

**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 KENTUCKY )  
UTILITIES COMPANY FOR THE TWO-YEAR )  
BILLING PERIOD ENDING APRIL 30, 2013 )**

**CASE NO.  
2013-00242**

**DIRECT TESTIMONY OF**  
  
**ROBERT M. CONROY**  
**DIRECTOR - RATES**  
**LG&E AND KU SERVICES COMPANY**

**Filed: August 2, 2013**

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

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

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

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

12 **Q. Are you sponsoring any exhibits?**

13 A. Yes. I am sponsoring five exhibits identified as Exhibits RMC-1, RMC-2, RMC-3,  
14 RMC-4 and RMC-5. These exhibits are:

15 *Exhibit RMC-1* Comparison of ECR Revenue Requirement Allocation  
16 Methods to Actual ECR Billing Factor Revenues for twelve months ended  
17 February 28, 2013

18 *Exhibit RMC-2* Current KU Environmental Surcharge Monthly Reports

19 *Exhibit RMC-3* Proposed KU Environmental Surcharge Monthly Reports

20 *Exhibit RMC-4* Proposed ECR Tariff

21 *Exhibit RMC-5* Proposed ECR Tariff – Redline

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

1 A. The purpose of this proceeding is to review the past operation of KU's environmental  
2 surcharge during the six-month billing period ending April 30, 2013 that is part of the  
3 two-year billing period also ending April 30, 2013, determine whether the surcharge  
4 amounts collected during the period are just and reasonable, and then incorporate or  
5 "roll-in" such surcharge amounts into KU's existing electric base rates.

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

7 A. The purpose of my testimony is to summarize the operation of KU's environmental  
8 surcharge during the billing period under review, demonstrate that the amount  
9 collected during the period was just and reasonable, present and discuss KU's  
10 proposed adjustment to the Environmental Surcharge Revenue Requirement based on  
11 the operation of the surcharge during the period and explain how the environmental  
12 surcharge factors were calculated during the period under review. In addition, my  
13 testimony will present and discuss KU's proposed changes to the monthly ES forms  
14 and the Environmental Cost Recovery Surcharge tariff ("ECR Tariff"). Further, my  
15 testimony will recommend that the cumulative ECR revenue requirement for the  
16 twelve months ending with the expense month of February 2013 be used for purposes  
17 of incorporating or "rolling-into" KU's electric base rates the appropriate surcharge  
18 amounts using the methodology previously approved by the Commission, most  
19 recently in Case No. 2011-00231.

20 **Q. Please summarize the operation of the environmental surcharge for the billing**  
21 **period included in this review.**

22 A. KU billed an environmental surcharge to its customers from November 1, 2012  
23 through April 30, 2013. For purposes of the Commission's examination in this case,

1 the monthly KU environmental surcharges are considered as of the six-month billing  
2 period ending April 30, 2013; that same review period is part of the two-year billing  
3 period also ending April 30, 2013. (The three previous billing periods were reviewed  
4 in Case Nos. 2012-00207 and 2012-00546.) In each month of the six-month period  
5 under review in this proceeding, KU calculated the environmental surcharge factors  
6 in accordance with its ECR Tariff, and the requirements of the Commission's  
7 previous orders concerning KU's environmental surcharge. The calculations were  
8 made in accordance with the Commission-approved monthly forms and filed with the  
9 Commission ten days before the new monthly charge was billed by the Company.

10 **Q. What costs were included in the calculation of the environmental surcharge**  
11 **factors for the billing period under review?**

12 A. The capital and operating costs included in the calculation of the environmental  
13 surcharge factors for the six-month billing period were the costs incurred each month  
14 by KU from September 2012 through February 2013, as detailed in the attachment in  
15 response to Question No. 2 of the Commission Staff's Request for Information,  
16 incorporating all required revisions.

17 The monthly environmental surcharge factors applied during the billing period  
18 under review were calculated consistent with the Commission's Orders in KU's  
19 previous applications to assess or amend its environmental surcharge mechanism and  
20 plan, as well as Orders issued in previous review cases. The monthly environmental  
21 surcharge reports filed with the Commission during this time reflect the various  
22 changes to the reporting forms ordered by the Commission from time to time.

23 **Q. Has the Commission recently approved changes to KU's ECR Compliance Plan?**

1 A. Yes. In Case No. 2011-00161, the Commission approved KU's 2011 ECR  
2 Compliance Plan that included two new projects and associated operation and  
3 maintenance costs, amended Project 29 (2009 Plan) to convert the Brown Main Ash  
4 Pond to a Landfill, and approved the reporting of operation and maintenance costs  
5 associated with sorbent injection approved with the 2006 Plan for Ghent Units 1, 3,  
6 and 4 as part of the 2011 Plan. Pursuant to the Commission's December 15, 2011  
7 Order approving the Settlement Agreement in Case No 2011-0161, KU began  
8 including the approved projects in the monthly filing for the December 2011 expense  
9 month that was billed in February 2012 with separate authorized rates of return for  
10 the Pre-2011 and 2011 ECR Plans. In addition, the Commission approved the use of  
11 net (non-fuel) revenues to calculate the jurisdictional revenue requirement for non-  
12 residential customers defined as Group 2 in the ECR Tariff. The use of net revenues  
13 for Group 2 customers was implemented in Case No. 2011-00231 as discussed below.

14 In Case No. 2012-00221, KU's most recent rate case, the Commission  
15 approved the elimination of KU's 2005 and 2006 ECR Compliance Plans (with the  
16 exception of Project 22 related to Emission Allowances) from the monthly  
17 environmental surcharge filings and reset the return on equity to be used in the  
18 monthly environmental surcharge filings. Pursuant to the Commission's December  
19 20, 2012 Order in that case, the changes were implemented with the January 2013  
20 expense month. The approved return on equity is used in this proceeding to establish  
21 the overall rate of return on capital to be used to calculate the environmental  
22 surcharge as discussed later in this testimony.

1 **Q. Has the Commission recently approved changes to the environmental surcharge**  
2 **mechanism?**

3 A. Yes. In Case No. 2011-00231, KU's most recent ECR two-year review, the  
4 Commission implemented the use of net revenues to calculate the jurisdictional  
5 revenue requirement for non-residential customers defined as Group 2 in the ECR  
6 Tariff in conjunction with the ECR Roll-in, and revisions to the monthly reporting  
7 forms to reflect the implementation of Group 1 and Group 2 billing factors. Pursuant  
8 to the Commission's January 31, 2012 Order in that case, the changes were  
9 implemented with the January 2012 expense month that was billed in March 2012.

10 **Q. Please describe the implementation of the Group 1 and Group 2 billing factors.**

11 A. The Company developed a communication plan that included various means of  
12 communicating with customers. In order to reach all customers, bill inserts were  
13 provided to each customer during their normal March 2012 billing cycle that reflected  
14 the actual two billing factors for the March billing cycle. An explanation of the  
15 Environmental Surcharge was included in the section entitled "Billing Information"  
16 on customers' March 2012 bills. Information concerning the 2011 ECR Plan  
17 settlement, impact to customers and specifics concerning the environmental control  
18 projects was also included on the Company's website. Talking points surrounding  
19 the information contained in the bill inserts and on the website related to the ECR  
20 were provided to employees in the Residential Service Centers, Business Service  
21 Centers, and Business Offices and to Major Accounts representatives to assist with  
22 responding to customer inquiries.

1 **Q. How has the use of Group 1 and Group 2 billing factors functioned when**  
2 **compared to the anticipated results presented in the 2011 ECR Plan filing?**

3 A. The use of Group 1 and Group 2 billing factors to allocate the jurisdictional ECR  
4 revenue requirement has functioned as expected when compared to the anticipated  
5 results presented in the 2011 ECR Plan filing. The Group 1 billing factors are  
6 calculated on a total revenue basis, therefore the use of two billing factors did not  
7 impact the revenue requirement allocation to customers served under tariffs assigned  
8 to Group 1. The use of net (non-fuel) revenues to calculate the Group 2 billing factor  
9 and to allocate the jurisdictional ECR revenue requirement to the rate classes within  
10 Group 2 is relatively consistent with the anticipated results presented in the 2011  
11 ECR Plan filing. Exhibit RMC-1 contains the comparison of the ECR Revenue  
12 Requirement Allocation Methods presented in the 2011 ECR Plan to the Actual ECR  
13 Billing Factor Revenues for the 12-months ended February 28, 2013 for the various  
14 rate classes and demonstrates that the actual results are consistent with the anticipated  
15 results in the 2011 ECR Plan.

16 **Q. Has KU received any customer inquiries or complaints regarding Group 1 and**  
17 **Group 2 billing factors?**

18 A. No. KU has not received any customer inquiries or complaints regarding Group 1  
19 and Group 2 billing factors.

20 **Q. Is KU proposing any changes to the current revenue allocation methodology?**

21 A. No. Because customers have not expressed any concerns with the current  
22 methodology and the actual results are relatively consistent with the results

1 anticipated at the time the current revenue allocation methodology was approved, KU  
2 is not proposing any changes at this time.

3 **Q. Is KU proposing any changes to the monthly reporting forms used for**  
4 **calculating the environmental surcharge?**

5 A. Yes. KU is proposing to revise several of its monthly reporting forms. Exhibit  
6 RMC-2 contains the forms KU currently uses when filing its monthly environmental  
7 surcharge report. Exhibit RMC-3 shows the illustrative monthly environmental  
8 surcharge report forms KU is proposing in this case.

9 **Q. Please describe the modifications that KU is proposing to the monthly reporting**  
10 **forms.**

11 A. The calculation of the monthly billing factor for recovery of the cost of KU's 2011  
12 Plan will be consistent with the methodology approved by the Commission in Case  
13 No. 2011-00231 and used to calculate the recovery of the cost of KU's current  
14 Environmental Compliance Plans.

15 Determination of the Environmental Compliance Rate Base is based on  
16 combining all ECR-approved expenditures and calculating the rate base according to  
17 the methodologies ordered in the previous Compliance Plan cases. The addition of  
18 separate columns for Pre-2011 and 2011 Plans on ES Forms 1.10, 2.00, and 2.40 was  
19 necessary to reflect the different rates of return approved by the Commission for the  
20 Plans in Case No. 2011-00161. In Case No. 2012-00221, the Commission approved a  
21 single rate of return for all Plans, therefore the columns have been consolidated into a  
22 single Environmental Compliance Plans column on each of these three ES Forms.



1           The elimination of the 2005 and 2006 Plans in Case No. 2012-00221 resulted  
2 in numerous changes to the monthly reporting forms. The projects associated with  
3 those Plans are being removed from ES Form 2.10 and 2.50. ES Form 2.01 was  
4 eliminated from the monthly filing forms because the Limestone Inventory reported  
5 on the form was associated with Project 21 in the 2005 Plan. References to  
6 Limestone Inventory were also removed from ES Form 2.00.

7           In addition, on ES Form 2.50 and 2.61 the columns for Green River and  
8 Tyrone are being removed since those stations have no approved ECR projects and  
9 retirement dates of the coal units have been announced.

10 **Q. Is KU proposing any changes to its Environmental Cost Recovery Surcharge**  
11 **tariff?**

12 A. Yes. KU is proposing some minor clarifying changes to its Environmental Cost  
13 Recovery Surcharge tariff to remove the references to “Pre-2011 Plans” from the  
14 Definitions. The proposed ECR Tariff is attached as Exhibit RMC-4 and a redline  
15 version comparing the proposed ECR Tariff to the existing tariff is attached as  
16 Exhibit RMC-5. The ECR Tariff has an issue date of August 2, 2013, and is  
17 proposed to be effective on December 1, 2013. The proposed effective date is based  
18 on the beginning of the expense month of December 2013 and assumes the  
19 Commission issues a final Order in December 2013. If approved, the actual effective  
20 date for the ECR Tariff would be determined by the issuance of the final Order in this  
21 case and would reflect the month in which the Order was issued.

22 **Q. Are there any changes or adjustments in Rate Base from the originally filed**  
23 **expense months?**

1 A. No. During the period under review, there were no changes to Rate Base from the  
2 originally filed billing months as summarized in KU's response to the Commission  
3 Staff's Request for Information, Question No. 1. In addition, there were no changes  
4 identified as a result of preparing responses to the requests for information in this  
5 review.

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

8 A. Yes. Adjustments to E(m) are necessary for compliance with the Commission's  
9 Order in Case No. 2000-00439 to reflect the actual changes in the overall rate of  
10 return on capitalization that is used in the determination of the return on  
11 environmental rate base. Pursuant to the terms of the Settlement Agreement  
12 approving the 2011 ECR Plan, KU calculated the short- and long-term debt rate using  
13 average daily balances and daily interest rates in the calculation of the overall rate of  
14 return true-up adjustment for the period ending February 28, 2013. This new rate was  
15 applied to true-up the months in the review with different rates of return as approved  
16 by the Commission in Case No. 2011-00161. In addition, KU calculated the short-  
17 and long-term debt rates using average daily balances and daily interest rates in the  
18 calculation of the overall rate of return true-up adjustment for the billing period  
19 ending April 30, 2013 with the rate of return approved by the Commission for all  
20 Plans in Case No. 2012-00221. The details of and support for this calculation are  
21 shown in KU's response to Question No. 1 of the Commission Staff's Request for  
22 Information.

1 **Q. Are there corrections to information provided in the monthly filings during the**  
2 **billing period under review?**

3 A. No.

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

6 A. Yes. KU experienced a cumulative over-recovery of \$444,933 for the billing period  
7 ending April 30, 2013. KU's response to Question No. 2 of the Commission Staff's  
8 Request for Information shows the calculation of the cumulative over-recovery. An  
9 adjustment to the revenue requirement is necessary to reconcile the collection of past  
10 surcharge revenues with the actual costs for the billing period under review.

11 **Q. Has KU identified the causes of the net over-recovery during the billing period**  
12 **under review?**

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

19 **Q. Please explain how the function of the ECR mechanism contributes to the net**  
20 **over-recovery in the billing period under review.**

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

1 of the 12-month average revenues used in the monthly filings to determine the ECR  
 2 billing factors and the actual revenues to which the ECR billing factors were applied  
 3 in the billing month.

Expense Month	12-Month Average Revenues	Billing Month	Actual Revenues Subject to ECR Billing Factors
September 2012	\$ 78,144,696	November 2012	\$ 70,975,589
October 2012	78,017,548	December 2012	76,230,758
November 2012	78,546,908	January 2013	94,649,740
December 2012	78,710,234	February 2013	95,515,011
January 2013	79,400,837	March 2013	90,774,683
February 2013	80,361,981	April 2013	85,185,685
*The 12-month average revenues and the Actual Revenues subject to ECR Billing Factors reflect net revenues for Group 2.			

4

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

9 **Q. What kind of adjustment is KU proposing in this case as a result of the operation**  
 10 **of the environmental surcharge during the billing period?**

11 A. KU is proposing that the net over-recovery be distributed in one month following the  
 12 Commission's Order in this proceeding. Specifically, KU recommends that the  
 13 Commission approve a decrease to the Environmental Surcharge Revenue  
 14 Requirement of \$444,933 for one month, beginning in the second full billing month  
 15 following the Commission's Order in this proceeding. This method is consistent with  
 16 the method of implementing previous over- or under- recovery positions in prior ECR  
 17 review cases.

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

3 A. The inclusion of the distribution reflecting the over-recovery position in the  
4 determination of the ECR billing factor will decrease the billing factor by  
5 approximately 0.41%. For a residential customer using an average of 1,178 kWh per  
6 month, the impact of the adjusted ECR billing factor would be a decrease of  
7 approximately \$0.43 for one month (using rates and adjustment clause factors in  
8 effect for the July 2013 billing month).

9 **Q. Should the Commission approve incorporating into KU's base rates the**  
10 **environmental surcharge amounts found just and reasonable for the two-year**  
11 **billing period ending April 2013?**

12 A. Yes. It is now appropriate to incorporate into electric base rates the surcharge  
13 amounts the Commission finds just and reasonable for the two-year billing period  
14 ending April 2013. KU recommends that an incremental environmental surcharge  
15 amount of \$45,820,651 be incorporated into base rates at the conclusion of this case.  
16 KU determined the incremental roll-in amount of \$45,820,651 using environmental  
17 surcharge rate base as of February 28, 2013 and environmental surcharge operating  
18 expenses for the twelve-month period ending February 28, 2013. If approved, the  
19 total amount of environmental surcharge that will be included in base rates will be  
20 \$50,966,954. The amount of environmental surcharge that will be included in base  
21 rates represents rate base and operating expenses associated only with KU's 2009 and  
22 2011 amendments to its Compliance Plan. All costs associated with the 2005 and  
23 2006 amendments to the Compliance Plan were removed from ECR recovery and

1 included in base rates, consistent with the Commission's approval of the Stipulation  
2 and Recommendation in Case No. 2012-00221. The implementation of the change in  
3 base rates reflecting the roll-in amount should take effect with bills rendered  
4 beginning with the first billing cycle in the second month following the month in  
5 which the Commission issues its Order in this proceeding.

6 **Q. If the Commission accepts KU's recommendation to incorporate the proposed**  
7 **amount into base rates, what will be the impact on KU's ECR revenue**  
8 **requirement?**

9 A. The incorporation of the recommended surcharge amount into base rates will increase  
10 base rates and, two months later, decrease ECR revenues by an equal amount. There  
11 will be no impact on the environmental costs KU is allowed to recover from its  
12 customers; only the method of collection will be impacted.

13 **Q. Please explain why ECR revenues will not decrease in the same month that base**  
14 **rates will increase.**

15 A. The ECR is billed on a two-month lag, meaning that costs are incurred, for example,  
16 in February 2013 (expense month) and ECR billing factor revenues are collected two  
17 months later in April 2013 (billing month). KU's determination of costs recoverable  
18 through the billing factor (E(m) for the expense month) are reduced by the ECR  
19 revenue included in base rates. Therefore, total ECR costs for the month of February  
20 are collected from customers through base rates in February and through the ECR  
21 billing mechanism in April. If base rates increase due to a roll-in in February, the  
22 portion of ECR costs incurred in February that is recovered through base rates will  
23 increase and the resulting decrease in the ECR billing factor will be applied in April.

1 If the decrease in the ECR billing factor were applied in February, the same month  
2 that base rates change, then KU would not be collecting the correct amount of ECR  
3 revenue associated with costs incurred in December. This is because the February  
4 billing factor is associated with the December expense month and must be calculated  
5 using base rates in effect in December.

6 **Q. What rate of return is KU proposing to use for all ECR Plans upon the**  
7 **Commission's Order in this proceeding?**

8 A. KU is recommending an overall rate of return on capital of 10.10%, including the  
9 currently approved 10.25% return on equity and adjusted capitalization, to be used to  
10 calculate the environmental surcharge. This is based on capitalization as of February  
11 28, 2013 and the Commission's Order of December 20, 2012 in Case No. 2012-  
12 00221. Please see the response and attachment to Commission Staff's Request for  
13 Information Question No. 6 following this testimony.

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

15 A. KU makes the following recommendations to the Commission in this case:

16 a) The Commission should approve the proposed decrease to the Environmental  
17 Surcharge Revenue Requirement of \$444,933 for one month beginning in the  
18 second full billing month following the Commission's Order in this  
19 proceeding;

20 b) The Commission should determine the environmental surcharge amount for  
21 the six-month billing period ending April 30, 2013 to be just and reasonable;

1 c) The Commission should approve the use of an overall rate of return on capital  
2 of 10.10% using a return on equity of 10.25% beginning in the second full  
3 billing month following the Commission's Order in this proceeding;

4 d) The Commission should approve a "roll-in" of \$45,820,651 in incremental  
5 environmental costs into KU's base rates, for a total base rate ECR component  
6 of \$50,966,954, to be included in base rates following the methodology  
7 previously approved by the Commission and implemented by KU. The  
8 implementation of the change in base rates reflecting the roll-in amount  
9 should take effect with bills rendered beginning with the first billing cycle in  
10 the second month following the month in which the Commission issues its  
11 Order in this proceeding;

12 e) The Commission should approve the proposed ECR Tariff to become  
13 effective with the expense month in which the Commission issues its Order;  
14 and

15 f) The Commission should approve the use of the proposed ES monthly filing  
16 forms for the expense month in which the Commission issues its Order.

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

18 A. Yes.





## APPENDIX A

### **Robert M. Conroy**

Director – Rates  
LG&E and KU Services Company  
220 West Main Street  
Louisville, Kentucky 40202  
(502) 627-3324

### **Education**

Masters of Business Administration,  
Indiana University (Southeast campus), December 1998. GPA: 3.9.  
Bachelor of Science in Electrical Engineering,  
Rose Hulman Institute of Technology, May 1987. GPA: 3.3.  
  
Essentials of Leadership, London Business School, 2004.  
  
Center for Creative Leadership, Foundations in Leadership program, 1998.  
  
Registered Professional Engineer in Kentucky, 1995.

### **Previous Positions**

Manager, Rates	Apr. 2004 – Feb. 2008
Manager, Generation Systems Planning	Feb. 2001 – Apr. 2004
Group Leader, Generation Systems Planning	Feb. 2000 – Feb. 2001
Lead Planning Engineer	Oct. 1999 – Feb. 2000
Consulting System Planning Analyst	Apr. 1996 – Oct. 1999
System Planning Analyst III & IV	Oct. 1992 – Apr. 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.

**Comparison of ECR Revenue Requirement Allocation Methods  
presented in the 2011 ECR Plan to Actual ECR Billing Factor Revenues  
for 12-months ended February 28, 2013**

KU	(1)			(2)			(3)		
	Annual based on August 2011			Annual based on August 2011			12-months ended Feb 28, 2013		
	Current Method	Alternative Method	Delta	Current Method (% of Total)	Alternative Method (% of Total)	Delta (Current to Alternative)	Actual ECR Billing Factor Revenues	% of Actual ECR Billing Factor Revenues	Delta (Actual to Alternative)
Residential/ AES / Other	\$ 70,577	\$ 70,577	\$ -	40.8%	40.8%	0.0%	\$ 12,769	40.5%	-0.3%
General Service (GS)	\$ 23,343	\$ 28,024	\$ 4,682	13.5%	16.2%	2.7%	\$ 5,648	17.9%	1.7%
Power Service (PSS, PSP)	\$ 39,006	\$ 39,969	\$ 963	22.5%	23.1%	0.6%	\$ 6,277	19.9%	-3.2%
Time of Day (TODS, TODP)	\$ 26,099	\$ 23,101	\$ (2,998)	15.1%	13.4%	-1.7%	\$ 4,968	15.7%	2.3%
RTS	\$ 10,832	\$ 9,022	\$ (1,810)	6.3%	5.2%	-1.1%	\$ 1,555	4.9%	-0.3%
FLS	\$ 3,067	\$ 2,230	\$ (837)	1.8%	1.3%	-0.5%	\$ 361	1.1%	-0.2%
TOTAL	\$ 172,923	\$ 172,923	\$ 0	100.0%	100.0%	0.0%	\$ 31,579	100.0%	0.0%

(1) Information provided in Case No. 2011-00161 (2011 ECR Plan) at the hearing held on November 10, 2011 as Hearing Exhibit 2. The revenues represent the ECR revenue requirement allocated to each rate class based on the allocation method. The "Current Method" is the Total Revenue allocation; the "Alternative Method" is the allocation of the ECR revenue requirement on a net (non-fuel) revenue basis for all rate classes except RS, AES and lighting.

(2) The percentage of ECR revenue requirement allocated to each rate class is shown for the Current and Alternative Methods. This calculation is provided for illustrative purposes to show the relationship between each rate class and the total ECR revenue requirement.

(3) The information provided represents the Actual ECR Billing Factor Revenues for the 12-months ended February 28, 2013 for each of the rate classes and the relationship between each class to the total ECR Billing Factor Revenues for the period. The Delta (Actual to Alternative) is provided to show the comparison of the anticipated results of the Alternative Method and Actual ECR Billing Factor Revenues. The comparison demonstrates that the actual results are relatively consistent with the anticipated results in the 2011 ECR Plan.

ES FORM 1.00

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

**Net Jurisdictional E(m) and  
Jurisdictional Environmental Surcharge Billing Factor  
For the Expense Month of**

**GROUP 1 (Total Revenue)**

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

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

**GROUP 2 (Net Revenue)**

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

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

Effective Date for Billing:

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

Title: Director, Rates

Date Submitted:



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

**Determination of Environmental Compliance Rate Base**

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

**Determination of Pollution Control Operating Expenses**

	Pre-2011 Environmental Compliance Plan	2011 Environmental Compliance Plan
Monthly Operations & Maintenance Expense		
Monthly Depreciation & Amortization Expense		
Monthly Taxes Other Than Income Taxes		
Monthly Emission Allowance Expense from ES Form 2.31, 2.32 and 2.33		
Add KU Current Month TC2 SO <sub>2</sub> Emission Allowance Expense not reflected on ES Form 2.31		
Less Monthly Emission Allowance Expense in base rates		
Net Recoverable Emission Allowance Expense		
Monthly Surcharge Consultant Fee		
Construction Monitoring Consultant Fee		
Total Pollution Control Operations Expense		

**Determination of Beneficial Reuse Operating Expenses**

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

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

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

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

**Limestone Inventory**

**For the Month Ended:**

	Beginning Inventory	Purchases	Other Adjustments	Utilized	Ending Inventory	Reason(s) for Adjustments
Spare Parts						
Limestone						
At Ghent:						
Tons						
Dollars						
\$/Ton						
At E.W. Brown:						
Tons						
Dollars						
\$/Ton						

Ghent Limestone Inventory in Base Rates: \$ -

Net to be included in ECR \$ -





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

For the Month Ended:

(1) Description	(2) Eligible Plant In Service	(3) Eligible Accumulated Depreciation	(4) CWIP Amount Excluding AFUDC	(5) Eligible Net Plant In Service	(6) Unamortized ITC as of	(7) Deferred Tax Balance as of	(8) Monthly Depreciation Expense	(9) Monthly Property Tax Expense
				(2)-(3)+(4)				
<b>2011 Plan:</b>								
Project 29 - Brown Landfill (Phase I)								
Project 34 - E.W. Brown Station Air Compliance								
Project 35 - Ghent Station Air Compliance								
Subtotal								
Less Retirements and Replacement resulting from implementation of 2011 Plan								
<b>Net Total - 2011 Plan:</b>								
<b>Net Total - All Plans:</b>								

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

Note 2: Project 29 as approved in the 2009 ECR Plan recovers costs associated with the Brown Aux Pond (Phase II). In the 2011 Plan, Project 29 was amended to recover costs associated with the conversion of the Brown Main Ash Pond to the Brown Landfill (Phase I)

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

**Inventory of Emission Allowances**

**For the Month Ended:**

Vintage Year	Number of Allowances			Total Dollar Value Of Vintage Year			Comments and Explanations
	SO <sub>2</sub>	NOx Annual	NOx Ozone Season	SO <sub>2</sub>	NOx Annual	NOx Ozone Season	
Current Year							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033 - 2042							

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.

ES FORM 2.31

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

For the Expense Month of

	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							
Dollars							
\$/Allowance							
<b>ALLOCATED ALLOWANCES FROM EPA: COAL FUEL</b>							
Quantity							
Dollars							
<b>ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS</b>							
Quantity							
Dollars							
<b>ALLOWANCES FROM PURCHASES:</b>							
From Market:							
Quantity							
Dollars							
\$/Allowance							
From LG&E							
Quantity							
Dollars							
\$/Allowance							

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

ES FORM 2.32

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

For the Expense Month of

	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							
Dollars							
\$/Allowance							
<b>ALLOCATED ALLOWANCES FROM EPA: COAL FUEL</b>							
Quantity							
Dollars							
<b>ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS</b>							
Quantity							
Dollars							
<b>ALLOWANCES FROM PURCHASES:</b>							
From Market:							
Quantity							
Dollars							
\$/Allowance							
From LG&E:							
Quantity							
Dollars							
\$/Allowance							

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

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

For the Expense Month of

	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							
Dollars							
\$/Allowance							
<b>ALLOCATED ALLOWANCES FROM EPA: COAL FUEL</b>							
Quantity							
Dollars							
<b>ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS</b>							
Quantity							
Dollars							
<b>ALLOWANCES FROM PURCHASES:</b>							
From Market:							
Quantity							
Dollars							
\$/Allowance							
From LG&E:							
Quantity							
Dollars							
\$/Allowance							

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

ES FORM 2.40

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

**For the Month Ended:**

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

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

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

Pollution Control - Operations & Maintenance Expenses

For the Month Ended:

O&M Expense Account	E. W. Brown	Ghent	Green River	Tyrone	Trimble County	Total
<b>2005 Plan</b>						
502056 - ECR Scrubber Operations						
512055 - ECR Scrubber Maintenance						
Total 2005 Plan O&M Expenses						
<b>2006 Plan</b>						
506159 - ECR Sorbent Injection Operation						
506152 - ECR Sorbent Reactant - Reagent Only						
512152 - ECR Sorbent Injection Maintenance						
506150 - ECR Mercury Monitors Operation						
512153 - ECR Mercury Monitors Maintenance						
506154 - ECR NOx Operation -- Consumables						
506155 - ECR NOx Operation -- Labor and Other						
512151 - ECR NOx Maintenance						
502056 - ECR Scrubber Operations						
512055 - ECR Scrubber Maintenance						
506051 - ECR Precipitator Operation						
506151 - ECR Activated Carbon						
512051 - ECR Precipitator Maintenance						
Total 2006 Plan O&M Expenses						
<b>2009 Plan</b>						
506154 - ECR NOx Operation -- Consumables						
506155 - ECR NOx Operation -- Labor and Other						
512151 - ECR NOx Maintenance						
506159 - ECR Sorbent Injection Operation						
506152 - ECR Sorbent Reactant - Reagent Only						
512152 - ECR Sorbent Injection Maintenance						
502013 - ECR Landfill Operations						
512107 - ECR Landfill Maintenance						
Adjustment for CCP Disposal in Base Rates (ES Form 2.51)						
Total 2009 Plan O&M Expenses						
<b>Subtotal - Pre-2011 Plans</b>						
<b>2011 Plan</b>						
506159 - ECR Sorbent Injection Operation						
506152 - ECR Sorbent Reactant - Reagent Only						
512152 - ECR Sorbent Injection Maintenance						
506156 - ECR Baghouse Operations						
512156 - ECR Baghouse Maintenance						
506151 - ECR Activated Carbon						
502013 - ECR Landfill Operations						
512107 - ECR Landfill Maintenance						
Total 2011 Plan O&M Expenses						
<b>Current Month O&amp;M Expense for All Plans</b>						

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

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
CCP Disposal Facilities Expenses  
For the Month Ended:

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

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

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



ES FORM 2.60

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
 Beneficial Reuse - Operations & Maintenance Expenses  
 For the Month Ended:

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

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Beneficial Reuse Opportunities  
For the Month Ended:

On-Site CCP Disposal O&M Expense	E. W. Brown	Ghent	Green River	Tyrone	Trimble County	Total
Existing Beneficial Reuse Opportunities (Pre 2009 Plan Project)						
(1) 12 Months Ending with Expense Month						
(2) Monthly Amount [(1) / 12]						
2009 Plan Project 33						
(3) Monthly Amount (Expense/Revenue)						
Total Beneficial Reuse - Generating Station						
(4) Monthly Expense [(2) + (3)]						
Beneficial Reuse in Base Rates						
(5) Annual Expense Amount (12 Mo Ending with Last Test Year)						
(6) Monthly Expense Amount [(5) / 12]						
(7) Total Generating Station Less Base Rates [(4) - (6)]						
(8) Less 2009 Plan Project 33 [(7) - (3)]						
If Line (8) Greater than Zero, No Adjustment						
If Line (8) Less than Zero, Adjustment for Base Rates						
Adjustment for Base Rate Amount (to ES Form 2.60)						

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

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
 Monthly Average Revenue Computation of R (m) for GROUP 1 AND GROUP 2

**For the Month Ended:**

GROUP 1 (Total Revenues) - Kentucky Jurisdictional Revenues							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Month	Non-fuel Base Rate Revenues	Base Rate Fuel Component	Fuel Clause Revenues	DSM Revenues	Environmental Surcharge Revenues	Total (2)+(3)+(4)+(5)+(6)	Total Excluding Environmental Surcharge (7)-(6)
Jul-12							
Aug-12							
Sep-12							
Oct-12							
Nov-12							
Dec-12							
Jan-13							
Feb-13							
Mar-13							
Apr-13							
May-13							
Jun-13							
Average Monthly Jurisdictional Revenues, Excluding Environmental Surcharge, for 12 Months Ending Current Expense Month.							
Average Kentucky Jurisdictional Revenues excluding Environmental Surcharge for 12-months ending with Current Month =							
GROUP 1 Revenues as a Percentage of Total Revenues for 12-months ending with the Current Month							

GROUP 2 (Net Revenues) - Kentucky Jurisdictional Revenues								
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Month	Non-fuel Base Rate Revenues	Base Rate Fuel Component	Fuel Clause Revenues	DSM Revenues	Environmental Surcharge Revenues	Total (2)+(3)+(4)+(5)+(6)	Total Excluding Environmental Surcharge (7)-(6)	Total Non-Fuel Revenues plus DSM (2)+(5)
Jul-12								
Aug-12								
Sep-12								
Oct-12								
Nov-12								
Dec-12								
Jan-13								
Feb-13								
Mar-13								
Apr-13								
May-13								
Jun-13								
Average Monthly Jurisdictional Revenues, Excluding Environmental Surcharge and Fuel, for 12 Months Ending Current Expense Month.								
Average Kentucky Jurisdictional Revenues excluding Environmental Surcharge for 12-months ending with Current Month =								
GROUP 2 Revenues as a Percentage of Total Revenues for 12-months ending with the Current Month								

ES FORM 3.10

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

**Reconciliation of Reported Revenues**

**For the Month Ended:**

	Revenues per Form 3.00	Revenues per Income Statement
<b>Kentucky Retail Revenues</b>		
(1) Base Rates (Customer Charge, Energy Charge, Demand Charge)		
(2) Fuel Adjustment Clause		
(3) DSM		
(4) Environmental Surcharge		
(5) CSR Credits		
(6) Total Kentucky Jurisdictional Revenues for Environmental Surcharge Purposes =		
<b>Non -Jurisdictional Revenues</b>		
(7) Tennessee Retail		
(8) Virginia Retail		
(9) Wholesale		
(10) InterSystem ( Total Less Transmission Portion Booked in Account 447)		
(11) Total Non-Jurisdictional Revenues for Environmental Surcharge Purposes =		
(12) Total Company Revenues for Environmental Surcharge Purposes =		
Jurisdictional Allocation Ratio for Current Month [(6) / (12)] =		
<b>Reconciling Revenues</b>		
(13) Brokered		
(14) InterSystem ( Transmission Portion Booked in Account 447)		
(15) Unbilled		
(16) Provision for Refund		
(17) Miscellaneous		
(18) Total Company Revenues per Income Statement =		

ES FORM 1.00

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

**Net Jurisdictional E(m) and  
Jurisdictional Environmental Surcharge Billing Factor  
For the Expense Month of**

**GROUP 1 (Total Revenue)**

Group 1 E(m) -- ES Form 1.10, line 15 =

Group 1 ES Billing Factor -- ES Form 1.10, line 17 =

**GROUP 2 (Net Revenue)**

Group 2 E(m) -- ES Form 1.10, line 15 =

Group 2 ES Billing Factor -- ES Form 1.10, line 17 =

Effective Date for Billing:

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

Title: Director, Rates

Date Submitted:

ES FORM 1.10

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**

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

For the Expense Month of

**Calculation of Total E(m)**

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

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

			Environmental Compliance Plans
(1)	RB	=	
(2)	RB / 12	=	
(3)	$(ROR + (ROR - DR) (TR / (1 - TR)))$	=	
(4)	OE	=	
(5)	BAS	=	
(6)	BR	=	
(7)	$E(m) \quad (2) \times (3) + (4) - (5) + (6)$	=	

**Calculation of Adjusted Net Jurisdictional E(m)**

(8)	Jurisdictional Allocation Ratio for Expense Month -- ES Form 3.10	=	
(9)	Jurisdictional E(m) = Total E(m) x Jurisdictional Allocation Ratio [(7) x (8)]	=	
(10)	Adjustment for (Over)/Under-collection pursuant to Case No.	=	
(11)	Prior Period Adjustment (if necessary)	=	
(12)	Revenue Collected through Base Rates	=	
(13)	Adjusted Net Jurisdictional E(m) [(9) + (10) + (11) - (12)]	=	

**Calculation of Group Environmental Surcharge Billing Factors**

			<u>GROUP 1 (Total Revenue)</u>	<u>GROUP 2 (Net Revenue)</u>
(14)	Revenue as a Percentage of 12-month Total Revenue ending with the Current Month -- ES Form 3.00	=		
(15)	Group E(m) [(13) x (14)]	=		
(16)	Group R(m) = Average Monthly Group Revenue for the 12 Months Ending with the Current Expense Month -- ES Form 3.00	=		
(17)	Group Environmental Surcharge Billing Factors [(15) ÷ (16)]	=		

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

**Determination of Environmental Compliance Rate Base**

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

**Determination of Pollution Control Operating Expenses**

	Environmental Compliance Plan
Monthly Operations & Maintenance Expense	
Monthly Depreciation & Amortization Expense	
Monthly Taxes Other Than Income Taxes	
Monthly Emission Allowance Expense from ES Form 2.31, 2.32 and 2.33	
Add KU Current Month TC2 SO <sub>2</sub> Emission Allowance Expense not reflected on ES Form 2.31	
Less Monthly Emission Allowance Expense in base rates	
Net Recoverable Emission Allowance Expense	
Monthly Surcharge Consultant Fee	
Construction Monitoring Consultant Fee	
Total Pollution Control Operations Expense	

**Determination of Beneficial Reuse Operating Expenses**

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

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

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

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

For the Month Ended:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Description	Eligible Plant In Service	Eligible Accumulated Depreciation	CWIP Amount Excluding AFUDC	Eligible Net Plant In Service	Unamortized ITC as of	Deferred Tax Balance as of	Monthly Depreciation Expense	Monthly Property Tax Expense
				(2)-(3)+(4)				
<b>2009 Plan:</b>								
Project 28 - Brown 3 SCR								
Project 29 - ATB Expansion at E.W. Brown Station (Phase II)								
Project 30 - Ghent CCP Storage (Landfill- Phase I)								
Project 31 - Trimble County Ash Treatment Basin (BAP/GSP)								
Project 32 - Trimble County CCP Storage (Landfill - Phase I)								
Project 33 - Beneficial Reuse								
Subtotal								
Less Retirements and Replacement resulting from implementation of 2009 Plan								
Net Total - 2009 Plan:								
<b>2011 Plan:</b>								
Project 29 - Brown Landfill (Phase I)								
Project 34 - E.W. Brown Station Air Compliance								
Project 35 - Ghent Station Air Compliance								
Subtotal								
Less Retirements and Replacement resulting from implementation of 2011 Plan								
Net Total - 2011 Plan:								
Net Total - All Plans:								

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

Note 2: Project 29 as approved in the 2009 ECR Plan recovers costs associated with the Brown Aux Pond (Phase II). In the 2011 Plan, Project 29 was amended to recover costs associated with the conversion of the Brown Main Ash Pond to the Brown Landfill (Phase I)



**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

**Inventory of Emission Allowances**

**For the Month Ended:**

Vintage Year	Number of Allowances			Total Dollar Value Of Vintage Year			Comments and Explanations
	SO <sub>2</sub>	NOx Annual	NOx Ozone Season	SO <sub>2</sub>	NOx Annual	NOx Ozone Season	
Current Year							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033 - 2042							

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.

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

For the Expense Month of

	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							
Dollars							
\$/Allowance							
<b>ALLOCATED ALLOWANCES FROM EPA: COAL FUEL</b>							
Quantity							
Dollars							
<b>ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS</b>							
Quantity							
Dollars							
<b>ALLOWANCES FROM PURCHASES:</b>							
From Market:							
Quantity							
Dollars							
\$/Allowance							
From LG&E							
Quantity							
Dollars							
\$/Allowance							

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

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

For the Expense Month of

	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							
Dollars							
\$/Allowance							
<b>ALLOCATED ALLOWANCES FROM EPA: COAL FUEL</b>							
Quantity							
Dollars							
<b>ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS</b>							
Quantity							
Dollars							
<b>ALLOWANCES FROM PURCHASES:</b>							
From Market:							
Quantity							
Dollars							
\$/Allowance							
From LG&E:							
Quantity							
Dollars							
\$/Allowance							

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

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

For the Expense Month of

	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							
Dollars							
\$/Allowance							
<b>ALLOCATED ALLOWANCES FROM EPA: COAL FUEL</b>							
Quantity							
Dollars							
<b>ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS</b>							
Quantity							
Dollars							
<b>ALLOWANCES FROM PURCHASES:</b>							
From Market:							
Quantity							
Dollars							
\$/Allowance							
From LG&E:							
Quantity							
Dollars							
\$/Allowance							

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

ES FORM 2.40

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

**For the Month Ended:**

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

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

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

**Pollution Control - Operations & Maintenance Expenses**

**For the Month Ended:**

O&M Expense Account	E. W. Brown	Ghent	Trimble County	Total
<b>2009 Plan</b>				
506154 - ECR NOx Operation -- Consumables				
506155 - ECR NOx Operation -- Labor and Other				
512151 - ECR NOx Maintenance				
502013 - ECR Landfill Operations				
512107 - ECR Landfill Maintenance				
Adjustment for CCP Disposal in Base Rates (ES Form 2.51)				
<b>Total 2009 Plan O&amp;M Expenses</b>				
<b>2011 Plan</b>				
506159 - ECR Sorbent Injection Operation				
506152 - ECR Sorbent Reactant - Reagent Only				
512152 - ECR Sorbent Injection Maintenance				
506156 - ECR Baghouse Operations				
512156 - ECR Baghouse Maintenance				
506151 - ECR Activated Carbon				
502013 - ECR Landfill Operations				
512107 - ECR Landfill Maintenance				
<b>Total 2011 Plan O&amp;M Expenses</b>				
<b>Current Month O&amp;M Expense for All Plans</b>				

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

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
CCP Disposal Facilities Expenses  
For the Month Ended:

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

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

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

ES FORM 2.60

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
 Beneficial Reuse - Operations & Maintenance Expenses  
 For the Month Ended:

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



ES FORM 2.61

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

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

On-Site CCP Disposal O&M Expense	E. W. Brown	Ghent	Trimble County	Total
Existing Beneficial Reuse Opportunities (Pre 2009 Plan Project)				
(1) 12 Months Ending with Expense Month				
(2) Monthly Amount [(1) / 12]				
2009 Plan Project 33				
(3) Monthly Amount (Expense/Revenue)				
Total Beneficial Reuse - Generating Station				
(4) Monthly Expense [(2) + (3)]				
Beneficial Reuse in Base Rates				
(5) Annual Expense Amount (12 Mo Ending with Last Test Year)				
(6) Monthly Expense Amount [(5) / 12]				
(7) Total Generating Station Less Base Rates [(4) - (6)]				
(8) Less 2009 Plan Project 33 [(7) - (3)]				
If Line (8) Greater than Zero, No Adjustment				
If Line (8) Less than Zero, Adjustment for Base Rates				
Adjustment for Base Rate Amount (to ES Form 2.60)				

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

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
 Monthly Average Revenue Computation of R (m) for GROUP 1 AND GROUP 2

For the Month Ended:

GROUP 1 (Total Revenues) - Kentucky Jurisdictional Revenues							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Month	Non-fuel Base Rate Revenues	Base Rate Fuel Component	Fuel Clause Revenues	DSM Revenues	Environmental Surcharge Revenues	Total (2)+(3)+(4)+(5)+(6)	Total Excluding Environmental Surcharge (7)-(6)
Jul-12							
Aug-12							
Sep-12							
Oct-12							
Nov-12							
Dec-12							
Jan-13							
Feb-13							
Mar-13							
Apr-13							
May-13							
Jun-13							
Average Monthly Jurisdictional Revenues, Excluding Environmental Surcharge, for 12 Months Ending Current Expense Month.							
Average Kentucky Jurisdictional Revenues excluding Environmental Surcharge for 12-months ending with Current Month =							
GROUP 1 Revenues as a Percentage of Total Revenues for 12-months ending with the Current Month							

GROUP 2 (Net Revenues) - Kentucky Jurisdictional Revenues								
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Month	Non-fuel Base Rate Revenues	Base Rate Fuel Component	Fuel Clause Revenues	DSM Revenues	Environmental Surcharge Revenues	Total (2)+(3)+(4)+(5)+(6)	Total Excluding Environmental Surcharge (7)-(6)	Total Non-Fuel Revenues plus DSM (2)+(5)
Jul-12								
Aug-12								
Sep-12								
Oct-12								
Nov-12								
Dec-12								
Jan-13								
Feb-13								
Mar-13								
Apr-13								
May-13								
Jun-13								
Average Monthly Jurisdictional Revenues, Excluding Environmental Surcharge and Fuel, for 12 Months Ending Current Expense Month.								
Average Kentucky Jurisdictional Revenues excluding Environmental Surcharge for 12-months ending with Current Month =								
GROUP 2 Revenues as a Percentage of Total Revenues for 12-months ending with the Current Month								

ES FORM 3.10

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

**Reconciliation of Reported Revenues**

**For the Month Ended:**

	Revenues per Form 3.00	Revenues per Income Statement
<b>Kentucky Retail Revenues</b>		
(1) Base Rates (Customer Charge, Energy Charge, Demand Charge)		
(2) Fuel Adjustment Clause		
(3) DSM		
(4) Environmental Surcharge		
(5) CSR Credits		
(6) Total Kentucky Jurisdictional Revenues for Environmental Surcharge Purposes =		
<b>Non -Jurisdictional Revenues</b>		
(7) Tennessee Retail		
(8) Virginia Retail		
(9) Wholesale		
(10) InterSystem ( Total Less Transmission Portion Booked in Account 447)		
(11) Total Non-Jurisdictional Revenues for Environmental Surcharge Purposes =		
(12) Total Company Revenues for Environmental Surcharge Purposes =		
Jurisdictional Allocation Ratio for Current Month [(6) / (12)] =		
<b>Reconciling Revenues</b>		
(13) Brokered		
(14) InterSystem ( Transmission Portion Booked in Account 447)		
(15) Unbilled		
(16) Provision for Refund		
(17) Miscellaneous		
(18) Total Company Revenues per Income Statement =		

**Kentucky Utilities Company**

P.S.C. No. 16, First Revision of Original Sheet No. 87  
 Canceling P.S.C. No. 16, Original Sheet No. 87

**Adjustment Clause****ECR****Environmental Cost Recovery Surcharge****APPLICABLE**

In all territory served.

**AVAILABILITY OF SERVICE**

This schedule is mandatory to all Standard Electric Rate Schedules listed in Section 1 of the General Index except CTAC and Special Charges, all Pilot Programs listed in Section 3 of the General Index, and the FAC and DSM Adjustment Clauses. Standard Electric Rate Schedules subject to this schedule are divided into Group 1 or Group 2 as follows:

- Group 1: Rate Schedules RS; VFD; AES; LS; RLS; LE; TE; and Pilot Program LEV.  
 Group 2: Rate Schedules GS; PS; TODS; TODP; RTS; and FLS.

**RATE**

The monthly billing amount under each of the schedules to which this mechanism is applicable, shall be increased or decreased by a percentage factor calculated in accordance with the following formula.

$$\text{Group Environmental Surcharge Billing Factor} = \text{Group E(m)} / \text{Group R(m)}$$

As set forth below, Group E(m) is the sum of Jurisdictional E(m) of each approved environmental compliance plan revenue requirement of environmental compliance costs for the current expense month allocated to each of Group 1 and Group 2. Group R(m) for Group 1 is the 12-month average revenue for the current expense month and for Group 2 it is the 12-month average non-fuel revenue for the current expense month.

**DEFINITIONS**

- 1) For all Plans,  $E(m) = [(RB/12) (ROR + (ROR - DR) (TR / (1 - TR)))] + OE - EAS + BR$ 
  - a) RB is the Total Environmental Compliance Rate Base.
  - b) ROR is the Rate of Return on Environmental Compliance Rate Base, designated as the overall rate of return [cost of short-term debt, long-term debt, preferred stock, and common equity].
  - c) DR is the Debt Rate [cost of short-term debt, and long-term debt].
  - d) TR is the Composite Federal and State Income Tax Rate.
  - e) OE is the Operating Expenses. OE includes operation and maintenance expense recovery authorized by the K.P.S.C. in all approved ECR Plan proceedings.
  - f) EAS is the total proceeds from emission allowance sales.
  - g) BR is the operation and maintenance expenses, and/or revenues if applicable, associated with Beneficial Reuse.
  - h) Plans are the environmental surcharge compliance plans submitted to and approved by the Kentucky Public Service Commission pursuant to KRS 278.183.

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**DATE OF ISSUE:** August 2, 2013

**DATE EFFECTIVE:** December 1, 2013

**ISSUED BY: /s/** Edwin R. Staton, Vice President  
 State Regulation and Rates  
 Lexington, Kentucky

**Issued by Authority of an Order of the  
 Public Service Commission in Case No.  
 2013-00242 dated \_\_\_\_\_**

# Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 87  
Canceling P.S.C. No. 16, Original Sheet No. 87

## Adjustment Clause

## ECR

### Environmental Cost Recovery Surcharge

#### APPLICABLE

In all territory served.

#### AVAILABILITY OF SERVICE

This schedule is mandatory to all Standard Electric Rate Schedules listed in Section 1 of the General Index except CTAC and Special Charges, all Pilot Programs listed in Section 3 of the General Index, and the FAC and DSM Adjustment Clauses. Standard Electric Rate Schedules subject to this schedule are divided into Group 1 or Group 2 as follows:

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  - d) TR is the Composite Federal and State Income Tax Rate.
  - e) OE is the Operating Expenses. OE includes operation and maintenance expense recovery authorized by the K.P.S.C. in all approved ECR Plan proceedings.
  - f) EAS is the total proceeds from emission allowance sales. ~~—applicable to the pre-2011 Plans only.~~ T
  - g) BR is the operation and maintenance expenses, and/or revenues if applicable, associated with Beneficial Reuse. ~~applicable to the pre-2011 Plans only.~~ T
  - h) Plans are the environmental surcharge compliance plans submitted to and approved by the Kentucky Public Service Commission pursuant to KRS 278.183.

**DATE OF ISSUE:** ~~January 31~~ August 2, 2013

**DATE EFFECTIVE:** ~~January 4~~ December 1, 2013

**ISSUED BY:** /s/ ~~Lonnie E. Bella~~ Edwin R. Staton, Vice President  
State Regulation and Rates  
Lexington, Kentucky

Public Service Commission in Case No.

~~2013-00242~~~~2012-00221~~ dated \_\_\_\_\_ ~~December 20, 2012~~