

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 TWO-YEAR)	2013-00243
BILLING PERIOD ENDING APRIL 30, 2013)	

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 Louisville Gas and Electric Company
4 (“LG&E” or “Company”) and Kentucky Utilities Company (“KU”) (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 this
7 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 LG&E Environmental Surcharge Monthly Reports

19 *Exhibit RMC-3* Proposed LG&E 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 LG&E's
2 environmental surcharge during the six-month billing period ending April 30, 2013
3 that is part of the two-year billing period also ending April 30, 2013, determine
4 whether the surcharge amounts collected during the period are just and reasonable,
5 and then incorporate or "roll-in" such surcharge amounts into LG&E's existing
6 electric base rates.

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

8 A. The purpose of my testimony is to summarize the operation of LG&E's
9 environmental surcharge during the billing period under review, demonstrate that the
10 amount collected during the period was just and reasonable, present and discuss
11 LG&E's proposed adjustment to the Environmental Surcharge Revenue Requirement
12 based on the operation of the surcharge during the period and explain how the
13 environmental surcharge factors were calculated during the period under review. In
14 addition, my testimony will present and discuss LG&E's proposed changes to the
15 monthly ES forms and the Environmental Cost Recovery Surcharge tariff ("ECR
16 Tariff"). Further, my testimony will recommend that the cumulative ECR revenue
17 requirement for the twelve months ending with the expense month of February 2013
18 be used for purposes of incorporating or "rolling-into" LG&E's electric base rates the
19 appropriate surcharge amounts using the methodology previously approved by the
20 Commission, most recently in Case No. 2011-00232.

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

1 A. LG&E billed an environmental surcharge to its customers from November 1, 2012
2 through April 30, 2013. For purposes of the Commission’s examination in this case,
3 the monthly LG&E environmental surcharges are considered as of the six-month
4 billing period ending April 30, 2013; that same review period is part of the two-year
5 billing period also ending April 30, 2013. (The three previous billing periods were
6 reviewed in Case Nos. 2012-00208 and 2012-00547.) In each month of the six-
7 month period under review in this proceeding, LG&E calculated the environmental
8 surcharge factors in accordance with its ECR Tariff, and the requirements of the
9 Commission’s previous orders concerning LG&E’s environmental surcharge. The
10 calculations were made in accordance with the Commission-approved monthly forms
11 and filed with the Commission ten days before the new monthly charge was billed by
12 the Company.

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

15 A. The capital and operating costs included in the calculation of the environmental
16 surcharge factors for the billing period under review were the costs incurred each
17 month by LG&E from September 2012 through February 2013, as detailed in the
18 attachment in response to Question No. 2 of the Commission Staff’s Request for
19 Information, incorporating all required revisions.

20 The monthly environmental surcharge factors applied during the billing period
21 under review were calculated consistent with the Commission’s Orders in LG&E’s
22 previous applications to assess or amend its environmental surcharge mechanism and
23 plan, as well as Orders issued in previous review cases. The monthly environmental

1 surcharge reports filed with the Commission during this time reflect the various
2 changes to the reporting forms ordered by the Commission from time to time.

3 **Q. Has the Commission recently approved changes to LG&E's ECR Compliance**
4 **Plan?**

5 A. Yes. In Case No. 2011-00162, the Commission approved LG&E's 2011 ECR
6 Compliance Plan that included two new projects and associated operation and
7 maintenance costs, and approved the reporting of operation and maintenance costs
8 associated with sorbent injection approved with the 2006 Plan for Mill Creek Units 3
9 and 4 and Trimble County Unit 1 as part of the 2011 Plan. Pursuant to the
10 Commission's December 15, 2011 Order approving the Settlement Agreement in
11 Case No. 2011-00162, LG&E began including the approved projects in the monthly
12 filing for the December 2011 expense month that was billed in February 2012 with
13 separate authorized rates of return for the Pre-2011 and 2011 ECR Plans. In addition,
14 the Commission approved the use of net (non-fuel) revenues to calculate the
15 jurisdictional revenue requirement for non-residential customers defined as Group 2
16 in the ECR Tariff. The use of net revenues for Group 2 customers was implemented
17 in Case No. 2011-00232 as discussed below.

18 In Case No. 2012-00222, LG&E's most recent rate case, the Commission
19 approved the elimination of LG&E's 2005 and 2006 ECR Compliance Plans (with the
20 exception of Project 17 related to Emission Allowances) from the monthly
21 environmental surcharge filings and reset the return on equity to be used in the
22 monthly environmental surcharge filings. Pursuant to the Commission's December
23 20, 2012 Order in that case, the changes were implemented with the January 2013

1 expense month. The approved return on equity is used in this proceeding to establish
2 the overall rate of return on capital to be used to calculate the environmental
3 surcharge as discussed later in this testimony.

4 **Q. Has the Commission recently approved changes to the environmental surcharge**
5 **mechanism and the monthly ES Forms?**

6 A. Yes. In Case No. 2011-00232, LG&E's most recent ECR two-year review, the
7 Commission implemented the use of net revenues to calculate the jurisdictional
8 revenue requirement for non-residential customers defined as Group 2 in the ECR
9 Tariff in conjunction with the ECR Roll-in, and revisions to the monthly reporting
10 forms to reflect the implementation of Group 1 and Group 2 billing factors. Pursuant
11 to the Commission's January 31, 2012 Order in that case, the changes were
12 implemented with the January 2012 expense month that was billed in March 2012.

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

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

1 Centers, and Business Offices and to Major Accounts representatives to assist with
2 responding to customer inquiries.

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

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

18 **Q. Has LG&E received any customer inquiries or complaints regarding Group 1**
19 **and Group 2 billing factors?**

20 A. No. LG&E has not received any customer inquiries or complaints regarding Group 1
21 and Group 2 billing factors.

22 **Q. Is LG&E proposing any changes to the current revenue allocation methodology?**

1 A. No. Because customers have not expressed any concerns with the current
2 methodology and the actual results are relatively consistent with the results
3 anticipated at the time the current revenue allocation methodology was approved,
4 LG&E is not proposing any changes at this time.

5 **Q. Is LG&E proposing any changes to the monthly reporting forms used for**
6 **calculating the environmental surcharge?**

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

11 **Q. Please describe the modifications that LG&E is proposing to the monthly**
12 **reporting forms.**

13 A. The calculation of the monthly billing factor for recovery of the cost of LG&E's 2011
14 Plan will be consistent with the methodology approved by the Commission in Case
15 No. 2011-00232 and used to calculate the recovery of the cost of LG&E's current
16 Environmental Compliance Plans.

17 Determination of the Environmental Compliance Rate Base is based on
18 combining all ECR-approved expenditures and calculating the rate base according to
19 the methodologies ordered in the previous Compliance Plan cases. The addition of
20 separate columns for Pre-2011 and 2011 Plans on ES Forms 1.10, 2.00, and 2.40 was
21 necessary to reflect the different rates of return approved by the Commission for the
22 Plans in Case No. 2011-00162. In Case No. 2012-00222, the Commission approved a

1 single rate of return for all Plans, therefore the columns have been consolidated into a
2 single Environmental Compliance Plans column on each of these three ES Forms.

3 The elimination of the 2005 and 2006 Plans in Case No. 2012-00222 resulted
4 in numerous changes to the monthly reporting forms. The projects associated with
5 those Plans are being removed from ES Form 2.10 and 2.50.

6 In addition, on ES Form 2.50, 2.51 and 2.61 the columns for Cane Run are
7 being removed since that station has no approved ECR projects and retirement dates
8 of the coal units have been announced.

9 **Q. Is LG&E proposing any changes to its Environmental Cost Recovery Surcharge**
10 **tariff?**

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

21 **Q. Are there any changes or adjustments in Rate Base from the originally filed**
22 **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 LG&E's response to the
3 Commission Staff's Request for Information, Question No. 1. In addition, there were
4 no changes identified as a result of preparing responses to the requests for
5 information in this 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. 2000-00386, 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, LG&E calculated the short- and long-term debt rate
13 using average daily balances and daily interest rates in the calculation of the overall
14 rate of return true-up adjustment for the period ending February 28, 2013. This new
15 rate was then applied to true-up the months in the review with different rates of return
16 as approved by the Commission in Case No. 2011-00162. In addition, LG&E
17 calculated the short- and long-term debt rates using average daily balances and daily
18 interest rates in the calculation of the overall rate of return true-up adjustment for the
19 billing period ending April 30, 2013 with the rate of return approved by the
20 Commission for all Plans in Case No. 2012-00222. The details of and support for this
21 calculation are shown in LG&E's response to Question No. 1 of the Commission
22 Staff's Request for Information.

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

3 A. Yes. As noted in the May 2013 expense month filing made on June 14, 2013, LG&E
4 inadvertently overstated the ECR Revenue Recovered Through Base Rates for the
5 January and February 2013 expense months contained in this review period due to an
6 input error that occurred when new base rates went into effect in Case No. 2012-
7 00222. The impact of the error was an overstatement of the ECR Revenue Recovered
8 Through Base Rates and an understatement of the Adjusted Net Jurisdictional E(m) of
9 \$116,935. The revised ECR Revenue Recovered Through Base Rates amounts for
10 the January and February 2013 expense months were used in LG&E's response to
11 Question No. 2 of the Commission Staff's Request for Information.

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

14 A. Yes. LG&E experienced a cumulative under-recovery of \$389,127 for the billing
15 period ending April 30, 2013. LG&E's response to Question No. 2 of the
16 Commission Staff's Request for Information shows the calculation of the cumulative
17 under-recovery. An adjustment to the revenue requirement is necessary to reconcile
18 the collection of past surcharge revenues with actual costs for the billing period under
19 review.

20 **Q. Has LG&E identified the causes of the net under-recovery during the billing**
21 **period under review?**

22 A. Yes. LG&E has identified the components that make up the net under-recovery
23 during the billing period under review. The components are (1) changes in overall

1 rate of return as previously discussed, (2) the use of 12-month average revenues to
 2 determine the billing factor, and (3) the correction for January and February noted
 3 above. The details and support of the components that make up the net under-
 4 recovery during the billing period under review are shown in LG&E's response to
 5 Question No. 2 of the Commission Staff's Request for Information.

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

8 A. The use of 12-month average revenues to calculate the monthly billing factors and
 9 then applying those same billing factors to the actual monthly revenues will result in
 10 an over- or under-collection of ECR revenues. The table below shows a comparison
 11 of the 12-month average revenues used in the monthly filings to determine the ECR
 12 billing factors and the actual revenues to which the ECR billing factors were applied
 13 in the billing month.

Expense Month	12-Month Average Revenues	Billing Month	Actual Revenues Subject to ECR Billing Factors
September 2012	\$ 60,756,730	November 2012	\$ 52,517,077
October 2012	60,765,146	December 2012	53,847,971
November 2012	61,201,045	January 2013	60,465,994
December 2012	61,328,109	February 2013	62,247,692
January 2013	61,396,931	March 2013	57,905,658
February 2013	62,117,169	April 2013	57,624,752
*The 12-month average revenues and the Actual Revenues subject to ECR Billing Factors reflect net revenues for Group 2.			

14
 15 Generally, an under-recovery will occur when actual revenues for the billing month
 16 are less than the 12-month average revenues used for the expense month. Likewise,

1 an over-recovery will usually occur when actual revenues for the billing month are
2 greater than the 12-month average revenues used for the expense month.

3 **Q. What kind of adjustment is LG&E proposing in this case as a result of the**
4 **operation of the environmental surcharge during the billing period?**

5 A. LG&E is proposing that the net under-recovery be collected in one month following
6 the Commission's Order in this proceeding. Specifically, LG&E recommends that
7 the Commission approve an increase to the Environmental Surcharge Revenue
8 Requirement of \$389,127 for one month, in the second full billing month following
9 the Commission's Order in this proceeding. This method is consistent with the
10 method of implementing previous over- or under-recovery positions in prior ECR
11 review cases.

12 **Q. What is the bill impact on a residential customer for the proposed collection of**
13 **the under-recovery?**

14 A. The inclusion of the collection reflecting the under-recovery position in the
15 determination of the ECR billing factor will increase the billing factor by
16 approximately 0.49%. For a residential customer using an average of 1,030 kWh per
17 /month, the impact of the adjusted ECR billing factor would be an increase of
18 approximately \$0.51 for one month (using rates and adjustment clause factors in
19 effect for the July 2013 billing month).

20 **Q. Should the Commission approve incorporating into LG&E's base rates the**
21 **environmental surcharge amounts found just and reasonable for the two-year**
22 **billing period ending April 2013?**

1 A. Yes. It is now appropriate to incorporate into electric base rates the surcharge
2 amounts the Commission finds just and reasonable for the two-year billing period
3 ending April 2013. LG&E recommends that an incremental environmental surcharge
4 amount of \$13,088,937 be incorporated into base rates at the conclusion of this case.
5 LG&E determined the incremental roll-in amount of \$13,088,937 using
6 environmental surcharge rate base as of February 28, 2013 and environmental
7 surcharge operating expenses for the twelve-month period ending February 28, 2013.
8 If approved, the total amount of environmental surcharge that will be included in base
9 rates will be \$13,883,368. The amount of environmental surcharge that will be
10 included in base rates represents rate base and operating expenses associated only
11 with LG&E's 2009 and 2011 amendments to its Compliance Plan. All costs
12 associated with the 2005 and 2006 amendments to the Compliance Plan were
13 removed from ECR recovery and included in base rates, consistent with the
14 Commission's approval of the Stipulation and Recommendation in Case No. 2012-
15 00222. The implementation of the change in base rates reflecting the roll-in amount
16 should take effect with bills rendered beginning with the first billing cycle in the
17 second month following the month in which the Commission issues its Order in this
18 proceeding.

19 **Q. If the Commission accepts LG&E's recommendation to incorporate the**
20 **proposed amount into base rates, what will be the impact on LG&E's ECR**
21 **revenue requirement?**

22 A. The incorporation of the recommended surcharge amount into base rates will increase
23 base rates and, two months later, decrease ECR revenues by an equal amount. There

1 will be no impact on the environmental costs LG&E is allowed to recover from its
2 customers; only the method of collection will be impacted.

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

5 A. The ECR is billed on a two-month lag, meaning that costs are incurred, for example,
6 in February 2013 (expense month) and ECR billing factor revenues are collected two
7 months later in April 2013 (billing month). LG&E's determination of costs
8 recoverable through the billing factor (E(m) for the expense month) are reduced by
9 the ECR revenue included in base rates. Therefore, total ECR costs for the month of
10 February are collected from customers through base rates in February and through the
11 ECR billing mechanism in April. If base rates increase due to a roll-in in February,
12 the portion of ECR costs incurred in February that is recovered through base rates
13 will increase and the resulting decrease in the ECR billing factor will be applied in
14 April. If the decrease in the ECR billing factor were applied in February, the same
15 month that base rates change, then LG&E would not be collecting the correct amount
16 of ECR revenue associated with costs incurred in December. This is because the
17 February billing factor is associated with the December expense month and must be
18 calculated using base rates in effect in December.

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. LG&E is recommending an overall rate of return on capital of 10.26%, including the
22 currently approved 10.25% return on equity and adjusted capitalization, to be used to
23 calculate the environmental surcharge. This is based on capitalization as of February

1 28, 2013 and the Commission's Order of December 20, 2012 in Case No. 2012-
2 00222. Please see the response and attachment to Commission Staff's Request for
3 Information Question No. 6 following this testimony.

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

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

6 a) The Commission should approve the proposed increase to the Environmental
7 Surcharge Revenue Requirement of \$389,127 for one month in the second full
8 billing month following the Commission's Order in this proceeding;

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

11 c) The Commission should approve a "roll-in" of \$13,088,937 in incremental
12 environmental costs into LG&E's base rates, for a total base rate ECR
13 component of \$13,883,368, to be included in base rates following the
14 methodology previously approved by the Commission and implemented by
15 LG&E. The implementation of the change in base rates reflecting the roll-in
16 amount should take effect with bills rendered beginning with the first billing
17 cycle in the second month following the month in which the Commission
18 issues its Order in this proceeding;

19 d) The Commission should approve the use of an overall rate of return on capital
20 of 10.26%, using a return on equity of 10.25%, beginning in the second full
21 billing month following the Commission's Order in this proceeding;

1 e) The Commission should approve the proposed ECR Tariff to become
2 effective with the expense month in which the Commission issues its Order;
3 and

4 f) The Commission should approve the use of the proposed ES monthly filing
5 forms with the expense month in which the Commission issues its Order.

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

7 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**

LG&E	(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/Other	\$ 4,487	\$ 4,487	\$ -	43.1%	43.1%	0.0%	\$ 2,695	42.0%	1.1%
GS	\$ 1,538	\$ 1,720	\$ 182	14.7%	16.5%	1.8%	\$ 1,085	16.9%	-0.4%
PS	\$ 2,252	\$ 2,301	\$ 49	21.6%	22.0%	0.4%	\$ 1,329	20.7%	1.3%
TOD	\$ 1,663	\$ 1,507	\$ (156)	16.0%	14.5%	-1.5%	\$ 1,005	15.7%	-1.2%
RTS	\$ 310	\$ 264	\$ (46)	3.0%	2.5%	-0.5%	\$ 222	3.5%	-1.0%
FLS	\$ -	\$ -	\$ -	0.0%	0.0%	0.0%	\$ -	0.0%	0.0%
Special Contracts	\$ 170	\$ 142	\$ (28)	1.6%	1.4%	-0.2%	\$ 79	1.2%	0.2%
TOTAL	\$ 10,420	\$ 10,420	\$ (0)	100.0%	100.0%	0.0%	\$ 6,415	100.0%	0.0%

(1) Information provided in Case No. 2011-00162 (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 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

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

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

GROUP 1 (Total Revenue)

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

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

GROUP 2 (Net Revenue)

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

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

Effective Date for Billing:

Submitted by: _____

Title: Director, Rates

Date Submitted:

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT

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

For the Expense Month of

Calculation of Total E(m)

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

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

Calculation of Adjusted Net Jurisdictional E(m)

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

Calculation of Group Environmental Surcharge Billing Factors

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

ES FORM 2.00

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

Determination of Environmental Compliance Rate Base

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

Determination of Pollution Control Operating Expenses

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

LOUISVILLE GAS AND ELECTRIC 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) Deferred Tax Balance as of	(7) Monthly ITC Amortization Credit	(8) Monthly Depreciation Expense	(9) Monthly Property Tax Expense
				(2)-(3)+(4)				
2011 Plan:								
Project 26 - Mill Creek Station Air Compliance								
Project 27 - Trimble County Unit 1 Air Compliance								
Subtotal								
Less Retirements and Replacement resulting from implementation of 2011 Plan								
Net Total - 2011 Plan:								
Net Total - All Plans:								

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

Note 2: Effective with the September 2012 expense month, Project 22 is cancelled and the previous CWIP balance is included on ES Form 2.50 as an expense for the September 2012 expense month.

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

Inventory of Emission Allowances

For the Month Ended:

Vintage Year	Number of Allowances			Total Dollar Value Of Vintage Year			Comments and Explanations
	SO ₂	NOx Annual	NOx Ozone Season	SO ₂	NOx Annual	NOx Ozone Season	
Current Year							
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.

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Inventory of Emission Allowances (SO₂) - 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
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity							
Dollars							
\$/Allowance							
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity							
Dollars							
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity							
Dollars							
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity							
Dollars							
\$/Allowance							
From KU							
Quantity							
Dollars							
\$/Allowance							

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

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

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
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity							
Dollars							
\$/Allowance							
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity							
Dollars							
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity							
Dollars							
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity							
Dollars							
\$/Allowance							
From KU:							
Quantity							
Dollars							
\$/Allowance							

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

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

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
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity							
Dollars							
\$/Allowance							
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity							
Dollars							
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity							
Dollars							
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity							
Dollars							
\$/Allowance							
From KU:							
Quantity							
Dollars							
\$/Allowance							

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

ES FORM 2.40

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

For the Month Ended:

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

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

ES FORM 2.50

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

O&M Expense Account	Cane Run	Mill Creek	Trimble County	Total
2005 Plan				
502056-ECR Scrubber Operations				
512055-ECR Scrubber Maintenance				
Total 2005 Plan O&M Expenses				
2006 Plan				
506159 - ECR Sorbent Injection Operation				
506152 - ECR Sorbent Reactant - Reagent Only				
512152 - ECR Sorbent Injection Maintenance				
506150 - ECR Mercury Monitors Operation				
512153 - ECR Mercury Monitors Maintenance				
502056 - ECR Scrubber Operations				
512055 - ECR Scrubber Maintenance				
506154 - ECR NOx Operation -- Consumables				
506155 - ECR NOx Operation -- Labor and Other				
512151 - ECR NOx Maintenance				
506051 - ECR Precipitator Operation				
506151 - ECR Activated Carbon				
512051 - ECR Precipitator Maintenance				
Total 2006 Plan O&M Expenses				
2009 Plan				
502013 - ECR Landfill Operations				
512107 - ECR Landfill Maintenance				
Adjustment for CCP Disposal in Base Rates (ES Form 2.51)				
Net 2009 Plan O&M Expenses				
Subtotal - Pre-2011 Plans				
2011 Plan				
502056 - ECR Scrubber Operations				
512055 - ECR Scrubber Maintenance				
506159 - ECR Sorbent Injection Operation				
506152 - ECR Sorbent Reactant - Reagent Only				
512152 - ECR Sorbent Injection Maintenance				
506156 - ECR Baghouse Operations				
512156 - ECR Baghouse Maintenance				
506151 - ECR Activated Carbon				
Adjustment for Base Rates Baseline Amounts				
Total 2011 Plan O&M Expenses				
Current Month O&M Expense for All Plans				

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

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

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

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

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

ES FORM 2.60

LOUISVILLE GAS AND ELECTRIC 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			

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

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

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

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

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
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

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

Reconciliation of Reported Revenues

For the Month Ended:

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

ES FORM 1.00

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

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

GROUP 1 (Total Revenue)

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:

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT

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

For the Expense Month of

Calculation of Total E(m)

$E(m) = [(RB / 12) (ROR + (ROR - DR) / (1 - TR))] + OE - BAS + BR$, 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)	$(ROR + (ROR - DR) / (1 - TR))$	=	
(4)	OE	=	
(5)	BAS	=	
(6)	BR	=	
(7)	$E(m) = (2) \times (3) + (4) - (5) + (6)$	=	

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) [(10) + (11) + (12) - (13)]	=	

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)]	=		

ES FORM 2.00

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

Determination of Environmental Compliance Rate Base

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

Determination of Pollution Control Operating Expenses

	Environmental Compliance Plan
Monthly Operations & Maintenance Expense	
Monthly Depreciation & Amortization Expense	
less investment tax credit amortization	
Monthly Taxes Other Than Income Taxes	
Monthly Emission Allowance Expense from ES Form 2.31, 2.32 and 2.33	
Monthly Surcharge Consulting Fees	
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			

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

For the Month Ended:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Description	Eligible Plant In Service	Eligible Accumulated Depreciation	CWIP Amount Excluding AFUDC	Eligible Net Plant In Service	Deferred Tax Balance as of	Monthly ITC Amortization Credit	Monthly Depreciation Expense	Monthly Property Tax Expense
				(2)-(3)+(4)				
2009 Plan:								
Project 22 - Cane Run CCP Storage (Landfill - Phase I) [CANCELLED]								
Project 23 - Trimble County Ash Treatment Basin (BAP/GSP)								
Project 24 - Trimble County CCP Storage (Landfill - Phase 1)								
Project 25 - Beneficial Reuse								
Subtotal								
Less Retirements and Replacement resulting from implementation of 2009 Plan								
Net Total - 2009 Plan:								
2011 Plan:								
Project 26 - Mill Creek Station Air Compliance								
Project 27 - Trimble County Unit 1 Air Compliance								
Subtotal								
Less Retirements and Replacement resulting from implementation of 2011 Plan								
Net Total - 2011 Plan:								
Net Total - All Plans:								

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

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

Inventory of Emission Allowances

For the Month Ended:

Vintage Year	Number of Allowances			Total Dollar Value Of Vintage Year			Comments and Explanations
	SO ₂	NOx Annual	NOx Ozone Season	SO ₂	NOx Annual	NOx Ozone Season	
Current Year							
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.

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Inventory of Emission Allowances (SO₂) - 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
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity							
Dollars							
\$/Allowance							
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity							
Dollars							
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity							
Dollars							
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity							
Dollars							
\$/Allowance							
From KU							
Quantity							
Dollars							
\$/Allowance							

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

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

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
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity							
Dollars							
\$/Allowance							
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity							
Dollars							
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity							
Dollars							
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity							
Dollars							
\$/Allowance							
From KU:							
Quantity							
Dollars							
\$/Allowance							

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

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

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
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity							
Dollars							
\$/Allowance							
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity							
Dollars							
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity							
Dollars							
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity							
Dollars							
\$/Allowance							
From KU:							
Quantity							
Dollars							
\$/Allowance							

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

ES FORM 2.40

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

For the Month Ended:

Environmental Compliance Plan	
O&M Expenses	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	\$	-

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

O&M Expense Account	Mill Creek	Trimble County	Total
2009 Plan			
502013 - ECR Landfill Operations			
512107 - ECR Landfill Maintenance			
Adjustment for CCP Disposal in Base Rates (ES Form 2.51)			
Net 2009 Plan O&M Expenses			
2011 Plan			
502056 - ECR Scrubber Operations			
512055 - ECR Scrubber Maintenance			
506159 - ECR Sorbent Injection Operation			
506152 - ECR Sorbent Reactant - Reagent Only			
512152 - ECR Sorbent Injection Maintenance			
506156 - ECR Baghouse Operations			
512156 - ECR Baghouse Maintenance			
506151 - ECR Activated Carbon			
Adjustment for Base Rates Baseline Amounts			
Total 2011 Plan O&M Expenses			
Current Month O&M Expense for All Plans			

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

ES FORM 2.51

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

On-Site CCP Disposal O&M Expense		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

LOUISVILLE GAS AND ELECTRIC 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

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

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

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

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

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

For the Month Ended:

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

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

Reconciliation of Reported Revenues

For the Month Ended:

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

Louisville Gas and Electric Company

**P.S.C. Electric No. 9, First Revision of Original Sheet No. 87
Canceling P.S.C. Electric No. 9, 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; LS; RLS; LE; TE; and Pilot Program LEV.

Group 2: Rate Schedules GS; PS; TODS; ITODP; CTODP; 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
Louisville, Kentucky

**Issued by Authority of an Order of the
Public Service Commission in Case No.
2013-00243 dated _____**

Louisville Gas and Electric Company

P.S.C. Electric No. 9, First Revision of Original Sheet No. 87
Canceling P.S.C. Electric No. 9, Original Sheet No. 87

Adjustment Clause

ECR

Environmental Cost Recovery Surcharge

APPLICABLE

In all territory served.

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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 1~~ December 1, 2013

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

~~2012-00222~~2013-00243 dated ~~December 20, 2012~~ _____