%	628,248		2,693,204	61.10%	1,645,547
Dec-05	220,762,268	18,396,856	11.30%	693,707		2,771,816	59.82%	1,658,100
Jan-06	220,253,454	18,354,454	11.30%	608,437		2,681,756	67.76%	1,817,158
Feb-06	221,730,247	18,477,521	11.30%	685,219		2,772,440	80.14%	2,221,833
Mar-06	220,931,064	18,410,922	11.17%	637,445	22,593	2,716,906	83.21%	2,260,765
Apr-06	221,895,202	18,491,267	11.17%	798,581	22,593	2,887,018	82.10%	2,370,329
May-06	221,483,244	18,456,937	11.17%	42,115	22,593	2,126,717	72.30%	1,537,531
Jun-06	221,087,195	18,423,933	11.17%	866,561	22,593	2,947,476	80.89%	2,384,272
Jul-06	220,526,532	18,377,211	11.17%	874,312	22,593	2,950,007	79.00%	2,330,358
Aug-06	219,888,881	18,324,073	11.17%	930,690	22,593	3,000,448	84.97%	2,549,511
Sep-06	219,080,345	18,256,695	11.01%	804,168	22,593	2,837,371	83.50%	2,369,063
Oct-06	218,229,519	18,185,793	11.01%	733,898	22,593	2,759,292	72.08%	1,988,815
Nov-06	217,626,865	18,135,572	11.01%	714,948	22,593	2,734,812	61.16%	1,672,529
Dec-06	220,286,371	18,357,198	11.01%	757,234	22,593	2,801,505	76.57%	2,145,225
Jan-07	219,445,795	18,287,150	11.01%	670,963		2,684,927	70.84%	1,902,002
Feb-07	219,199,794	18,266,650	11.01%	754,597		2,766,303	75.53%	2,089,472

(1) Rate Base as Revised reflects in the expense month any adjustments made through monthly filings after the filing of the expense month.  
\* Rate of Return adjusted to reflect Trimble County 2 ITC in the Weighted Cost of Capital calculation  
\*\* Per Commissioner's January 31, 2007 Order in Case No. 2006-00130.

Louisville Gas & Electric Company  
Calculation of E(m) and Jurisdictional Surcharge Billing Factor  
Summary Schedule for Expense Months March 2005 through February 2007

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
Expense Month	Retail E(m)	Adjustment to Retail E(m) for Monthly True-up Case No. 2006-00130	Retail E(m) Including all Adjustments	Average Monthly Retail Revenues ES Form 1.00	Current Environmental Surcharge Factor (CESF) (5) / (6)	Base Environmental Surcharge Factor (BESF)	Monthly Environmental Surcharge Factor (MESF) (7) - (8)	ECR Billing Factor Revenues	ECR Revenue Recovered Through Base Rates	Combined Total Over/(Under) Recovery		
Mar-05	1,673,222		1,673,222	52,866,896	3.16%	2.38%	0.78%					
Apr-05	1,938,555		1,938,555	53,222,864	3.64%	2.38%	1.26%	402,786	1,051,906	(218,530)		
May-05	1,292,359		1,292,359	53,222,864	2.43%	2.38%	0.05%	908,066	1,296,301	265,812		
Jun-05	2,280,138		2,280,138	52,806,246	4.32%	2.38%	1.94%	264,696	1,553,513	525,850		
Jul-05	2,607,148		2,607,148	53,119,058	4.91%	2.38%	2.53%	1,430,295	1,622,548	772,705		
Aug-05	2,288,696		2,288,696	54,205,386	4.22%	2.38%	1.84%	1,845,097	1,529,066	767,015		
Sep-05								274,845	1,262,586	(751,264)		
Oct-05										(1,361,954)		
<b>Over Collection per Case No. 2006-00130*</b>												
Sep-05	2,284,169		2,284,169	55,043,223	4.15%	2.38%	1.77%	166,492	1,063,009	(1,054,668)		
Oct-05	2,018,676		2,018,676	55,800,992	3.62%	2.38%	1.24%	430,592	1,211,672	(376,413)		
Nov-05	1,645,547		1,645,547	55,874,790	2.95%	2.38%	0.57%	374,323	1,268,795	(2,430)		
Dec-05	1,658,100		1,658,100	56,386,994	2.94%	2.38%	0.56%	207,650	1,133,545	(316,905)		
Jan-06	1,817,158		1,817,158	56,406,124	3.22%	2.38%	0.84%	268,594	1,113,017	(435,547)		
Feb-06	2,221,833		2,221,833	56,249,899	3.95%	2.38%	1.57%	1,717,339	1,093,926	589,432		
Mar-06												
Apr-06												
<b>Under Collection per Case No. 2006-00130**</b>												
Mar-06	2,260,765		2,260,765	56,343,377	4.01%	2.38%	1.63%	1,674,717	1,099,838	513,790		
Apr-06	2,370,329		2,370,329	56,840,612	4.17%	2.38%	1.79%	1,480,155	1,291,342	401,168		
May-06	1,537,531		1,537,531	57,248,439	2.69%	2.38%	0.31%	618,329	1,484,038	564,836		
Jun-06	2,384,272		2,384,272	57,725,698	4.13%	2.38%	1.75%	864,840	1,578,797	59,365		
Jul-06	2,330,358		2,330,358	57,725,050	4.04%	2.38%	1.66%	549,246	1,396,171	(384,941)		
Aug-06	2,549,511		2,549,511	57,716,028	4.42%	2.38%	2.04%	443,486	1,115,460	(990,565)		
Sep-06												
Oct-06												
Sep-06	2,369,063		2,369,063	57,182,807	4.14%	2.38%	1.76%	595,728	1,085,143	(688,192)		
Oct-06	1,988,815		1,988,815	56,789,174	3.50%	2.38%	1.12%	806,646	1,165,999	(16,170)		
Nov-06	1,672,529		1,672,529	57,093,987	2.93%	2.38%	0.55%	555,247	1,229,173	111,891		
Dec-06	2,145,225		2,145,225	57,247,693	3.75%	2.38%	1.37%	835,980	1,238,326	(70,918)		
Jan-07	1,902,002	576,005	2,478,007	57,445,965	4.31%	3.39%	0.92%	836,584	1,803,778	162,354		
Feb-07	2,089,472	576,005	2,665,477	58,308,228	4.57%	3.39%	1.18%	444,925	1,740,864	(479,688)		
Mar-07												
Apr-07												
<b>Grand Total</b>										17,996,657	31,428,813	(839,948)

\* Summation of May '05 through Oct '05 Over/Under calculation in Case No. 2006-00130, KPSC Data Request, Corrected Attachment 1 to Response to Question 2, Page 4 of 4 filed on November 21, 2006.  
\*\* Summation of Nov '05 through Apr '06 Over/Under calculation in Case No. 2006-00130, KPSC Data Request, Corrected Attachment 1 to Response to Question 2, Page 4 of 4 filed on November 21, 2006.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Information Requested in Appendix B of  
Commission's Order Dated September 19, 2007**

**Case No. 2007-00380**

**Question No. 3**

**Witness: Valerie L. Scott**

For Each of the Six Periods Under Review

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. Please see the attachment.

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2001 Plan**

Project 6 -- NOx

Month	Plant Balance	Book Depreciation	Tax Depreciation	Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-06	183,919,310	429,063	997,436	568,372	39.5500%	224,791	5,856,858	590,130
Apr-06	189,292,602	435,377	1,019,824	584,448	39.5500%	231,149	6,088,007	1,053,265
May-06	191,016,859	443,716	1,027,907	584,190	39.5500%	231,047	6,319,054	1,053,265
Jun-06	191,016,859	445,742	1,027,907	582,164	39.5500%	230,246	6,549,300	1,053,265
Jul-06	191,016,859	445,742	1,027,907	582,164	39.5500%	230,246	6,779,546	1,053,265
Aug-06	191,016,859	445,742	1,027,907	582,164	39.5500%	230,246	7,009,792	1,053,265
Sep-06	191,016,859	445,742	1,027,907	582,164	39.5500%	230,246	7,240,038	1,053,265
Oct-06	191,016,859	445,742	1,027,907	582,164	39.5500%	230,246	7,470,284	1,053,265
Nov-06	191,016,859	445,742	1,027,907	582,164	39.5500%	230,246	7,700,530	1,053,265
Dec-06	191,016,859	445,742	1,027,907	582,164	39.5500%	230,246	7,930,776	1,053,265
Jan-07	191,016,859	445,742	965,323	519,581	38.9000%	202,117	8,132,893	1,053,265
Feb-07	191,016,859	445,742	965,323	519,581	38.9000%	202,117	8,335,010	1,053,265

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2003 - Plan**

Project 7 -- Mill Creek FGD Scrubber Conversion

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-06	30,861,686	115,079	168,157	53,078	39.5500%	20,992	419,351	516,073
Apr-06	30,861,686	115,079	168,157	53,078	39.5500%	20,992	440,343	516,073
May-06	30,861,686	115,079	168,157	53,078	39.5500%	20,992	461,335	516,073
Jun-06	30,861,686	115,079	168,157	53,078	39.5500%	20,992	482,328	516,073
Jul-06	30,861,686	115,079	168,157	53,078	39.5500%	20,992	503,320	516,073
Aug-06	30,861,686	115,079	168,157	53,078	39.5500%	20,992	524,312	516,073
Sep-06	30,861,686	115,079	168,157	53,078	39.5500%	20,992	545,305	516,073
Oct-06	30,861,686	115,079	168,157	53,078	39.5500%	20,992	566,297	516,073
Nov-06	30,861,686	115,079	168,157	53,078	39.5500%	20,992	587,289	516,073
Dec-06	30,861,686	115,079	168,157	53,078	39.5500%	20,992	608,282	516,073
Jan-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	624,081	516,073
Feb-07	30,861,686	115,079	155,693	40,614	38.9000%	15,799	639,879	516,073

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2003 - Plan**

Project 8 -- Precipitators

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-06	11,929,133	28,278	59,931	31,653	39.5500%	12,519	563,933	275,252
Apr-06	11,929,133	28,278	59,931	31,653	39.5500%	12,519	576,452	275,252
May-06	11,929,133	28,278	59,931	31,653	39.5500%	12,519	588,971	275,252
Jun-06	11,929,133	28,278	59,931	31,653	39.5500%	12,519	601,490	275,252
Jul-06	11,929,133	28,278	59,931	31,653	39.5500%	12,519	614,008	275,252
Aug-06	11,929,133	28,278	59,931	31,653	39.5500%	12,519	626,527	275,252
Sep-06	11,929,133	28,278	59,931	31,653	39.5500%	12,519	639,046	275,252
Oct-06	11,929,133	28,278	59,931	31,653	39.5500%	12,519	651,565	275,252
Nov-06	11,929,133	28,278	59,931	31,653	39.5500%	12,519	664,083	275,252
Dec-06	11,929,133	28,278	59,931	31,653	39.5500%	12,519	676,602	275,252
Jan-07	11,929,133	28,278	55,432	27,155	38.9000%	10,563	687,165	275,252
Feb-07	11,929,133	28,278	55,432	27,155	38.9000%	10,563	697,728	275,252

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2003 - Plan**

Project 9 -- Clearwell Water System

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-06	1,197,310	5,368	6,163	795	39.5500%	315	-	4,716
Apr-06	1,197,310	5,368	6,163	795	39.5500%	315	20,331	4,716
May-06	1,197,310	5,368	6,163	795	39.5500%	315	20,646	4,716
Jun-06	1,197,310	5,368	6,163	795	39.5500%	315	20,960	4,716
Jul-06	1,197,310	5,368	6,163	795	39.5500%	315	21,275	4,716
Aug-06	1,197,310	5,368	6,163	795	39.5500%	315	21,589	4,716
Sep-06	1,197,310	5,368	6,163	795	39.5500%	315	21,904	4,716
Oct-06	1,197,310	5,368	6,163	795	39.5500%	315	22,218	4,716
Nov-06	1,197,310	5,368	6,163	795	39.5500%	315	22,533	4,716
Dec-06	1,197,310	5,368	6,163	795	39.5500%	315	22,847	4,716
Jan-07	1,197,310	5,368	5,700	332	38.9000%	129	22,976	4,716
Feb-07	1,197,310	5,368	5,700	332	38.9000%	129	23,106	4,716

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2003 - Plan**

Project 10 -- Absorber Trays

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-06	2,734,621	11,303	12,044	741	39.5500%	293	-	-
Apr-06	2,734,621	11,303	12,044	741	39.5500%	293	73,820	-
May-06	2,734,621	11,303	12,044	741	39.5500%	293	74,113	-
Jun-06	2,734,621	11,303	12,044	741	39.5500%	293	74,406	-
Jul-06	2,734,621	11,303	12,044	741	39.5500%	293	74,699	-
Aug-06	2,734,621	11,303	12,044	741	39.5500%	293	74,992	-
Sep-06	2,734,621	11,303	12,044	741	39.5500%	293	75,285	-
Oct-06	2,734,621	11,303	12,044	741	39.5500%	293	75,578	-
Nov-06	2,734,621	11,303	12,044	741	39.5500%	293	75,870	-
Dec-06	2,734,621	11,303	12,044	741	39.5500%	293	76,163	-
Jan-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	76,100	-
Feb-07	2,734,621	11,303	11,139	(164)	38.9000%	(64)	76,036	-

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2005 - Plan**

Project 11 -- Special Waste Landfill Expansion - MC

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-06	2,282,981	5,568	13,734	8,167	39.5500%	3,230	-	22,369
Apr-06	2,282,981	5,568	13,734	8,167	39.5500%	3,230	34,145	22,369
May-06	2,282,981	5,568	13,734	8,167	39.5500%	3,230	37,375	22,369
Jun-06	2,282,981	5,568	13,734	8,167	39.5500%	3,230	40,605	22,369
Jul-06	2,282,981	5,568	13,734	8,167	39.5500%	3,230	43,835	22,369
Aug-06	2,282,981	5,568	13,734	8,167	39.5500%	3,230	47,065	22,369
Sep-06	2,282,981	5,568	13,734	8,167	39.5500%	3,230	50,294	22,369
Oct-06	2,282,981	5,568	13,734	8,167	39.5500%	3,230	53,524	22,369
Nov-06	2,282,981	5,568	13,734	8,167	39.5500%	3,230	56,754	22,369
Dec-06	2,282,981	5,568	13,734	8,167	39.5500%	3,230	59,984	22,369
Jan-07	2,282,981	5,568	12,705	7,137	38.9000%	2,776	63,214	22,369
Feb-07	2,282,981	5,568	12,705	7,137	38.9000%	2,776	65,990	22,369
							68,767	22,369

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2005 - Plan**

Project 12 -- Special Waste Landfill Expansion - CR

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-06	-	-	-	-	39.5500%	-	-	-
Apr-06	-	-	-	-	39.5500%	-	-	-
May-06	-	-	-	-	39.5500%	-	-	-
Jun-06	-	-	-	-	39.5500%	-	-	-
Jul-06	-	-	-	-	39.5500%	-	-	-
Aug-06	-	-	-	-	39.5500%	-	-	-
Sep-06	-	-	-	-	39.5500%	-	-	-
Oct-06	-	-	-	-	39.5500%	-	-	-
Nov-06	-	-	-	-	39.5500%	-	-	-
Dec-06	2,323,293	2,730	87,123	84,394	39.5500%	33,378	33,378	-
Jan-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	36,691	-
Feb-07	2,323,293	5,460	13,977	8,517	38.9000%	3,313	40,004	-

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2005 - Plan**

Project 13 -- Scrubber Refurbishment - TC1

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-06	-	-	-	-	39.5500%	-	-	-
Apr-06	-	-	-	-	39.5500%	-	-	-
May-06	-	-	-	-	39.5500%	-	-	-
Jun-06	-	-	-	-	39.5500%	-	-	-
Jul-06	-	-	-	-	39.5500%	-	-	-
Aug-06	-	-	-	-	39.5500%	-	-	-
Sep-06	-	-	-	-	39.5500%	-	-	-
Oct-06	-	-	-	-	39.5500%	-	-	-
Nov-06	-	-	-	-	39.5500%	-	-	-
Dec-06	-	-	-	-	39.5500%	-	-	-
Jan-07	-	-	-	-	38.9000%	-	-	-
Feb-07	-	-	-	-	38.9000%	-	-	-

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2005 - Plan**

Project 14 -- Scrubber Refurbishment - CR6

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-06	154,841	281	1,300	1,018	39.5500%	403	-	3,227
Apr-06	154,841	281	1,300	1,018	39.5500%	403	1,667	3,227
May-06	282,134	397	2,447	2,050	39.5500%	811	2,477	8,118
Jun-06	282,134	513	2,447	1,935	39.5500%	765	3,243	8,118
Jul-06	282,134	513	2,447	1,935	39.5500%	765	4,008	8,118
Aug-06	282,134	513	2,447	1,935	39.5500%	765	4,773	8,118
Sep-06	282,134	513	2,447	1,935	39.5500%	765	5,538	8,118
Oct-06	282,134	513	2,447	1,935	39.5500%	765	6,303	8,118
Nov-06	282,134	513	2,447	1,935	39.5500%	765	7,068	8,118
Dec-06	282,134	513	2,447	1,935	39.5500%	765	7,834	8,118
Jan-07	282,134	513	2,694	2,181	38.9000%	849	8,682	8,118
Feb-07	282,134	513	2,694	2,181	38.9000%	849	9,531	8,118

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2005 - Plan**

Project 15 -- Scrubber Refurbishment - CR5

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Temporary Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes</b>	<b>Deferred Taxes on Retirements</b>
Mar-06	-	-	-	-	39.5500%	-	-	-
Apr-06	-	-	-	-	39.5500%	-	-	-
May-06	-	-	-	-	39.5500%	-	-	-
Jun-06	-	-	-	-	39.5500%	-	-	-
Jul-06	-	-	-	-	39.5500%	-	-	-
Aug-06	-	-	-	-	39.5500%	-	-	-
Sep-06	-	-	-	-	39.5500%	-	-	-
Oct-06	-	-	-	-	39.5500%	-	-	-
Nov-06	-	-	-	-	39.5500%	-	-	-
Dec-06	-	-	-	-	39.5500%	-	-	-
Jan-07	-	-	-	-	38.9000%	-	-	-
Feb-07	-	-	-	-	38.9000%	-	-	-

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2005 - Plan**

Project 16 -- Scrubber Improvements - TC1

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Temporary Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes</b>	<b>Deferred Taxes on Retirements</b>
Mar-06	4,281,077	12,379	40,881	28,501	39.5500%	11,272	83,256	-
Apr-06	4,281,077	12,379	40,881	28,501	39.5500%	11,272	94,528	-
May-06	4,281,077	12,379	40,881	28,501	39.5500%	11,272	105,801	-
Jun-06	4,281,077	12,379	40,881	28,501	39.5500%	11,272	117,073	-
Jul-06	4,281,077	12,379	40,881	28,501	39.5500%	11,272	128,345	-
Aug-06	4,281,077	12,379	40,881	28,501	39.5500%	11,272	139,617	-
Sep-06	7,361,078	16,833	74,431	57,598	39.5500%	22,780	162,397	26,166
Oct-06	7,361,078	21,286	74,431	53,145	39.5500%	21,019	183,416	26,166
Nov-06	7,361,078	21,286	74,431	53,145	39.5500%	21,019	204,435	26,166
Dec-06	7,361,078	21,286	74,431	53,145	39.5500%	21,019	225,454	26,166
Jan-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	244,217	26,166
Feb-07	7,361,078	21,286	69,520	48,234	38.9000%	18,763	262,980	26,166

Louisville Gas and Electric Company  
Deferred Tax Calculations  
Post-1995 Environmental Compliance Plans, by Approved Project

2006 - Plan

Project 18 -- Trimble County 2 AQCS

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-06	-	-	-	-	39.5500%	-	-	-
Apr-06	-	-	-	-	39.5500%	-	-	-
May-06	-	-	-	-	39.5500%	-	-	-
Jun-06	-	-	-	-	39.5500%	-	-	-
Jul-06	-	-	-	-	39.5500%	-	-	-
Aug-06	-	-	-	-	39.5500%	-	-	-
Sep-06	-	-	-	-	39.5500%	-	-	-
Oct-06	-	-	-	-	39.5500%	-	-	-
Nov-06	-	-	-	-	39.5500%	-	-	-
Dec-06	-	-	-	-	39.5500%	-	-	-
Jan-07	-	-	-	-	38.9000%	-	-	-
Feb-07	-	-	-	-	38.9000%	-	-	-

**Louisville Gas and Electric Company  
Deferred Tax Calculations  
Post-1995 Environmental Compliance Plans, by Approved Project**

**2006 - Plan**

Project 19 - Sorbent Injection, Mill Creek & Trimble 1

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Temporary Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes</b>	<b>Deferred Taxes on Retirements</b>
Mar-06	-	-	-	-	39.5500%	-	-	-
Apr-06	-	-	-	-	39.5500%	-	-	-
May-06	-	-	-	-	39.5500%	-	-	-
Jun-06	-	-	-	-	39.5500%	-	-	-
Jul-06	-	-	-	-	39.5500%	-	-	-
Aug-06	-	-	-	-	39.5500%	-	-	-
Sep-06	-	-	-	-	39.5500%	-	-	-
Oct-06	-	-	-	-	39.5500%	-	-	-
Nov-06	-	-	-	-	39.5500%	-	-	-
Dec-06	-	-	-	-	39.5500%	-	-	-
Jan-07	-	-	-	-	38.9000%	-	-	-
Feb-07	-	-	-	-	38.9000%	-	-	-

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2006 - Plan**

Project 20 - Mercury Monitors, all plants

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-06	-	-	-	-	39.5500%	-	-	-
Apr-06	-	-	-	-	39.5500%	-	-	-
May-06	-	-	-	-	39.5500%	-	-	-
Jun-06	-	-	-	-	39.5500%	-	-	-
Jul-06	-	-	-	-	39.5500%	-	-	-
Aug-06	-	-	-	-	39.5500%	-	-	-
Sep-06	-	-	-	-	39.5500%	-	-	-
Oct-06	-	-	-	-	39.5500%	-	-	-
Nov-06	-	-	-	-	39.5500%	-	-	-
Dec-06	86,203	101	1,987	1,886	39.5500%	746	746	-
Jan-07	86,203	201	901	700	38.9000%	272	1,018	-
Feb-07	86,203	201	901	700	38.9000%	272	1,291	-

**Louisville Gas and Electric Company**  
**Deferred Tax Calculations**  
**Post-1995 Environmental Compliance Plans, by Approved Project**

**2006 - Plan**

Project 21 -- Particulate Monitors, Mill Creek

<b>Month</b>	<b>Plant Balance</b>	<b>Book Depreciation</b>	<b>Tax Depreciation</b>	<b>Temporary Difference</b>	<b>Income Tax Rate</b>	<b>Deferred Tax</b>	<b>Accumulated Deferred Taxes</b>	<b>Deferred Taxes on Retirements</b>
Mar-06	-	-	-	-	39.5500%	-	-	-
Apr-06	-	-	-	-	39.5500%	-	-	-
May-06	-	-	-	-	39.5500%	-	-	-
Jun-06	-	-	-	-	39.5500%	-	-	-
Jul-06	-	-	-	-	39.5500%	-	-	-
Aug-06	-	-	-	-	39.5500%	-	-	-
Sep-06	-	-	-	-	39.5500%	-	-	-
Oct-06	-	-	-	-	39.5500%	-	-	-
Nov-06	-	-	-	-	39.5500%	-	-	-
Dec-06	397,148	884	4,051	3,167	39.5500%	1,252	17,230	-
Jan-07	397,148	884	4,222	3,337	38.9000%	1,298	18,528	-
Feb-07	397,148	884	4,222	3,337	38.9000%	1,298	19,827	-



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Information Requested in Appendix B of  
Commission's Order Dated September 19, 2007**

**Case No. 2007-00380**

**Question No. 4**

**Witness: Valerie L. Scott**

For Each of the Six Periods Under Review

Q-4. Provide the percentage of LG&E's long-term debt that has a variable interest rate as of the last expense month in the applicable billing period under review.

A-4. The requested information for each of the two six-month periods under review is as follows:

For the last expense month of the billing period November 1, 2006, through April 30, 2007, the percentage of LG&E's long-term debt with a variable rate was 39%.

For the last expense month of the billing period May 1, 2006, through October 31, 2006, the percentage of LG&E's long-term debt with a variable rate was 44%.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Information Requested in Appendix B of  
Commission's Order Dated September 19, 2007**

**Case No. 2007-00380**

**Question No. 5**

**Witness: Valerie L. Scott**

Billing Period from May 1, 2006 through October 31, 2006

- Q-5. Refer to ES Form 2.50, Pollution Control – Operations & Maintenance Expenses, for the March through August 2006 expense months. For each expense account number listed on this schedule, explain the reason(s) for any change in the total expense levels from month to month if that change is greater than plus or minus 10 percent.
- A-5. Attached please find a schedule showing the changes in the Operations and Maintenance Expense account for March 2006 through August 2006 expense months. The changes in the expense levels are reasonable and occurred as a part of routine plant operations and maintenance. Expenses recorded in NO<sub>x</sub> Operation accounts 506104 and 506105 were varying during the period from March 2006 through August 2006 due to the timing of the ammonia purchases during the ozone season (May through September). Higher than average expenses were recorded in NO<sub>x</sub> Maintenance account 512101 during April 2006 as a result of maintenance performed during the Mill Creek Unit #3 outage. Other monthly variances in this account result from the timing of routine monthly maintenance. Expenses recorded in Scrubber Operations account 502006 from March 2006 through August 2006 are the result of regular operations of the Trimble County Unit #1 FGD. Expenses recorded in Ashpond Dredging Expense account 501201 are the result of the amortization of the expenses associated with the transfer of ash from the ash pond to the landfill at the Mill Creek Station pursuant to the Commission's Order in Case No. 2004-00421 which began in May 2006 and varies due to the amount of dredging completed in any month.

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

**Pollution Control - Operations & Maintenance Expenses**

O&M Expense Account	Total															
	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Period	% Change from Prior Period	Period	% Change from Prior Period	Period	% Change from Prior Period				
2001 Plan																
506104 NOx Operation -- Consumables	-	102,082	132,706	197,707	174,212	246,347	100%	30%	49%	-12%	41%	70%	139%	-3%	5%	-13%
506105 NOx Operation -- Labor and Other	3,416	5,820	13,915	13,476	14,092	12,279										
512101 NOx Maintenance	18,948	79,198	52,719	19,544	41,760	29,557	318%	-33%	-63%	114%	-29%	737%	7%	16%	0%	25%
Total 2001 Plan O&M Expenses	22,364	187,100	199,340	230,727	230,064	288,183										
2005 Plan																
502006 Scrubber Operations	37,360	33,572	28,898	32,189	34,941	28,179	-10%	-14%	11%	9%	-19%	0%	0%	0%	0%	0%
512005 Scrubber Maintenance	-	-	-	-	-	-	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
501201 Ashpond Dredging Expense	-	-	8,444	15,547	21,046	26,069	0%	0%	0%	0%	0%	0%	11%	28%	17%	-3%
Total 2005 Plan O&M Expenses	37,360	33,572.00	37,342	47,736	55,987	54,248										



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Information Requested in Appendix B of  
Commission's Order Dated September 19, 2007**

**Case No. 2007-00380**

**Question No. 6**

**Witness: Valerie L. Scott**

Billing Period from May 1, 2005 through April 30, 2007

- Q-6. Refer to ES Form 2.50, Pollution Control – Operations & Maintenance Expenses, for the September 2006 through February 2007 expense months. For each expense account number listed on this schedule, explain the reason(s) for any change in the total expense levels from month to month if that change is greater than plus or minus 10 percent.
- A-6. Attached please find a schedule showing the changes in the Operations and Maintenance Expense account for the September 2006 through February 2007 expense months. Changes in the expense levels are reasonable based on normal plant operations and maintenance. Expenses recorded in NO<sub>x</sub> Operation accounts 506104 and 506105 were higher in September and October 2006 than during the period from November 2006 through February 2007, due to the timing of the invoice payments for ammonia purchases. During December 2006, costs associated with catalyst testing at Trimble County were accrued; this accrual reversed in January 2007; and the invoices were received and paid in February 2007, resulting in variances in those three periods. Expenses recorded in No<sub>x</sub> Maintenance account 512101 were higher in November 2006 as a result of recording expenses related to third party testing at Mill Creek. Expenses recorded in No<sub>x</sub> Maintenance account 512101 were higher in December 2006 as a result of additional maintenance performed during the non-ozone season. Expenses recorded in Scrubber Operations account 502006 from September 2006 through February 2007 varied monthly as a result of regular operations of the Trimble County Unit #1 FGD. Expenses recorded in Ashpond Dredging Expense account 501201 are the result of the amortization of the expenses associated with the transfer of ash from the ash pond to the landfill at the Mill Creek Station pursuant to the Commission's Order in Case No. 2004-00421. The transfer operation began in May 2006 and varies due to the amount of dredging completed in any month.

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

**Pollution Control - Operations & Maintenance Expenses**

O&M Expense Account	Total												
	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	% Change from Prior Period						
2001 Plan													
506104 NOx Operation -- Consumables	125,733	60,869	-	-	-	-	0%	0%	-	-	-	0%	0%
506105 NOx Operation -- Labor and Other	13,972	5,339	4,063	45,806	(37,974)	44,835	1027%	-183%					-218%
512101 NOx Maintenance	5,986	1,362	44,008	37,509	7,295	5,709	-15%	-81%					-22%
Total 2001 Plan O&M Expenses	145,691	67,570	48,071	83,315	(30,679)	50,544	-29%	-137%					-265%
2005 Plan													
502006 Scrubber Operations	30,873	34,271	30,468	25,380	27,446	22,320	-11%	8%					-19%
512005 Scrubber Maintenance	-	-	-	-	-	-	0%	0%					0%
501201 Ashpond Dredging Expense	36,087	36,087	40,439	48,814	48,814	56,181	12%	0%					15%
Total 2005 Plan O&M Expenses	66,960	70,358.00	70,907	74,194	76,260	78,501	5%	3%					3%



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Information Requested in Appendix B of  
Commission's Order Dated September 19, 2007**

**Case No. 2007-00380**

**Question No. 7**

**Witness: Robert M. Conroy**

Billing Period from May 1, 2005 through April 30, 2007

- Q-7. In Case No. 2006-00130, the Commission determined an overall rate of return on capital that included a rate of return on common equity for the environmental surcharge of 10.5 percent. The Commission also found that the rate of return on common equity used in the determination of the overall rate of return on capital should be examined as part of the 2-year surcharge review proceeding.
- a. Does LG&E believe that the 10.5 percent rate of return on common equity for the environmental surcharge is reasonable? Explain the response, and include any analyses or evaluations supporting its conclusions.
  - b. If no to part (a), what rate of return on common equity does LG&E propose for its environmental surcharge? Provide a detailed analysis and testimony supporting LG&E's position.
- A-7. a. Yes. The Companies believe the currently authorized 10.50% rate of return on common equity for the environmental surcharge remains reasonable. This rate of return was approved by the Commission in Case No. 2006-00208 on December 21, 2006, and became effective with the February 2007 billing month and again in the Order issued January 31, 2007 in Case No. 2006-00130. In addition, the authorized 10.50% rate of return on common equity is consistent with recently authorized returns by commissions across the country as shown in the attached October 3, 2007 issue of Regulatory Research Associates Regulatory Focus.
- b. Not applicable.

# SPECIAL REPORT

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Regulatory Study  
October 3, 2007

## MAJOR RATE CASE DECISIONS--JANUARY-SEPTEMBER 2007

For the first nine months of 2007, the average of electric equity return authorizations by state commissions was 10.22% (23 determinations) versus the 10.36% average for calendar-2006. The average gas equity return authorization for the first three quarters of 2007 was 10.23% (22 determinations), compared with the 10.43% average for calendar-2006.

After reaching a low in the late-1990's and early-2000's, the number of equity return determinations for energy companies increased somewhat beginning in 2002, and reached a ten-year high in 2005. Relatively low inflation and interest rates, technological improvements that lead to reduced costs, the use of settlements that do not specify return parameters, and a reduced number of companies due to mergers may continue to prevent the number of determinations from substantially increasing further. However, increased costs, including environmental compliance expenditures, and the need for generation and delivery system infrastructure upgrades and expansion at many companies argue for at least a modest increase in the number of cases to be filed and decided over the next several years. In fact, based on the results for the first three quarters of 2007, the number of equity return determinations for the full year may surpass 2005's level. We also note that electric industry restructuring in many states has led to the unbundling of rates, with state commissions authorizing revenue requirement and return parameters for delivery operations only (which we footnote in our chronology table), complicating data comparability. The tables included in this study are extensions of those contained in the January 30, 2007 Special Report entitled *Major Rate Case Decisions--January 2005-December 2006--Supplemental Study*. Refer to that report for information concerning individual rate case decisions that were rendered in 2005 and 2006.

The table on page 2 shows annual average equity returns authorized since 1997, and by quarter since 2001, in major electric and gas rate decisions, followed by the number of determinations during each period. The tables on page 3 present the composite industry data for items in the chronology of this and earlier reports, summarized annually since 1997, and quarterly for the most recent seven quarters. The individual electric and gas cases decided in the first nine months of 2007 are listed on pages 4 through 6, with the decision date shown first, followed by the company name, the abbreviation for the state issuing the decision, the authorized rate of return (ROR), return on equity (ROE), and percentage of common equity in the capital structure. Next we show the month and year in which the adopted test year ended, whether the commission utilized an average or a year-end rate base, and the amount of the permanent rate change authorized. The dollar amounts represent the permanent rate change ordered at the time decisions were rendered. Fuel adjustment clause rate changes are not reflected in this study.

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**Average Equity Returns Authorized January 1997 - September 2007**

(Return Percent - No. of Observations)

	<u>Period</u>	<u>Electric Utilities</u>	<u>Gas Utilities</u>
1997	Full Year	11.40 (11)	11.29 (13)
1998	Full Year	11.66 (10)	11.51 (10)
1999	Full Year	10.77 (20)	10.66 (9)
2000	Full Year	11.43 (12)	11.39 (12)
2001	1st Quarter	11.38 (2)	11.16 (4)
	2nd Quarter	10.88 (2)	10.75 (1)
	3rd Quarter	10.78 (8)	— (0)
	4th Quarter	11.50 (6)	10.65 (2)
2001	Full Year	11.09 (18)	10.95 (7)
2002	1st Quarter	10.87 (5)	10.67 (3)
	2nd Quarter	11.41 (6)	11.64 (4)
	3rd Quarter	11.06 (4)	11.50 (3)
	4th Quarter	11.20 (7)	10.78 (11)
2002	Full Year	11.16 (22)	11.03 (21)
2003	1st Quarter	11.47 (7)	11.38 (5)
	2nd Quarter	11.16 (4)	11.36 (4)
	3rd Quarter	9.95 (5)	10.61 (5)
	4th Quarter	11.09 (6)	10.84 (11)
2003	Full Year	10.97 (22)	10.99 (25)
2004	1st Quarter	11.00 (3)	11.10 (4)
	2nd Quarter	10.54 (6)	10.25 (2)
	3rd Quarter	10.33 (2)	10.37 (8)
	4th Quarter	10.91 (8)	10.66 (6)
2004	Full Year	10.75 (19)	10.59 (20)
2005	1st Quarter	10.51 (7)	10.65 (2)
	2nd Quarter	10.05 (7)	10.54 (5)
	3rd Quarter	10.84 (4)	10.47 (5)
	4th Quarter	10.75 (11)	10.40 (14)
2005	Full Year	10.54 (29)	10.46 (26)
2006	1st Quarter	10.38 (3)	10.63 (6)
	2nd Quarter	10.69 (5)	10.50 (2)
	3rd Quarter	10.06 (7)	10.45 (3)
	4th Quarter	10.39 (10)	10.14 (5)
2006	Full Year	10.36 (25)	10.43 (16)
2007	1st Quarter	10.27 (8)	10.44 (10)
	2nd Quarter	10.27 (11)	10.15 (5)
	3rd Quarter	10.02 (4)	9.99 (7)
2007	Year-To-Date	10.22 (23)	10.23 (22)

**Electric Utilities--Summary Table\***

	<u>Period</u>	<u>ROR</u> <u>%</u>	<u>ROE</u> <u>%</u>	<u>Eq. as %</u> <u>Cap. Struc.</u>	<u>Amt.</u> <u>\$ Mil.</u>
1997	Full Year	9.16 (12)	11.40 (11)	48.79 (11)	-553.3 (33)
1998	Full Year	9.44 (9)	11.66 (10)	46.14 (8)	-429.3 (31)
1999	Full Year	8.81 (18)	10.77 (20)	45.08 (17)	-1,683.8 (30)
2000	Full Year	9.20 (12)	11.43 (12)	48.85 (12)	-291.4 (34)
2001	Full Year	8.93 (15)	11.09 (18)	47.20 (13)	14.2 (21)
2002	Full Year	8.72 (20)	11.16 (22)	46.27 (19)	-475.4 (24)
2003	Full Year	8.86 (20)	10.97 (22)	49.41 (19)	313.8 (22)
2004	Full Year	8.44 (18)	10.75 (19)	46.84 (17)	1,091.5 (30)
2005	Full Year	8.30 (26)	10.54 (29)	46.73 (27)	1,373.7 (36)
2006	1st Quarter	8.13 (3)	10.38 (3)	50.25 (3)	444.6 (9)
	2nd Quarter	8.02 (5)	10.69 (5)	45.40 (4)	130.7 (6)
	3rd Quarter	7.89 (7)	10.06 (7)	46.86 (6)	251.3 (9)
	4th Quarter	<u>8.55 (9)</u>	<u>10.39 (10)</u>	<u>50.59 (10)</u>	<u>638.4 (18)</u>
2006	Full Year	8.20 (24)	10.36 (25)	48.67 (23)	1,465.0 (42)
2007	1st Quarter	7.83 (8)	10.27 (8)	47.80 (8)	403.5 (9)
	2nd Quarter	7.94 (11)	10.27 (11)	46.02 (11)	718.6 (12)
	3rd Quarter	7.90 (4)	10.02 (4)	48.34 (4)	119.1 (6)
2007	Year-To-Date	7.89 (23)	10.22 (23)	47.05 (23)	1,241.2 (27)

**Gas Utilities--Summary Table\***

1997	Full Year	9.13 (13)	11.29 (13)	47.78 (11)	-82.5 (21)
1998	Full Year	9.46 (10)	11.51 (10)	49.50 (10)	93.9 (20)
1999	Full Year	8.86 (9)	10.66 (9)	49.06 (9)	51.0 (14)
2000	Full Year	9.33 (13)	11.39 (12)	48.59 (12)	135.9 (20)
2001	Full Year	8.51 (6)	10.95 (7)	43.96 (5)	114.0 (11)
2002	Full Year	8.80 (20)	11.03 (21)	48.29 (18)	303.6 (26)
2003	Full Year	8.75 (22)	10.99 (25)	49.93 (22)	260.1 (30)
2004	Full Year	8.34 (21)	10.59 (20)	45.90 (20)	303.5 (31)
2005	Full Year	8.25 (29)	10.46 (26)	48.66 (24)	458.4 (34)
2006	1st Quarter	8.62 (6)	10.63 (6)	51.18 (6)	138.7 (6)
	2nd Quarter	7.98 (1)	10.50 (2)	44.38 (2)	-4.8 (2)
	3rd Quarter	8.15 (3)	10.45 (3)	47.19 (3)	38.8 (5)
	4th Quarter	<u>7.83 (6)</u>	<u>10.14 (5)</u>	<u>44.28 (5)</u>	<u>271.3 (12)</u>
2006	Full Year	8.20 (16)	10.43 (16)	47.43 (16)	444.0 (25)
2007	1st Quarter	8.36 (10)	10.44 (10)	48.33 (9)	158.4 (13)
	2nd Quarter	8.41 (4)	10.15 (5)	51.77 (5)	69.6 (6)
	3rd Quarter	7.75 (6)	9.99 (7)	46.46 (5)	229.2 (11)
2007	Year-To-Date	8.18 (20)	10.23 (22)	48.75 (19)	457.2 (30)

\* Number of observations in each period indicated in parentheses.

**ELECTRIC UTILITY DECISIONS**

<u>Date</u>	<u>Company (State)</u>	<u>ROR</u> <u>%</u>	<u>ROE</u> <u>%</u>	<u>Common</u> <u>Eq. as %</u> <u>Cap. Str.</u>	<u>Test Year</u> <u>&amp;</u> <u>Rate Base</u>	<u>Amt.</u> <u>\$ Mil.</u>
1/5/07	Oklahoma Gas & Electric (AR)	5.36	10.00	32.33 *	12/05-YE	5.4 (B)
1/5/07	Puget Sound Energy (WA)	8.40	10.40	44.00	9/05-A	-22.8
1/11/07	Metropolitan Edison (PA)	7.52	10.10	49.00	12/06-YE	58.7 (D)
1/11/07	Pennsylvania Electric (PA)	7.92	10.10	49.00	12/06-YE	50.2 (D)
1/11/07	Wisconsin Public Service (WI)	8.63 (G)	10.90	57.46	12/07-A/P	56.7
1/12/07	Portland General Electric (OR)	8.29	10.10	50.00 (Hy)	12/07-A	20.5
1/19/07	Wisconsin Power and Light (WI)	8.68 (G)	10.80	54.13	12/07-A/P	36.2
3/21/07	Pacific Gas and Electric (CA)	---	---	---	12/07-A	192.2 (B,1)
3/22/07	Rockland Electric (NJ)	7.83	9.75	46.51	12/06-YE	6.4 (B,D)
<b>2007</b>	<b>1ST QUARTER: AVERAGES/TOTAL</b>	<b>7.83</b>	<b>10.27</b>	<b>47.80</b>		<b>403.5</b>
	<b>MEDIAN</b>	<b>8.11</b>	<b>10.10</b>	<b>49.00</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>8</b>	<b>8</b>	<b>8</b>		<b>9</b>
5/15/07	Appalachian Power (VA)	7.36	10.00	41.11 *	12/05-A	24.0
5/17/07	Aquila Networks-MPS (MO)	8.39	10.25	48.17	12/05-YE	45.2
5/17/07	Aquila Networks-L&P (MO)	8.93	10.25	48.17	12/05-YE	13.6
5/22/07	Monongahela Pow./Potomac Ed. (WV)	8.44	10.50	46.07	12/05-YE	-6.2
5/22/07	Union Electric (MO)	7.94	10.20	52.22	6/06-YE	41.8
5/23/07	Nevada Power (NV)	9.06	10.70	47.29	6/06-YE	120.5
5/24/07	AEP Texas North (TX)	---	---	---	6/06	13.7 (B,D)
5/25/07	Public Service of New Hampshire (NH)	7.55	9.67	47.66	12/05-A	50.1 (B,D)
6/15/07	Entergy Arkansas (AR)	5.58	9.90	32.19 *	6/06-YE	-5.7
6/21/07	PacifiCorp (WA)	8.06	10.20	46.00	3/06-A	14.4
6/22/07	Appalachian Pow./Wheeling Pow. (WV)	7.67	10.50	42.88	12/06-YE	85.5 (B,2)
6/28/07	Arizona Public Service (AZ)	8.32	10.75	54.50	9/05-YE	321.7
<b>2007</b>	<b>2ND QUARTER: AVERAGES/TOTAL</b>	<b>7.94</b>	<b>10.27</b>	<b>46.02</b>		<b>718.6</b>
	<b>MEDIAN</b>	<b>8.06</b>	<b>10.25</b>	<b>47.29</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>11</b>	<b>11</b>	<b>11</b>		<b>12</b>
7/3/07	El Paso Electric (NM)	---	---	---	12/05-YE	5.5 (B)
7/12/07	National Grid (NH)	8.61	9.67	50.00 (Im)	---	-2.2 (B,D,Z)
7/19/07	Delmarva Power & Light (MD)	7.68	10.00	48.63	9/06-A	14.9 (D,3)
7/19/07	Potomac Electric Power (MD)	7.99	10.00	47.69	9/06-A	10.6 (D,3)
7/27/07	Southwestern Public Service (TX)	---	---	---	9/05	23.0 (B)
8/15/07	Southern Indiana Gas & Electric (IN)	7.32	10.40	47.05 *	3/06-YE	67.3 (B)
<b>2007</b>	<b>3RD QUARTER: AVERAGES/TOTAL</b>	<b>7.90</b>	<b>10.02</b>	<b>48.34</b>		<b>119.1</b>
	<b>MEDIAN</b>	<b>7.84</b>	<b>10.00</b>	<b>48.16</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>4</b>	<b>4</b>	<b>4</b>		<b>6</b>
<b>2007</b>	<b>YEAR-TO-DATE: AVERAGES/TOTAL</b>	<b>7.89</b>	<b>10.22</b>	<b>47.05</b>		<b>1241.2</b>
	<b>MEDIAN</b>	<b>7.99</b>	<b>10.20</b>	<b>47.69</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>23</b>	<b>23</b>	<b>23</b>		<b>27</b>

## GAS UTILITY DECISIONS

<u>Date</u>	<u>Company (State)</u>	<u>ROR</u> <u>%</u>	<u>ROE</u> <u>%</u>	<u>Common</u> <u>Eq. as %</u> <u>Cap. Str.</u>	<u>Test Year</u> <u>&amp;</u> <u>Rate Base</u>	<u>Amt.</u> <u>\$ Mil.</u>
1/5/07	Puget Sound Energy (WA)	8.40	10.40	44.00	9/05-A	29.5
1/9/07	SEMCO Energy Gas (MI)	7.75	11.00	42.94 *	---	12.6 (B)
1/11/07	Wisconsin Public Service (WI)	8.63 (G)	10.90	57.46	12/07-A/P	18.9
1/12/07	Cascade Natural Gas (WA)	8.85	---	---	---	7.1 (B)
1/19/07	Wisconsin Power and Light (WI)	8.68 (G)	10.80	54.13	12/07-A/P	-1.9
1/26/07	Fitchburg Gas & Electric (MA)	---	10.00	---	---	2.2 (B,Z)
2/8/07	PPL Gas (PA)	8.44	10.40	51.79 (Hy)	12/06-YE	8.1
3/14/07	Connecticut Natural Gas (CT)	8.60	10.10	53.60	3/06-YE	14.4 (B)
3/15/07	Union Electric (MO)	---	---	---	---	6.0 (B)
3/20/07	Delmarva Power & Light (DE)	7.73	10.25	46.90	3/06	9.0 (B,I)
3/21/07	Pacific Gas and Electric (CA)	---	---	---	12/07-A	20.5 (B,1)
3/22/07	Southern Union (MO)	8.60	10.50	36.06 (4)	12/05-YE	27.2
3/29/07	Atmos Energy (TX)	7.90	10.00	48.10	12/05-YE	4.8
<b>2007</b>	<b>1ST QUARTER: AVERAGES/TOTAL</b>	<b>8.36</b>	<b>10.44</b>	<b>48.33</b>		<b>158.4</b>
	<b>MEDIAN</b>	<b>8.52</b>	<b>10.40</b>	<b>48.10</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>10</b>	<b>10</b>	<b>9</b>		<b>13</b>
5/16/07	Aquila (KS)	---	---	---	---	5.1 (B)
6/5/07	Cascade Natural Gas (OR)	---	10.10	45.00	---	-0.7 (B)
6/13/07	Northern States Power (ND)	8.96	10.75	51.59	12/07-A	2.2 (B)
6/18/07	Public Service of Colorado (CO)	8.67	10.25	60.17	6/06-A	32.3 (B)
6/29/07	Yankee Gas Services (CT)	8.03	10.10	50.30	6/06-A	22.1 (B)
6/29/07	Public Service Co. of New Mexico (NM)	7.96	9.53	51.80	12/05-YE	8.6
<b>2007</b>	<b>2ND QUARTER: AVERAGES/TOTAL</b>	<b>8.41</b>	<b>10.15</b>	<b>51.77</b>		<b>69.6</b>
	<b>MEDIAN</b>	<b>8.35</b>	<b>10.10</b>	<b>51.59</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>4</b>	<b>5</b>	<b>5</b>		<b>6</b>
7/13/07	Arkansas Western Gas (AR)	6.06	9.50	34.29 *	10/06-YE	5.8 (B)
7/19/07	Laclede Gas (MO)	---	---	---	---	33.1 (B)
7/24/07	Aquila (NE)	8.80	10.40	51.00	6/06-YE	9.2 (I)
7/31/07	Atmos Energy (KY)	---	---	---	---	5.5 (B)
8/1/07	Southern Indiana Gas & Electric (IN)	7.20	10.15	47.05 *	3/06-YE	5.1 (B)
8/21/07	Consumers Energy (MI)	---	---	---	---	49.8 (Bp)
8/29/07	Columbia Gas of Kentucky (KY)	---	10.50	---	---	7.3 (B)
9/10/07	Northern States Power-Minnesota (MN)	8.37	9.71	51.98	12/07-A	14.4 (I)
9/19/07	Washington Gas Light (VA)	8.41	10.00	---	12/05	3.9 (B,1)
9/20/07	Pacific Gas and Electric (CA)	---	---	---	---	27.6 (B,Z,5)
9/25/07	Consolidated Edison of New York (NY)	7.63	9.70	48.00	9/08-A	67.5 (B,6)
<b>2007</b>	<b>3RD QUARTER: AVERAGES/TOTAL</b>	<b>7.75</b>	<b>9.99</b>	<b>46.46</b>		<b>229.2</b>
	<b>MEDIAN</b>	<b>8.00</b>	<b>10.00</b>	<b>48.00</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>6</b>	<b>7</b>	<b>5</b>		<b>11</b>
<b>2007</b>	<b>YEAR-TO-DATE: AVERAGES/TOTAL</b>	<b>8.18</b>	<b>10.23</b>	<b>48.75</b>		<b>457.2</b>
	<b>MEDIAN</b>	<b>8.41</b>	<b>10.20</b>	<b>50.30</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>20</b>	<b>22</b>	<b>19</b>		<b>30</b>

**FOOTNOTES**

- A- Average
  - B- Order followed stipulation or settlement by the parties. Decision particulars not necessarily precedent-setting or specifically adopted by the regulatory body.
  - Bp- Order followed partial stipulation or settlement by the parties. Decision particulars not necessarily precedent-setting or specifically adopted by the regulatory body.
  - D- *Applies to electric delivery only.*
  - E- Estimated
  - G- Return on capital
  - Hy- Hypothetical capital structure utilized
    - I- Interim rates implemented prior to the issuance of final order, normally under bond and subject to refund.
  - Im- Imputed capital structure utilized.
  - P- Partial inclusion of CWIP in rate base without AFUDC offset to income
  - YE- Year-end
  - Z- Rate change implemented in multiple steps.
    - \* Capital structure includes cost-free items or tax credit balances at the overall rate of return.
- 
- (1) Rate increase effective retroactive to 1/1/07.
  - (2) Returns implicit in settlement.
  - (3) Rate increase effective retroactive to 6/16/07.
  - (4) Parent company capital structure utilized.
  - (5) Rate increases applicable to gas transmission and storage operations. Initial increase to be effective 1/1/08.
  - (6) Rate increase effective 10/1/07. Additional increases of \$67.5 million to be effective 10/1/08 and 10/1/09.

Dennis Sperduto



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Information Requested in Appendix B of  
Commission's Order Dated September 19, 2007**

**Case No. 2007-00380**

**Question No. 8**

**Witness: Robert M. Conroy**

Billing Period from May 1, 2005 through April 30, 2007

- Q-8. KRS 278.183(3) provides that during the 2-year review, the Commission shall, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility.
- a. Provide the surcharge amount that LG&E believes should be incorporated into its existing base rates. Include all supporting calculations, workpapers, and assumptions.
  - b. The surcharge factor reflects a percentage of revenue approach, rather than a per kWh approach. Taking this into consideration, explain how the surcharge amount should be incorporated into LG&E's base rates. Include any analysis that LG&E believes supports its position.
  - c. Provide the Base Period Jurisdictional Environmental Surcharge Factor ("BESF") that reflects all environmental surcharge amounts previously incorporated into existing base rates and the amount determined in part (a). Include all supporting calculations, workpapers, and assumptions.
  - d. Does LG&E believe that there will need to be modifications to either the surcharge mechanism or the monthly surcharge reports, other than a revision to BESF, as a result of incorporating additional environmental surcharge amounts into LG&E's existing base rates? If yes, provide a detailed explanation of the modifications and provide updated monthly surcharge reports.
- A-8. a. LG&E is proposing to roll-in \$2,641,636 of environmental surcharge revenues into base rates. Please see the attached schedule for the determination of the roll-in amount.

- b. The Commission previously approved LG&E's proposed roll-in methodology in Case No. 2006-00130 which spread the amount of the roll-in to the energy portion of rates RS, GS, TLE and SLE, and to the demand portion of all rates that include a separately metered and billed demand component. Lighting rates continue to be billed on a per-light basis. LG&E recommends that this method be used to roll-in the current proposed amount of \$2,641,636.
- c. Attached is an illustrative calculation of the Base Period Jurisdictional Environmental Surcharge Factor ("BESF") using the 12-month period ending February 2007. As discussed in the testimony of Mr. Robert Conroy, LG&E will recalculate this rate following the Commission's order in this proceeding based upon the most recent 12-month period for which information is available.
- d. No. LG&E believes there is no need for any modifications to either the surcharge mechanism or the monthly surcharge reports, other than a revision to BESF, as a result of incorporating additional environmental surcharge amounts into LG&E's existing base rates.

## Louisville Gas And Electric Company

## Calculation of ECR Roll-in At February 28, 2007

## Calculation of Revenue Requirement for Roll-In:

Environmental Compliance Rate Base		Post-1994 Plan at Feb. 28, 2007
Pollution Control Plant in Service	ES Form 2.00, February 2007	236,131,070
Pollution Control CWIP Excluding AFUDC	ES Form 2.00, February 2007	<u>4,330,066</u>
	Subtotal	240,461,136
Additions:		
Mill Creek Deferred Debit	ES Form 2.00, February 2007	2,134,844
Cash Working Capital Allowance	ES Form 2.00, February 2007	<u>318,442</u>
	Subtotal	2,453,286
Deductions:		
Accumulated Depreciation on Pollution Control Plant	ES Form 2.00, February 2007	15,446,430
Pollution Control Deferred Income Taxes	ES Form 2.00, February 2007	8,268,198
Pollution Control Deferred Investment Tax Credit	ES Form 2.00, February 2007	<u>-</u>
	Subtotal	23,714,628
	Environmental Compliance Rate Base	<u>\$ 219,199,794</u>
Rate of Return – Environmental Compliance Rate Base	ES Form 1.10, February 2007	11.23%
<b>Return on Environmental Compliance Rate Base</b>		<u>\$ 24,616,137</u>
Pollution Control Operating Expenses		
12 Month Depreciation and Amortization Expense	See Support Schedule A	7,035,453
12 Month Taxes Other than Income Taxes	See Support Schedule A	333,928
12 Month Operating and Maintenance Expense	See Support Schedule A	1,885,219
12 Month Ash Dredging Expense	See Support Schedule A	<u>337,527</u>
<b>Total Pollution Control Operating Expenses</b>		<u>\$ 9,592,127</u>
<b>Gross Proceeds from By-Product &amp; Allowance Sales</b>	See Support Schedule B	780,685
<b>Total Company Environmental Surcharge Gross Revenue Requirement – Roll In Amount</b>		
Return on Environmental Compliance Rate Base		24,616,137
Pollution Control Operating Expenses		9,592,127
Less Gross Proceeds from By-Product & Allowance Sales		<u>(780,685)</u>
Roll In Amount		<u>\$ 33,427,579</u>
<b>Jurisdictional Allocation Ratio – Roll In</b>	See Support Schedule C	<u>76.7481%</u>
<b>Jurisdictional Revenues for 12 Months for Roll In</b>	See Support Schedule C	<u>699,698,733</u>
<b>Roll In Jurisdictional Environmental Surcharge Factor:</b>		
Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount		\$ 33,427,579
Jurisdictional Allocation Ratio -- Roll In		<u>76.7481%</u>
Jurisdictional Environmental Surcharge Gross Revenue Requirement – Gross Roll In Amount		25,655,027
Less Jurisdictional Environmental Revenue Previously Rolled In (Case No. 2006-00130)		<u>23,013,392</u>
Jurisdictional Environmental Surcharge Gross Revenue Requirement – Net Roll In Amount		<u>\$ 2,641,636</u>

Base Revenues for the 12-month Ending September 2007 \$ 680,272,389

BESF, Gross Roll-in Amount 3.7713%

**Support Schedule A**

12 Month Balances for Selected Operating Expense Accounts

	Depreciation & Amortization Steam Plant	Taxes Other than Income Taxes	Operating and Maintenance Expense			Ash Dredging Expense	Filings Adjustments to O&M*	Total
			FERC 502	FERC 506	FERC 512			
			Mar-06	572,400	27,915			
Apr-06	575,202	27,970	63,284	107,903	79,198	-	(32,383)	821,174
May-06	580,951	27,761	57,097	146,621	52,719	8,444	(28,200)	845,393
Jun-06	583,093	27,761	61,709	211,183	19,544	15,547	(29,683)	889,154
Jul-06	583,093	27,761	65,231	188,304	41,760	21,046	(30,290)	896,905
Aug-06	583,093	27,761	56,337	258,625	29,557	26,069	(28,159)	953,283
Sep-06	586,375	27,734	60,746	139,705	5,986	36,087	(29,872)	826,761
Oct-06	590,828	27,734	64,860	66,210	1,362	36,087	(30,590)	756,491
Nov-06	590,828	27,734	59,660	4,063	44,008	40,439	(29,191)	737,541
Dec-06	594,705	27,775	52,998	45,806	37,509	48,814	(27,780)	779,827
Jan-07	597,372	28,011	55,042	(37,974)	7,295	48,814	(27,597)	670,963
Feb-07	597,513	28,011	22,320	44,864	5,709	56,180	-	754,597
less Base Rate amount						-	-	-
<b>Totals</b>	<b>7,035,453</b>	<b>333,928</b>	<b>687,691</b>	<b>1,178,726</b>	<b>343,594</b>	<b>337,527</b>	<b>(324,792)</b>	<b>9,592,127</b>

\* O&M adjustments to remove non-jurisdictional portions of Scrubber Operations at Trimble County Unit 1, filed in February 2007 Expense Monthly Filing.

**Support Schedule B**

12 Month Balances for Allowance Sales and By-Product Sales

	Total Proceeds from Allowance Sales ES Form 2.00	Proceeds from By- Product Sales ES Form 2.00	Total All Sale Proceeds
Mar-06	-	-	-
Apr-06	-	-	-
May-06	780,685	-	780,685
Jun-06	-	-	-
Jul-06	-	-	-
Aug-06	-	-	-
Sep-06	-	-	-
Oct-06	-	-	-
Nov-06	-	-	-
Dec-06	-	-	-
Jan-07	-	-	-
Feb-07	-	-	-
<b>Totals</b>	<b>780,685</b>	<b>-</b>	<b>780,685</b>

**Support Schedule C**

12 Month Balances for Jurisdictional Revenues and Allocation Ratio

	KY Retail Revenues, Excl. Envir. Surch. Revenues ES Form 3.00	Total Company Revenues, Excluding Envir. Surch. Revenues ES Form 3.00	KY Retail Allocation Ratio KY Retail/ Total Company		Base Customer, Energy, and Demand Revenue						
						Mar-06	\$ 48,810,694	\$ 58,658,611	83.2115%	Oct-06	47,254,382
						Apr-06	49,187,816	59,910,102	82.1027%	Nov-06	45,920,174
May-06	50,396,520	69,708,752	72.2958%	Dec-06	48,958,296						
Jun-06	62,524,265	77,293,262	80.8923%	Jan-07	52,623,761						
Jul-06	70,727,009	89,533,838	78.9947%	Feb-07	52,823,381						
Aug-06	76,409,393	89,924,353	84.9707%	Mar-07	49,838,057						
Sep-06	67,393,141	80,714,728	83.4955%	Apr-07	47,958,416						
Oct-06	53,040,003	73,588,023	72.0770%	May-07	50,072,346						
Nov-06	49,787,574	81,409,590	61.1569%	Jun-07	64,211,472						
Dec-06	56,294,121	73,516,383	76.5736%	Jul-07	69,893,379						
Jan-07	57,049,841	80,533,681	70.8397%	Aug-07	75,318,311						
Feb-07	58,078,356	76,890,984	75.5334%	Sep-07	75,400,414						
<b>Totals</b>	<b>\$ 699,698,733</b>	<b>\$ 911,682,307</b>	<b>76.7481%</b>		<b>680,272,389</b>						



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Information Requested in Appendix B of  
Commission's Order Dated September 19, 2007**

**Case No. 2007-00380**

**Question No. 9**

**Witness: Valerie L. Scott**

Billing Period from May 1, 2005 through April 30, 2007

- Q-9. 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 6-month review case. Provide the following information as of February 28, 2007:
- a. The outstanding balances for long-term debt, short-term debt, preferred stock, and common equity. Provide this information on total company and electric operations 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 electric operations bases.
  - c. LG&E's calculation of its weighted average cost of capital for environmental surcharge purposes.
- A-9. a. Please see the attachment.
- b. Please see the attachment.
- c. Please see the attachment.

Louisville Gas and Electric Company  
Outstanding Balances - Capitalization  
As of February 28, 2007

1	2	3
	Outstanding Balance Total Company	Outstanding Balance Electric Only 79.89%
1 Long-Term Debt	819,304,000	654,541,966
2 Short-Term Debt	58,398,000	46,654,162
3 Preferred Stock	70,424,594	56,262,208
4 Common Equity	1,113,132,571	889,281,611

Louisville Gas and Electric Company  
Blended Interest Rates  
As of February 28, 2007

	1
	Blended Interest Rate Total Company
	<hr/>
1 Long-Term Debt	4.44%
2 Short-Term Debt	5.26%
3 Preferred Stock	5.08%

LOUISVILLE GAS AND ELECTRIC COMPANY  
ANALYSIS OF THE EMBEDDED COST OF CAPITAL AT  
February 28, 2007

<b>LONG-TERM DEBT</b>									
	Due	Rate	Principal	Interest	Annualized Cost			Total	Embedded Cost
					Amortized Debt Issuance Expense	Premium	Amortized Loss-Required Debt		
Pollution Control Bonds - SECURED:									
Series S	09/01/17	3.68000% *	31,000,000	1,140,800	12,552	-	11,472	1,164,824	3,760
Series T	09/01/17	3.64000% *	60,000,000	2,184,000	16,608	-	102,984	2,303,592	3,840
Series U	08/15/13	3.64000% *	35,200,000	1,281,280	11,700	-	21,912	1,314,892	3,740
Series Y - 2000 A JC	05/01/27	3.55000% *	25,000,000	887,500	23,904	-	81,024	992,428	3,970
Series Z - 2000 A TC	08/01/30	3.59100% *	83,335,000	2,992,560	38,280	-	143,700	3,174,540	3,810
Series AA - 2001 A JC	09/01/27	3.61070% *	10,104,000	364,825	19,836	-	-	384,661	3,810
Series BB - 2001 A JC	09/01/26	3.64000% *	22,500,000	819,000	9,876	-	77,424	906,300	4,030
Series CC - 2001 A TC	09/01/26	3.64000% *	27,500,000	1,001,000	10,740	-	65,400	1,077,140	3,920
Series DD - 2001 B JC	11/01/27	3.60000% *	35,000,000	1,260,000	10,944	-	49,056	1,320,000	3,770
Series EE - 2001 B TC	11/01/27	3.60000% *	35,000,000	1,260,000	10,944	-	48,864	1,319,808	3,770
Series FF - 2002 A TC	10/01/32	3.60930% *	41,665,000	1,503,815	36,840	-	55,812	1,596,467	3,830
Series GG - 2003 A JC	10/01/33	3.55000% *	128,000,000	4,544,000	112,956	-	190,308	4,847,264	3,790
Series HH - 2005 A JC	02/01/35	3.44960% *	40,000,000	1,379,840	36,624	-	46,848	1,463,312	3,660
Called Bonds			-	-	-	-	126,828	126,828	-
Interest Rate Swaps:									
JP Morgan Chase Bank	11/01/20	1		1,819,476	-	-	-	1,819,476	
Morgan Stanley Capital Services	10/01/33	1		89,784	-	-	-	89,784	
Morgan Stanley Capital Services	10/01/33	1		85,944	-	-	-	85,944	
Bank of America	10/01/33	1		101,940	-	-	-	101,940	
Wachovia	10/01/33	1		86,904	-	-	-	86,904	
Notes Payable to Fidelia Corp.	04/30/13	4.55%	100,000,000	4,550,000	-	-	-	4,550,000	4,550
Notes Payable to Fidelia Corp.	08/15/13	5.31%	100,000,000	5,310,000	-	-	-	5,310,000	5,310
Notes Payable to Fidelia Corp.	01/16/12	4.33%	25,000,000	1,082,500	-	-	-	1,082,500	4,330
Mandatorily Redeemable Preferred Stock:									
\$5.875 Series	07/15/08	5.8750%	20,000,000	1,175,000	56,844	-	-	1,231,844	6,159
			<u>819,304,000</u>	<u>34,920,168</u>	<u>408,648</u>	<u>-</u>	<u>1,021,632</u>	<u>36,350,448</u>	<u>4.437%</u>

<b>PREFERRED STOCK</b>								
	Rate	Principal	Expense	Annualized Cost			Dividends	Embedded Cost
				Premium/Discount	Gain	Adjusted Principal		
5% Series	5.0000%	21,507,175	-	-	5,699	21,512,874	1,075,359	4,999
Auction Rate	5.0000%	50,000,000	(1,088,280)	-	-	48,911,720	2,500,000	5,111
		<u>71,507,175</u>	<u>(1,088,280)</u>	<u>-</u>	<u>5,699</u>	<u>70,424,594</u>	<u>3,575,359</u>	<u>5.077%</u>

<b>SHORT TERM DEBT</b>									
	Maturity	Rate	Principal	Interest	Annualized Cost			Total	Embedded Cost
					Expense	Premium	Loss		
Notes Payable to Associated Company	NA	5.260% *	58,398,000	3,071,735	-	-	-	3,071,735	5,260
			<u>58,398,000</u>	<u>3,071,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,071,735</u>	<u>5.260%</u>

\* Composite rate at end of current month

1 Additional interest due to Swap Agreements:

Underlying Debt Being Hedged	Notional Amount	Expiration of Swap Agreement	Fixed LG&E Swap Position	Variable Counterparty Swap Position
Series Z - PCB	83,335,000	11/01/20	To Pay: 5.495%	BMA Index
Series GG - PCB	32,000,000	10/01/33	To Pay: 3.657%	68% of 1 mo LIBOR
Series GG - PCB	32,000,000	10/01/33	To Pay: 3.645%	68% of 1 mo LIBOR
Series GG - PCB	32,000,000	10/01/33	To Pay: 3.695%	68% of 1 mo LIBOR
Series GG - PCB	32,000,000	10/01/33	To Pay: 3.648%	68% of 1 mo LIBOR
	<u>211,335,000</u>			

2 Call premium and debt expense is being amortized over the remaining life of bonds due 10/1/09 and 6/1/15



**ECR - Gross-up Revenue Factor &  
Composite Income Tax Calculation  
2007**

	2007 Federal & State Production Credit W/ 6% 2007 State <u>Tax Rate Included</u>
1. Assume pre-tax income of	\$ 100.0000
2. State income tax (see below)	<u>5.6604</u>
3. Taxable income for Federal income tax before production credit	94.3396
4. Production tax credit	6%
5. Less: Production tax credit (6% of Line 3)	<u>5.6604</u>
6. Taxable income for Federal income tax	88.6792
7. Federal income tax (35% of Line 6)	<u>31.0377</u>
8. Total State and Federal income taxes (Line 2 + Line 7)	<u>\$ 36.6981</u>
9. Gross-up Revenue Factor	<u><u>63.3019</u></u>
10. Therefore, the composite rate is:	
11. Federal	31.0377%
12. State	<u>5.6604%</u>
13. Total	<u><u>36.6981%</u></u>

State Income Tax Calculation

1. Assume pre-tax income of	\$ 100.0000
2. Less: Production tax credit	<u>5.6604</u>
3. Taxable income for State income tax	94.3396
4. State Tax Rate	<u>6.0000%</u>
5. State Income Tax	<u><u>5.6604</u></u>



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Information Requested in Appendix B of  
Commission's Order Dated September 19, 2007**

**Case No. 2007-00380**

**Question No. 10**

**Witness: Robert M. Conroy**

Billing Period from May 1, 2005 through April 30, 2007

Q-10. In its January 31, 2007 Order in Case No. 2006-00130, the Commission noted LG&E's efforts at identifying and resolving internal issues related to the preparation of the monthly surcharge filings. Provide a status report on LG&E's efforts to submit the most accurate and timely information available in its monthly surcharge reports.

A-10. In addition to maintaining the Environmental Cost Recovery Surcharge Monthly Filings Process Document filed in Case No. 2006-00130, LG&E continues to refine the internal data transfer of information between departments related to the monthly filing. The Companies have updated and modified the process document to reflect the changes authorized in Case No. 2006-00208. The latest version of this document is attached. In addition, internal monthly filing summaries and check lists were created to quickly identify potential corrections prior to the actual filings with the Commission. The Companies have recently established internal controls over the processes involved in developing the monthly ECR filing. This includes controls over data entry cross-checks, protection on spreadsheets and formulas used in spreadsheets and validation of the calculations by multiple staff and management personnel. In addition, the Companies routinely audit the process of the monthly ECR filings in order to identify any potential issues or process improvements.

Accurate monthly ECR filings continue to be the utmost importance to the Company. The Company will continue to make timely corrections, as necessary, to its monthly ECR filing while pursuing further improvements in its processes for preparing the monthly filings.

**Environmental Cost Recovery Surcharge  
Monthly Filings**

**Process Document**

**Louisville Gas and Electric Company**

**And**

**Kentucky Utilities Company**

**October 2007**

# **Environmental Cost Recovery Surcharge Process Document**

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- VI. Attachment 1**

## **I. Introduction**

This document is designed to assist in the understanding of the Environmental Cost Recovery (“ECR”) mechanism and the process for preparing the monthly filing for cost recovery. There are numerous departments throughout E.ON U.S. that support the development of the monthly ECR filing made by the State Regulation and Rates Department. These departments include:

- Energy Services Forecasting and Budgeting
- Environmental Affairs
- Property Accounting
- Regulatory Accounting and Reporting
- Revenue Accounting
- Utility Tax

Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) are allowed, pursuant to Kentucky Revised Statute (KRS) 278.183, to recover the “costs of complying with the Federal Clean Air Act as amended and those federal, state, or local environmental requirements which apply to coal combustion wastes and by-products from facilities utilized for production of energy from coal” for approved projects as part of the Company’s compliance plan. The Companies must first file with the Kentucky Public Service Commission (“KPSC”) an application seeking approval of projects associated with the compliance plan. Once the KPSC approves a project, the costs associated with the project are included in the monthly ECR filing and are subject to KPSC oversight through the 6-month and 2-year review proceedings.

## **II. Background**

KRS 278.183 (See Appendix I) allows utilities to recover the “costs of complying with the Federal Clean Air Act as amended and those federal, state, or local environmental requirements which apply to coal combustion wastes and by-products from facilities utilized for production of energy from coal” for approved projects as part of the Company’s compliance plan. The utilities are entitled to earn a reasonable return on construction costs and capital expenditures, and are further entitled to recovery of operating expenses associated with compliance with the Federal Clean Air Act as amended (“CAAA”). Operating expenses include operation & maintenance costs, income taxes, property taxes, other applicable taxes, and depreciation expenses for the environmental facilities.

KRS 278.183 was effective July 14, 1992 and allowed any utility to file for cost recovery beginning January 1, 1993. It allows recovery of cost for compliance with the CAAA for expenses not already included in existing rates through an Environmental Cost Recovery surcharge which is reflected on customer bills in the second month following the month in which the costs are incurred. The recovery is limited to projects that are included in the Company’s Compliance Plan(s) and have been approved by the Kentucky Public Service Commission (KPSC). The filing requirements for a new ECR plan consist of a 30 day notice of intent, application, testimony, and a tariff containing the terms and conditions of the proposed surcharge. Within six months of submittal, the KPSC is required by statute to schedule a hearing, consider the plan, establish a reasonable return on compliance-related capital expenditures, and issue an order approving or denying the application of the surcharge. A list of approved ECR projects is attached as Appendix II with a detailed listing of those Capital and O&M projects approved by the KPSC shown in Appendix III.

During October 1994, Louisville Gas & Electric Company submitted an application (Case No. 94-332) with the KPSC for authority to assess an ECR surcharge pursuant to KRS 278.183. The KPSC on April 6, 1995 issued an order in Case No. 94-332 approving full cost recovery of qualified environmental projects. The approved methodology involves calculation of a monthly surcharge factor which is applied to customer bills. The mechanism is filed monthly and reviewed on a 6-month and 2-year basis by the KPSC. Kentucky Utilities Company filed a similar application (Case No. 93-465) and received a final KPSC Order on July 19, 1994.

### **History to Present of LG&E’s Environmental Compliance Plan**

LG&E’s original plan and environmental surcharge were approved by the KPSC in 1995 (“1995 Plan”) in Case No. 1994-00332. The plan included capital projects for sulfur dioxide (SO<sub>2</sub>) removal systems, low nitrogen oxide (NO<sub>x</sub>) burners, and fly ash.

On October 20, 2000, LG&E filed an amended plan (“2001 Plan”) in Case No. 2000-00386 to include one additional project necessary for the Company to comply with NO<sub>x</sub>

and other emission limits mandated by the Environmental Protection Agency (“EPA”) and the CAAA. On April 18, 2001 the KPSC issued an order approving the 2001 Plan.

As part of the KPSC’s 6-month and 2-year reviews (Case No. 2002-00193), LG&E began using the base-current methodology to calculate the monthly ECR factor in which a portion of the approved environmental projects are “rolled-in” to base rates. LG&E’s jurisdictional environmental surcharge revenue requirement through April 30, 2001 was incorporated in the base period surcharge factor (“BESF”). This amount is then deducted from current period surcharge factor (“CESF”) to determine the amount of the ECR to be collected in the current billing month.

On August 12, 2002, LG&E filed an amended plan (“2003 Plan”) in Case No. 2002-00147 to include five additional projects required for environmental compliance pursuant to the requirements in KRS 278.183. On February 11, 2003, the KPSC approved four of the five projects for inclusion in the Company’s ECR surcharge. The project not approved was denied without prejudice such that LG&E could refile at a later date when costs are known with greater certainty.

As part of the LG&E Rate Case (Case No. 2003-00433), the capital & operating expenses for the 1995 Plan which included 5 projects and were previously approved in Case No. 1994-00332, were included in the determination of base rates and removed from the monthly ECR filing.

On December 20, 2004, LG&E filed an amended plan (“2005 Plan”) in Case No. 2004-00421 to include seven additional projects necessary for environmental compliance. This filing included the project previously denied by the KPSC in Case No. 2002-00147. On June 20, 2005 the KPSC issued an Order approving the inclusion of the 2005 Plan in the Company’s ECR Surcharge.

On April 25, 2006, the KPSC initiated a combined 6-month and 2-year review of LG&E’s ECR. The KPSC issued an Order on January 31, 2007 approving the incorporation, or roll-in, of \$8,669,729 in environmental costs into base rates, with an equivalent increase in the BESF to offset increases in base rates. Further, the January 31, 2007 Order revised the authorized rate of return to reflect actual cost of debt as of February 2006 (the final month of the review case).

On June 23, 2006, LG&E filed an amended plan (“2006 Plan”) in Case No. 2006-00208 to include four additional projects necessary for environmental compliance. On December 21, 2006 the KPSC issued an Order approving the inclusion of the 2006 Plan in the Company’s ECR Surcharge.

### **History to Present of KU’s Environmental Compliance Plan**

KU’s original compliance plan and environmental surcharge were approved by the KPSC in 1994 (“1994 Plan”) in Case No. 1993-00465. There were 15 capital projects associated

with the 1994 Plan. The capital projects included a scrubber at Ghent Unit 1, ash pond & precipitator enhancements, and other pollution control equipment.

On October 20, 2000, KU filed an amended plan (“2001 Plan”) in Case No. 2000-00439 to include two new pollution control projects necessary for the Company to comply with NOx and other emission limits mandated by the EPA and the CAAA. On April 18, 2001 the KPSC issued an order approving the 2001 Plan.

On August 12, 2002, KU filed an amended plan (“2003 Plan”) in Case No. 2002-00146 to include one additional capital project as required for environmental compliance. The project included was a modification to the ash pond dike at the Ghent generating system. On February 11, 2003, the KPSC approved four of the five projects for inclusion in the Company’s ECR surcharge.

As part of the KPSC’s 6-month and 2-year reviews (Case No. 2003-00068), KU began using the base-current methodology to calculate the monthly ECR factor in which a portion of the approved environmental projects are “rolled-in” to base rates. KU’s jurisdictional environmental surcharge revenue requirement through May 31, 2002 was incorporated in the base period surcharge factor (“BESF”). This amount was then deducted from current period surcharge factor (“CESF”) to determine the amount of the ECR to be collected in the current billing month.

As part of the KU Rate Case (Case No. 2003-00434), the capital and operating expenses for the 1994 Plan which included 15 projects and were previously approved in Case No. 1993-00465, were included in the determination of base rates and removed from the monthly ECR filing.

On December 20, 2004, KU filed an amended plan (“2005 Plan”) in Case No. 2004-00426 to include four additional projects necessary for environmental compliance. On June 20, 2005 the KPSC issued an Order approving the inclusion of the 2005 Plan in the Company’s ECR Surcharge.

On April 25, 2006, the KPSC initiated a combined 6-month and 2-year review of KU’s ECR. By motion of the Company, the KU review period was modified and expanded to correspond with the LG&E review period. The KPSC issued an Order on January 31, 2007 approving the incorporation, or roll-in, of \$23,731,313 in environmental costs into base rates, with an equivalent increase in the BESF to offset increases in base rates. Further, the January 31, 2007 Order revised the authorized rate of return to reflect actual cost of debt as of February 2006 (the final month of the review case).

On June 23, 2006, KU filed an amended plan (“2006 Plan”) in Case No. 2006-00206 to include five additional projects necessary for environmental compliance. On December 21, 2006 the KPSC issued an Order approving the inclusion of the 2006 Plan in the Company’s ECR Surcharge.

## **Process of Identifying Projects to be included for recovery in Monthly Reporting**

Upon issuance of a KPSC Order approving the Companies' new ECR Plan filing, the detailed listing of projects shown in Appendix III is updated by the State Regulation and Rates Department to include the detailed projects from the new ECR Plan filing. This detailed listing is then provided to Energy Services' Forecasting and Budgeting Department to identify the AIP project number for each of the approved projects and to track the initiation of the project. Finally, this listing of projects is provided to Property Accounting to identify the monthly expenditures to include in the Monthly Reporting filing made with the KPSC. No AIP projects are added or deleted without the consent of the State Regulation and Rates Department.

## **Monthly Reporting**

The KPSC, in its Order approving the plan, prescribes the required forms to be used in the monthly filing for ECR surcharge. The forms currently used are identified below and a set of the current forms is contained in Appendix IV (LG&E) and V (KU)

### ES Form 1.00

Calculation of Monthly Billed Environmental Surcharge Factor (MESF) to be applied to customer bills beginning with the identified billing cycle

### ES Form 1.10

Calculation of Total E(m) and Jurisdictional Environmental Surcharge Billing Factor (CESF)

### ES Form 2.00

Determination of the component Revenue Requirements of Environmental Compliance Costs including environmental compliance rate base, pollution control operations expense, proceeds from by-product and allowance sales and true-up adjustments for over/under recover of monthly surcharge due to timing differences

### ES Form 2.10

Plant in-service, accumulated depreciation, CWIP, deferred tax balance, depreciation expense, and property tax expense for each Compliance Plan project and for any retirements or replacements resulting from the implementation of any projects

### ES Form 2.30

Inventory of Emission Allowances

### ES Form 2.31

Inventory of Emission Allowances (SO<sub>2</sub>) – Current Vintage Year, including a separation between steam units and other power generation

ES Form 2.32

Inventory of Emission Allowances (NO<sub>x</sub>) – Ozone Season Allowance Allocation, including a separation between steam units and other power generation

ES Form 2.33

Inventory of Emission Allowances (NO<sub>x</sub>) – Annual Allowance Allocation, including a separation between steam units and other power generation

ES Form 2.40

O&M Expenses and Determination of Cash Working Capital Allowance

ES Form 2.50

Pollution Control – Operations & Maintenance Expenses

ES Form 3.00

Monthly Average Revenue Computation of R(m) including the determination of jurisdictional allocation percentage

ES Form 3.10

Reconciliation of Reported Revenues

### **Six-Month and Two-Year Review Reporting**

As required by KRS 278.183 the KPSC is required to perform 6-month and 2-year reviews of the operation of the Companies' ECR surcharge. Such reviews will include:

1. Recap of Billing Factors and Revenue collected through base rates
2. Recap of Environmental Compliance Rate Base
3. Recap of Operating Expenses

### **III. Explanation of Forms**

An example of each form for LG&E and KU listed below can be found in Appendices IV and V, respectively.

#### **ES Form 1.00**

This form is linked to other worksheets and calculates the Monthly Environmental Surcharge Factor (“MESF”). The MESF is calculated by taking the difference between the Current Period Jurisdictional Environmental Surcharge Factor (“CESF”) and the Base Period Jurisdictional Environmental Surcharge (“BESF”). The MESF represents the monthly percentage which is applied to customer bills as a charge or credit. The CESF is a compilation of the current monthly eligible environmental equipment (not in base rates) as a percentage of the 12 month average monthly retail revenue. The BESF represents KPSC approved environmental projects incorporated into base rates and is fixed based on the two year ECR review.

#### **ES Form 1.10**

The purpose of this form is to calculate the Environmental Surcharge Billing Factor or the CESF. This form is formulaic and pulls data from various worksheets within the file to calculate the CESF. The CESF is one component used in ES Form 1.00 to calculate the MESF. There are two steps involved in calculating the CESF.

The first step is to calculate the total revenue requirement which involves determination of environmental rate base and operating expenses for each KPSC approved ECR project. The Total Environmental Compliance Rate Base is calculated on ES Form 2.00 and is divided by 12 to obtain the monthly rate base. This amount is multiplied by the KPSC approved rate of return for each approved ECR plan. The KPSC allows a return on Environmental Compliance Rate Base which includes Net Plant, CWIP, Limestone Inventory and Emission Allowance Inventory in excess of the amount included in base rates, Cash Working Capital, Accumulated Depreciation, and Deferred Income Taxes. Next, the Pollution Control Operating Expenses and the Gross Proceeds From By-Products and Allowance Sales from ES Form 2.00 are added to derive the Non-Jurisdictional Revenue Requirement. The formula for calculating the total revenue requirement is as follows:

#### **Calculation of E(m)**

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

E(m) = Total Revenue Requirement  
 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

Second, the CESF calculation is performed by multiplying the Non-Jurisdictional Revenue Requirement by the Retail Allocation Ratio for the Current Expense Month from ES Form 3.00 and adding in the monthly true-up adjustment and any other monthly adjustments. This amount is divided by the Average Monthly Retail Revenues excluding Environmental Surcharge Revenues for the 12 months ending current expense month from ES Form 3.00 to derive the CESF. The formula for calculating the CESF is as follows:

**Calculation of Jurisdictional Environmental Surcharge Billing Factor**

$CESF = [(E(m)*RAR)+ADJ]/Retail\ E(m)$ , where

CESF = Current Monthly Surcharge Billing Factor  
 E(m) = Total Revenue Requirement  
 RAR = Retail Allocation Ratio for Current Expense Month  
 ADJ = Adjustment for Over/(Under) Recovery for Monthly True-Up  
 Retail E(m) = Average Monthly Retail Revenue excluding ECR revenue for the 12 Months Ending with the Current Expense Month

The CESF is one of two factors that are used in calculating the MESF on ES Form 1.00. The other factor or the BESF is a set monthly factor and remains in effect until the completion of the 2-year ECR review case.

**ES Form 2.00 - Revenue Requirements of Environmental Compliance Costs**

This form calculates the individual components of the monthly ECR revenue requirement and has the following four sections:

1. Determination of Environmental Compliance Rate Base
2. Determination of Pollution Control Operating Expenses
3. Proceeds from By-Products and Allowance Sales
4. True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences

**Section One: Determination of Environmental Compliance Rate Base**

All data in this section is formulaic. Total rate base is calculated using inputs from ES Forms 2.10, 2.31, 2.32, 2.33 and 2.40.

The sources of the data are Property Accounting and Utility Tax. The primary determinants are:

1. Eligible Pollution Control Plant
2. Eligible Pollution Construction Work in Progress (CWIP) excluding AFUDC
3. Addition to rate base: Inventory –Limestone and Emission Allowances
4. Addition to rate base: Cash Working Capital Allowance
5. Addition to rate base: Unamortized Balance of Deferred Debit – Mill Creek Ash Pond Dredging project (LG&E only)
6. Reduction to rate base: Accumulated Depreciation on Eligible Pollution Control Plant
7. Reduction to rate base: Pollution Control Deferred Income Taxes
8. Reduction to rate base: Pollution Control Deferred Investment Tax Credit (KU only, and beginning with KPSC Order in Case No. 2007-00178).

The above items are explained in detail in ES Forms 2.10, 2.31, 2.32, 2.33, and 2.40.

To the extent that there is a level of inventory (limestone or emission allowances) included in base rates, that level is deducted from the determination of the environmental compliance rate base.

## **Section Two: Determination of Pollution Control Expenses**

The data in this section is formulaic and is populated based on information from ES Forms 2.10, 2.31, 2.32, 2.33, and 2.50 and dependent on the approved ECR plan. This information is utilized on ES Form 1.10 in the determination of the CESF.

The next step is the Determination of Pollution Control Operating Expenses with a breakout of the following items:

1. Monthly Operations & Maintenance Expense
2. Monthly Depreciation & Amortization Expense
3. Monthly Taxes Other than Income Taxes
4. Monthly Insurance Amount
5. Monthly Emission Allowance Expense
6. Amortization of Mill Creek Ash Dredging (LG&E Only)

The above items are explained in detail in the sections for ES Forms 2.10, 2.31, 2.32, 2.33, and 2.50.

To the extent that there is a level of operation and maintenance expenses (retirements, replacement, or emission allowances) included in base rates, that level is deducted from the determination of the environmental compliance rate base.

### **Section Three: Proceeds from By-Products and Allowance Sales**

This section calculates the net proceeds from the sale of scrubber by-products and emission allowances and is an offsetting credit to the pollution control operating expenses in determining the environmental compliance revenue requirement on ES Form 1.10. The Companies receive emission allowance proceeds from the EPA annual SO<sub>2</sub> allowance auction, typically in March – May of each year.

To the extent that there is a level of by-product proceeds or emission allowance proceeds included in base rates, that amount is deducted from any proceeds received in the current expense month for ECR recovery.

### **Section Four: Over/Under Recovery of Monthly Surcharge Due to Timing Differences**

The data in this section is entered based on data from two expense periods prior to the current filing except for the Environmental Surcharge Revenue for the Current Month which is formulaic and is from ES Form 3.00.

### **ES Form 2.10 – Plant, CWIP and Depreciation Expense**

ES Form 2.10 calculates Eligible Plant in Service (PIS), CWIP, and Depreciation Expense for all approved Compliance Plans for LG&E and KU. The source of this information is the Property Accounting and Tax Departments.

The primary column headings for these forms are Eligible Plant in Service, Eligible Accumulated Depreciation, CWIP Excluding AFUDC, Deferred Tax Balance, Monthly Depreciation Expense, and Monthly Property Tax Expense.

A list of approved ECR projects, and corresponding AIP project numbers is maintained by State Regulation and Rates with input from Energy Services Forecasting and Budgeting. The Property Accounting Department tracks monthly construction expenditures for all projects through the Oracle Fixed Assets System

(OFAS) for all ECR approved projects. Construction costs are reported on ES Form 2.10 as CWIP Excluding AFUDC. When the projects are complete, Property Accounting reclassifies, or “unitizes” the assets from CWIP to Plant In Service on the financial records of the Company, using OFAS. OFAS calculates both monthly depreciation expense and monthly accumulated depreciation balance for each asset. The FERC accounts for Plant in Service, CWIP, Accumulated Depreciation, and Monthly Depreciation are 101, 107, 108, and 403.

Deferred Tax Balance is the accumulated tax effect of the difference between accelerated tax depreciation and straight-line book depreciation. The deferred tax balance is a reduction to ECR rate base and changes monthly. The current deferred tax balance is calculated in the Property Accounting ECR project spreadsheet and is verified by the Utility Tax Accounting Department and by State Regulation and Rates.

Monthly Property Tax Expense for each project is calculated by the Utility Tax Department, is based on prior year net book value, and changes only at the beginning of a calendar year. Upon approval of an amended compliance plan, monthly property tax can change at times other than the beginning of the calendar year, to reflect the additional approved projects.

The data for the current expense month is entered on the appropriate line items on ES Form 2.10. This information is utilized in the calculation of rate base and in the determination of pollution control operating expenses on ES Form 2.00.

### **ES Form 2.30 – Inventory of Emission Allowances**

ES Form 2.30 summarizes the Inventory of Emission Allowances for the current year through the latest year in which EPA allocations are received. Please refer to the discussion of ES Forms 2.31, 2.32, and 2.33 for details related to emission allowance tracking and accounting procedures.

### **ES Forms 2.31, 2.32, 2.33 – Inventory of Emission Allowances – SO<sub>2</sub>, NO<sub>x</sub>, Ozone Season, and NO<sub>x</sub> Annual**

ES Forms 2.31, 2.32, and 2.33 report current monthly allowance usage and inventory balances. The beginning inventory plus allocations and purchases less monthly utilization and allowance sales determine ending inventory. The monthly allowance utilization is separated between Steam Power & Other Power Generation. Cost recovery related to other power generation (Combustion Turbines) is disallowed.

Allowances are allocated to each steam unit in operation as of the effective date of the Federal regulations governing air emissions. Sulfur dioxide emissions are allocated to steam boilers in operation as of November 15, 1990. Emissions from

each source are tracked and recorded. Monthly emissions are reported to a Senior Engineer who analyzes the data, commits allowances to match emissions, and tracks remaining allowance inventory levels by plant. Monthly allowance usage is provided to the Regulatory Accounting and Reporting department, who then calculates the dollar value of the allowances used. For general ledger purposes, allowance quantity, inventory balance and monthly expense, calculated at average cost per allowance, are maintained by the Regulatory Accounting and Reporting department. (For EPA reporting purposes, allowance inventory and usage is maintained by the Environmental Affairs Department.) Regulatory Accounting and Reporting prepares a schedule of beginning inventory balances, EPA allocations, purchases, usage and sales for each allowance type. This allowance data is reported on ES Forms 2.31, 2.32, and 2.33; ending allowance and dollar balances are carried to ES Form 2.30 from the more detailed ES Forms 2.31, 2.32, and 2.33. The allowance inventory value, net of the amount included in base rates, is an addition to rate base, and is maintained on the Company's books in FERC Account 158.

#### **ES Form 2.40 – O&M Expenses and Determination of Cash Working Capital Allowance**

ES Form 2.40 is used to calculate Cash Working Capital, using the PSC-approved 1/8 formula. The KPSC approved method of calculating the Cash Working Capital Allowance is to take 1/8<sup>th</sup> of the 12 month O&M expense. Current O&M expenses are carried from ES Form 2.50; prior 11 months expenses are carried forward from previous monthly filings. Cash Working Capital is carried to ES Form 2.00 and is an addition to Rate Base. .

#### **ES Form 2.50 – Pollution Control – Operations & Maintenance Expenses for Current Month**

ES Form 2.50 is used to calculate the O&M expense for all approved Plans. Recoverable expense is reported separately by plant and by Plan. KU's 2001 Plan recovers O&M expenses associated with NO<sub>x</sub> reduction at Ghent Units 1, 3, and 4; LG&E's 2001 Plan recovers O&M expenses associated with NO<sub>x</sub> reduction at Trimble County and at Mill Creek Units 3 and 4. KU's 2005 Plan recovers O&M expense associated with SO<sub>2</sub> reduction at the Ghent (Units 2, 3 and 4) and Brown plants; LG&E's 2005 Plan recovers O&M expenses associated with SO<sub>2</sub> reduction at Trimble County and ash pond dredging at Mill Creek. Both Companies' 2006 Plan recovers O&M expenses associated with mercury monitoring at all coal-fired stations and with SO<sub>3</sub> abatement at all units that currently or are scheduled to use SCRs in conjunction with wet scrubbers. Additionally, KU's 2006 Plan recovers O&M expenses associated with an SCR under construction at Ghent Unit 2. The current month expenses are those recorded on the Companies' general ledger in accounts 506104, 506105, 512101, 502006, 512005, 506109, 512102, 506110, and 512103 for specific units and plants as authorized by the KPSC. All expenses are recovered subject to a

reduction for any amounts included in current base rates. In addition, LG&E is allowed O&M recovery on the monthly amortization of the costs incurred in dredging the Mill Creek ashpond as approved in the 2005 Plan. The total expenses calculated are carried to ES Form 2.40 (for Cash Working Capital) and ES Form 2.00 (for total OE)..

### **ES Form 3.00 – Monthly Average Revenue Computation of R(m)**

ES Form 3.00 computes the average monthly revenue for the most recent 12 month period using base rate, fuel clause revenues, demand side management, STOD program cost recovery factor, ECR revenues, and for KU only, CSR credits and revenues from off-system sales. Average monthly jurisdictional revenue for the 12-month period excluding ECR revenues (Jurisdictional R(m)) is carried to ES Form 1.10. Monthly revenue on Form 3.00 is carried from inputs on Form 3.10; prior months are carried from previous monthly filings.

### **ES Form 3.10 – Reconciliation of Reported Revenues**

The purpose of this form is to reconcile total company revenue as reported on the financial statements to total company revenue for ECR purposes. ES Form 3.10 categorizes company revenues into the following three areas:

- Kentucky Retail
- Non-Jurisdictional
- Reconciling Revenues

#### **Kentucky Retail Revenue**

Kentucky Retail Revenue for ECR purposes includes base retail, fuel clause, demand side management, STOD program cost recovery factor, and ECR revenues, and for KU only, CSR credits. This information is provided by the Revenue Accounting Department.

#### **Non-Jurisdictional Revenue**

Non-Jurisdictional Revenues includes, for KU only, Tennessee, Virginia, and municipal revenues. Additionally, non-jurisdictional revenues include, for both Companies, revenue from off-system sales and intercompany sales. Non-jurisdictional revenue is carried to ES Form 3.00 and is used to calculate the jurisdictional allocation factor. The jurisdictional allocation factor is carried to ES Form 1.10 and determines the portion of total ECR revenue requirement that will be billed to each Company's Kentucky retail customers.

#### **Reconciling Revenues**

This section represents the items that are excluded from total ECR revenue and includes brokered revenues, unbilled revenues, rate refunds, and merger surcredit and VDT revenue credits. The Revenue Accounting department provides all inputs for ES Form 3.10.

## **IV. Data Input and Data Source**

The monthly ECR filing is due to the KPSC offices 10 days prior to the start of the upcoming billing cycle. A timeline of data input requirements is shown in Appendix VI along with a sample of the filing date requirement with the effective billing cycle dates.

1. The ECR files are located on the departmental drive in a folder called “Environmental Surcharge Report Monthly Filings” in the respective companies by year and month. For example, the file path for the January 2007 KU filing is: drive:/Environmental Surcharge Report Monthly Filings/KU/2007/ KU ECR 2007-01 March 07 Service.xls. If, for any reason, a monthly filing is resubmitted, the file name is amended with the refiling date.
2. Open up the previous month file and save it as the current month file.
3. Data input occurs in selective cells in ES Forms 1.00, 1.10, 2.00, 2.10, 2.31, 2.32, 2.33, 2.50, and 3.10. The majority of the filing is linked to other cells within the report, thereby eliminating duplicate data entry. The data that requires updating is listed below in each form. Data which needs to be updated is noted with blue text in the appropriate cells.

### **ES Form 1.00**

1. Update the current expense month
2. Update the Effective Date for Billing based on the Meter Reading Schedule supplied by Revenue Accounting (**See sample contained in Appendix VI**)
3. Update the Date Submitted with the filing date

After the filing has been reviewed, the Manager, Rates signs this form.

Data sources: ES Form 1.10

### **ES Form 1.00a**

This form is formulaic and is signed by the preparer and another member of the State Regulation and Rates Department who verifies the calculations. This form is not part of the information that is filed with the KPSC.

Data Sources: ES Forms 1.00 and 1.10

### **ES Form 1.10**

This form is formulaic.

Data Sources: ES Forms 2.00 and 3.00

### **ES Form 2.00**

All sections of this form are formulaic except for the section for By-Product and Allowance Sales, and Over/Under Recovery section which is updated as follows:

1. From the filing made two months prior to the current filing enter the MESF, the Net Jurisdictional E(m) and update the month.

Data Sources: ES Forms 2.10, 2.31, 2.32, 2.33, 2.40 and 2.50

### **ES Form 2.10**

Data received by Property Accounting from Energy Services Forecasting and Budgeting is used to calculate monthly PIS, Accumulated Depreciation, CWIP, Deferred Tax, Monthly Depreciation, and Monthly Property Tax expenditures. Data for ES Form 2.10 is linked to worksheets within the spreadsheet.

1. The ECR files for Property Accounting are located on the departmental drive, (propacct on 'fs10') in a folder called "ECR-LG&E and KU" in the respective companies by year and month. For example, the file path for the January 2007 LG&E filing is: I:/ ECR-LG&E AND KU / LGE ECR FILES / LGE ECR 2007 / LGE ECR Filing January 2007.xls.
2. Open up the previous month file and save it as the current month file.
3. Data for the ES Form 2.10 are linked from worksheets in the file. Data entry procedures are as follows:
  - a. Column 1 of the form contains the Plan Year and description of the ECR project. This description is the same wording for the project as outlined in the KPSC order approving the ECR plan.
  - b. In the determination of "Eligible Plant in Service", all ECR Project addition numbers come from the worksheet "Recalculation". Once an ECR project is completely unitized this number will not change. (There may be several AIP projects to one ECR Project.) Projects are added to this worksheet as they are unitized and the dollars move from CWIP to PIS. All AIP projects related to one ECR project are summed together. ECR project retirement numbers also come from the worksheet "Recalculation". Once all retirements are made relating to an ECR project, this number will not change. This worksheet is updated as retirements are made in conjunction with the addition project.
  - c. Column 3 "Eligible Accumulated Depreciation" – For the addition projects, the accumulated depreciation number comes from the worksheet "Recalculation". This number is calculated by multiplying the addition cost by the depreciation rate, dividing by 12 to obtain a monthly rate, and then adding this amount to the previously accumulated depreciation amount. (Use ½ for the first month's depreciation). These numbers will change every month. All AIP projects related to one ECR project are summed together. ECR project retirement numbers also come from the worksheet "Recalculation". This number is calculated by multiplying the cost times the depreciation rate, dividing by 12 to obtain a monthly rate, and then multiplying this amount times the number of months from the in service date of the asset retired to the latest rate case date (Currently

09/30/2003). (Again, use  $\frac{1}{2}$  for the first month's depreciation). Once all retirements are made relating to an ECR project, this number will not change.

- d. Column 4 "CWIP Amount" – Amounts for this column come from the worksheet "CWIP Balance". An Oracle Discoverer report is ran to determine the CWIP amounts for each eligible ECR project through the current month. In the case of KU, the amount related to AFUDC is also determined. These amounts are entered onto the "CWIP Balance" worksheet. The AIP projects relating to the approved ECR projects are determined by reviewing the Generation Services monthly file.
- e. Column 5 "Eligible Net Plant in Service" – This column is the total of the column 2 minus column 3 plus column 4.
- f. Column "Unamortized ITC" (KU Only) is currently blank. No current ECR projects have ITC calculated. The Tax Department is responsible for notifying Property Accounting if a project has ITC calculations.
- g. Column "Deferred Tax Balance" – Amounts for the ECR addition projects come from the worksheet "Recalculation". These numbers are calculated at the beginning of the year and each time a new addition is added. Property Accounting uses the existing pattern to make these calculations. These numbers have to be approved by the Tax Department. The amount is determined by subtracting the accumulated book depreciation from the accumulated tax depreciation and multiplying the result times the combined federal and state tax rates. This number is divided by 12 to obtain a monthly amount. This monthly amount is then added to the previous month's deferred tax total. The amount for the ECR retirement projects come from the worksheet "Recalculation". The amount is determined by subtracting the accumulated book depreciation from the accumulated tax depreciation and multiplying the result times the combined federal and state tax rates. This amount does not change.
- h. Column "Monthly Depreciation Expense" - For the addition projects, the accumulated depreciation number comes from the worksheet "Recalculation". This number is calculated by multiplying the cost by the depreciation rate, divided by 12 to obtain a monthly rate. (Use  $\frac{1}{2}$  for the first month's depreciation). ECR project retirement numbers come from the worksheet "Recalculation". The number is calculated by multiplying the cost times the depreciation rate, divided by 12 to obtain a monthly rate.
- i. Column "Monthly Property Tax Expense" – Amounts for this column are calculated by using the prior year's ending "Eligible Net Plant in Service." The "Eligible Net Plant in Service" for an ECR project at year end (Plant in Service minus Accumulated Depreciation plus CWIP) is multiplied by the property tax rate. This amount is divided by 12 to obtain the monthly amount reported. Property Taxes for ECR Retirements are calculated by multiplying the tax rate times the net plant at the time of the retirement. (Plant in Service less Accumulated Depreciation). The Tax Department reviews and approves each of these calculations. These numbers do not change during the current year.

4. The State Regulation and Rates Department enters the Eligible Plant in Service, Eligible Accumulated Depreciation, CWIP Amount Excluding AFUDC, Deferred Tax Balance, Monthly Depreciation Expense and Monthly Property Tax Expense into the appropriate fields by capital project.

Data sources: The Energy Services Forecasting and Budgeting monthly report lists the projects that have been approved for ECR recovery per the KPSC order. The data for Eligible Plant in Service is obtained from the Fixed Asset Module (“FA”) in Oracle as the project is unitized to Plant in Service and is input by the Property Accounting Department. Accumulated Depreciation is a manual calculation using current depreciation rates. CWIP figures are obtained from the Project Accounting Module (“PA”) in Oracle. Monthly Depreciation is a manual calculation using current depreciation rates. Deferred Taxes and Monthly Property Tax Expense are calculated annually by the Property Accounting Department using established formulas and reviewed by the Tax Department. The calculations are based on year end values for the upcoming year and are done in Microsoft Excel. Property Tax expense remains level throughout the year. The Deferred Tax Balance changes monthly due to depreciation and as additional project expenditures move from CWIP to Plant in Service. This data is input into an Excel spreadsheet which is linked to Form 2.10 and forwarded to the State Regulation and Rates Department.

Note: The costs associated with the projects classified prior to Oracle 11i implementation, were not loaded into the PA of Oracle. As a result this process cannot be automated. Additionally, the Fixed Assets Module (“FA”) has asset numbers and original costs, but does not have depreciation amounts by asset. KU & LG&E use the group method for depreciation purposes, therefore, to get the depreciation for a given asset requires a manual calculation. The ECR is calculated based on project totals and not individual assets.

### **ES Form 2.30**

This Form is formulaic.

Data Source: ES Forms 2.31, 2.32, and 2.33.

### **ES Form 2.31, 2.32, and 2.33**

1. Update the Beginning Inventory allowances and dollars, if applicable.
2. Update the quantity and dollars, if applicable, for any monthly Allocations or Purchases
3. Update the monthly Steam Power & Other Power Generation allowances and dollars, if applicable, utilized for the month.
4. Update the quantity and dollars, if applicable, associated with monthly allowances that were sold.

Data Source: Each month, Regulatory Accounting and Reporting receives the current month commitments from an Environmental Engineer in Environmental Affairs. An

average price is calculated each month by dividing the prior month ending inventory dollars by the prior month ending inventory units. The current month commitments are multiplied by the average price to arrive at a utilized price for the current month. The current month commitments are then added to the beginning inventory to get a new ending inventory. This calculation is done for the monthly journal entry by the end of the 4th working day. This ending inventory is recorded on the Current Year line of ES Form 2.30. Combustion Turbine (“CT”) inventory is recorded separately from steam inventory and CT allowance usage is excluded from recovery. Anything out of the ordinary for the current month is recorded in the Comments and Explanations column. This form is also updated annually to account for the new vintage year’s allowances. Once completed, this form is emailed to the State Regulation and Rates Department by the end of the 10th working day. For allowances for which there is no financial inventory, Rates and Regulatory receives the current month commitments and monthly ending inventory from an Environmental Engineer in Environmental Affairs

**ES Form 2.40**

1. Select the data from the 10<sup>th</sup> Previous Month through the Current Month.
2. Copy & Paste the data into the cell for the 11<sup>th</sup> Previous Month and the data will be pasted into all the cells except for the Current Month.
3. The current month O&M Expense pulls data from ES Form 2.50.

Data Source: ES Form 2.50.

**ES Form 2.50**

1. Enter the current month O&M Expense for the approved projects.

Data Source: The information for this Form originates in Oracle and is obtained by an Accounting Analyst in Regulatory Accounting and Reporting running a Discoverer report for the O&M projects that have been approved. Once a project has been approved for recovery, the State Regulation and Rates Department notifies the Regulatory Accounting and Reporting Department. Once we start incurring expenses on these approved projects (this could be months or a year after the project is approved) Energy Services Forecasting and Budgeting or State Regulation and Rates will notify Regulatory Accounting and Reporting that the charges have started and also whether the charges can be run by account or a project and task. These amounts are broken out by plant. For Account 502006-Scrubber Operations and Account 512005-Scrubber Maintenance, Trimble County is the only plant to date with recoverable charges for LG&E. The increased use of limestone beyond the level currently indicated in base rates due to costs associated with the Trimble County 1 FGD Project 16 is recoverable. To calculate this amount, take 1/12th of the limestone expense included in current base rates and subtract the monthly actual amount. The difference is eligible for recovery. Once completed, this form is emailed to the State Regulation and Rates Department by the end of the 10th working day.

**ES Form 3.00**

1. Update the column containing the months with the most recent 12 months.
2. Select data from the second to last oldest month for Base Rate, Fuel Clause, DSM, STOD and Environmental Surcharge Revenues and paste the data into the cells for the 11 months prior to the current month.
3. Repeat Step 1 for the Total Including the Off-System Sales Column
4. Update the Month column with the current month. The current month data is linked to data in Form 3.10.

Data Source: ES Form 3.10

### **ES Form 3.10**

1. The base revenue by revenue class for LG&E is calculated by Revenue Accounting utilizing a spreadsheet. The billed revenue by class and component are input into the spreadsheet from the Sales by Rates CIS report. Base revenue is then adjusted by the amount of the July 2005 FAC roll-in (removing this amount from base revenue total and added it to the FAC total). This adjustment is shown on the spreadsheet to facilitate reconciliation to CIS and the Oracle general ledger.

The following data input is utilized by the KU Revenue Accounting Department to produce ES Form 3.10.

2. CIS Report CA7680, Environmental Surcharge-Monthly Average Computation (ES Form 3.00) is generated from CIS on the evening of the second business day of the month. When this report was originally designed, all data that was needed to be reported on ES Form 3.00 of the ECR billing factor filing existed in CIS. This report was ES Form 3.00. In the present, however, there are other items recorded to the G/L outside of CIS, so State Regulation and Rates must adjust certain numbers on the CIS-generated report to get the actual ES Form 3.0 used in the monthly ECR billing factor filing.)
3. CIS Report CA7120A, Bill Frequency Report, is generated from CIS on the evening of the second business day of the month. It details monthly billed revenue data by CIS rate code at various levels of usage. It concludes with a summary of monthly billed revenue data by tariff.
4. Monthly billed demand, energy and customer charge revenue for KU is gathered on the third business day of the month and provided to State Regulation and Rates for use in calculating the monthly ECR over-/under-recovery status. Sales to TN customers, as well as revenues associated with the Company's curtailable service rider (CSR) are noted so that they may be subtracted from these revenues since these items are not subject to the ECR mechanism
5. This spreadsheet is prepared on the fourth business day and shows monthly unbilled revenue accrual totals (\$ and MWH) by company (i.e. KU and ODP) by revenue class. A running history of monthly unbilled revenue accrual totals are

on this report which allows for easy calculation of net unbilled revenues for any time period (e.g. monthly, quarterly, year-to-date, etc.)

6. The LG&E/KU Revenue Volume Analysis is prepared and reviewed monthly by the Revenue Accounting Department. The Revenue Volume Analysis is completed on the 6<sup>th</sup> business day and then shared with the State Regulation and Rates Department.
7. For LG&E, the Reconciliation of Reported Revenues for LG&E is run from Oracle Financial Management System (OFMS) by the State Regulation and Rates Department and KU is provided by the Revenue Accounting Department. The data is input into all cells except for the Base Rate line item which is a calculation.

Data Source: The data used for this form is obtained from OFMS and the Revenue Accounting Department. The sources of the data are the Customer Information System (CIS), selected accounts from the General Ledger Trial Balance, and OFMS. The Reconciliation of Reported Revenues for LG&E is run from OFMS and KU is provided by the Revenue Accounting Department. As of February 2006 a facsimile of ES Form 3.10 is printed directly from Oracle by the State Regulation and Rates Department.

A flow chart for the ECR filing process is shown in Attachment 1. This flow chart outlines the establishment of approved projects and the flow of data across departments for the development of the monthly ECR filing.

# APPENDIX I

## **278.183 Surcharge to recover costs of compliance with environmental requirements for coal combustion wastes and by-products -- Environmental compliance plan, review and adjustment.**

- (1) Notwithstanding any other provision of this chapter, effective January 1, 1993, a utility shall be entitled to the current recovery of its costs of complying with the Federal Clean Air Act as amended and those federal, state, or local environmental requirements which apply to coal combustion wastes and by-products from facilities utilized for production of energy from coal in accordance with the utility's compliance plan as designated in subsection (2) of this section. These costs shall include a reasonable return on construction and other capital expenditures and reasonable operating expenses for any plant, equipment, property, facility, or other action to be used to comply with applicable environmental requirements set forth in this section. Operating expenses include all costs of operating and maintaining environmental facilities, income taxes, property taxes, other applicable taxes, and depreciation expenses as these expenses relate to compliance with the environmental requirements set forth in this section.
- (2) Recovery of costs pursuant to subsection (1) of this section that are not already included in existing rates shall be by environmental surcharge to existing rates imposed as a positive or negative adjustment to customer bills in the second month following the month in which costs are incurred. Each utility, before initially imposing an environmental surcharge pursuant to this subsection, shall thirty (30) days in advance file a notice of intent to file said plan and subsequently submit to the commission a plan, including any application required by KRS 278.020(1), for complying with the applicable environmental requirements set forth in subsection (1) of this section. The plan shall include the utility's testimony concerning a reasonable return on compliance-related capital expenditures and a tariff addition containing the terms and conditions of a proposed surcharge as applied to individual rate classes. Within six (6) months of submittal, the commission shall conduct a hearing to:
  - (a) Consider and approve the plan and rate surcharge if the commission finds the plan and rate surcharge reasonable and cost-effective for compliance with the applicable environmental requirements set forth in subsection (1) of this section;
  - (b) Establish a reasonable return on compliance-related capital expenditures; and
  - (c) Approve the application of the surcharge.
- (3) The amount of the monthly environmental surcharge shall be filed with the commission ten (10) days before it is scheduled to go into effect, along with supporting data to justify the amount of the surcharge which shall include data and information as may be required by the commission. At six (6) month intervals, the commission shall review past operations of the environmental surcharge of each utility, and after hearing, as ordered, shall, by temporary adjustment in the surcharge, disallow any surcharge amounts found not just and reasonable and reconcile past surcharges with actual costs recoverable pursuant to subsection (1) of this section. Every two (2) years the commission shall review and evaluate past operation of the surcharge, and after hearing, as ordered, shall disallow improper expenses, and to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of each utility.

- (4) The commission may employ competent, qualified independent consultants to assist the commission in its review of the utility's plan of compliance as specified in subsection (2) of this section. The cost of any consultant shall be included in the surcharge approved by the commission.
- (5) The commission shall retain all jurisdiction granted by this section and KRS 278.020 to review the environmental surcharge authorized by this section and any complaints as to the amount of any environmental surcharge or the incorporation of any environmental surcharge into the existing base rate of any utility.

Effective: July 14, 1992

History: Created 1992 Ky. Acts ch. 102, sec. 1, effective July 14, 1992.

**APPENDIX II**  
**Amended Plan Composite Exhibits**

**LOUISVILLE GAS AND ELECTRIC COMPANY  
ENVIRONMENTAL COMPLIANCE PLAN**

Project	Air Pollutant or Waste/By-Product To Be Controlled	Control Facility	Generating Station	Environmental Regulation	Environmental Permit	Actual or Scheduled Completion
<b>1995 Plan (eliminated from ECR and included in Base Rate during the 2004 Rate Case)</b>						
1	SO <sub>2</sub>	Scrubber	Mill Creek Station	Agreed Order (1-92) APCD Regulation 6.07	JCAPCD Permit No.	
2	SO <sub>2</sub>	Scrubber	Mill Creek Station	Agreed Order (7-92) APCD Regulation 1.09	JCAPCD Permit No.	
3	Fly Ash	Precipitator	CR 4	Agreed Order (1-92) APCD Regulation 6.07	JCAPCD Permit No.	
4	SO <sub>2</sub> /NO <sub>x</sub> /Fly Ash	Emission Monitors	All Plants	CAAA Section 412 40 CFR 75 401 KAR 59:015; 61:015 APCD Regulation 6.02	Phase I Acid Rain Permits	
5	NO <sub>x</sub>	Boiler Modifications	All Plants	CAAA Section 182, Section 407 40 CFR 76 APCD Regulation 6.42	Phase I Acid Rain Permits	
<b>2001 Plan</b>						
6	NO <sub>x</sub>	SCR and NO <sub>x</sub> Control Equipment	Various	CAAA Sec. 110 40 CFR Part 51 CAAA Sec. 126 40 CFR Part 52 & 97 401 KAR 51:200	Title V Operating Permits	2001-2002
<b>2003 Plan</b>						
7	Fly Ash & SO <sub>2</sub>	Wet Stack Conversion	Mill Creek	Dist Regs 1.09& 1.12	JAPCD Agreed Order	2001-2004
8	Fly Ash	Electrostatic Precipitators	All Plants	401 KAR 59:015 Dist. Regs. 6.07 & 7.06	Title V Operating Permits	2001-2006
9	SO <sub>2</sub>	FGD Make-up Water System	Mill Creek Station	CAAA Sec. 405 40 CFR Part 72	Phase II Acid Rain Permit	2002
10	SO <sub>2</sub>	FGD system enhancement	MC3, MC4	CAAA Sec. 405 40 CFR Part 72	Phase II Acid Rain Permit	2001

Project	Air Pollutant or Waste/By-Product To Be Controlled	Control Facility	Generating Station	Environmental Regulation	Environmental Permit	Actual or Scheduled Completion
<b>2005 Plan</b>						
11	Fly & Bottom Ash	Landfill	Mill Creek Station	401 KAR Chapter 5 401 KAR Chapter 45	KPDES - KY0003221 KDWM - 056-00029	2008
12	Fly & Bottom Ash	Landfill	Cane Run Station	401 KAR Chapter 5 401 KAR Chapter 45	KPDES -- KY0002062 KDWM - 056-00030	2015
13	SO <sub>2</sub>	Flue Gas Desulfurization	Trimble Co. Unit 1	Clean Air Act (1990)	Title V Operating Permit V-02-043	2009
14	SO <sub>2</sub>	Flue Gas Desulfurization	Cane Run Unit 6	Clean Air Act (1990)	Title V Operating Permit 175-00-TV (R1)	2009
15	SO <sub>2</sub>	Flue Gas Desulfurization	Cane Run Unit 5	Clean Air Act (1990)	Title V Operating Permit 175-00-TV (R1)	2008
16	SO <sub>2</sub>	Flue Gas Desulfurization	Trimble Co. Unit 1	Clean Air Act (1990)	Title V Operating Permit V-02-043	2005
17	SO <sub>2</sub>	Emission Allowances	All Plants	Clean Air Act (1990)	Phase II Acid Ram Permits	2010
<b>2006 Plan</b>						
18	Fly Ash, NO <sub>x</sub> , SO <sub>2</sub> , SO <sub>3</sub> , Hg & Particulate	Selective Catalytic Reduction, Dry Electrostatic Precipitator, Pulverized Activated Carbon Injection, Hydrated Lime Injection, Fabric Filter Bag House, Wet Flue Gas Desulfurization, Wet Electrostatic Precipitator	Trimble County Unit 2	Clean Air Act Amendments (1990) Clean Air Interstate Rule (2005) Clean Air Mercury Rule (2005) Clean Air Visibility Rule (2005)	Title V Permit V-02-043 rev. 2	2010
19	NO <sub>x</sub> /SO <sub>3</sub>	Sorbent Injection	Mill Creek Unit 3 Mill Creek Unit 4 Trimble Co. Unit 1	KRS Chapter 224, General Duty Provisions, Clean Air Interstate Rule (2005)	Title V Permit 145-97-TV, Title V Permit V-02-043, rev. 2	2007
20	Mercury	Mercury Monitors	All Plants	Clean Air Mercury Rule (2005)	To be incorporated into Title V Operating Permits before 2009	2007
21	Fly Ash and Particulates	Particulate Monitors	Mill Creek Plant	40CFR Part 60, LMAPCD Regulations 6.02; 6.07; 7.01; 7.06	Title V Permit 145-97-TV	2006

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL COMPLIANCE PLAN**

Project	Air Pollutant or Waste/By-Product To Be Controlled	Control Facility	Generating Station	Environmental Regulation*	Environmental Permit	Actual or Scheduled Completion
<b>1994 Plan (eliminated from ECR and included in Base Rate during the 2004 Rate Case)</b>						
1	SO <sub>2</sub>	Scrubber	GH-1	CAAA Sec. 404 40 CFR Part 72 401 KAR 50:035	Phase I Acid Rain Permits KYDAQ Permit No. C-92-121	
2	Gypsum	Gypsum Facility	Ghent Station	CAAA Sec. 404 40 CFR Part 72 401 KAR 5:005, 5:031, 5:050, 5:055, 5:060 & 5:065	Phase I Acid Rain Permits KPDES Permit No. KY0002038 & KYDOW Const. Permit No. 5131	
3	SO <sub>2</sub>	Flue Gas Dispersion	Brown Unit 2 Brown Unit 3	401 KAR 53:010	KYDAQ Permit No. 0-86-068	
4	SO <sub>2</sub> /NO <sub>x</sub> /Fly Ash	Emission Monitors	All Plants	CAAA Sec. 412 40 CFR Part 75 401 KAR 59:015 & 61:015	Phase I Acid Rain Permits KYDAQ Air Permits to Operate	
5	NO <sub>x</sub>	Burner Modifications	Brown Unit 1 Brown Unit 3	CAAA Sec. 407 40 CFR Part 76	Phase I Acid Rain Permits	
6	NO <sub>x</sub>	Burner Modifications	Brown Unit 2 Ghent Unit 1 Green River Unit 4	CAAA Sec. 407 40 CFR Part 76	Phase I Acid Rain Permits	
7	Fly & Bottom Ash	Elevating of Ash Pond	Brown Station	401 KAR 5:005, 5:031, 5:050, 5:055, 5:060 & 5:065	KPDES Permit No. KY0002020 & KYDOW Construction Permit No. 3949	
8	Fly & Bottom Ash	New Ash Pond	Ghent Station	401 KAR 5:005, 5:031, 5:050, 5:055, 5:060 & 5:065	KPDES Permit No.	

Project	Air Pollutant or Waste/By-Product To Be Controlled	Control Facility	Generating Station	Environmental Regulation*	Environmental Permit	Actual or Scheduled Completion
9	Fly & Bottom Ash	Precipitator & Ash Handling	GH-4	40 CFR Part 60 Subpart D 401 KAR 59:015 401 KAR 5:005, 5:031, 5:050, 5:055, 5:060 & 5:065	USEPA PSD Permit KYDAQ Permit No. C-77- 15 & KYDAQ Permit No. 0- 85-48 KPDES Permit No. KY0002038	
10	Fly & Bottom Ash	Ash Pond Filtration System	Ghent 3 Ghent 4	40 CFR Part 423	NPDES Permit No. KY0002038	
11	Fly Ash	Precipitators	All Plants	401 KAR 59:015 & 61:015	KYDAQ Air Permits to Operate	
12	Fly Ash	Precipitator	GH-1	401 KAR 61:015 CAAA Sec. 404	KYDAQ Permit No. 0-85- 048 Phase I Acid Rain Permit	
13	Fly Ash	Precipitator	EWB-1	401 KAR 61:015 CAAA Sec. 404	KYDAQ Permit No. 0-86- 068 Phase I Acid Rain Permit	
14	Dry Fly Ash Handling	Dry Fly Ash Handling Equipment	Brown Station	401 KAR 5:005, 5:031, 5:050, 5:055, 5:060 & 5:065	KPDES Permit No. KY0002020	
15	Fugitive Dust	Dust Elimination Systems	Brown & Ghent Stations	401 KAR 59:010, 59:155, 61:020, & 63:010	KYDAQ Permit Nos. 0-86-068 & 0-85-048	
<b>2001 Plan</b>						
16	NOx	Advanced Low NOx Burner Systems	Ghent-2 Ghent-4	CAAA Sec 407 40 CFR Part 76	Phase II Acid Rain Permit	2000 1999
17	NOx	SCR and NOx Control Equipment	Various	CAAA Sec. 110 40 CFR Part 51 CAAA Sec. 126 40 CFR Part 52 & 97 401 KAR 51:200	Title V Operating Permits	2001-2003

Project	Air Pollutant or Waste/By-Product To Be Controlled	Control Facility	Generating Station	Environmental Regulation*	Environmental Permit	Actual or Scheduled Completion
<b>2003 Plan</b>						
18	Fly & Bottom Ash	Ash Pond Dike Elevation	Ghent Station	401 KAR 5:005, 5:031, 5:050, 5:055; 5:060, 5:065 & 5:080	KPDES Permit No. 0002038	2003
<b>2005 Plan</b>						
19	Fly & Bottom Ash	Ash Handling Equipment	Ghent Station	401 KAR Chapter 5	KPDES - KY0002038	2009
20	Fly & Bottom Ash	Ash Treatment Basin (Phase I)	E.W. Brown Station	401 KAR Chapter 5	KPDES - KY0002020	2009
21	SO <sub>2</sub>	Flue Gas Desulfurization	Ghent 2 Ghent 3 Ghent 4 E.W. Brown Station	Clean Air Act (1990)	Title V Operating Permit Ghent - V-97-025 E.W. Brown -(O-86-068)	2008 2007 2009 2009
22	SO <sub>2</sub>	Emission Allowances	All Plants	Clean Air Act (1990)	Phase II Acid Rain Permits	2009
<b>2006 Plan</b>						
23	Fly Ash, NO <sub>x</sub> , SO <sub>2</sub> , SO <sub>3</sub> , Hg & Particulate	Selective Catalytic Reduction, Dry Electrostatic Precipitator, Pulverized Activated Carbon Injection, Hydrated Lime Injection, Fabric Filter Bag House, Wet Flue Gas Desulfurization, Wet Electrostatic Precipitator	Trimble County Unit 2	Clean Air Act Amendments (1990) Clean Air Interstate Rule (2005) Clean Air Mercury Rule (2005) Clean Air Visibility Rule (2005)	Title V Permit V-02-043 rev. 2	2010
24	NO <sub>x</sub> /SO <sub>3</sub>	Sorbent Injection	Ghent Unit 1 Ghent Unit 3 Ghent Unit 3	KRS Chapter 224, General Duty Provisions, Clean Air Interstate Rule (2005)	Title V Permit V-97-025	2008
25	Mercury	Mercury Monitors	All Plants	Clean Air Mercury Rule (2005)	To be incorporated into Title V Operating Permits before 2009	2007
26	NO <sub>x</sub>	Selective Catalytic Reduction	Ghent Unit 2	Clean Air Act Amendments (1990) Clean Air Interstate Rule (2005)	Title V Permit V-97-025	2009
27	Fly Ash and Particulates	Electrostatic Precipitators	Brown Plant	401 KAR: 50:055	Title V Permit V-03-034	2008

**APPENDIX III**  
**Detailed Approved Project Listing**

## Louisville Gas and Electric Company KPSC Approved ECR Projects

### Capital Projects

ECR Project Number	Control Facility	Plant/Unit	T-Sheet Number	AIP Project Number	Project Description
<b><u>2001 Plan</u></b>					
LGE-6	SCR and NOx Control Equipment	Various		107182	NOx equipment and SCR's for TC1, MC3 and MC4
		TC1		121245	TC Air Heater Baskets
		MC4		121120	LG&E NOX MC4 Fans and Ash Hopper
		MC3		120530	MC3 Catalyst Replacement
		MC4		117616	MC4 Catalyst Replacement
		TC1		117989	TC1 Catalyst Replacement
<b><u>2003 Plan</u></b>					
LGE-7	Mill Creek Wet Stack Conversion	MC1		110613	Mill Creek 1 Wet Stack Conversion
		MC2		110615	Mill Creek 2 Wet Stack Conversion
		MC3		110616	Mill Creek 3 Wet Stack Conversion
		MC4		110617	Mill Creek 4 Wet Stack Conversion
		MC3		116051	Mill Creek 3 FGD Outlet Ductwork
		MC-2/3		101299	Mill Creek 2 Refurbish Precipitator
		MC3		103860	Mill Creek 3 Refurbish Precipitator ("B" Side)
		MC3		116046	Mill Creek 3 Refurbish Precipitator ("A" Side)
		CR-5		114687	Cane Run 5 Refurbish Precipitator
LGE-9	FGD Make-up Water System	Mill Creek		112703	Cleanwell Water System - Mill Creek
LGE-10	FGD System Enhancement	MC3, MC4		107360	FGD Absorber Trays - Mill Creek 3&4
<b><u>2005 Plan</u></b>					
LGE-11	Landfill	MC	MC-05-001	112767	MC Landfill Expansion (ECR)
			MC-05-017	117450	MC Wet Ash Loading System "B"
			MC-06-013	121579	MC Wet Ash Loading System "A"
LGE-12	Landfill	CR	CR-MY-010	117136	CR Landfill Expansion
LGE-13	FGD Refurbishment	TC-1	TC-07-007	121587	TC Scrubber Module Refurbishment
			TC-07-008	121588	TC Recycle Pump Piping Replacement
			TC-08-005	121589	TC SDRS Structural Refurbishment

# Louisville Gas and Electric Company KPSC Approved ECR Projects

## Capital Projects

ECR Project Number	Control Facility	Plant/Unit	T-Sheet Number	AIP Project Number	Project Description
LGE-14	FGD Refurbishment	CR-6	TC-09-005 TC-09-006 CR-05-130 CR-05-140 CR-07-060 CR-07-100 CR-07-110 CR-07-150 CR-09-030 CR-09-090 CR-09-150 CR-09-180 CR-05-150 CR-06-40 CR-06-50 CR-05-024 CR-08-080	121590 121591 121165 118138 122151	TC Scrubber Module Refurbishment TC Recycle Pump Piping Replacement CR6 SDRS Mist Eliminator Chevron Replacement CR6 SDRS Piping Replacement CR6 SDRS Expansion Joint Replacement CR6 SDRS Thickener Rake Replacement CR6 SDRS Inlet Duct Insulation & Lagging Repl CR6 SDRS Tank Replacement CR6 SDRS Ductwork Replacement CR6 SDRS Module Re-lining CR6 SPP Belt Filter CR SDRS Tank Replacement CR5 Recycle Pump Liner Replacement CR5 SDRS Recycle Piping Replacement CR5 SDRS Fixed Grid Wash System CR5 SDRS Module Spray Header Replacement CR5 SDRS Module and Duct Lining Repl Scrubber Improvements at Trimble County Unit 1
LGE-15	FGD Refurbishment	CR-5		118134 121623 121624 120941 121625 118139 121626 121627 121628 121629 119943	
LGE-16	FGD Enhancement	TC-1		121684	TC2 AQCS including: SCR Dry ESP Pulverized Activated Carbon Injection Hydrated Lime Injection Fabric Filter Bag House Wet FGD Wet ESP
LGE-18	TC2 AQCS	TC-2			
LGE-19	Sorbent Injection	MC-3 MC-4		122660 122659	MC3 SO3 Mitigation MC4 SO3 Mitigation

# Louisville Gas and Electric Company KPSC Approved ECR Projects

## Capital Projects

ECR Project Number	Control Facility	Plant/Unit	T-Sheet Number	AIP Project Number	Project Description
LGE-20	Mercury Monitors	TC-1		122280	TC1 SO3 Mitigation
		All coal units	GS-06-003	121176	CEMS Data Logger Upgrade
		All coal units	GS-06-009	121955	CEMS Stack Vision/EDR Upgrade
LGE-21	Particulate Monitors	All coal units	GS-06-010	122656	CEMS Mercury Monitoring
		MC-1		115814	MC1 Particulate Monitors
		MC-2	GS-05-001b	115815	MC2 Particulate Monitors
		MC-3	GS-05-002	115816	MC3 Particulate Monitors
		MC-4	GS-05-003	115817	MC4 Particulate Monitors

# Louisville Gas and Electric Company KPSC Approved ECR Projects

## Operation and Maintenance

ECR Project Number	Control Facility	Plant/Unit	Incremental to Amount included in Base Rates	O&M Expense Account	Project Description
<u>2001 Plan</u>	LGE-6	SCR and NOx Control Equipment	No	506104	NOx Operation -- Consumables
		Mill Creek 3 & 4	No	506105	NOx Operation -- Labor and Other
		Mill Creek 3 & 4	No	512101	NOx Maintenance
		Trimble County 1	No	506104	NOx Operation -- Consumables
		Trimble County 1	No	506105	NOx Operation -- Labor and Other
		Trimble County 1	No	512101	NOx Maintenance
<u>2003 Plan</u>	No O&M Recovery				
<u>2005 Plan</u>	LGE-11	Landfill	No	MCASHECR	Ash Pond Dredging
	LGE-16	FGD Enhancement	Yes	502006 512005	Scrubber Operations Scrubber Maintenance
	LGE-17	SO2 Emission Allowances	No		SO2 Emission Allowance expense from Coal Units only
<u>2006 Plan</u>	LGE-19	Sorbent Injection	No	506109	Sorbent Injection Operation
		Mill Creek 3 & 4	No	512102	Sorbent Injection Maintenance
		Trimble County 1	No	506109	Sorbent Injection Operation

LGE-20	Mercury Monitors	Trimble County 1	No	512102	Sorbent Injection Maintenance
		Cane Run Station	No	506110	Mercury Monitors Operation
		Cane Run Station	No	512103	Mercury Monitors Maintenance
		Mill Creek Station	No	506110	Mercury Monitors Operation
		Mill Creek Station	No	512103	Mercury Monitors Maintenance
		Trimble County 1	No	506110	Mercury Monitors Operation
		Trimble County 1	No	512103	Mercury Monitors Maintenance

# Kentucky Utilities Company KPSC Approved ECR Projects

## Capital Projects

ECR Project Number	Control Facility	Plant/Unit	T-Sheet Number	AIP Project Number	Project Description
<u>2001 Plan</u>					
KU-16	Advanced Low NOx Burners	GH-2		23037	Ghent 2 low NOx burners
		GH-4		24756	Ghent 4 low burners
KU-17	SCR and NOx Control Equipment	Various		107198	NOx Control and SCRs for GH 1, GH 3, and GH 4
		GH-1		120611	GH1 Catalyst Replacement
		GH-3		121593	GH3 Catalyst Replacement
		GH-4		121594	GH4 Catalyst Replacement
<u>2003 Plan</u>					
KU-18	Ash Pond Dike Elevation	Ghent		110450	Ghent Ash Pond Phase 2
<u>2005 Plan</u>					
KU-19	Ash Handling Equipment	Ghent	GH-05-056	120609	GH1 Ash Pipe Replacement
				121598	GH2 Ash Pipe Replacement
				121596	GH3 Ash Pipe Replacement
				121597	GH4 Ash Pipe Replacement
			GH-05-078	121599	GH Ash Booster Pumps
KU-20	Ash Treatment Basin (Phase I)	Brown	BR-05-001	119961	BR Ash Pond Exp Engineering 05-07 (ECR)
			BR-08-001	119961	BR Ash Pond Expansion 08 (ECR)
KU-21	FGDs	GH-1		119962	GH 2 FGD
		GH-3		118251	GH 3 FGD
		GH-4		120208	GH 4 FGD
		Ghent		120209	Ghent Station Common FGD equipment
		Brown		120210	BR FGD
		all		119659	FGD Common
<u>2006 Plan</u>					
KU-23	TC2 AQCS	TC-2		121685	TC2 AQCS including: SCR Dry ESP

# Kentucky Utilities Company KPSC Approved ECR Projects

## Capital Projects

ECR Project Number	Control Facility	Plant/Unit	T-Sheet Number	AIP Project Number	Project Description
KU-24	Sorbent Injection	GH-1 GH-3 GH-4	GH-06-017	122279	Pulverized Activated Carbon Injection
					Hydrated Lime Injection
					Fabric Filter Bag House
					Wet FGD
					Wet ESP
KU-25	Mercury Monitors	All coal units	GS-06-003 GS-06-009 GS-06-010	121194 121954 122657	CEMS Data Logger Upgrade
					CEMS Stack Vision/EDR Upgrade
					CEMS Mercury Monitoring
KU-26	PROJECT REMOVED FROM ECR RECOVERY	BR3	BR-06-048	120404	BR3 ESP Interlock Repl 06 (ECR)
					BR1 Precip Inlet Duct Repl 07 (ECR)
					BR2 Precipitator Plt Repl 07 (ECR)
					BR3 Precip Outlet Duct Repl 08 (ECR)
KU-27	Electrostatic Precipitators	BR1 BR2 BR3	BR-06-017 BR-05-023 BR-06-023	122658	

# Kentucky Utilities Company KPSC Approved ECR Projects

## Operation and Maintenance

ECR Project Number	Control Facility	Plant/Unit	Incremental to Amount included in Base Rates	O&M Expense Account	Project Description
<u>2001 Plan</u>					
KU-17	SCR and NOx Control Equipment	Ghent 1, 3, 4 Ghent 1, 3, 4 Ghent 1, 3, 4	No No No	506104 506105 512101	NOx Operation -- Consumables NOx Operation -- Labor and Other NOx Maintenance
<u>2003 Plan</u>	No O&M Recovery				
<u>2005 Plan</u>					
KU-21	FGDs	Ghent 2, 3, 4 Ghent 2, 3, 4 E. W. Brown E. W. Brown	No No No No	502006 512005 502006 512005	Scrubber Operations Scrubber Maintenance Scrubber Operations Scrubber Maintenance
KU-22	SO2 Emission Allowances	All coal units	Yes		SO2 Emission Allowance expense from Coal Units only
<u>2006 Plan</u>					
KU-24	Sorbent Injection	Ghent 1, 3, 4 Ghent 1, 3, 4	No No	506109 512102	Sorbent Injection Operation Sorbent Injection Maintenance
KU-25	Mercury Monitors	Ghent Station Ghent Station EW Brown Station EW Brown Station Gr River Station	No No No No No	506110 512103 506110 512103 506110	Mercury Monitors Operation Mercury Monitors Maintenance Mercury Monitors Operation Mercury Monitors Maintenance Mercury Monitors Operation

# Kentucky Utilities Company KPSC Approved ECR Projects

## Operation and Maintenance

ECR Project Number	Control Facility	Plant/Unit	Incremental to Amount included in Base Rates	O&M Expense Account	Project Description
		Gr River Station	No	512103	Mercury Monitors Maintenance
		Tyrone Station	No	506110	Mercury Monitors Operation
		Tyrone Station	No	512103	Mercury Monitors Maintenance
KUJ-26	PROJECT REMOVED FROM ECR RECOVERY				-

**APPENDIX IV**  
**LG&E Monthly Filing Forms**

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

**Calculation of Monthly Billed Environmental Surcharge Factor - MESF  
For the Expense Month of April 2007**

$$\text{MESF} = \text{CESF} - \text{BESF}$$

Where:

CESF = Current Period Jurisdictional Environmental Surcharge Factor

BESF = Base Period Jurisdictional Environmental Surcharge Factor

Calculation of MESF:

CESF, from ES Form 1.10	=	5.63%
BESF, from Case No. 2006-00130	=	3.39%
MESF	=	2.24%

Effective Date for Billing: June Billing Cycle beginning June 4, 2007

Submitted by: \_\_\_\_\_

Title: Manager, Rates

Date Submitted: May 25, 2007

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

Calculation of Total E(m) and  
Jurisdictional Surcharge Billing Factor

For the Expense Month of April 2007

**Calculation of Total E(m)**

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

		Environmental Compliance Plans	
RB	= \$		220,919,210
RB / 12	=		18,409,934
$(ROR + (ROR - DR) (TR / (1 - TR)))$	=		11.23%
OE	=		890,215
BAS	=		-
E(m)	= \$		2,957,651

**Calculation of Jurisdictional Environmental Surcharge Billing Factor**

Jurisdictional Allocation Ratio for Expense Month	=	82.96%
Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	= \$	2,453,667
Adjustment for Monthly True-up (from Form 2.00)	=	307,270
Adjustment for Under-collection, Case No. 2006-00130	=	576,005
Prior Period Adjustment (if necessary)	=	
Net Jurisdictional E(m) = Jurisdictional E(m) minus Adjustment for Monthly True-up plus/minus Prior Period Adjustment	= \$	3,336,942
Jurisdictional R(m) = Average Monthly Jurisdictional Revenue for the 12 Months Ending with the Current Expense Month	= \$	59,240,731
Jurisdictional Environmental Surcharge Billing Factor: Net Jurisdictional E(m) / Jurisdictional R(m) ; as a % of Revenue	=	5.63%

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Revenue Requirements of Environmental Compliance Costs  
For the Expense Month of April 2007

**Determination of Environmental Compliance Rate Base**

	Environmental Compliance Plan	
Eligible Pollution Control Plant	\$	236,131,070
Eligible Pollution CWIP Excluding AFUDC		7,446,899
Subtotal		\$ 243,577,969
Additions:		
Inventory - Emission Allowances per ES Form 2.31, 2.32 and 2.33		-
Cash Working Capital Allowance		326,517
Deferred Debit Balance -- Mill Creek Ash Dredging		2,520,343
Subtotal		2,846,860
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant		16,725,792
Pollution Control Deferred Income Taxes		8,779,827
Subtotal		25,505,619
Environmental Compliance Rate Base	\$	220,919,210

**Determination of Pollution Control Operating Expenses**

	Environmental Compliance Plan	
Monthly Operations & Maintenance Expense	\$	194,681
Monthly Depreciation & Amortization Expense		597,513
Monthly Property and Other Applicable Taxes		28,011
Monthly Insurance Expense		-
Monthly Emission Allowance Expense from ES Form 2.31, 2.32 and 2.33		-
Monthly Permitting Fees		-
Amortization of Monthly Mill Creek Ash Dredging		70,010
Less : Operating Expenses Associated with Retirements or Replacements Occuring Since Last Roll-In of Surcharge into Existing Rates		
Total Pollution Control Operations Expense	\$	890,215

**Proceeds From By-Product and Allowance Sales**

	Total Proceeds	
Allowance Sales	\$	-
Scrubber By-Products Sales		-
Total Proceeds from Sales	\$	-

**True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences**

A. MESF for two months prior to Expense Month	0.83%
B. Net Jurisdictional E(m) for two months prior to Expense Month	2,460,710
C. Environmental Surcharge Revenue, current month (from ES Form 3.00)	444,925
D. Retail E(m) recovered through base rates (Base Revenues, ES Form 3.00 times 3.39%)	1,708,515
E. Over/(Under) Recovery due to Timing Differences ((D + C) - B)	(307,270)
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

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

For the Month Ended: April 30, 2007

(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 4/30/2007	(7) Monthly Depreciation Expense	(8) Monthly Property Tax Expense
<b>2001 Plan:</b>							
Project 6 - LGE NOx	\$ 191,016,859	\$ 18,421,278	\$ 1,653,540	\$ 174,249,121	\$ 8,739,243	\$ 445,742	\$ 21,829
Subtotal	191,016,859	18,421,278	1,653,540	174,249,121	8,739,243	445,742	21,829
Less Retirements and Replacement resulting from implementation of 2001 Plan	(5,850,967)	(2,914,284)	-	(2,936,683)	(1,053,265)	(13,202)	(339)
<b>Net Total - 2001 Plan:</b>	<b>\$ 185,165,893</b>	<b>\$ 15,506,994</b>	<b>\$ 1,653,540</b>	<b>\$ 171,312,438</b>	<b>\$ 7,685,978</b>	<b>\$ 432,540</b>	<b>\$ 21,490</b>
<b>2003 Plan:</b>							
Project 7 - Mill Creek FGD Scrubber Conversion	30,861,686	5,155,610	-	25,706,076	671,475	115,079	3,271
Project 8 - Precipitator Upgrades - All Plants	11,929,133	1,424,520	-	10,504,613	718,855	28,278	1,327
Project 9 - Clearwell Water System - Mill Creek	1,197,310	249,609	-	947,701	23,364	5,368	121
Project 10 - SO <sub>2</sub> Absorber Trays - Mill Creek 3 & 4	2,734,621	808,170	-	1,926,451	75,908	11,303	246
Subtotal	46,722,750	7,637,909	-	39,084,841	1,489,602	160,028	4,965
Less Retirements and Replacement resulting from implementation of 2003 Plan	(7,839,520)	(6,665,433)	-	(1,174,087)	(796,041)	(27,126)	(387)
<b>Net Total - 2003 Plan:</b>	<b>\$ 38,883,230</b>	<b>\$ 972,476</b>	<b>\$ -</b>	<b>\$ 37,910,754</b>	<b>\$ 693,561</b>	<b>\$ 132,902</b>	<b>\$ 4,578</b>
<b>2005 Plan:</b>							
Project 11 - Special Waste Landfill Expansion at Mill Creek	2,282,981	112,857	716,899	2,887,023	74,319	5,568	364
Project 12 - Special Waste Landfill Expansion at Cane Run Station	2,523,293	24,569	110,127	2,408,851	46,650	5,460	300
Project 13 - Scrubber Refurbishment at Trimble County Unit 1	-	-	9,437	284,552	11,228	513	35
Project 14 - Scrubber Refurbishment at Cane Run Unit 6	282,134	7,019	-	289,153	-	-	-
Project 15 - Scrubber Refurbishment at Cane Run Unit 5	7,361,078	295,817	-	7,065,261	300,506	21,286	894
Project 16 - Scrubber Improvements at Trimble County Unit 1	-	-	836,463	12,645,687	432,683	32,826	1,593
Subtotal	12,249,487	440,262	836,463	12,645,687	432,683	32,826	1,593
Less Retirements and Replacement resulting from implementation of 2005 Plan	(650,890)	(211,397)	-	(439,494)	(56,653)	(1,840)	(55)
<b>Net Total - 2005 Plan:</b>	<b>\$ 11,598,597</b>	<b>\$ 228,865</b>	<b>\$ 836,463</b>	<b>\$ 12,206,193</b>	<b>\$ 376,030</b>	<b>\$ 30,986</b>	<b>\$ 1,538</b>

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

For the Month Ended: April 30, 2007

(1) Description	(2) Eligible Plant In Service	(3) Eligible Accumulated Depreciation	(4) CWIP Amount Excluding AFUDC	(5) Eligible Net Plant In Service  (2)-(3)+(4)	(6) Deferred Tax Balance as of 4/30/2007	(7) Monthly Depreciation Expense	(8) Monthly Property Tax Expense
<b>2006 Plan:</b>							
Project 18 - TC2 AOCs Equipment	-	-	4,834,353	4,834,353	-	-	342
Project 19 - Sorbent Injection	-	-	32,548	32,548	-	-	4
Project 20 - Mercury Monitors	86,203	906	89,995	175,292	1,836	201	11
Project 21 - Mill Creek Opacity and Particulate Monitors	397,148	16,550	-	380,598	22,423	884	48
Subtotal	483,350	17,456	4,956,896	5,422,791	24,259	1,085	405
Less Retirements and Replacement resulting from implementation of 2006 Plan	-	-	-	-	-	-	-
<b>Net Total - 2006 Plan:</b>	<b>\$ 483,350</b>	<b>\$ 17,456</b>	<b>\$ 4,956,896</b>	<b>\$ 5,422,791</b>	<b>\$ 24,259</b>	<b>\$ 1,085</b>	<b>\$ 405</b>
<b>Net Total - All Plans:</b>	<b>\$ 236,131,070</b>	<b>\$ 16,723,792</b>	<b>\$ 7,446,899</b>	<b>\$ 226,852,176</b>	<b>\$ 8,779,827</b>	<b>\$ 597,513</b>	<b>\$ 28,011</b>

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

For the Month Ended: April 30, 2007

Vintage Year	Number of Allowances		Total Dollar Value Of Vintage Year		Comments and Explanations	
	SO <sub>2</sub>	NOx Annual	SO <sub>2</sub>	NOx Annual	NOx Ozone Season	
Current Year	163,289	-	\$ 14,016.28	\$ -	\$ -	
2007	64,864					
2008	64,864					
2009	64,864					
2010	62,379					
2011	62,379					
2012	62,379					
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 - 2034	623,790					

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 (SO<sub>2</sub>) - Current Vintage Year

For the Expense Month of April 2007

	Beginning Inventory	Allocations/Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
<b>TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS</b>							
Quantity	166,192	0	2,903	0	0	163,289	
Dollars	\$ 14,278	\$ -	\$ 261	\$ -	\$ -	\$ 14,016	
\$/Allowance	\$ 0.09	\$ -	\$ 0.09	\$ -	\$ -	\$ 0.09	
<b>ALLOCATED ALLOWANCES FROM EPA: COAL FUEL</b>							
Quantity	157,968	0	2,890	0	0	155,078	
Dollars	\$ 13,537	\$ -	\$ 260	\$ -	\$ -	\$ 13,277	
<b>ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS</b>							
Quantity	8,224	0	13	0	0	8,211	Includes non-jurisdictional portion of Trimble Co Unit 1
Dollars	\$ 740	\$ -	\$ 1.17	\$ -	\$ -	\$ 739	
<b>ALLOWANCES FROM PURCHASES:</b>							
From Market:							
Quantity	0	0				0	
Dollars	\$ -	\$ -				\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
From LG&E							
Quantity	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) - Ozone Season Allowance Allocation

For the Expense Month of April 2007

	Beginning Inventory	Allocations/Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
<b>TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS</b>							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOCATED ALLOWANCES FROM EPA: COAL FUEL</b>							
Quantity	-	-	-	-	-	-	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS</b>							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOWANCES FROM PURCHASES:</b>							
From Market:							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
From LG&E:							
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 April 2007

	Beginning Inventory	Allocations/Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
<b>TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS</b>							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOCATED ALLOWANCES FROM EPA: COAL FUEL</b>							
Quantity	-	-	-	-	-	-	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS</b>							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOWANCES FROM PURCHASES:</b>							
From Market:							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
From LG&E:							
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**  
**O&M Expenses and Determination of Cash Working Capital Allowance**

For the Month Ended: April 30, 2007

Environmental Compliance Plan	
O&M Expenses	Amount
11th Previous Month	\$ 264,880
10th Previous Month	307,983
9th Previous Month	316,341
8th Previous Month	370,587
7th Previous Month	242,524
6th Previous Month	168,518
5th Previous Month	148,169
4th Previous Month	185,127
3rd Previous Month	73,177
2nd Previous Month	129,073
Previous Month	141,068
Current Month	264,691
<b>Total 12 Month O&amp;M</b>	<b>\$ 2,612,137</b>

Determination of Working Capital Allowance	
12 Months O&M Expenses	\$ 2,612,137
One Eighth (1/8) of 12 Month O&M Expenses	1/8
<b>Pollution Control Cash Working Capital Allowance</b>	<b>\$ 326,517</b>

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

Pollution Control - Operations & Maintenance Expenses  
For the Month Ended: April 30, 2007

O&M Expense Account	Cane Run	Mill Creek	Trimble County	Total
<b>2001 Plan</b>				
506104 - NOx Operation -- Consumables		64,007	-	\$ 64,007
506105 - NOx Operation -- Labor and Other		2,930	3,573	6,503
512101 - NOx Maintenance		66,098	8,040	74,137
Total 2001 Plan O&M Expenses		\$ 133,034	\$ 11,613	\$ 144,647
<b>2005 Plan</b>				
502006-Scrubber Operations			23,784	23,784
512005-Scrubber Maintenance			-	-
Ashpond Dredging Expense		70,010		70,010
Total 2005 Plan O&M Expenses		\$ 70,010	\$ 23,784	\$ 93,794
<b>2006 Plan</b>				
506109 - Sorbent Injection Operation			26,250	26,250
512102 - Sorbent Injection Maintenance			-	-
506110 - Mercury Monitors Operation			-	-
512103 - Mercury Monitors Maintenance			-	-
Total 2006 Plan O&M Expenses		\$ -	\$ 26,250	\$ 26,250
<b>Current Month O&amp;M Expense for All Plans</b>	\$ -	\$ 203,043	\$ 61,647	\$ 264,691

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
 Monthly Average Revenue Computation of R (m)

For the Month Ended: April 30, 2007

(1) Month	Kentucky Jurisdictional Revenues							Non-Jurisdictional Revenues		Total Company Revenues	
	(2) Base Rate Revenues	(3) Fuel Clause Revenues	(4) DSM Revenues	(5) STOD Program Cost Recovery Factor Revenues	(6) Environmental Surcharge Revenues	(7) Total (2)+(3)+(4)+(5)+(6)	(8) Total Excluding Environmental Surcharge (7)-(6)	(9) Total Including Off-System Sales (See Note 1)	(10) Total (7)+(9)	(11) Total Excluding Environmental Surcharge (10)-(6)	
May-06	47,175,140	3,221,381			1,674,717	52,071,237	\$ 50,396,520	\$ 19,312,232	\$ 71,383,469	\$ 69,708,752	
Jun-06	59,639,883	2,884,382			1,480,155	64,004,420	62,524,265	14,788,987	78,773,417	77,283,262	
Jul-06	68,089,894	2,637,115			618,329	71,345,338	70,727,008	18,806,828	90,152,167	89,553,698	
Aug-06	72,912,673	3,495,721			864,840	77,274,233	76,409,383	13,514,980	80,789,183	80,924,353	
Sep-06	64,681,555	2,711,585			549,246	67,942,387	67,383,141	13,321,587	81,283,974	80,714,728	
Oct-06	48,371,949	4,668,054			443,486	53,483,489	53,040,003	20,548,020	74,031,509	73,588,023	
Nov-06	47,114,516	2,673,058			595,728	50,383,302	49,787,574	17,222,282	82,005,318	81,409,590	
Dec-06	51,504,515	4,469,905	292,041	27,660	806,646	57,100,767	56,294,121	23,483,840	81,068,928	80,533,881	
Jan-07	55,177,489	1,538,620	304,402	29,330	555,247	57,605,088	57,049,841	18,812,828	77,728,964	78,890,984	
Feb-07	55,262,543	2,470,971	316,631	28,210	835,980	58,814,338	58,078,356	15,373,804	71,798,298	70,989,715	
Mar-07	52,278,199	3,005,039	275,289	27,384	835,584	58,422,485	55,585,811	11,007,888	65,055,244	64,610,318	
Apr-07	50,398,686	2,903,957	271,596	28,394	444,975	54,047,558	53,602,633				
<b>Average Monthly Jurisdictional Revenues, Excluding Environmental Surcharge, for 12 Months Ending Current Expense Month.</b>							<b>\$ 58,240,731</b>				

**Jurisdictional Allocation Percentage for Current Month (Environmental Surcharge Excluded from Calculations):**  
 Expense Month Kentucky Jurisdictional Revenues Divided by Expense Month Total Company Revenues: Column (8) / Column (11) = **82.96%**

**Note 1 - Excludes Brokered Sales, Total for Current Month = \$ (331,28)**

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

Reconciliation of Reported Revenues

For the Month Ended: April 30, 2007

	Revenues per Form 3.00	Revenues per Income Statement
<b>Kentucky Retail Revenues</b>		
Base Rates (Customer Charge, Energy Charge, Demand Charge)	\$ 50,398,685.54	\$ 50,398,685.54
Fuel Adjustment Clause	2,903,957.27	2,903,957.27
DSM	271,595.51	271,595.51
STOD Program Cost Recovery Factor	28,394.16	28,394.16
Environmental Surcharge	444,925.11	444,925.11
Total Kentucky Jurisdictional Revenues for Environmental Surcharge Purposes =	\$ 54,047,557.59	
<b>Non -Jurisdictional Revenues</b>		
InterSystem ( Total Less Transmission Portion Booked in Account 447)	11,007,686.09	11,007,686.09
Total Non-Jurisdictional Revenues for Environmental Surcharge Purposes =	\$ 11,007,686.09	
Total Company Revenues for Environmental Surcharge Purposes =	\$ 65,055,243.68	
<b>Reconciling Revenues</b>		
Brokered	(331.28)	(331.28)
InterSystem ( Transmission Portion Booked in Account 447)		2,369,416.00
Unbilled		(1,056,272.55)
Merger Surcredit		(115,178.79)
Merger Surcredit - Non Jurisdictional		(498,187.85)
Value Delivery Surcredit		651,606.92
Miscellaneous		\$ 66,406,296.13
Total Company Revenues per Income Statement =		

**APPENDIX V**  
**KU Monthly Filing Forms**

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

**Calculation of Monthly Billed Environmental Surcharge Factor - MESF  
For the Expense Month of April 2007**

$$\text{MESF} = \text{CESF} - \text{BESF}$$

Where:

CESF = Current Period Jurisdictional Environmental Surcharge Factor  
BESF = Base Period Jurisdictional Environmental Surcharge Factor

Calculation of MESF:

CESF, from ES Form 1.10	=	7.51%
BESF, from Case No. 2006-00129	=	3.11%
MESF	=	4.40%

Effective Date for Billing: June billing cycle beginning June 4,2007

Submitted by: \_\_\_\_\_

Title: Manager, Rates

Date Submitted: May 25, 2007

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

*Calculation of Total E(m) and  
Jurisdictional Surcharge Billing Factor*

For the Expense Month of April 2007

**Calculation of Total E(m)**

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

		Environmental Compliance Plans	
RB	= \$		550,916,628
RB / 12	=		45,909,719
$(ROR + (ROR - DR) (TR / (1 - TR)))$	=		11.52%
OE	=		770,850
BAS	=		-
E(m)	= \$		6,059,650

**Calculation of Jurisdictional Environmental Surcharge Billing Factor**

Jurisdictional Allocation Ratio for Expense Month	=		85.81%
Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	= \$		5,199,786
Adjustment for Monthly True-up (from Form 2.00)	=		369,439
Recovery of OMU NOx Expenditures (Case No. 2003-00434-Settlement Agreement, Section 3.19, pg. 13)	=		83,333
Prior Period Adjustment (if necessary)	=		
Recovery of under-collected ECR revenues, Case No. 2006-00129	=		399,374
Net Jurisdictional E(m) = Jurisdictional E(m) minus Adjustment for Monthly True-up plus/minus Prior Period Adjustment	= \$		6,051,932
Jurisdictional R(m) = Average Monthly Jurisdictional Revenue for the 12 Months Ending with the Current Expense Month	= \$		80,637,289
Jurisdictional Environmental Surcharge Billing Factor: Net Jurisdictional E(m) / Jurisdictional R(m); as a % of Revenue	=		7.51%

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Revenue Requirements of Environmental Compliance Costs  
For the Expense Month of April 2007

**Determination of Environmental Compliance Rate Base**

	Environmental Compliance Plan	
Eligible Pollution Control Plant	\$ 240,437,831	
Eligible Pollution CWIP Excluding AFUDC	357,967,992	
Subtotal		\$ 598,405,823
Additions:		
Inventory - Limestone		
Less: Limestone Inventory in base rates		
Inventory - Emission Allowances per ES Form 2.31, 2.32 and 2.33	1,133,393	
Less: Allowance Inventory Baseline	69,415	
Net Emission Allowance Inventory	1,063,978	
Cash Working Capital Allowance	171,305	
Subtotal		1,235,283
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	17,778,339	
Pollution Control Deferred Income Taxes	30,946,139	
Subtotal		48,724,478
Environmental Compliance Rate Base		\$ 550,916,628

**Determination of Pollution Control Operating Expenses**

	Environmental Compliance Plan
Monthly Operations & Maintenance Expense	\$ 131,151
Monthly Depreciation & Amortization Expense	495,449
Monthly Taxes Other Than Income Taxes	53,478
Monthly Insurance Expense	-
Monthly Emission Allowance Expense from ES Form 2.31, 2.32 and 2.33	95,634
Less Monthly Emission Allowance Expense in base rates (1/12 of \$58,345.76)	4,862
Net Recoverable Emission Allowance Expense	90,772
Monthly Surcharge Consultant Fee	-
Total Pollution Control Operations Expense	\$ 770,850

**Proceeds From By-Product and Allowance Sales**

	Total Proceeds
Allowance Sales	\$ -
Scrubber By-Products Sales	-
Total Proceeds from Sales	\$ -

**True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences**

A. MESF for two months prior to Expense Month	1.80%
B. Net Jurisdictional E(m) for two months prior to Expense Month	3,877,344
C. Environmental Surcharge Revenue, current month (from ES Form 3.00)	1,389,996
D. Retail E(m) recovered through base rates (Base Revenues, ES Form 3.00 times 3.11%)	2,117,909
E. Over/(Under) Recovery due to Timing Differences ((D + C) - B)	(369,439)
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Plant, CWIP & Depreciation Expense

For the Month Ended: April 30, 2007

(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 4/30/2007	(7) Monthly Depreciation Expense	(8) Monthly Property Tax Expense
				(2)-(3)+(4)			
<b>2001 Plan:</b>							
Project 16 - KU Nox modifications	\$ 9,775,541	\$ 1,020,958	\$ -	\$ 8,754,583	\$ 910,068	\$ 16,203	\$ 1,102
Project 17 - KU Nox SCR's	216,964,277	16,624,298	-	200,339,979	28,115,778	456,301	25,271
Subtotal	226,739,818	17,645,256	-	209,094,562	29,025,846	472,504	26,373
Less Retirements and Replacement resulting from implementation of 2001 Plan	(2,720,546)	(961,856)	-	(1,758,690)	(224,168)	(6,741)	(220)
<b>Net Total - 2001 Plan:</b>	<b>\$ 224,019,272</b>	<b>\$ 16,683,400</b>	<b>\$ -</b>	<b>\$ 207,335,872</b>	<b>\$ 28,801,678</b>	<b>\$ 465,762</b>	<b>\$ 26,153</b>
<b>2003 Plan:</b>							
Project 18 - Ghent Ash Pond Dike Elevation	16,148,295	1,177,211	-	14,971,084	2,154,971	29,067	1,886
Subtotal	16,148,295	1,177,211	-	14,971,084	2,154,971	29,067	1,886
Less Retirements and Replacement resulting from implementation of 2003 Plan	-	-	-	-	-	-	-
<b>Net Total - 2003 Plan:</b>	<b>\$ 16,148,295</b>	<b>\$ 1,177,211</b>	<b>\$ -</b>	<b>\$ 14,971,084</b>	<b>\$ 2,154,971</b>	<b>\$ 29,067</b>	<b>\$ 1,886</b>
<b>2005 Plan:</b>							
Project 19 - Ash Handling at Ghent 1 and Ghent Station	398,915	8,976	-	389,939	14,905	718	49
Project 20 - Ash Treatment Basin Expansion at E. W. Brown Station	-	-	15,572,263	15,572,263	-	-	1,116
Project 21 - FGD's at all E. W. Brown Units and at Ghent 1, 3, and 4	-	-	320,838,127	320,838,127	-	-	22,803
Subtotal	398,915	8,976	336,410,390	336,800,329	14,905	718	23,968
Less Retirements and Replacement resulting from implementation of 2005 Plan	(292,425)	(81,733)	-	(210,692)	(28,433)	(526)	(26)
<b>Net Total - 2005 Plan:</b>	<b>\$ 106,490</b>	<b>\$ (72,757)</b>	<b>\$ 336,410,390</b>	<b>\$ 336,589,637</b>	<b>\$ (13,528)</b>	<b>\$ 192</b>	<b>\$ 23,942</b>

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Plant, CWIP & Depreciation Expense

For the Month Ended: April 30, 2007

(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 4/30/2007	(7) Monthly Depreciation Expense	(8) Monthly Property Tax Expense
				(2)-(3)+(4)			
<b>2006 Plan:</b>							
Project 23 - TC2 AQCS Equipment	-	-	20,574,173	20,574,173	-	-	1,458
Project 24 - Sorbent Injection	-	-	37,451	37,451	-	-	4
Project 25 - Mercury Monitors	149,749	1,722	31,394	179,421	3,448	383	19
Project 26 - Ghent 2 SCR	-	-	914,584	914,584	-	-	29
Project 27 - E. W. Brown Electrostatic Precipitators	46,715	1,598	-	45,117	1,844	152	6
Subtotal	196,464	3,320	21,557,602	21,750,746	5,292	535	1,516
Less Retirements and Replacement resulting from implementation of 2006 Plan	(32,691)	(12,835)	-	(19,856)	(2,274)	(107)	(19)
<b>Net Total - 2006 Plan:</b>	<b>\$ 163,773</b>	<b>\$ (9,515)</b>	<b>\$ 21,557,602</b>	<b>\$ 21,730,890</b>	<b>\$ 3,018</b>	<b>\$ 428</b>	<b>\$ 1,497</b>
<b>Net Total - All Plans:</b>	<b>\$ 240,437,831</b>	<b>\$ 17,778,339</b>	<b>\$ 357,967,992</b>	<b>\$ 580,627,483</b>	<b>\$ 30,946,139</b>	<b>\$ 495,449</b>	<b>\$ 53,478</b>

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
 Inventory of Emission Allowances

For the Month Ended: April 30, 2007

Vintage Year	Number of Allowances		Total Dollar Value Of Vintage Year		Comments and Explanations
	SO <sub>2</sub>	NOx Annual	SO <sub>2</sub>	NOx Annual	
Current Year	89,730	-	\$ 1,134,949.48	\$ -	
2007	83,343				
2008	83,343				
2009	83,343				
2010	77,535				
2011	77,535				
2012	77,535				
2013	77,535				
2014	77,535				
2015	77,535				
2016	77,535				
2017	77,535				
2018	77,535				
2019	77,535				
2020	77,535				
2021	77,535				
2022	77,535				
2023	77,535				
2024	77,535				
2025	77,535				
2026 - 2034	775,350				

In the "Comments and Explanaton" 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.

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
 Inventory of Emission Allowances (SO<sub>2</sub>) - Current Vintage Year

For the Expense Month of April 2007

	Beginning Inventory	Allocations/Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
<b>TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS</b>							
Quantity	97,291	0	7,560	1	0	89,730	
Dollars	\$ 1,230,596	\$ -	\$ 95,634	\$ 13	\$ -	\$ 1,134,949	
\$/Allowance	\$ 12.65	\$ -	\$ 12.65	\$ 12.65	\$ -	\$ 12.65	
<b>ALLOCATED ALLOWANCES FROM EPA: COAL FUEL</b>							
Quantity	97,167	-	7,560	-	-	89,607	
Dollars	\$ 1,229,027	\$ 0	\$ 95,634	\$ -	\$ -	\$ 1,133,393	
<b>ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS</b>							
Quantity	124	0	0	1	0	123	
Dollars	\$ 1,569	\$ (0)	\$ -	\$ 13	\$ -	\$ 1,557	
<b>ALLOWANCES FROM PURCHASES:</b>							
From Market:							
Quantity	0	0				0	
Dollars	\$ -	\$ -				\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
From LG&E							
Quantity	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

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
 Inventory of Emission Allowances (NOx) - Ozone Season Allowance Allocation

For the Expense Month of April 2007

	Beginning Inventory	Allocations/Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
<b>TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS</b>							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOCATED ALLOWANCES FROM EPA: COAL FUEL</b>							
Quantity	-	-	-	-	-	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS</b>							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOWANCES FROM PURCHASES:</b>							
From Market:							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
From LG&E:							
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.

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
 Inventory of Emission Allowances (NOx) - Annual Allowance Allocation

For the Expense Month of April 2007

	Beginning Inventory	Allocations/Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
<b>TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS</b>							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOCATED ALLOWANCES FROM EPA: COAL FUEL</b>							
Quantity	-	-	-	-	-	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS</b>							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOWANCES FROM PURCHASES:</b>							
From Market:							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
From LG&E:							
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.

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
**O&M Expenses and Determination of Cash Working Capital Allowance**

For the Month Ended: April 30, 2007

Environmental Compliance Plan	
O&M Expenses	Amount
11th Previous Month	\$ 193,745
10th Previous Month	183,156
9th Previous Month	91,117
8th Previous Month	305,122
7th Previous Month	63,046
6th Previous Month	165,000
5th Previous Month	3,174
4th Previous Month	182,825
3rd Previous Month	2,505
2nd Previous Month	5,975
Previous Month	43,620
Current Month	131,151
<b>Total 12 Month O&amp;M</b>	<b>\$ 1,370,436</b>

Determination of Working Capital Allowance	
12 Months O&M Expenses	\$ 1,370,436
One Eighth (1/8) of 12 Month O&M Expenses	1/8
<b>Pollution Control Cash Working Capital Allowance</b>	<b>\$ 171,305</b>

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

Pollution Control - Operations & Maintenance Expenses  
For the Month Ended: April 30, 2007

O&M Expense Account	E. W. Brown	Ghent	Green River	Tyrone	Total
2001 Plan					
506104 - NOx Operation -- Consumables		94,611			\$ 94,611
506105 - NOx Operation -- Labor and Other		-			-
512101 - NOx Maintenance		35,774			35,774
Total 2001 Plan O&M Expenses		\$ 130,385			\$ 130,385
2005 Plan					
502006 - Scrubber Operations		-			-
512005 - Scrubber Maintenance		-			-
Total 2005 Plan O&M Expenses		\$ -			\$ -
2006 Plan					
506104 - NOx Operation -- Consumables		-			-
506105 - NOx Operation -- Labor and Other		-			-
512101 - NOx Maintenance		-			-
506109 - Sorbent Injection Operation		766			766
512102 - Sorbent Injection Maintenance		-			-
506110 - Mercury Monitors Operation		-			-
512103 - Mercury Monitors Maintenance		-			-
Total 2006 Plan O&M Expenses		\$ 766			\$ 766
Current Month O&M Expense for All Plans		\$ 131,151			\$ 131,151

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
 Monthly Average Revenue Computation of R (m)

For the Month Ended: April 30, 2007

(1) Month	Kentucky Jurisdictional Revenues							Non-Jurisdictional Revenues		Total Company Revenues	
	(2) Base Rate Revenues	(3) Fuel Clause Revenues	(4) DSM Revenues	(5) STOD Program Cost Recovery Factor Revenues	(6) Environmental Surcharge Revenues	(7) Total (2)+(3)+(4)+(5)+(6)	(8) Total Excluding Environmental Surcharge (7)-(6)	(9) Total Including Off-System Sales (See Note 1)	(10) Total (7)+(9)	(11) Total Excluding Environmental Surcharge (10)-(6)	
May-06	\$ 58,862,169	\$ 9,372,097			\$ 2,154,869	\$ 70,389,135	\$ 68,234,266	\$ 19,207,994	\$ 89,597,129	\$ 87,442,260	
Jun-06	65,716,049	8,890,419			2,709,710	77,316,178	74,608,468	17,721,554	95,037,732	92,328,022	
Jul-06	71,691,964	11,529,407			2,165,379	85,386,750	83,221,371	21,225,741	106,612,491	104,447,112	
Aug-06	71,176,079	14,068,869			3,320,909	84,565,857	81,244,948	18,898,368	113,464,225	110,143,318	
Sep-06	70,163,521	14,647,904			2,940,663	87,752,087	84,811,424	19,050,716	106,802,803	103,862,140	
Oct-06	61,590,230	17,340,148			2,733,685	81,664,062	78,830,377	15,392,627	97,056,688	94,323,004	
Nov-06	63,626,097	6,962,310			2,527,342	73,135,749	70,609,407	25,673,928	98,809,677	96,282,335	
Dec-06	71,792,642	12,017,211	334,998	25,903	3,519,296	87,710,050	84,180,754	18,137,611	105,847,661	102,328,365	
Jan-07	74,732,422	7,043,326	368,776	26,530	3,345,193	85,536,247	82,187,054	22,047,518	107,583,765	104,238,572	
Feb-07	82,623,930	6,612,552	448,344	26,556	4,180,625	93,882,006	88,711,381	19,177,773	113,069,779	108,888,154	
Mar-07	76,000,748	6,280,781	363,028	25,645	1,562,637	84,232,839	82,670,202	16,436,323	100,699,182	98,106,525	
Apr-07	68,099,973	8,795,997	295,889	34,955	1,389,996	78,818,808	77,229,814	12,770,244	91,387,053	89,007,058	
<b>Average Monthly Jurisdictional Revenues, Excluding Environmental Surcharge, for 12 Months Ending Current Expense Month:</b>											
<b>Jurisdictional Allocation Percentage for Current Month (Environmental Surcharge Excluded from Calculations):</b>											
<b>Expense Month Kentucky Jurisdictional Revenues Divided by Expense Month Total Company Revenues: Column (8) / Column (11) =</b>										<b>85.81%</b>	
									<b>Total for Current Month - \$</b>	<b>28,210.97</b>	

Note 1 - Excludes Brokered Sales.

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

Reconciliation of Reported Revenues

For the Month Ended: April 30, 2007

	Revenues per Form 3.00	Revenues per Income Statement
<b>Kentucky Retail Revenues</b>		
Base Rates (Customer Charge, Energy Charge, Demand Charge)	\$ 68,099,972.92	\$ 68,099,972.92
Fuel Adjustment Clause	8,795,997.00	8,795,997.00
DSM	295,888.96	295,888.96
STOD Program Cost Recovery Factor	34,954.51	34,954.51
Environmental Surcharge		1,389,995.50
CSR Credits		(470,479.77)
<b>Total Kentucky Jurisdictional Revenues for Environmental Surcharge Purposes =</b>	<b>\$ 77,226,813.39</b>	
<b>Non -Jurisdictional Revenues</b>		
Tennessee Retail	\$ 161.91	161.91
Virginia Retail	4,811,886.10	4,811,886.10
Wholesale	6,085,613.31	6,085,613.31
InterSystem ( Total Less Transmission Portion Booked in Account 447)	1,872,582.87	1,872,582.87
<b>Total Non-Jurisdictional Revenues for Environmental Surcharge Purposes =</b>	<b>\$ 12,770,244.19</b>	
<b>Total Company Revenues for Environmental Surcharge Purposes =</b>	<b>\$ 89,997,057.58</b>	
<b>Reconciling Revenues</b>		
Brokered	28,210.97	28,210.97
InterSystem ( Transmission Portion Booked in Account 447)		933.06
Unbilled		(1,670,000.00)
Provision for Refund		8,805,012.00
Merger Surcredit		(985,837.90)
Merger Surcredit - Non Jurisdictional		(89,157.60)
Value Delivery Surcredit		(233,044.78)
Miscellaneous		490,881.83
<b>Total Company Revenues per Income Statement =</b>		<b>\$ 97,263,570.89</b>

**APPENDIX VI**  
**Timeline of Data Input Requirement**

Monthly ECR Timeline

Workday Data Submission	Report	Company	Form	Data Utilization	Data Source	Data Review	Responsible Person	Distribution
Third	Bill Frequency Analysis (CA7120A), Monthly Revenue (7680C), Base Revenues	KU		Monthly Over/Under Calculations & Monthly ECR Filings to KPSC	CIS	Revenue Accounting	Kim Withers	
Third	Cost of Capital	KU & LG&E		Monthly Over/Under Calculations	Financial Statements	Revenue Accounting	Revenue Acct	
Fourth	Estimate of Base Revenue by Rate Class	KU		Monthly Over/Under Calculations	CIS	Revenue Accounting	David Stead	
Fourth	Monthly Over/Under Calculation	KU & LG&E		Financial Planning, Utility & Revenue Accounting		Revenue Accounting	Revenue Acct	Robert Conroy-Rates, Carol Foxworthy-Rates
Eleventh	Plant in Service, CWIP, Depreciation, and Taxes	KU & LG&E	ES Form 2.10	Rate Base Calculation	Property Accounting: Oracle Fixed Assets, Oracle Projects, Oracle FSG, and CIS	Property Accounting and Tax	Eric Riggs, Scott Williams	
Tenth	Revenue	KU & LG&E	ES Form 3.10	Monthly Revenue Reconciliation	Oracle FSG, and CIS	Revenue Accounting	Kim Withers (KU); LG&E report from Oracle run in Rates	
Tenth	Allowance Inventory, and O&M Expense	KU & LG&E	ES Form 2.30, 2.31, 2.40 & 2.50	Rate Base & Pollution Control Operating Expense Calculation	Karen Tipton (Corp. Acctg.)	Utility Accounting and Environmental Affairs	Karen Tipton	

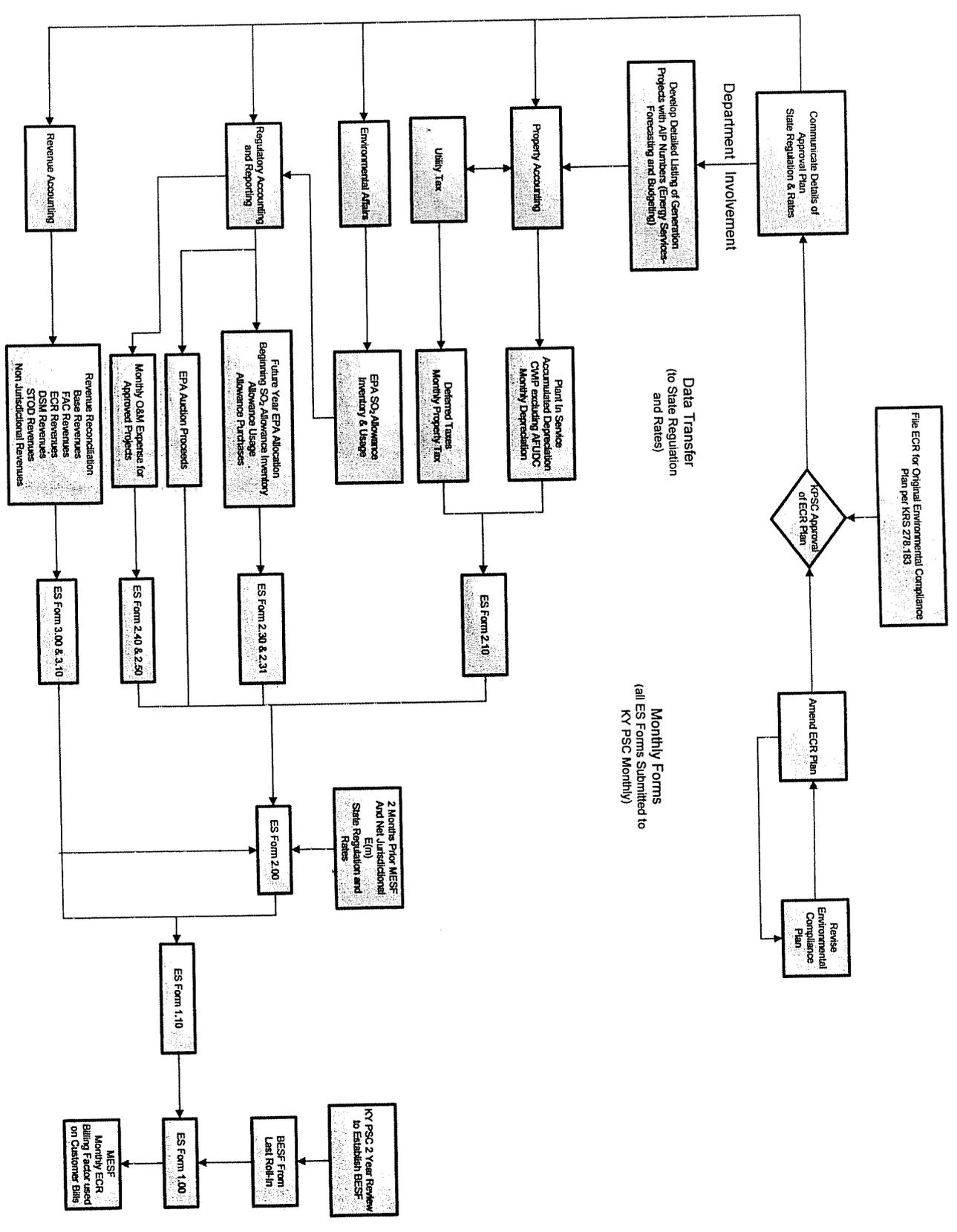
Monthly ECR Timeline

Workday Data Submission	Report	Company	Form	Data Utilization	Data Source	Data Review	Responsible Person	Distribution
10 days prior to billing date	Monthly ECR Filings to KPSC	KU & LG&E					Carol Foxworthy	Karen Tipton-Regulated Acct and Reporting, Mike Lowery & Jerry Berg-Customer Acct., Frank Mazza & David Stead-Revenue Acctg., Sharon Dodson-Environmental Affairs, Shannon Chamas Financial Acctg. & Reporting, Valerie Scott, Susan Emery-Regulated Acctg. And Reporting, Laura Smith-Financial Planning, Debbie Singery-Generation Services, Eric Riggs-Property Accounting, Gene Skiles-Regulated Acct and Reporting, Scott Williams-Utility Tax, Kendrick Riggs-Outside Counsel, Mary Gillespie-Rates

**Schedule for Filing Fuel Clause Form A's and  
Environmental Surcharge Billing Factors for 2007**

**January 23 (16<sup>th</sup> Business Day)** (Effective for Billing on February 2, 2007)  
**February 23 (17<sup>th</sup> Business Day)** (Effective for Billing on March 5, 2007)  
**March 23 (17<sup>th</sup> Business Day)** (Effective for Billing on April 3, 2007)  
**April 20 (15<sup>th</sup> Business Day)** (Effective for Billing on May 3, 2007)  
**May 25 (19<sup>th</sup> Business Day)** (Effective for Billing on June 4, 2007)  
**June 22 (16<sup>th</sup> Business Day)** (Effective for Billing on July 3, 2007)  
**July 23 (15<sup>th</sup> Business Day)** (Effective for Billing on August 2, 2007)  
**August 24 (18<sup>th</sup> Business Day)** (Effective for Billing on September 4, 2007)  
**September 21 (14<sup>th</sup> Business Day)** (Effective for Billing on October 3, 2007)  
**October 22 (16<sup>th</sup> Business Day)** (Effective for Billing on November 1, 2007)  
**November 21 (15<sup>th</sup> Business Day)** (Effective for Billing on December 3, 2007)  
**December 21 (15<sup>th</sup> Business Day)** (Effective for Billing on January 4, 2008)

# Attachment 1



File ECR for Original Environmental Compliance Plan per KRS 278.183

KPS-C Approval of ECR Plan

Amend ECR Plan

Revise Environmental Compliance Plan

Communicate Details of Approval Plan State Regulation & Rates

Department Involvement

Develop Detailed Listing of Generation Projects with AIP Numbers Energy Services- Forecasting and Budgeting

Property Accounting

Plant In Service Accumulated Depreciation OMP excluding APUDC Machinery Depreciation

Utility Tax

Deferred Taxes Monthly Property Tax

Environmental Abata

EPA SO2 Allowance Inventory & Usage

Regulatory Accounting and Reporting

Future Year EPA Allocation Beginning SO2 Allowance Inventory Allowance Parcels

EPA Auction Proceeds

Monthly O&M Expense for Approved Projects

Revenue Accounting

Revenue Reconciliation Base Revenues F&C Revenues DSM Revenues STOD Revenues Non-Jurisdictional Revenues

ES Form 2.10

ES Form 2.30 & 2.31

ES Form 2.40 & 2.50

ES Form 3.00 & 3.10

2 Months Prior MESSF And Net Jurisdictional State Regulation and Rates

ES Form 2.00

ES Form 1.10

ES Form 1.00

MESSF Monthly ECR Billing Factor Used On Customer Bills

BESF From Last Rollin

KY PSC 2 Year Review to Establish BESF

Monthly Forms (all ES Forms Submitted to KY PSC Monthly)

Data Transfer (to State Regulation and Rates)