

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**THE APPLICATION OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR CERTIFICATES)
OF PUBLIC CONVENIENCE AND NECESSITY)
AND APPROVAL OF ITS 2016 COMPLIANCE) CASE NO. 2016-00027
PLAN FOR RECOVERY BY ENVIRONMENTAL)
SURCHARGE)**

APPLICATION

Louisville Gas and Electric Company (“LG&E”), pursuant to KRS 278.020(1), KRS 278.183, and 807 KAR 5:001 Sections 14 and 15, hereby petitions the Kentucky Public Service Commission (“Commission”) by application to issue an order granting LG&E Certificates of Public Convenience and Necessity (“CPCNs”) to conduct surface-impoundment-related construction necessary to comply with the U.S. Environmental Protection Agency’s (“EPA’s”) Coal Combustion Residuals Final Rule (“CCR Rule”) and construct new process water systems at the Mill Creek Generating Station (“Mill Creek”) and the Trimble County Generating Station (“Trimble County”).¹ LG&E further petitions the Commission for an order approving an amended compliance plan for the purpose of recovering the costs of these and other new and additional pollution-control facilities through its Environmental Cost Recovery (“ECR”) Surcharge tariff (“2016 Plan”). The 2016 Plan is attached as Application Exhibit 1. These projects are required for LG&E to comply with the federal Clean Air Act as amended (“CAA”), the CCR Rule, the Mercury and Air Toxics Standards (“MATS Rule”), and other environmental

¹ The CCR Rule defines CCR as “fly ash, bottom ash, boiler slag, and flue gas desulfurization materials generated from burning coal for the purpose of generating electricity by electric utilities and independent power producers.” 40 CFR 257.53. This definition includes what is commonly referred to as gypsum.

requirements that apply to LG&E facilities used in the production of energy from coal. In support of this Application, LG&E states as follows:

1. The full name and mailing address of LG&E are: Louisville Gas and Electric Company, Post Office Box 32010, 220 West Main Street, Louisville, Kentucky 40202. LG&E may be reached by electronic mail at the electronic mail addresses of its counsel set forth below.

2. LG&E is a utility engaged in the electric and gas business. LG&E generates and purchases electricity, and distributes and sells electricity at retail in Jefferson County and portions of Bullitt, Hardin, Henry, Meade, Oldham, Shelby, Spencer, and Trimble Counties. LG&E also purchases, stores, and transports natural gas and distributes and sells natural gas at retail in Jefferson County and portions of Barren, Bullitt, Green, Hardin, Hart, Henry, Larue, Marion, Meade, Metcalfe, Nelson, Oldham, Shelby, Spencer, Trimble, and Washington Counties.

3. LG&E was incorporated in Kentucky on July 2, 1913, and is currently in good standing in Kentucky. A copy of LG&E's good standing certificate from the Kentucky Secretary of State is attached as Application Exhibit 2.

4. Pursuant to KRS 278.380, LG&E waives any right to service of Commission orders by mail for purposes of this proceeding only. Copies of all orders, pleadings and other communications related to this proceeding should be directed to:

Robert M. Conroy
Director – Rates
LG&E and KU Services Company
220 West Main Street
Louisville, KY 40202
robert.conroy@lge-ku.com

Derek A. Rahn
Manager, Revenue Requirement
LG&E and KU Services Company
220 West Main Street

Louisville, KY 40202
derek.rahn@lge-ku.com

Allyson K. Sturgeon
Senior Corporate Attorney
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
allyson.sturgeon@lge-ku.com

Sara Veeneman
Corporate Attorney
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
sara.veeneman@lge-ku.com

Kendrick R. Riggs
W. Duncan Crosby III
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202-2828
kendrick.riggs@skofirm.com
duncan.crosby@skofirm.com

Lindsey W. Ingram III
Monica Braun
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-1801
l.ingram@skofirm.com
monica.braun@skofirm.com

Request for Certificates of Public Convenience and Necessity

**CCR Rule Compliance Construction and Construction of New Process water Systems at Mill
Creek and Trimble County**

5. LG&E proposes to conduct CCR Rule compliance construction at Mill Creek and Trimble County and construct new process water systems for continued station operation.

6. Statement of Need (807 KAR 5:001 § 15(2)(a)): On December 19, 2014, the EPA finalized its proposed CCR Rule, establishing technical requirements for CCR landfills and surface impoundments under subtitle D of the Resource Conservation and Recovery Act (“RCRA”). The CCR Rule, which became effective October 19, 2015, is intended to provide a comprehensive set of requirements for the safe disposal of CCR.

Conducting CCR Rule compliance construction at Mill Creek and Trimble County and constructing new process water systems are economical, as John N. Voyles, Jr. and Charles R. Schram discuss in their testimonies,² and are prudent means of complying with the CCR Rule and other applicable environmental requirements, as Gary H. Revlett discusses in his testimony.³

7. Description of Proposed Construction (807 KAR 5:001 § 15(2)(c)): LG&E is requesting two CCR-related CPCNs for the lowest-reasonable-cost construction necessary to comply with the CCR Rule (and other applicable federal, state, and local requirements) concerning surface impoundments: one to address five surface impoundments and construct a new process water system at Mill Creek; and one to address two surface impoundments and construct a new process water system at Trimble County. These projects consist of new construction and changes to existing certificated facilities that require prior approval from the Commission under KRS 278.020. The CCR Management Facilities Plans for Mill Creek and Trimble County, attached to the testimony of Mr. Voyles as Exhibits JNV-3 and JNV-4, respectively, contain the engineering work papers related to LG&E’s currently expected surface impoundment closures and process water system construction; however, as noted in the testimony of Mr. Voyles, as engineering proceeds and matures for each proposed closure and the assessments of the CCR Rule’s criteria for each surface impoundment’s circumstances becomes

² Voyles Testimony at 20-22; Schram Testimony at 4-5.

³ Revlett Testimony at 18.

clearer, the closure approach and costs for a given surface impoundment could change, perhaps significantly, especially if larger quantities of virgin fill materials become necessary for closure.⁴ LG&E is therefore explicitly requesting CPCN authority at each of Mill Creek and Trimble County to perform all construction necessary to comply with the CCR Rule (and other applicable federal, state, and local requirements) in a lowest-reasonable-cost manner.

LG&E proposes to begin conducting CCR Rule compliance construction and constructing the new process water system at Mill Creek in 2016, and all work should be complete by 2020. LG&E proposes to begin CCR Rule compliance construction and constructing the new process water system at Trimble County in 2017, and all work should be complete by 2023.

For these reasons, LG&E is requesting that the Commission issue the requested CPCNs by July 29, 2016.

There are no utilities, corporations, or persons with whom the proposed new construction is likely to compete.

8. Permits or Franchises (807 KAR 5:001 § 15(2)(b)): LG&E will submit any required surface-impoundment-closure plans to the Kentucky Division of Water by the end of 2016, and will file a copy of the plans with the Commission when they are available. LG&E will also seek any applicable construction permits.

9. Maps and Drawings of Proposed Construction (807 KAR 5:001 § 15(2)(d)(1) and (2)): The required maps and drawings for the proposed construction for the two requested CCR-related CPCNs are attached in Application Exhibit 3.

10. Financing Plans (807 KAR 5:001 § 15(2)(e)): The projected capital cost of closing the Mill Creek CCR surface impoundments and constructing a new process water system

⁴ Voyles Testimony at 15-16.

to serve Mill Creek is \$196.9 million, of which LG&E seeks to recover \$193.7 million through the ECR mechanism as part of its 2016 Plan Project 28. The projected capital cost of closing the Trimble County CCR surface impoundments and constructing a new process water system to serve Trimble County is \$114.1 million, of which LG&E seeks to recover \$110.4 million through the ECR mechanism as part of its 2016 Plan Project 29, which corresponds with LG&E's 39% ownership share of Trimble County's common plant assets. But as noted above and in the testimony of Mr. Voyles, as engineering proceeds and matures for each proposed closure and the assessments of the CCR Rule's criteria for each surface impoundment's circumstances becomes clearer, the closure approach and costs for a given surface impoundment could change, perhaps significantly, especially if larger quantities of virgin fill materials become necessary for closure.⁵

LG&E's proposed financing of such costs is discussed in the direct testimony of Mr. Conroy, which accompanies this Application and is incorporated herein by reference.

11. Estimated Cost of Operation (807 KAR 5:001 § 15(2)(f)): LG&E is not seeking O&M cost recovery through the ECR mechanism for these projects, as noted on the second page of Exhibit JNV-1. Christopher M. Garrett's testimony addresses cost recovery for ongoing groundwater monitoring obligations under the CCR Rule.

12. Final action on this Application is requested by July 29, 2016, to allow LG&E to begin procurement of materials and equipment under the proposed construction schedule.

**Request for Approval of LG&E's 2016 Environmental Compliance Plan for Recovery by
Environmental Surcharge**

13. This Application and supporting testimony and exhibits are available for public inspection at LG&E's office located at 820 West Broadway, Louisville, Kentucky. The

⁵ Voyles Testimony at 15-16.

Company is giving notice to the public of the proposed assessment through its existing environmental surcharge tariff for the recovery of the costs of 2016 Environmental Compliance Plan by newspaper publication and through a bill insert in monthly billings to its customers. The Company is also posting this Application on its website (<http://www.lge-ku.com>). An initial Certificate of Notice and Publication is filed with this Application. A Certification of Completed Notice and Publication will be filed with the Commission upon the completion of this notice.

14. Pursuant to KRS 278.183, LG&E is “entitled to the current recovery of its costs of complying with the Federal Clean Air Act as amended and those federal, state, or local environmental requirements which apply to coal combustion wastes and byproducts from facilities utilized for production of energy from coal in accordance with the utility’s compliance plan.”

15. LG&E is adding three new projects. The new projects will enable Mill Creek and Trimble County to comply with the Clean Air Act, the CCR Rule, and other current and proposed environmental laws, regulations, and enforcement actions. The environmental regulations creating the need for these new and additional projects are specifically shown in the 2016 Plan, which is attached to this Application (Application Exhibit 1) and to the testimony of Mr. Voyles as Exhibit JNV-1. Mr. Revlett’s testimony presents LG&E’s evidence concerning the applicable regulatory requirements, and Mr. Voyles’s testimony and the testimony of R. Scott Straight explain how the proposed projects will enable LG&E to cost effectively satisfy those regulatory requirements. The pollution control projects included in the 2016 Plan are:

- a. Project No. 28 (Mill Creek and Trimble County Unit 1): Install supplemental mercury-related control technologies at Mill Creek Units 1-4

and Trimble County Unit 1, thereby allowing use of the most cost-effective additive injections to mitigate mercury emissions;

- b. Project No. 29 (Mill Creek): CCR Rule Compliance Construction and Construction of New Process Water Systems; and
- c. Project No. 30 (Trimble County): CCR Rule Compliance Construction and Construction of New Process Water Systems.

The total capital cost of these new projects to the Compliance Plan is estimated to be approximately \$315.9 million, of which LG&E seeks to recover \$309.1 million through the ECR mechanism as part of its 2016 Plan.

16. A detailed summary of the facts and compliance requirements supporting this Application is set forth in the direct testimony and exhibits of the Company's witnesses:

- The testimony of Robert M. Conroy, Director of Rates, presents an overview of LG&E's environmental surcharge plan and supporting testimony, and requests the recovery of an overall rate of return that includes a 10.00% return on common equity. Mr. Conroy's testimony also states the reasons LG&E is seeking CPCNs for certain ECR projects, the reasons for requesting the projects themselves, and how LG&E plans to finance the projects.
- John N. Voyles, Jr., Vice President, Transmission and Generation Services, presents testimony that describes the engineering and construction aspects of the projects in LG&E's 2016 Plan, and the projects' costs. Mr. Voyles sponsors the 2016 Plan and the CCR Management Facilities Plans for Mill Creek and Trimble County.

- R. Scott Straight, Director of Project Engineering, presents testimony that discusses Project 28 and its costs, and sponsors Project Engineering documents and process flow diagrams supporting Project 28.
- Gary H. Revlett, Director, Environmental Affairs, presents testimony discussing the environmental regulations that necessitate LG&E's 2016 Plan. Mr. Revlett describes the pertinent statutes, rules, or regulations requiring LG&E to take action.
- Charles R. Schram, Director, Energy Planning, Analysis and Forecasting, presents testimony on the cost-effectiveness of the projects in LG&E's 2016 Plan, and presents as exhibits the cost-benefit studies LG&E performed.
- Derek A. Rahn, Manager, Revenue Requirement, presents testimony addressing how the environmental surcharge under LG&E's ECR tariff provisions will be calculated to include the costs of the 2016 Plan, presents the revisions to the monthly ECR reporting forms that LG&E proposes and explains why the revisions to the forms are appropriate, and discusses the bill impact on LG&E's customers.
- John J. Spanos, Senior Vice President, Gannett Fleming Valuation and Rate Consultants, LLC presents testimony demonstrating that the terminal net salvage value used with the depreciation rates and reserves in base rates does not reflect any surface impoundment closures under the CCR Rule and proposes depreciation rates for the surface impoundment closures at each generation station to be used in the ECR filing.

- Christopher M. Garrett, C.P.A., Director, Accounting and Regulatory Reporting, presents testimony affirming that the costs for which LG&E is seeking recovery through its Environmental Surcharge tariff are not included in base rates, and describes the accounting associated with the projects in LG&E's 2016 Plan, all consistent with the Commission's prior orders. Also, Mr. Garrett addresses the accounting for the proposed CCR Rule compliance construction contained in Projects 29 and 30.

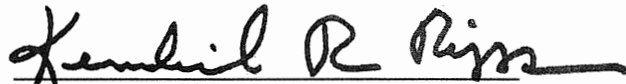
17. LG&E is no changes to its Environmental Cost Recovery Surcharge tariff sheets, P.S.C. Electric No. 10, Second Revision to Original Sheet No. 87 and First Revision to Original Sheet No. 87.1, *Adjustment Clause ECR*, other than to change their issue and effective dates. LG&E is filing its Environmental Cost Recovery Surcharge tariff sheets, attached as Application Exhibit 4, for the purpose of obtaining the Commission's approval of the recovery of the costs of 2016 Environmental Compliance Plan by the proposed assessment through this tariff provision. In accordance with KRS 278.183(2), the ECR tariff has an issue date of January 29, 2016, and is proposed to be effective on July 29, 2016. Therefore, bills issued on and after August 31, 2016, will reflect the revised environmental surcharge beginning with the expense month of July 2016 (i.e., beginning with the expense month six months after the filing of this Application).

WHEREFORE, Louisville Gas and Electric Company respectfully asks the Commission to enter an order on July 29, 2016: (1) granting LG&E Certificates of Public Convenience and Necessity to conduct proposed CCR Rule compliance construction and construct new process water systems at Mill Creek and Trimble County; (2) approving the new projects to LG&E's Environmental Compliance Plan for purposes of recovering the costs of the projects through the environmental surcharge mechanism; (3) approving the proposed environmental surcharge tariff

for the recovery of the costs of 2016 Plan effective for bills rendered on and after August 31, 2016 (i.e., beginning with the expense month of July 2016); (4) approving the proposed ES monthly filing forms; (5) approving the recovery of the overall rate of return requested herein, including the return on equity therein; (6) approving the proposed depreciation rates for purposes of calculating the ECR beginning with the expense month of July 2016; and (7) granting such other relief as LG&E may be entitled under law.

Dated: January 29, 2016

Respectfully submitted,



Kendrick R. Riggs
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202
Telephone: (502) 333-6000
Fax: (502) 627-8722
kendrick.riggs@skofirm.com

Allyson K. Sturgeon
Senior Corporate Attorney
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-2088
Fax: (502) 627-3367
allyson.sturgeon@lge-ku.com

Counsel for Louisville Gas and Electric Company

Exhibit 1
2016 Environmental
Compliance Plan

LOUISVILLE GAS AND ELECTRIC COMPANY
2016 ENVIRONMENTAL COMPLIANCE PLAN (Case No. 2016-00027)

Project	Air Pollutant or Waste/By-Product To Be Controlled	Control Facility	Generating Station	Environmental Regulation*	Environmental Permit*	Actual or Scheduled Completion	Actual (A) or Estimated (E) Projected Capital Cost (\$Million)
28	Mercury (Hg)	Supplemental Mercury Related Control Technologies	Mill Creek Units 1/2	Clean Air Act (1990) and MATS	Louisville Metropolitan Air Pollution Control District and Ky Division for Air Quality Title V Permits	2016	\$2.6 (E)
			Mill Creek Unit 3			2016	\$0.9 (E)
			Mill Creek Unit 4			2016	\$0.9 (E)
			Trimble County Unit 1			2016	\$0.6 (E)
29	Fly & Bottom Ash, Gypsum	CCR Rule Compliance Construction and Construction of New Process Water Systems	Mill Creek Station	EPA CCR Rule	Division of Waste Management - Landfill Permit Division of Water - KPDES Permit	2020	\$193.7 (E)
30	Fly & Bottom Ash, Gypsum	CCR Rule Compliance Construction and Construction of New Process Water Systems	Trimble County Station (See Note 1)			2023	\$110.4 (E)

\$309.1

* Sponsored by Witness Revlett

Note 1: KU and LG&E's costs split 48% / 52% respectively

Note 2: CCP now known as CCR; HAPS now known as MATS; CATR now known as CSAPR

LOUISVILLE GAS AND ELECTRIC COMPANY
2016 ENVIRONMENTAL COMPLIANCE PLAN (Case No. 2016-00027)

Project	Air Pollutant or Waste/By-Product To Be Controlled	Control Facility	Generating Station	Estimated Annual Operations and Maintenance Costs (Through 2024)										
				2016	2017	2018	2019	2020	2021	2022	2023	2024		
28	Mercury (Hg)	Supplemental Mercury Related Control Technologies (See Note 1)	Mill Creek Units 1/2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
			Mill Creek Unit 3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
			Mill Creek Unit 4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
			Trimble County Unit 1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
29	Fly & Bottom Ash, Gypsum	CCR Rule Compliance Constuction and Construction of New Process Water Systems	Mill Creek Station	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
30	Fly & Bottom Ash, Gypsum	CCR Rule Compliance Constuction and Construction of New Process Water Systems	Trimble County Station (See Note 2)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	

Note 1: The \$0 O&M costs shown on Project 28 represent LG&E's expectation that the cost of the proposed additives will balance or partially offset costs currently being recovered through the O&M shown in LG&E's monthly ECR reports for Projects 26 and 27 (approved as part of LG&E's 2011 Plan)

Note 2: KU and LG&E's costs split 48% / 52% respectively.

Exhibit 2
Good Standing
Certificate

Commonwealth of Kentucky
Alison Lundergan Grimes, Secretary of State

Alison Lundergan Grimes
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
(502) 564-3490
<http://www.sos.ky.gov>

Certificate of Existence

Authentication number: 172478
Visit <https://app.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

LOUISVILLE GAS AND ELECTRIC COMPANY

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is July 2, 1913 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 27th day of January, 2016, in the 224th year of the Commonwealth.



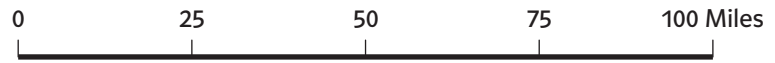
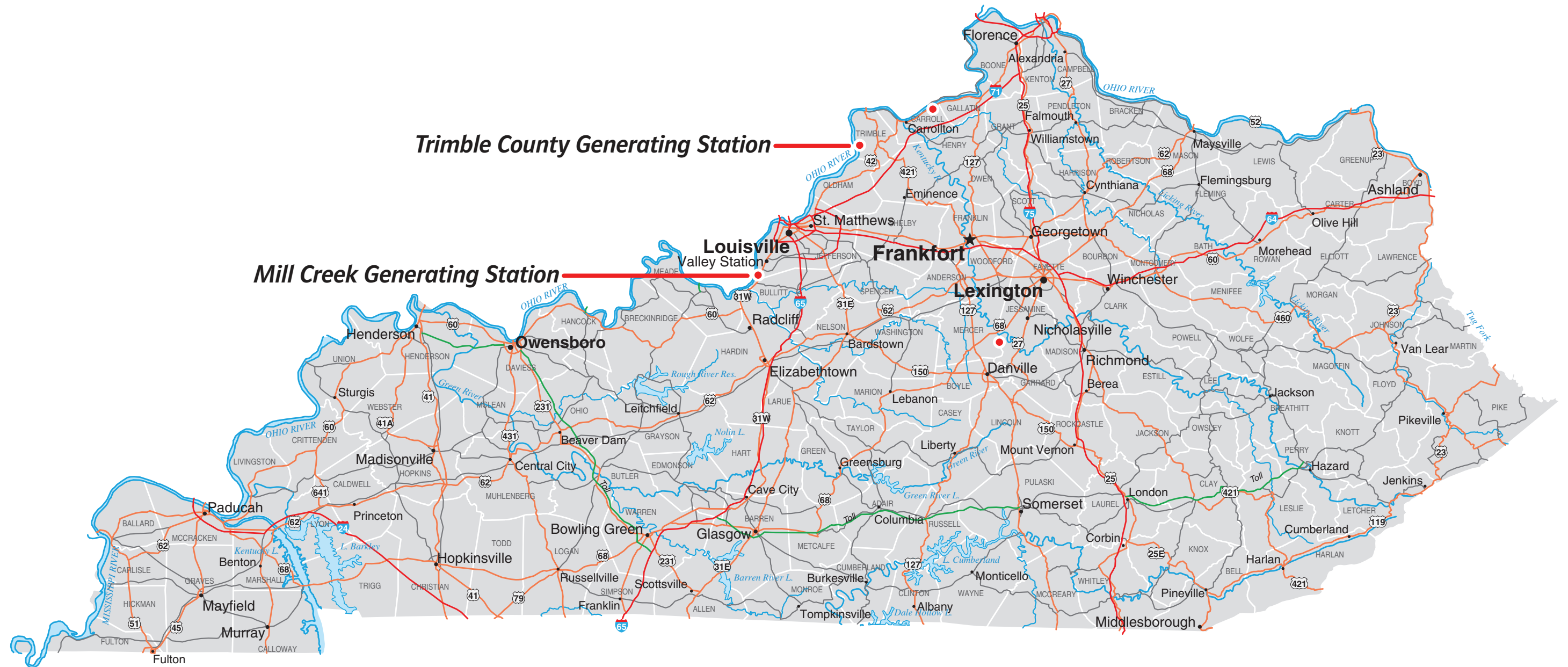
Alison Lundergan Grimes

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
172478/0032196

Exhibit 3
Maps and Drawings



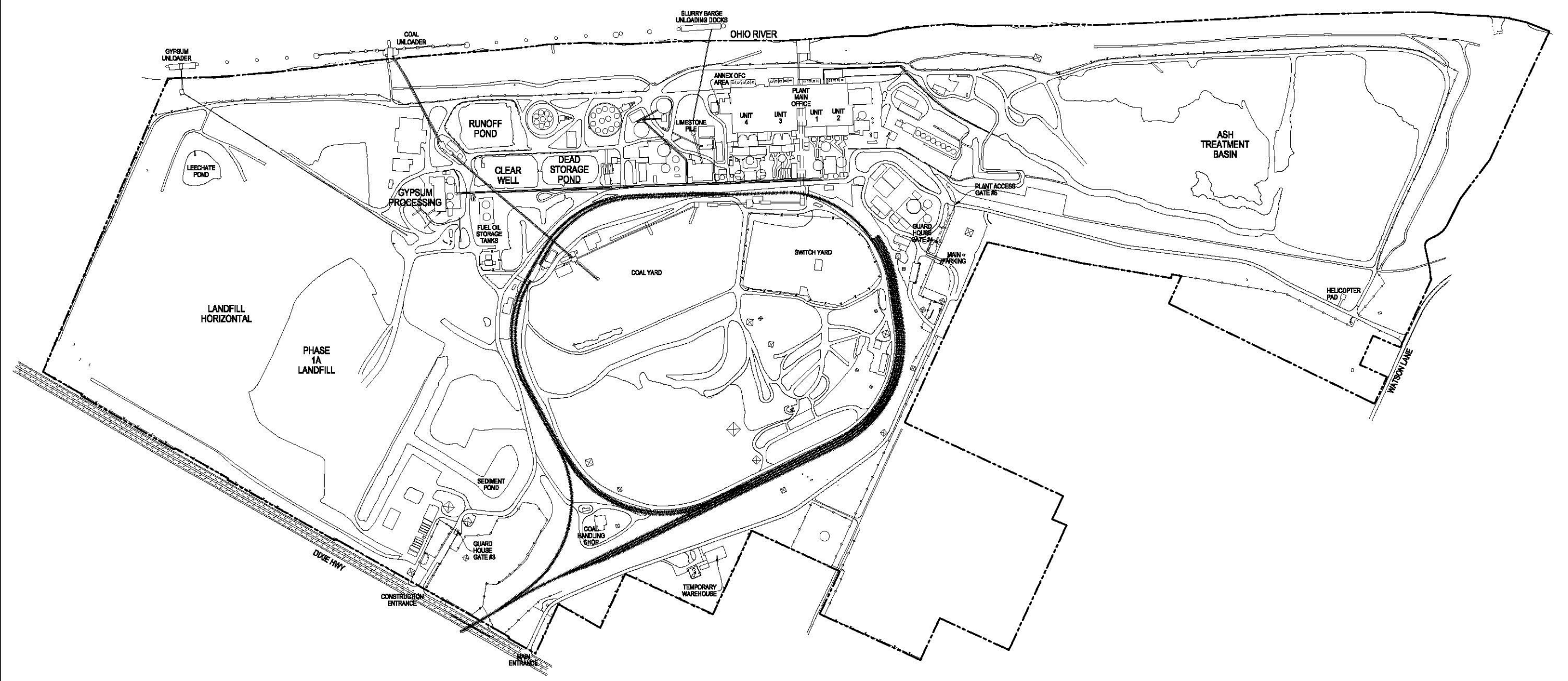
a PPL company



Parallel scale at 38°N 0°E

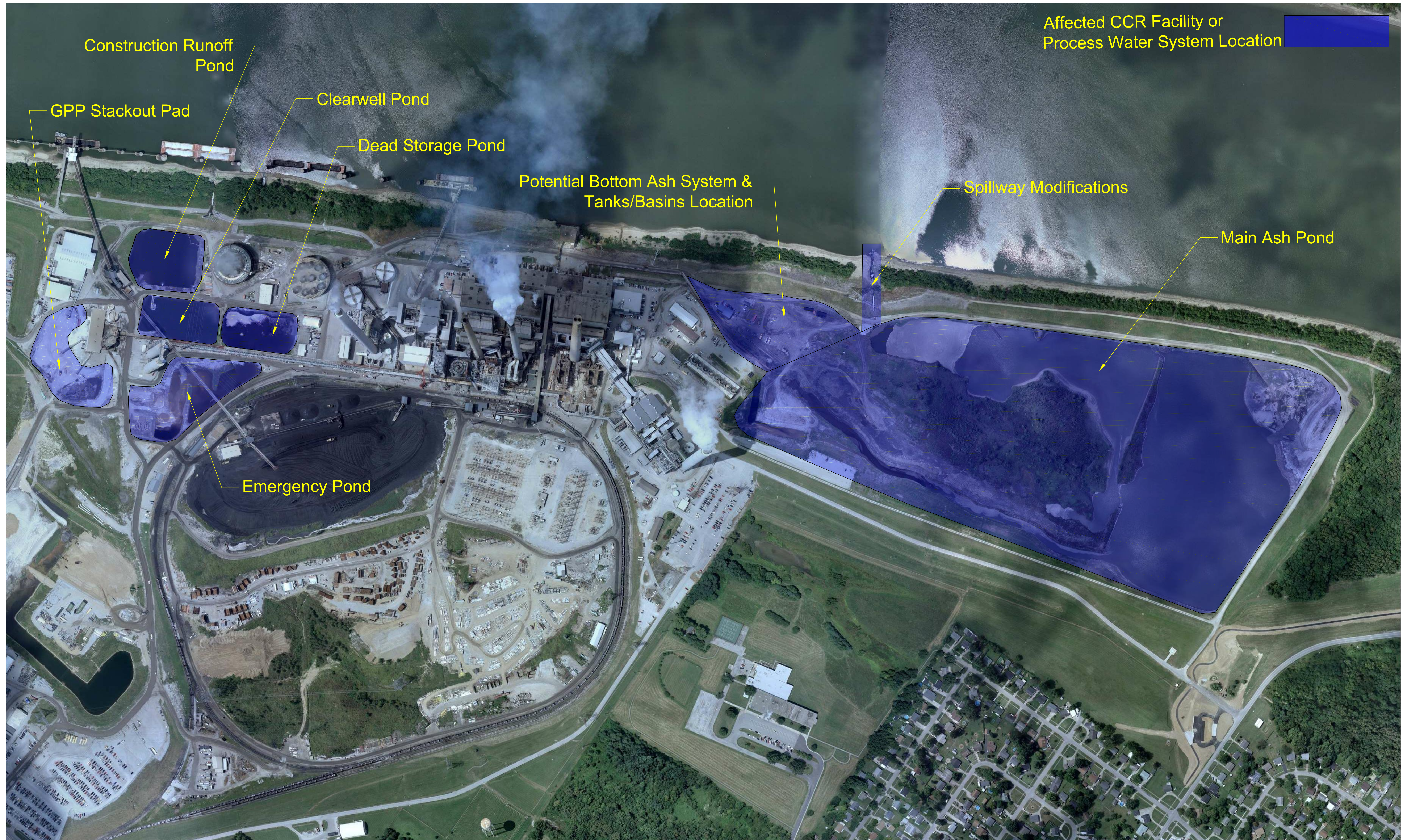


APPROX. SCALE: 1"=300'
STRUCTURES NOT TO SCALE



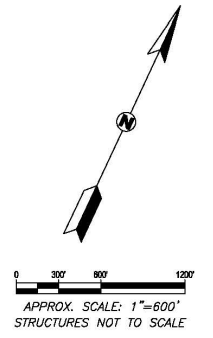
MILL CREEK GENERATING STATION OVERALL SITE PLAN

Mill Creek Project





**TRIMBLE COUNTY GENERATING STATION
OVERALL SITE PLAN**



Trimble Co. Project



Exhibit 4
Environmental Cost
Recovery Surcharge
Tariff Sheets

Louisville Gas and Electric Company

P.S.C. Electric No. 10, Second Revision of Original Sheet No. 87
Canceling P.S.C. Electric No. 10, First Revision of 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 (including the Off-System Sales Tracker) 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; RTOD-Energy; RTOD-Demand; VFD; LS; RLS; LE; and TE.
- 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.

DATE OF ISSUE: January 29, 2016

DATE EFFECTIVE: July 29, 2016

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.
2016-00027 dated _____, 20____

Louisville Gas and Electric Company

P.S.C. Electric No. 10, First Revision of Original Sheet No. 87.1
Canceling P.S.C. Electric No. 10, Original Sheet No. 87.1

Adjustment Clause

ECR
Environmental Cost Recovery Surcharge

DEFINITIONS (continued)

- 2) Total E(m) (sum of each approved environmental compliance plan revenue requirement) is multiplied by the Jurisdictional Allocation Factor. Jurisdictional E(m) is adjusted for any (Over)/Under collection or prior period adjustment and by the subtraction of the Revenue Collected through Base Rates for the Current Expense month to arrive at Adjusted Net Jurisdictional E(m). Adjusted Net Jurisdictional E(m) is allocated to Group 1 and Group 2 on the basis of Revenue as a Percentage of Total Revenue for the 12 months ending with the Current Month to arrive at Group 1 E(m) and Group 2 E(m).
- 3) The Group 1 R(m) is the average of total Group 1 monthly base revenue for the 12 months ending with the current expense month. Base revenue includes the customer, energy, and lighting charges for each rate schedule included in Group 1 to which this mechanism is applicable and automatic adjustment clause revenues for the Fuel Adjustment Clause and the Demand-Side Management Cost Recovery Mechanism as applicable for each rate schedule in Group 1.
- 4) The Group 2 R(m) is the average of total Group 2 monthly base non-fuel revenue for the 12 months ending with the current expense month. Base non-fuel revenue includes the customer, non-fuel energy, and demand charges for each rate schedule included in Group 2 to which this mechanism is applicable and automatic adjustment clause revenues for the Demand-Side Management Cost Recovery Mechanism as applicable for each rate schedule in Group 2. Non-fuel energy is equal to the tariff energy rate for each rate schedule included in Group 2 less the base fuel factor as defined on Sheet No. 85.1, Paragraph 6.
- 5) Current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

DATE OF ISSUE: January 29, 2016

DATE EFFECTIVE: July 29, 2016

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.
2016-00027 dated _____, 20____**