

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

**In the Matter of:**

**ELECTRONIC EXAMINATION BY THE PUBLIC )  
SERVICE COMMISSION OF THE ENVIRONMENTAL )  
SURCHARGE MECHANISM OF KENTUCKY ) CASE NO.  
UTILITIES COMPANY FOR THE SIX-MONTH ) 2018-00257  
BILLING PERIOD ENDING APRIL 30, 2018 )**

**DIRECT TESTIMONY OF**  
**DEREK A. RAHN**  
**MANAGER, REVENUE REQUIREMENT COS**  
**LG&E AND KU SERVICES COMPANY**

**Filed: September 5, 2018**



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

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

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

9 A. Yes. I have previously testified before this Commission in proceedings concerning the  
10 Companies’ fuel adjustment clauses, environmental cost recovery (“ECR”) surcharge  
11 mechanisms, and the 2016 ECR compliance plan proceeding (Case No. 2016-00026  
12 (KU) and Case No. 2016-00027 (LG&E)).

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

14 A. Yes. Provided in Exhibit DAR-1 are revisions to the September 2017 through February  
15 2018 Monthly ES Forms. These revisions reflect:

16 (1) the reduction in the Kentucky state corporate income tax rate from 6 percent to  
17 5 percent effective retroactive to January 1, 2018<sup>1</sup>;

18 (2) the Internal Revenue Service “IRS” filing Docket No. 2018-16716 filed August  
19 3, 2018, retroactive to September 27, 2017, the month under which this review  
20 period starts.

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(a) <sup>1</sup> The Kentucky corporate income tax rate was reduced from 6% to 5%, as enacted by House Bill 487, effective January 1, 2018. House Bill 487 became law on April 27, 2018.

1 (3) a correction reflected on ES Form 2.10, as it pertains to the balances on the  
2 retirement line for Eligible Accumulated Depreciation and Deferred Tax  
3 Balances.

4 These revisions are used in the calculation of the true-up in this case.

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

6 A. The purpose of this proceeding is to review the past operation of KU's environmental  
7 surcharge during the six-month billing period ending April 30, 2018 and determine  
8 whether the surcharge amounts collected during the period are just and reasonable.

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

10 A. The purpose of my testimony is to summarize the operation of KU's environmental  
11 surcharge during the billing period under review, demonstrate that the amount collected  
12 during the period was just and reasonable, present and discuss KU's proposed  
13 adjustment to the Environmental Surcharge Revenue Requirement based on the  
14 operation of the surcharge during the period and explain how the environmental  
15 surcharge factors were calculated during the period under review.

16 I will also explain the updates required to the expense months of September  
17 2017 through February 2018 to reflect the reduction in the Kentucky state corporate  
18 income tax rate, "IRS" filing Docket No. 2018-16716, correction for retirements  
19 associated with Accumulated Depreciation on the ECR mechanism

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

22 A. KU billed an environmental surcharge to its customers from November 1, 2017 through  
23 April 30, 2018. For purposes of the Commission's examination in this case, the

1 monthly KU environmental surcharges are considered as of the six-month billing  
2 period ending April 30, 2018. In each month of the six-month period under review in  
3 this proceeding, KU calculated the environmental surcharge factors in accordance with  
4 its ECR Tariff and the requirements of the Commission's previous orders concerning  
5 KU's environmental surcharge. The calculations were made in accordance with the  
6 Commission-approved monthly forms and filed with the Commission ten days before  
7 the new monthly charge was billed by the Company.

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

10 A. The capital and operating costs included in the calculation of the environmental  
11 surcharge factors for the six-month billing period under review were the costs incurred  
12 each month by KU from September 2017 through February 2018, as detailed in the  
13 attachment in response to Question No. 2 of the Commission Staff's First Request for  
14 Information, incorporating all required revisions.

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

21 **Q. Please describe the most recently approved changes to KU's ECR Compliance**  
22 **Plan.**

1 A. In Case No. 2016-00027, the Commission approved KU's 2016 ECR Compliance Plan  
2 that included seven new projects and associated operation and maintenance costs.  
3 Pursuant to the Commission's August 8, 2016 Order approving the Settlement  
4 Agreement in Case No. 2016-00027, KU began including the approved projects in the  
5 monthly filing for the August 2016 expense month that was billed in October 2016.

6 **Q. Please describe the most recently approved changes to the environmental  
7 surcharge mechanism and the monthly ES forms.**

8 A. In Case Nos. 2017-00483 which amended the 2016 ECR Plan and 2018-00051, KU's  
9 most recent ECR six-month review, the Commission approved the Company's request  
10 to change its Monthly ES Forms 2.00 and 2.01. Form 2.00 now shows the amortization  
11 of grossed-up Excess ADIT resulting from the recent reduction in federal and state  
12 corporate taxes. Form 2.01 now includes the amended Project 36 that was approved in  
13 Case No. 2017-00483.

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

16 A. No. There are no needed changes to the Environmental Cost Recovery Surcharge tariff.

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

19 A. Yes. During the period under review, there were several changes to Rate Base from  
20 the originally filed billing months resulting from the issues discussed in my testimony,  
21 reflected in Exhibit DAR-1, and summarized in KU's response to the Commission  
22 Staff's Request for Information, Question No. 1.

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

3 A. Yes. Adjustments to E(m) are necessary for compliance with the Commission's Order  
4 in Case No. 2000-00386, to reflect the actual changes in the overall rate of return on  
5 capitalization that is used in the determination of the return on environmental rate base.

6 Pursuant to the terms of the Settlement Agreement approving the 2011 ECR  
7 Plan, LG&E calculated the short- and long-term debt rate using average daily balances  
8 and daily interest rates in the calculation of the overall rate of return true-up adjustment  
9 for the four-month period September 1, 2017 through December 31, 2017 and for the  
10 six-month expense period ending February 28, 2018.

11 For the expense months of September 2017 through February 2018, the  
12 weighted average cost of capital was based on the balances as of February 28, 2018  
13 and the 9.70% return on equity for all Plan projects.

14 The details of and support for these calculations are shown in KU's response to  
15 Question No. 1 of the Commission Staff's First Request for Information.

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

18 A. Yes. ES Forms 1.00, 1.10, 2.00, 2.01, and 2.10 for the expense months of September  
19 2017 through February 2018 have been updated to reflect the reduction in the Kentucky  
20 state corporate income tax rate, the IRS filing Docket No. 2018-16716, and the  
21 retirement adjustment for the Eligible Accumulated Depreciation and Deferred Tax  
22 Balance.

1 **Q. Please summarize the changes resulting from the reduction in the Kentucky state**  
2 **corporate income tax rate on the ECR mechanism?**

3 A. There are three changes required to incorporate the effects of the reduction in the  
4 Kentucky state corporate income tax rate.

5 First, the gross-up rate used in the rate of return calculation was modified to  
6 reflect the lower Kentucky state corporate income tax rate of 5% effective January 1,  
7 2018. This change was implemented with the April 2018 expense month, therefore,  
8 January and February 2018 expense months are being corrected as part of this filing.

9 Second, accumulated deferred income tax (“ADIT”) balances included as a  
10 reduction to ECR rate base were updated to reflect the change in law. This change was  
11 also implemented effective with the April 2018 expense month with modifications for  
12 the January and February 2018 expense months reflected as part of this filing.

13 Third, state excess deferred tax amortization has been reflected, on ES Form  
14 2.00 and 2.01, for the January and February 2018 expense months in Exhibit DAR-1.

15 **Q. Please summarize the changes resulting from the IRS filing on the ECR**  
16 **mechanism?**

17 A. The Treasury Department and the Internal Revenue Service issued on August 3, 2018,  
18 Docket No. 2018-16716, proposed regulations on the new 100-percent depreciation  
19 deduction that allows businesses to write off most depreciable business assets in the  
20 year they are placed in service. The deduction is retroactive, applying to qualifying  
21 property acquired and placed in service after Sept. 27, 2017. This retroactive proposed  
22 regulation also has been reflected on ES Forms 2.00 and 2.01 for September 2017  
23 through February 2018 expense months in Exhibit DAR-1.



1 **Q. Please summarize the changes resulting from the correction for retirements**  
2 **associated with Accumulated Depreciation on the ECR mechanism?**

3 A. It has come to our attention that for the expense months September 2017 through  
4 February 2018 the 2016 Plan balances on the retirement line for Eligible Accumulated  
5 Depreciation and Deferred Tax Balance on Form 2.10 are incorrect. The retirement  
6 line on Form 2.10 is used to provide a credit for customers when a base rate asset is  
7 retired and then replaced with an ECR asset. Normally, the line only needs to be  
8 updated in the month that an asset is retired. Recently, however, KU has retired several  
9 2016 Plan assets that are still in the ECR mechanism. Because the depreciation is still  
10 being calculated and included in the ECR depreciation and accumulated depreciation,  
11 the retirement line for the accumulated depreciation and the deferred taxes should have  
12 been updated each month. The rate base and revenue requirement were therefore  
13 understated. The impact is \$482 for the period under review and is included in the  
14 revisions provided in DAR-1.

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

17 A. Yes. KU experienced an over-recovery of \$2,761,467 for the billing period ending  
18 April 30, 2018. KU's response to Question No. 2 of the Commission Staff's First  
19 Request for Information shows the calculation of the over-recovery. An adjustment to  
20 the revenue requirement is necessary to reconcile the collection of past surcharge  
21 revenues with actual costs for the billing period under review.

22 **Q. Has KU identified the causes of the over-recovery during the billing period under**  
23 **review?**

1 A. Yes. KU has identified the components that make up the over-recovery during the  
 2 billing period under review. The components are: (1) changes in overall rate of return  
 3 as previously discussed, and (2) the use of 12-month average revenues to determine the  
 4 billing factor. The details and support of the components that make up the over-  
 5 recovery during the billing period under review are shown in KU’s response to  
 6 Question No. 2 of the Commission Staff’s First Request for Information.

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

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

<b>Expense Month</b>	<b>12-Month Average Revenues</b>	<b>Billing Month</b>	<b>Actual Revenues Subject to ECR Billing Factors</b>
September 2017	\$97,612,607	November 2017	\$90,213,182
October 2017	\$97,981,105	December 2017	\$103,957,408
November 2017	\$98,704,003	January 2018	\$141,358,297
December 2017	\$98,889,011	February 2018	\$117,975,795
January 2018	\$101,160,388	March 2018	\$103,825,653
February 2018	\$102,666,883	April 2018	\$100,736,704
*The 12-month average revenues and the Actual Revenues subject to ECR Billing Factors reflect net revenues for Groups 1 and 2.			

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

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

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

5 A. KU is proposing that the over-recovery be distributed over three months following the  
6 Commission's Order in this proceeding. Specifically, KU recommends that the  
7 Commission approve a decrease to the Environmental Surcharge Revenue  
8 Requirement of \$920,489 per month for three months beginning in the second full  
9 billing month following the Commission's Order in this proceeding. This method is  
10 consistent with the method of implementing previous over- or under-recovery positions  
11 in prior ECR review cases.

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

14 A. The inclusion of the distribution reflecting the over-recovery position in the  
15 determination of the ECR billing factor will decrease the billing factor by  
16 approximately 0.71% per month for three months. For a residential customer using an  
17 average of 1,201 kWh per month, the impact of the adjusted ECR billing factor would  
18 be a decrease of approximately \$0.83 per month for three months (using rates and  
19 adjustment clause factors in effect for the August 2018 billing month).

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

22 A. KU is recommending an overall rate of return on capital of 8.86%, including the  
23 currently approved 9.7% return on equity and adjusted capitalization, to be used to

1 calculate the environmental surcharge. This is based on capitalization as of February  
2 28, 2018, the Commission's Order of July 20, 2018 in Case No. 2018-00052, use of the  
3 new corporate tax rate implemented in the Tax Cuts and Jobs Act, and new Kentucky  
4 state corporate income tax rate

5 See the response and attachment to Commission Staff's First Request for  
6 Information Question No. 5 following this testimony.

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

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

9 a) The Commission should approve the proposed decrease to the Environmental  
10 Surcharge Revenue Requirement of \$920,489 per month for three months  
11 beginning in the second full billing month following the Commission's Order  
12 in this proceeding;

13 b) The Commission should determine the environmental surcharge amount for the  
14 six-month billing period ending April 30, 2018 to be just and reasonable, and;

15 c) The Commission should approve the use of an overall rate of return on capital  
16 of 8.86% for all projects, using a return on equity of 9.70%, beginning in the  
17 second full billing month following the Commission's Order in this proceeding.

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

19 A. Yes.

## APPENDIX A

### **Derek A. Rahn**

Manager, Revenue Requirement COS  
LG&E and KU Services Company  
220 West Main Street  
Louisville, Kentucky 40202  
(502) 627-4127

### Previous Positions

Manager, Revenue Requirement	Oct. 2015 – Jan. 2018
Manager, Transmission Policy & Tariffs	Sept. 2010 – Oct. 2015
Group Leader, Transmission Operations Engineering	Dec. 2008 – Sept. 2010
Supervisor, Operations (Ghent Power Station)	Dec. 2007 – Dec. 2008
Electrical Engineer II (Ghent Power Station)	Jul. 2005 – Dec. 2007
Project Engineer (TubeMaster, Inc)	Dec 2003 – Jul. 2005

### Education

Masters of Business Administration,  
Bellarmine University, July 2010.  
Bachelor of Science in Electrical Engineering,  
University of Kentucky, December 2003.

### Training:

Managing People & Processes (2014), IUS Leadership Program (2007-2008), Professional Development Program (2007-2008), Global Leadership Summit (2013, 2015, & 2017), Mentoring Program (2008, 2014 - 2017), Advanced Operator (2008), Project Management (2006), and Basic Shaft Alignment (2006).

### Civic Activities

Power of One Committee Member (2007 – 2018)  
Saratoga Springs Neighborhood Association Board (2017- 2018)

ES FORM 1.00

## KENTUCKY UTILITIES COMPANY ENVIRONMENTAL SURCHARGE REPORT

Net Jurisdictional E(m) and  
Jurisdictional Environmental Surcharge Billing Factor  
For the Expense Month of September 2017

### GROUP 1 (Total Revenue)

Group 1 E(m) -- ES Form 1.10, line 16	=	\$ 1,571,410
Group 1 ES Billing Factor -- ES Form 1.10, line 18	=	3.22%

### GROUP 2 (Net Revenue)

Group 2 E(m) -- ES Form 1.10, line 16	=	\$ 2,332,713
Group 2 ES Billing Factor -- ES Form 1.10, line 18	=	4.78%

Effective Date for Billing: November billing cycle beginning October 30, 2017

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

Title: Manager, Revenue Requirement

Date Submitted: October 20, 2017

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

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

For the Expense Month of September 2017

**Calculation of Total E(m)**

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

	Pre-2016 Environmental Compliance Plans	2016 Environmental Compliance Plans
(1) RB	= \$ 1,048,780,703	\$ 41,786,965
(2) RB / 12	= \$ 87,398,392	\$ 3,482,247
(3) $(ROR + (ROR - DR) (TR / (1 - TR)))$	= 10.35%	10.35%
(4) OE	= \$ 4,818,507	\$ 88,133
(5) BAS	= \$ -	Not Applicable
(6) BR	= \$ 10,823	Not Applicable
(7) E(m) $(2) \times (3) + (4) - (5) + (6)$	= \$ 13,875,064	\$ 448,546
(8) Total E(m) = sum of Pre-2016 E(m) + 2016 E(m)	= \$ 14,323,610	

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

(9) Jurisdictional Allocation Ratio for Expense Month -- ES Form 3.10	=	87.17%
(10) Jurisdictional E(m) = Total E(m) x Jurisdictional Allocation Ratio [(8) x (9)]	= \$	12,485,891
(11) Adjustment for (Over)/Under-collection pursuant to Case No. 2016-00437	= \$	-
(12) Prior Period Adjustment (if necessary)	= \$	-
(13) Revenue Collected through Base Rates	= \$	8,581,768
(14) Adjusted Net Jurisdictional E(m) [(10) + (11) + (12) - (13)]	= \$	3,904,123

**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	= 40.25%	59.75%
(16) Group E(m) [(14) x (15)]	= \$ 1,571,410	\$ 2,332,713
(17) Group R(m) = Average Monthly Group Revenue for the 12 Months Ending with the Current Expense Month -- ES Form 3.00	= \$ 48,800,292	\$ 48,812,315
(18) Group Environmental Surcharge Billing Factors [(16) ÷ (17)]	= 3.22%	4.78%

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Revenue Requirements of Environmental Compliance Costs  
For the Expense Month of September 2017

**Determination of Environmental Compliance Rate Base**

	Pre-2016 Environmental Compliance Plan	2016 Environmental Compliance Plan
Eligible Pollution Control Plant	\$ 1,296,708,457	\$ 3,427,267
Eligible Pollution CWIP Excluding AFUDC	108,598,899	27,645,276
Subtotal	\$ 1,405,307,356	\$ 31,072,543
Additions:		
Inventory - Emission Allowances per ES Form 2.31, 2.32, 2.33 and 2.34	\$ 132,563	
Less: Allowance Inventory Baseline	-	
Net Emission Allowance Inventory	132,563	
Cash Working Capital Allowance	3,229,139	
Net Unamortized Closure Cost Balance - Active Stations <sup>1</sup>		\$ 9,411,258
Net Unamortized Closure Cost Balance - Retired Stations <sup>1</sup>		1,744,143
Subtotal	\$ 3,361,702	\$ 11,155,401
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	\$ 78,503,493	\$ 39,299
Pollution Control Deferred Income Taxes	281,384,862	401,680
Pollution Control Deferred Investment Tax Credit	-	-
Subtotal	\$ 359,888,355	\$ 440,979
Environmental Compliance Rate Base	\$ 1,048,780,703	\$ 41,786,965

**Determination of Pollution Control Operating Expenses**

	Pre-2016 Environmental Compliance Plan	2016 Environmental Compliance Plan
Monthly Operations & Maintenance Expense	\$ 2,022,546	\$ -
Monthly Depreciation & Amortization Expense	2,637,894	6,492
Monthly Taxes Other Than Income Taxes - Eligible Plant	157,848	409
Monthly Taxes Other Than Income Taxes - Closure Costs		-
Amortization of Monthly Closure Costs - Active Stations		54,046
Amortization of Monthly Closure Costs - Retired Stations		27,186
Monthly Emission Allowance Expense from ES Form 2.31, 2.32, 2.33 and 2.34	219	
Add KU Current Month TC2 Emission Allowance Expense reported on ES Form 2.31, 2.32, 2.33 and 2.34	-	
Less Monthly Emission Allowance Expense in base rates	-	
Net Recoverable Emission Allowance Expense	219	
Monthly Surcharge Consultant Fee	-	-
Construction Monitoring Consultant Fee	-	-
Total Pollution Control Operations Expense	\$ 4,818,507	\$ 88,133

**Determination of Beneficial Reuse Operating Expenses**

	Environmental Compliance Plan
Total Monthly Beneficial Reuse Expense	\$ 40,520
Adjustment for Beneficial Reuse in Base Rates (from ES Form 2.61)	(29,697)
Net Beneficial Reuse Operations Expense	\$ 10,823

**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	\$ -	\$ -	\$ -

Note 1: The net unamortized closure cost balance is comprised of CCR closure cost expenditures less accumulated amortization, accumulated deferred income taxes and amount in base rates.



ES FORM 2.10

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

For the Month Ended: September 30, 2017

(1) Description	(2) Eligible Plant In Service	(3) Eligible Accumulated Depreciation	(4) CWIP Amount Excluding AFUDC	(5) Eligible Net Plant In Service	(6) Unamortized ITC as of 9/30/2017	(7) Deferred Tax Balance as of 9/30/2017	(8) Monthly Depreciation Expense	(9) Monthly Property Tax Expense
				(2)-(3)-(4)				
<b>2009 Plan:</b>								
Project 28 - Brown 3 SCR	\$ 100,046,293	\$ 10,853,830	\$ 2,777	\$ 89,195,240	\$ -	\$ 27,458,573	\$ 220,936	\$ 11,255
Project 29 - ATB Expansion at E.W. Brown Station (Phase II)	\$ 19,347,703	\$ 1,960,739	\$ -	\$ 17,386,964	\$ -	\$ 5,473,707	\$ 42,693	\$ 2,218
Project 30 - Ghent CCP Storage (Landfill- Phase I)	\$ 328,375,527	\$ 22,336,865	\$ 20,633,398	\$ 326,672,060	\$ -	\$ 65,445,747	\$ 688,621	\$ 41,141.59
Project 31 - Trimble County Ash Treatment Basin (BAP/GSP)	\$ 9,031,671	\$ 1,107,891	\$ -	\$ 7,923,780	\$ -	\$ 925,726	\$ 8,705	\$ 1,005.57
Project 32 - Trimble County CCP Storage (Landfill - Phase I)	\$ 3,760,136	\$ 202,236	\$ 69,447,749	\$ 73,005,649	\$ -	\$ 707,914	\$ 7,390	\$ 448.60
Project 33 - Beneficial Reuse	\$ 4,193,823	\$ 425,929	\$ -	\$ 3,767,894	\$ -	\$ 872,095	\$ 8,033	\$ 479.34
Subtotal	\$ 464,755,153	\$ 36,887,489	\$ 90,083,924	\$ 517,951,588	\$ -	\$ 100,883,762	\$ 976,378	\$ 56,548
Less Retirements and Replacement resulting from implementation of 2009 Plan	\$ (1,187,413)	\$ (43,781)	\$ -	\$ (1,143,633)	\$ -	\$ (235,606)	\$ (2,622)	\$ (143)
<b>Net Total - 2009 Plan:</b>	\$ 463,567,739	\$ 36,843,708	\$ 90,083,924	\$ 516,807,955	\$ -	\$ 100,648,155	\$ 973,756	\$ 56,405
<b>2011 Plan:</b>								
Project 29 - Brown Landfill (Phase I)	\$ 107,003,604	\$ 2,636,924	\$ 12,780,273	\$ 117,146,953	\$ -	\$ 20,767,635	\$ 224,217	\$ 13,274
Project 34 - E.W. Brown Station Air Compliance	\$ 84,655,448	\$ 3,723,875	\$ 0	\$ 80,931,573	\$ -	\$ 18,870,178	\$ 186,947	\$ 10,747
Project 35 - Ghent Station Air Compliance	\$ 641,481,666	\$ 35,298,986	\$ 5,734,702	\$ 611,917,382	\$ -	\$ 141,098,893	\$ 1,252,973	\$ 77,421
Subtotal	\$ 833,140,718	\$ 41,659,785	\$ 18,514,975	\$ 809,995,908	\$ -	\$ 180,736,706	\$ 1,664,138	\$ 101,443
Less Retirements and Replacement resulting from implementation of 2011 Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Total - 2011 Plan:</b>	\$ 833,140,718	\$ 41,659,785	\$ 18,514,975	\$ 809,995,908	\$ -	\$ 180,736,706	\$ 1,664,138	\$ 101,443
<b>2016 Plan:</b>								
Project 36 - Brown Landfill (Phase II)	\$ -	\$ -	\$ 24,070	\$ 24,070	\$ -	\$ -	\$ -	\$ -
Project 37 - Ghent 2 WFGD Improvements	\$ 3,077,193	\$ 33,856	\$ -	\$ 3,043,337	\$ -	\$ 355,773	\$ 5,800	\$ 319
Project 38 - Supplemental Mercury Control	\$ -	\$ -	\$ 1,568,511	\$ 1,568,511	\$ -	\$ -	\$ -	\$ 46
Project 40 - Ghent New Process Water Systems	\$ -	\$ -	\$ 15,547,208	\$ 15,547,208	\$ -	\$ -	\$ -	\$ 0
Project 41 - Trimble County New Process Water Systems	\$ 350,074	\$ 5,444	\$ 9,494,900	\$ 9,839,531	\$ -	\$ 45,907	\$ 691	\$ 44
Project 42 - Brown New Process Water Systems	\$ -	\$ -	\$ 1,010,586	\$ 1,010,586	\$ -	\$ -	\$ -	\$ 0
Subtotal	\$ 3,427,267	\$ 39,299	\$ 27,645,276	\$ 31,033,244	\$ -	\$ 401,680	\$ 6,492	\$ 409
Less Retirements and Replacement resulting from implementation of 2016 Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Total - 2016 Plan:</b>	\$ 3,427,267	\$ 39,299	\$ 27,645,276	\$ 31,033,244	\$ -	\$ 401,680	\$ 6,492	\$ 409
<b>Net Total - All Plans:</b>	\$ 1,300,135,725	\$ 78,542,793	\$ 136,244,175	\$ 1,357,837,107	\$ -	\$ 281,786,541	\$ 2,644,385	\$ 158,256

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

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

ES FORM 1.00

## KENTUCKY UTILITIES COMPANY ENVIRONMENTAL SURCHARGE REPORT

Net Jurisdictional E(m) and  
Jurisdictional Environmental Surcharge Billing Factor  
For the Expense Month of October 2017

### GROUP 1 (Total Revenue)

Group 1 E(m) -- ES Form 1.10, line 16	=	\$ 1,746,348
Group 1 ES Billing Factor -- ES Form 1.10, line 18	=	3.58%

### GROUP 2 (Net Revenue)

Group 2 E(m) -- ES Form 1.10, line 16	=	\$ 2,594,562
Group 2 ES Billing Factor -- ES Form 1.10, line 18	=	5.28%

Effective Date for Billing: December billing cycle beginning November 29, 2017

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

Title: Manager, Revenue Requirement

Date Submitted: November 17, 2017

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

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

For the Expense Month of October 2017

**Calculation of Total E(m)**

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

	Pre-2016 Environmental Compliance Plans	2016 Environmental Compliance Plans
(1) RB	= \$ 1,046,778,708	\$ 54,008,959
(2) RB / 12	= \$ 87,231,559	\$ 4,500,747
(3) (ROR + (ROR - DR) (TR / (1 - TR)))	= 10.35%	10.35%
(4) OE	= \$ 4,905,072	\$ 107,493
(5) BAS	= \$ -	Not Applicable
(6) BR	= \$ 1,517	Not Applicable
(7) E(m) (2) x (3) + (4) - (5) + (6)	= \$ 13,935,056	\$ 573,320
(8) Total E(m) = sum of Pre-2016 E(m) + 2016 E(m)	= \$ 14,508,376	

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

(9) Jurisdictional Allocation Ratio for Expense Month -- ES Form 3.10	=	87.94%
(10) Jurisdictional E(m) = Total E(m) x Jurisdictional Allocation Ratio [(8) x (9)]	=	\$ 12,758,666
(11) Adjustment for (Over)/Under-collection pursuant to Case No. 2016-00437	=	\$ -
(12) Prior Period Adjustment (if necessary)	=	\$ -
(13) Revenue Collected through Base Rates	=	\$ 8,417,756
(14) Adjusted Net Jurisdictional E(m) [(10) + (11) + (12) - (13)]	=	\$ 4,340,910

**Calculation of Group Environmental Surcharge Billing Factors**

	GROUP 1 (Total Revenue)	GROUP 2 (Net Revenue)
(15) Revenue as a Percentage of 12-month Total Revenue ending with the Current Month -- ES Form 3.00	= 40.23%	59.77%
(16) Group E(m) [(14) x (15)]	= \$ 1,746,348	\$ 2,594,562
(17) Group R(m) = Average Monthly Group Revenue for the 12 Months Ending with the Current Expense Month -- ES Form 3.00	= \$ 48,846,718	\$ 49,134,387
(18) Group Environmental Surcharge Billing Factors [(16) ÷ (17)]	= 3.58%	5.28%

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Revenue Requirements of Environmental Compliance Costs  
For the Expense Month of October 2017

**Determination of Environmental Compliance Rate Base**

	Pre-2016 Environmental Compliance Plan	2016 Environmental Compliance Plan
Eligible Pollution Control Plant	\$ 1,330,077,702	\$ 3,427,267
Eligible Pollution CWIP Excluding AFUDC	78,609,877	38,428,730
Subtotal	\$ 1,408,687,579	\$ 41,855,997
Additions:		
Inventory - Emission Allowances per ES Form 2.31, 2.32, 2.33 and 2.34	\$ 132,273	
Less: Allowance Inventory Baseline	-	
Net Emission Allowance Inventory	132,273	
Cash Working Capital Allowance	3,205,590	-
Net Unamortized Closure Cost Balance - Active Stations <sup>1</sup>		\$ 9,933,247
Net Unamortized Closure Cost Balance - Retired Stations <sup>1</sup>		2,735,223
Subtotal	\$ 3,337,863	\$ 12,668,470
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	\$ 80,977,481	\$ 46,094
Pollution Control Deferred Income Taxes	284,269,253	469,414
Pollution Control Deferred Investment Tax Credit	-	-
Subtotal	\$ 365,246,734	\$ 515,508
Environmental Compliance Rate Base	\$ 1,046,778,708	\$ 54,008,959

**Determination of Pollution Control Operating Expenses**

	Pre-2016 Environmental Compliance Plan	2016 Environmental Compliance Plan
Monthly Operations & Maintenance Expense	\$ 2,081,671	\$ -
Monthly Depreciation & Amortization Expense	2,665,275	6,795
Monthly Taxes Other Than Income Taxes - Eligible Plant	157,836	409
Monthly Taxes Other Than Income Taxes - Closure Costs		-
Amortization of Monthly Closure Costs - Active Stations		57,244
Amortization of Monthly Closure Costs - Retired Stations		43,045
Monthly Emission Allowance Expense from ES Form 2.31, 2.32, 2.33 and 2.34	290	
Add KU Current Month TC2 Emission Allowance Expense reported on ES Form 2.31, 2.32, 2.33 and 2.34	-	
Less Monthly Emission Allowance Expense in base rates	-	
Net Recoverable Emission Allowance Expense	290	
Monthly Surcharge Consultant Fee	-	-
Construction Monitoring Consultant Fee	-	-
Total Pollution Control Operations Expense	\$ 4,905,072	\$ 107,493

**Determination of Beneficial Reuse Operating Expenses**

	Environmental Compliance Plan
Total Monthly Beneficial Reuse Expense	\$ 32,764
Adjustment for Beneficial Reuse in Base Rates (from ES Form 2.61)	(31,247)
Net Beneficial Reuse Operations Expense	\$ 1,517

**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	\$ -	\$ -	\$ -

Note 1: The net unamortized closure cost balance is comprised of CCR closure cost expenditures less accumulated amortization, accumulated deferred income taxes and amount in base rates.

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

For the Month Ended: October 31, 2017

(1) Description	(2) Eligible Plant In Service	(3) Eligible Accumulated Depreciation	(4) CWIP Amount Excluding AFUDC	(5) Eligible Net Plant In Service	(6) Unamortized ITC as of 10/31/2017	(7) Deferred Tax Balance as of 10/31/2017	(8) Monthly Depreciation Expense	(9) Monthly Property Tax Expense
				(2)-(3)+(4)				
<b>2009 Plan:</b>								
Project 28 - Brown 3 SCR	\$ 100,049,070	\$ 11,074,768	\$ -	\$ 88,974,302	\$ -	\$ 27,636,903	\$ 220,939	\$ 11,255
Project 29 - ATB Expansion at E.W. Brown Station (Phase II)	\$ 32,234,058	\$ 2,016,784	\$ -	\$ 30,217,275	\$ -	\$ 5,506,088	\$ 56,045	\$ 2,218
Project 30 - Ghent CCP Storage (Landfill - Phase I)	\$ 349,137,977	\$ 23,039,791	\$ (94,688)	\$ 326,003,498	\$ -	\$ 66,493,024	\$ 702,926	\$ 41,142
Project 31 - Trimble County Ash Treatment Basin (BAP/GSP)	\$ 9,031,671	\$ 1,116,595	\$ -	\$ 7,915,076	\$ -	\$ 936,621	\$ 8,705	\$ 1,006
Project 32 - Trimble County CCP Storage (Landfill - Phase I)	\$ 3,760,136	\$ 209,626	\$ 72,750,457	\$ 76,300,968	\$ -	\$ 709,516	\$ 7,390	\$ 449
Project 33 - Beneficial Reuse	\$ 4,193,823	\$ 433,963	\$ -	\$ 3,759,860	\$ -	\$ 872,901	\$ 8,033	\$ 479
Subtotal	\$ 498,406,735	\$ 37,891,527	\$ 72,655,769	\$ 533,170,978	\$ -	\$ 102,155,053	\$ 1,004,037	\$ 56,548
Less Retirements and Replacement resulting from implementation of 2009 Plan	\$ (1,469,751)	\$ (237,967.79)	\$ -	\$ (1,231,783)	\$ -	\$ (269,897)	\$ (2,900)	\$ (155)
<b>Net Total - 2009 Plan:</b>	\$ 496,936,984	\$ 37,653,559	\$ 72,655,769	\$ 531,939,195	\$ -	\$ 101,885,156	\$ 1,001,138	\$ 56,393
<b>2011 Plan:</b>								
Project 29 - Brown Landfill (Phase I)	\$ 107,003,604	\$ 2,861,141	\$ 43,731	\$ 104,186,194	\$ -	\$ 21,463,337	\$ 224,217	\$ 13,274
Project 34 - E.W. Brown Station Air Compliance	\$ 84,655,448	\$ 3,910,822	\$ -	\$ 80,744,625	\$ -	\$ 18,943,758	\$ 186,947	\$ 10,747
Project 35 - Ghent Station Air Compliance	\$ 641,481,666	\$ 36,551,960	\$ 5,910,377	\$ 610,840,083	\$ -	\$ 141,977,002	\$ 1,252,973	\$ 77,421
Subtotal	\$ 833,140,718	\$ 43,323,923	\$ 5,954,108	\$ 795,770,903	\$ -	\$ 182,384,097	\$ 1,664,138	\$ 101,443
Less Retirements and Replacement resulting from implementation of 2011 Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Total - 2011 Plan:</b>	\$ 833,140,718	\$ 43,323,923	\$ 5,954,108	\$ 795,770,903	\$ -	\$ 182,384,097	\$ 1,664,138	\$ 101,443
<b>2016 Plan:</b>								
Project 36 - Brown Landfill (Phase II)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project 37 - Ghent 2 WFGD Improvements	\$ 3,077,193	\$ 39,959	\$ -	\$ 3,037,234	\$ -	\$ 418,427	\$ 6,103	\$ 319
Project 38 - Supplemental Mercury Control	\$ -	\$ -	\$ 1,951,115	\$ 1,951,115	\$ -	\$ -	\$ -	\$ 46
Project 40 - Ghent New Process Water Systems	\$ -	\$ -	\$ 24,389,169	\$ 24,389,169	\$ -	\$ -	\$ -	\$ 0
Project 41 - Trimble County New Process Water Systems	\$ 350,074	\$ 6,135	\$ 11,013,218	\$ 11,357,158	\$ -	\$ 50,987	\$ 691	\$ 44
Project 42 - Brown New Process Water Systems	\$ -	\$ -	\$ 1,075,228	\$ 1,075,228	\$ -	\$ -	\$ -	\$ 0
Subtotal	\$ 3,427,267	\$ 46,094	\$ 38,428,730	\$ 41,809,904	\$ -	\$ 469,414	\$ 6,795	\$ 409
Less Retirements and Replacement resulting from implementation of 2016 Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Total - 2016 Plan:</b>	\$ 3,427,267	\$ 46,094	\$ 38,428,730	\$ 41,809,904	\$ -	\$ 469,414	\$ 6,795	\$ 409
<b>Net Total - All Plans:</b>	\$ 1,333,504,970	\$ 81,023,575	\$ 117,038,607	\$ 1,369,520,001	\$ -	\$ 284,738,667	\$ 2,672,070	\$ 158,245

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

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

ES FORM 1.00

## KENTUCKY UTILITIES COMPANY ENVIRONMENTAL SURCHARGE REPORT

Net Jurisdictional E(m) and  
Jurisdictional Environmental Surcharge Billing Factor  
For the Expense Month of November 2017

### GROUP 1 (Total Revenue)

Group 1 E(m) -- ES Form 1.10, line 16	=	\$ 1,974,034
Group 1 ES Billing Factor -- ES Form 1.10, line 18	=	4.01%

### GROUP 2 (Net Revenue)

Group 2 E(m) -- ES Form 1.10, line 16	=	\$ 2,925,528
Group 2 ES Billing Factor -- ES Form 1.10, line 18	=	5.91%

Effective Date for Billing: January billing cycle beginning December 29, 2017

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

Title: Manager, Revenue Requirement

Date Submitted: December 19, 2017

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

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

For the Expense Month of November 2017

**Calculation of Total E(m)**

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

	Pre-2016 Environmental Compliance Plans	2016 Environmental Compliance Plans
(1) RB	= \$ 1,045,172,538	\$ 64,810,333
(2) RB / 12	= \$ 87,097,712	\$ 5,400,861
(3) $(ROR + (ROR - DR) (TR / (1 - TR)))$	= 10.35%	10.35%
(4) OE	= \$ 5,204,525	\$ 110,891
(5) BAS	= \$ -	Not Applicable
(6) BR	= \$ 17,634	Not Applicable
(7) E(m) $(2) \times (3) + (4) - (5) + (6)$	= \$ 14,236,772	\$ 669,881
(8) Total E(m) = sum of Pre-2016 E(m) + 2016 E(m)	= \$ 14,906,653	

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

(9) Jurisdictional Allocation Ratio for Expense Month -- ES Form 3.10	=	87.04%
(10) Jurisdictional E(m) = Total E(m) x Jurisdictional Allocation Ratio [(8) x (9)]	=	\$ 12,974,751
(11) Adjustment for (Over)/Under-collection pursuant to Case No. 2016-00437	=	\$ -
(12) Prior Period Adjustment (if necessary)	=	\$ -
(13) Revenue Collected through Base Rates	=	\$ 8,075,189
(14) Adjusted Net Jurisdictional E(m) [(10) + (11) + (12) - (13)]	=	\$ 4,899,562

**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	= 40.29%	59.71%
(16) Group E(m) [(14) x (15)]	= \$ 1,974,034	\$ 2,925,528
(17) Group R(m) = Average Monthly Group Revenue for the 12 Months Ending with the Current Expense Month -- ES Form 3.00	= \$ 49,210,499	\$ 49,493,504
(18) Group Environmental Surcharge Billing Factors [(16) ÷ (17)]	= 4.01%	5.91%

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Revenue Requirements of Environmental Compliance Costs  
For the Expense Month of November 2017

**Determination of Environmental Compliance Rate Base**

	Pre-2016 Environmental Compliance Plan	2016 Environmental Compliance Plan
Eligible Pollution Control Plant	\$ 1,329,943,723	\$ 3,427,267
Eligible Pollution CWIP Excluding AFUDC	82,665,831	49,088,603
Subtotal	\$ 1,412,609,554	\$ 52,515,870
Additions:		
Inventory - Emission Allowances per ES Form 2.31, 2.32, 2.33 and 2.34	\$ 131,499	
Less: Allowance Inventory Baseline	-	
Net Emission Allowance Inventory	131,499	
Cash Working Capital Allowance	3,255,714	-
Net Unamortized Closure Cost Balance - Active Stations <sup>1</sup>		\$ 9,997,982
Net Unamortized Closure Cost Balance - Retired Stations <sup>1</sup>		2,886,518
Subtotal	\$ 3,387,213	\$ 12,884,500
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	\$ 83,662,275	\$ 52,888
Pollution Control Deferred Income Taxes	287,161,954	537,149
Pollution Control Deferred Investment Tax Credit	-	-
Subtotal	\$ 370,824,229	\$ 590,037
Environmental Compliance Rate Base	\$ 1,045,172,538	\$ 64,810,333

**Determination of Pollution Control Operating Expenses**

	Pre-2016 Environmental Compliance Plan	2016 Environmental Compliance Plan
Monthly Operations & Maintenance Expense	\$ 2,353,406	\$ -
Monthly Depreciation & Amortization Expense	2,692,525	6,795
Monthly Taxes Other Than Income Taxes - Eligible Plant	157,820	409
Monthly Taxes Other Than Income Taxes - Closure Costs		-
Amortization of Monthly Closure Costs - Active Stations		57,821
Amortization of Monthly Closure Costs - Retired Stations		45,867
Monthly Emission Allowance Expense from ES Form 2.31, 2.32, 2.33 and 2.34	774	
Add KU Current Month TC2 Emission Allowance Expense reported on ES Form 2.31, 2.32, 2.33 and 2.34	-	
Less Monthly Emission Allowance Expense in base rates	-	
Net Recoverable Emission Allowance Expense	774	
Monthly Surcharge Consultant Fee	-	-
Construction Monitoring Consultant Fee	-	-
Total Pollution Control Operations Expense	\$ 5,204,525	\$ 110,891

**Determination of Beneficial Reuse Operating Expenses**

	Environmental Compliance Plan
Total Monthly Beneficial Reuse Expense	\$ 59,562
Adjustment for Beneficial Reuse in Base Rates (from ES Form 2.61)	(41,928)
Net Beneficial Reuse Operations Expense	\$ 17,634

**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	\$ -	\$ -	\$ -

Note 1: The net unamortized closure cost balance is comprised of CCR closure cost expenditures less accumulated amortization, accumulated deferred income taxes and amount in base rates.



ES FORM 2.10

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

For the Month Ended: November 30, 2017

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Description	Eligible Plant In Service	Eligible Accumulated Depreciation	CWIP Amount Excluding AFUDC	Eligible Net Plant In Service	Unamortized ITC as of 11/30/2017	Deferred Tax Balance as of 11/30/2017	Monthly Depreciation Expense	Monthly Property Tax Expense
				(2)-(3)+(4)				
<b>2009 Plan:</b>								
Project 28 - Brown 3 SCR	\$ 100,049,070	\$ 11,295,710	\$ -	\$ 88,753,360	\$ -	\$ 27,815,234	\$ 220,942	\$ 11,255
Project 29 - ATB Expansion at E.W. Brown Station (Phase II)	\$ 32,234,058	\$ 2,086,180	\$ -	\$ 30,147,878	\$ -	\$ 5,538,468	\$ 69,397	\$ 2,218
Project 30 - Ghent CCP Storage (Landfill- Phase I)	\$ 349,137,977	\$ 23,757,021	\$ (9,290)	\$ 325,371,665	\$ -	\$ 67,540,301	\$ 717,230	\$ 41,142
Project 31 - Trimble County Ash Treatment Basin (BAP/GSP)	\$ 9,031,671	\$ 1,125,300	\$ -	\$ 7,906,371	\$ -	\$ 947,516	\$ 8,705	\$ 1,006
Project 32 - Trimble County CCP Storage (Landfill - Phase I)	\$ 3,760,136	\$ 217,016	\$ 76,358,202	\$ 79,901,323	\$ -	\$ 711,119	\$ 7,390	\$ 449
Project 33 - Beneficial Reuse	\$ 4,193,823	\$ 441,996	\$ -	\$ 3,751,827	\$ -	\$ 873,708	\$ 8,033	\$ 479
Subtotal	\$ 498,406,735	\$ 38,923,223	\$ 76,348,912	\$ 535,832,424	\$ -	\$ 103,426,346	\$ 1,031,697	\$ 56,548
Less Retirements and Replacement resulting from implementation of 2009 Plan	\$ (1,603,730)	\$ (249,009)	\$ -	\$ (1,354,721)	\$ -	\$ (295,879)	\$ (3,310)	\$ (170)
<b>Net Total - 2009 Plan:</b>	\$ 496,803,005	\$ 38,674,215	\$ 76,348,912	\$ 534,477,702	\$ -	\$ 103,130,467	\$ 1,028,387	\$ 56,378
<b>2011 Plan:</b>								
Project 29 - Brown Landfill (Phase I)	\$ 107,003,604	\$ 3,085,358	\$ 298,972	\$ 104,217,218	\$ -	\$ 22,159,039	\$ 224,217	\$ 13,274
Project 34 - E.W. Brown Station Air Compliance	\$ 84,655,448	\$ 4,097,770	\$ -	\$ 80,557,678	\$ -	\$ 19,017,338	\$ 186,947	\$ 10,747
Project 35 - Ghent Station Air Compliance	\$ 641,481,666	\$ 57,804,933	\$ 6,017,947	\$ 609,694,680	\$ -	\$ 142,855,110	\$ 1,252,973	\$ 77,421
Subtotal	\$ 833,140,718	\$ 44,988,061	\$ 6,316,919	\$ 794,469,576	\$ -	\$ 184,031,487	\$ 1,664,138	\$ 101,443
Less Retirements and Replacement resulting from implementation of 2011 Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Total - 2011 Plan:</b>	\$ 833,140,718	\$ 44,988,061	\$ 6,316,919	\$ 794,469,576	\$ -	\$ 184,031,487	\$ 1,664,138	\$ 101,443
<b>2016 Plan:</b>								
Project 36 - Brown Landfill (Phase II)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project 37 - Ghent 2 WFGD Improvements	\$ 3,077,193	\$ 46,062	\$ -	\$ 3,031,131	\$ -	\$ 481,081	\$ 6,103	\$ 319
Project 38 - Supplemental Mercury Control	\$ -	\$ -	\$ 2,807,375	\$ 2,807,375	\$ -	\$ -	\$ -	\$ 46
Project 40 - Ghent New Process Water Systems	\$ -	\$ -	\$ 33,147,627	\$ 33,147,627	\$ -	\$ -	\$ -	\$ 0
Project 41 - Trimble County New Process Water Systems	\$ 350,074	\$ 6,826	\$ 11,995,623	\$ 12,338,871	\$ -	\$ 56,068	\$ 691	\$ 44
Project 42 - Brown New Process Water Systems	\$ -	\$ -	\$ 1,137,977	\$ 1,137,977	\$ -	\$ -	\$ -	\$ 0
Subtotal	\$ 3,427,267	\$ 52,888	\$ 49,088,603	\$ 52,462,982	\$ -	\$ 537,149.00	\$ 6,795	\$ 409
Less Retirements and Replacement resulting from implementation of 2016 Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Total - 2016 Plan:</b>	\$ 3,427,267	\$ 52,888	\$ 49,088,603	\$ 52,462,982	\$ -	\$ 537,149	\$ 6,795	\$ 409
<b>Net Total - All Plans:</b>	\$ 1,333,370,990	\$ 83,715,164	\$ 131,754,434	\$ 1,381,410,260	\$ -	\$ 287,699,103	\$ 2,699,319	\$ 158,229

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

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

ES FORM 1.00

## KENTUCKY UTILITIES COMPANY ENVIRONMENTAL SURCHARGE REPORT

Net Jurisdictional E(m) and  
Jurisdictional Environmental Surcharge Billing Factor  
For the Expense Month of December 2017

### GROUP 1 (Total Revenue)

Group 1 E(m) -- ES Form 1.10, line 16	=	\$ 1,920,580
Group 1 ES Billing Factor -- ES Form 1.10, line 18	=	3.88%

### GROUP 2 (Net Revenue)

Group 2 E(m) -- ES Form 1.10, line 16	=	\$ 2,823,935
Group 2 ES Billing Factor -- ES Form 1.10, line 18	=	5.71%

Effective Date for Billing: February billing cycle beginning January 30, 2018

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

Title: Manager, Revenue Requirement

Date Submitted: January 19, 2018

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

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

For the Expense Month of December 2017

**Calculation of Total E(m)**

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

		Environmental Compliance Plans
(1) RB	=	\$ 1,124,764,196
(2) RB / 12	=	\$ 93,730,350
(3) $(ROR + (ROR - DR) (TR / (1 - TR)))$	=	10.33%
(4) OE	=	\$ 5,150,729
(5) BAS	=	\$ -
(6) BR	=	\$ (17,727)
(7) E(m)	$(2) \times (3) + (4) - (5) + (6)$	= \$ 14,815,347

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

(8) Jurisdictional Allocation Ratio for Expense Month – ES Form 3.10	=	88.54%
(9) Jurisdictional E(m) = Total E(m) x Jurisdictional Allocation Ratio [(7) x (8)]	=	\$ 13,117,508
(10) Adjustment for (Over)/Under-collection pursuant to Case No. 2017-00266	=	\$ 723,722
(11) Prior Period Adjustment (if necessary)	=	\$ -
(12) Revenue Collected through Base Rates	=	\$ 9,096,715
(13) Adjusted Net Jurisdictional E(m) [(9) + (10) + (11) - (12)]	=	\$ 4,744,515

**Calculation of Group Environmental Surcharge Billing Factors**

		GROUP 1 (Total Revenue)	GROUP 2 (Net Revenue)
(14) Revenue as a Percentage of 12-month Total Revenue ending with the Current Month – ES Form 3.00	=	40.48%	59.52%
(15) Group E(m) [(13) x (14)]	=	\$ 1,920,580	\$ 2,823,935
(16) Group R(m) = Average Monthly Group Revenue for the 12 Months Ending with the Current Expense Month – ES Form 3.00	=	\$ 49,452,575	\$ 49,436,436
(17) Group Environmental Surcharge Billing Factors [(15) ÷ (16)]	=	3.88%	5.71%

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Revenue Requirements of Environmental Compliance Costs  
For the Expense Month of December 2017

**Determination of Environmental Compliance Rate Base**

	Environmental Compliance Plan	
Eligible Pollution Control Plant	\$ 1,334,887,225	
Eligible Pollution CWIP Excluding AFUDC	145,824,628	
Subtotal		\$ 1,480,711,853
Additions:		
Inventory - Emission Allowances per ES Form 2.31, 2.32, 2.33 and 2.34	\$ 131,238	
Less: Allowance Inventory Baseline	-	
Net Emission Allowance Inventory	131,238	
Cash Working Capital Allowance	3,230,703	
Net Unamortized Closure Cost Balance - Active Stations	\$ 10,157,926	
Net Unamortized Closure Cost Balance - Retired Stations	7,700,700	
Subtotal		\$ 21,220,567
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	\$ 86,414,310	
Pollution Control Deferred Income Taxes	290,753,914	
Pollution Control Deferred Investment Tax Credit	-	
Subtotal		\$ 377,168,224
Environmental Compliance Rate Base		\$ 1,124,764,196

**Determination of Pollution Control Operating Expenses**

	Environmental Compliance Plan	
Monthly Operations & Maintenance Expense		\$ 2,110,131
Monthly Depreciation & Amortization Expense		2,699,594
Monthly Taxes Other Than Income Taxes - Eligible Plant		158,226
Monthly Taxes Other Than Income Taxes - Closure Costs		-
Amortization of Monthly Closure Costs - Active Stations		58,954
Amortization of Monthly Closure Costs - Retired Stations		123,563
Monthly Emission Allowance Expense from ES Form 2.31, 2.32, 2.33 and 2.34	261	
Add KU Current Month TC2 Emission Allowance Expense reported on ES Form 2.31, 2.32, 2.33 and 2.34	-	
Less Monthly Emission Allowance Expense in base rates	-	
Net Recoverable Emission Allowance Expense		261
Monthly Surcharge Consultant Fee		-
Construction Monitoring Consultant Fee		-
Total Pollution Control Operations Expense		\$ 5,150,729

**Determination of Beneficial Reuse Operating Expenses**

	Environmental Compliance Plan
Total Monthly Beneficial Reuse Expense	\$ 35,057
Adjustment for Beneficial Reuse in Base Rates (from ES Form 2.61)	(52,784)
Net Beneficial Reuse Operations Expense	\$ (17,727)

**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	\$ -	\$ -	\$ -

Note 1: The net unamortized closure cost balance is comprised of CCR closure cost expenditures less accumulated amortization, accumulated deferred income taxes and amount in base rates.

ES FORM 2.10

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

For the Month Ended: December 31, 2017

(1) Description	(2) Eligible Plant In Service	(3) Eligible Accumulated Depreciation	(4) CWIP Amount Excluding AFUDC	(5) Eligible Net Plant In Service	(6) Unamortized ITC as of 12/31/2017	(7) Deferred Tax Balance as of 12/31/2017	(8) Monthly Depreciation Expense	(9) Monthly Property Tax Expense
				(2)-(3)+(4)				
<b>2009 Plan:</b>								
Project 28 - Brown 3 SCR	\$ 100,049,070	\$ 11,516,652	\$ -	\$ 88,532,418	\$ -	\$ 27,993,564	\$ 220,942	\$ 11,255
Project 29 - ATB Expansion at E.W. Brown Station (Phase II)	\$ 32,627,640	\$ 2,156,011	\$ -	\$ 30,471,628	\$ -	\$ 5,570,848	\$ 69,831	\$ 2,218
Project 30 - Ghent CCP Storage (Landfill - Phase I)	\$ 349,137,977	\$ 24,474,251	\$ 234,659	\$ 324,898,384	\$ -	\$ 68,587,579	\$ 717,230	\$ 41,142
Project 31 - Trimble County Ash Treatment Basin (BAP/GSP)	\$ 9,031,671	\$ 1,134,005	\$ -	\$ 7,897,666	\$ -	\$ 958,412	\$ 8,705	\$ 1,006
Project 32 - Trimble County CCP Storage (Landfill - Phase I)	\$ 4,907,957	\$ 224,406	\$ 78,270,866	\$ 82,954,417	\$ -	\$ 712,721	\$ 7,390	\$ 449
Project 33 - Beneficial Reuse	\$ 4,193,823	\$ 450,030	\$ -	\$ 3,743,793	\$ -	\$ 874,514	\$ 8,033	\$ 479
Subtotal	\$ 499,948,137	\$ 39,955,355	\$ 78,505,525	\$ 538,498,307	\$ -	\$ 104,697,638	\$ 1,032,132	\$ 56,548
Less Retirements and Replacement resulting from implementation of 2009 Plan	\$ (1,628,897)	\$ (252,926)	\$ -	\$ (1,375,971)	\$ -	\$ (299,350)	\$ (3,470)	\$ (173)
<b>Net Total - 2009 Plan:</b>	\$ 498,319,240	\$ 39,702,429	\$ 78,505,525	\$ 537,122,336	\$ -	\$ 104,398,288	\$ 1,028,661	\$ 56,375
<b>2011 Plan:</b>								
Project 29 - Brown Landfill (Phase I)	\$ 107,003,604	\$ 3,309,575	\$ 100,390	\$ 103,794,419	\$ -	\$ 22,926,607	\$ 224,217	\$ 13,274
Project 34 - E.W. Brown Station Air Compliance	\$ 84,655,448	\$ 4,284,717	\$ -	\$ 80,370,731	\$ -	\$ 19,090,918	\$ 186,947	\$ 10,747
Project 35 - Ghent Station Air Compliance	\$ 641,481,666	\$ 39,057,907	\$ 6,402,674	\$ 608,826,433	\$ -	\$ 143,733,219	\$ 1,252,973	\$ 77,421
Subtotal	\$ 833,140,718	\$ 46,652,198	\$ 6,503,064	\$ 792,991,583	\$ -	\$ 185,750,744	\$ 1,664,138	\$ 101,443
Less Retirements and Replacement resulting from implementation of 2011 Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Total - 2011 Plan:</b>	\$ 833,140,718	\$ 46,652,198	\$ 6,503,064	\$ 792,991,583	\$ -	\$ 185,750,744	\$ 1,664,138	\$ 101,443
<b>2016 Plan:</b>								
Project 36 - Brown Landfill (Phase II)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project 37 - Ghent 2 WFGD Improvements	\$ 3,077,193	\$ 52,165	\$ -	\$ 3,025,028	\$ -	\$ 543,735	\$ 6,103	\$ 319
Project 38 - Supplemental Mercury Control	\$ -	\$ -	\$ 3,103,923	\$ 3,103,923	\$ -	\$ -	\$ -	\$ 46
Project 40 - Ghent New Process Water Systems	\$ -	\$ -	\$ 43,131,009	\$ 43,131,009	\$ -	\$ -	\$ -	\$ 0
Project 41 - Trimble County New Process Water Systems	\$ 350,074	\$ 7,518	\$ 13,408,010	\$ 13,750,566	\$ -	\$ 61,148	\$ 691	\$ 44
Project 42 - Brown New Process Water Systems	\$ -	\$ -	\$ 1,173,097	\$ 1,173,097	\$ -	\$ -	\$ -	\$ 0
Subtotal	\$ 3,427,267	\$ 59,683	\$ 60,816,040	\$ 64,183,624	\$ -	\$ 604,883	\$ 6,795	\$ 409
Less Retirements and Replacement resulting from implementation of 2016 Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Total - 2016 Plan:</b>	\$ 3,427,267	\$ 59,683	\$ 60,816,040	\$ 64,183,624	\$ -	\$ 604,883	\$ 6,795	\$ 409
<b>Net Total - All Plans:</b>	\$ 1,334,887,225	\$ 86,414,310	\$ 145,824,628	\$ 1,394,297,543	\$ -	\$ 290,753,914	\$ 2,699,594	\$ 158,226

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

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

ES FORM 1.00

## KENTUCKY UTILITIES COMPANY ENVIRONMENTAL SURCHARGE REPORT

Net Jurisdictional E(m) and  
Jurisdictional Environmental Surcharge Billing Factor  
For the Expense Month of January 2018

### GROUP 1 (Total Revenue)

Group 1 E(m) -- ES Form 1.10, line 15	=	\$ (186,646)
Group 1 ES Billing Factor -- ES Form 1.10, line 17	=	-0.36%

### GROUP 2 (Net Revenue)

Group 2 E(m) -- ES Form 1.10, line 15	=	\$ (267,702)
Group 2 ES Billing Factor -- ES Form 1.10, line 17	=	-0.54%

Effective Date for Billing: March billing cycle beginning February 28, 2018

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

Title: Manager, Revenue Requirement COS

Date Submitted: February 16, 2018

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

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

For the Expense Month of January 2018

**Calculation of Total E(m)**

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

		Environmental Compliance Plans
(1) RB	=	\$ 1,137,063,315
(2) RB / 12	=	\$ 94,755,276
(3) $(ROR + (ROR - DR) (TR / (1 - TR)))$	=	8.84%
(4) OE	=	\$ 5,340,389
(5) BAS	=	\$ -
(6) BR	=	\$ (26,165)
(7) E(m)	$(2) \times (3) + (4) - (5) + (6)$	= \$ 13,690,591

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

(8) Jurisdictional Allocation Ratio for Expense Month -- ES Form 3.10	=	85.90%
(9) Jurisdictional E(m) = Total E(m) x Jurisdictional Allocation Ratio [(7) x (8)]	=	\$ 11,760,218
(10) Adjustment for (Over)/Under-collection pursuant to Case No. 2017-00266	=	\$ -
(11) Prior Period Adjustment (if necessary)	=	\$ -
(12) Revenue Collected through Base Rates	=	\$ 12,214,566
(13) Adjusted Net Jurisdictional E(m) [(9) + (10) + (11) - (12)]	=	\$ (454,348)

**Calculation of Group Environmental Surcharge Billing Factors**

		GROUP 1 (Total Revenue)	GROUP 2 (Net Revenue)
(14) Revenue as a Percentage of 12-month Total Revenue ending with the Current Month -- ES Form 3.00	=	41.08%	58.92%
(15) Group E(m) [(13) x (14)]	=	\$ (186,646)	\$ (267,702)
(16) Group R(m) = Average Monthly Group Revenue for the 12 Months Ending with the Current Expense Month -- ES Form 3.00	=	\$ 51,246,591	\$ 49,913,797
(17) Group Environmental Surcharge Billing Factors [(15) ÷ (16)]	=	-0.36%	-0.54%

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Revenue Requirements of Environmental Compliance Costs  
For the Expense Month of January 2018

**Determination of Environmental Compliance Rate Base**

	Environmental Compliance Plan	
Eligible Pollution Control Plant	\$	1,338,078,638
Eligible Pollution CWIP Excluding AFUDC		158,441,658
Subtotal		\$ 1,496,520,296
Additions:		
Inventory - Emission Allowances per ES Form 2.31, 2.32, 2.33 and 2.34	\$	130,943
Less: Allowance Inventory Baseline		-
Net Emission Allowance Inventory		130,943
Cash Working Capital Allowance		3,233,494
Net Unamortized Closure Cost Balance - Active Stations <sup>1</sup>	\$	10,294,337
Net Unamortized Closure Cost Balance - Retired Stations <sup>1</sup>		8,100,667
Subtotal		\$ 21,759,441
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	\$	89,117,542
Pollution Control Deferred Income Taxes		292,098,880
Pollution Control Deferred Investment Tax Credit		-
Subtotal		\$ 381,216,422
Environmental Compliance Rate Base		\$ 1,137,063,315

**Determination of Pollution Control Operating Expenses**

	Environmental Compliance Plan	
Monthly Operations & Maintenance Expense		\$ 2,324,400
Monthly Depreciation & Amortization Expense		2,703,154
Monthly Taxes Other Than Income Taxes - Eligible Plant		156,859
Monthly Taxes Other Than Income Taxes - Closure Costs		-
Amortization of Monthly Closure Costs - Active Stations		59,772
Amortization of Monthly Closure Costs - Retired Stations		129,836
Amortization of Excess ADIT with gross-up	\$ (25,461)	1,33245
Monthly Emission Allowance Expense from ES Form 2.31, 2.32, 2.33 and 2.34		294
Add KU Current Month TC2 Emission Allowance Expense reported on ES Form 2.31, 2.32, 2.33 and 2.34		-
Less Monthly Emission Allowance Expense in base rates		-
Net Recoverable Emission Allowance Expense		294
Monthly Surcharge Consultant Fee		-
Construction Monitoring Consultant Fee		-
Total Pollution Control Operations Expense		\$ 5,340,389

**Determination of Beneficial Reuse Operating Expenses**

	Environmental Compliance Plan
Total Monthly Beneficial Reuse Expense	\$ 37,580
Adjustment for Beneficial Reuse in Base Rates (from ES Form 2.61)	(63,745)
Net Beneficial Reuse Operations Expense	\$ (26,165)

**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	\$ -	\$ -	\$ -

Note 1: The net unamortized closure cost balance is comprised of CCR closure cost expenditures less accumulated amortization, accumulated deferred income taxes and amount in base rates.



**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Amortization of Monthly CCR Closure Costs

For the Month Ended: January 31, 2018

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Description	Accumulated CCR Closure Costs	Accumulated Amortization (Prior Month)	Current Month Amortization	Accumulated Amortization (Current Month)	Accumulated Deferred Income Taxes (ADIT)	Unamortized CCR Closure Cost Balance (Net of ADIT)
			[(2)-(3)]/ RemainingAmortMonths	(3)+(4)		(2)-(5)-(6)
<b>2016 Plan:</b>						
Project 39 - Green River Station	\$ 12,766,067	\$ 351,383	\$ 121,713	\$ 473,096	\$ 4,705,838	\$ 7,583,134
Project 39 - Pineville Station	\$ 492,252	\$ 37,739	\$ 4,456	\$ 42,195	\$ 169,361	\$ 280,696
Project 39 - Tyrone Station	\$ 406,694	\$ 32,652	\$ 3,667	\$ 36,319	\$ 133,538	\$ 236,837
Project 40 - Ghent Station	\$ 14,571,328	\$ 526,329	\$ 49,805	\$ 576,134	\$ 5,418,954	\$ 8,576,240
Project 41 - Trimble County Station	\$ 996,060	\$ 48,549	\$ 3,360	\$ 51,909	\$ 365,424	\$ 578,728
Project 42 - Brown Station	\$ 1,949,032	\$ 85,886	\$ 6,607	\$ 92,493	\$ 717,170	\$ 1,139,369
Net Total - All Projects:	\$ 31,181,433	\$ 1,082,538	\$ 189,608	\$ 1,272,145	\$ 11,514,284	\$ 18,395,004

Note 1: The Accumulated Deferred Income Taxes (ADIT) includes Excess Deferred Taxes resulting from the Tax Cuts and Jobs Act.

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

For the Month Ended: January 31, 2018

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Description	Eligible Plant In Service	Eligible Accumulated Depreciation	CWIP Amount Excluding AFUDC	Eligible Net Plant In Service	Unamortized ITC as of 1/31/2018	Deferred Tax Balance as of 1/31/2018	Monthly Depreciation Expense	Monthly Property Tax Expense
				(2)-(3)+(4)				
<b>2009 Plan:</b>								
Project 28 - Brown 3 SCR	\$ 100,049,070	\$ 11,737,593	\$ -	\$ 88,311,477	\$ -	\$ 27,956,046	\$ 220,942	\$ 11,067
Project 29 - ATB Expansion at E.W. Brown Station (Phase II)	\$ 32,627,640	\$ 2,226,277	\$ -	\$ 30,401,362	\$ -	\$ 5,541,850	\$ 70,266	\$ 3,809
Project 30 - Ghent CCP Storage (Landfill- Phase I)	\$ 349,137,977	\$ 25,191,482	\$ 885,133	\$ 324,831,628	\$ -	\$ 68,712,610	\$ 717,230	\$ 40,612
Project 31 - Trimble County Ash Treatment Basin (BAP/GSP)	\$ 9,031,671	\$ 1,142,709	\$ -	\$ 7,888,962	\$ -	\$ 964,717	\$ 8,705	\$ 987
Project 32 - Trimble County CCP Storage (Landfill - Phase I)	\$ 4,907,957	\$ 231,796	\$ 79,780,642	\$ 84,456,803	\$ -	\$ 713,675	\$ 7,390	\$ 544
Project 33 - Beneficial Reuse	\$ 4,193,823	\$ 458,063	\$ -	\$ 3,735,760	\$ -	\$ 874,965	\$ 8,033	\$ 468
Subtotal	\$ 499,948,137	\$ 40,987,921	\$ 80,665,776	\$ 539,625,992	\$ -	\$ 104,763,863	\$ 1,032,566	\$ 57,487
Less Retirements and Replacement resulting from implementation of 2009 Plan	\$ (1,628,897)	\$ (256,345)	\$ -	\$ (1,372,552)	\$ -	\$ (315,277)	\$ (3,498)	\$ (173)
<b>Net Total - 2009 Plan:</b>	\$ 498,319,240	\$ 40,731,576	\$ 80,665,776	\$ 538,253,440	\$ -	\$ 104,448,586	\$ 1,029,068	\$ 57,314
<b>2011 Plan:</b>								
Project 29 - Brown Landfill (Phase I)	\$ 107,003,604	\$ 3,533,792	\$ 143,725	\$ 103,613,537	\$ -	\$ 23,499,828	\$ 224,217	\$ 12,974
Project 34 - E.W. Brown Station Air Compliance	\$ 84,655,448	\$ 4,471,664	\$ -	\$ 80,183,783	\$ -	\$ 19,191,666	\$ 186,947	\$ 10,046
Project 35 - Ghent Station Air Compliance	\$ 641,481,666	\$ 40,310,880	\$ 6,595,579	\$ 607,766,365	\$ -	\$ 144,326,448	\$ 1,252,973	\$ 76,103
Subtotal	\$ 833,140,718	\$ 48,316,336	\$ 6,739,305	\$ 791,563,686	\$ -	\$ 187,017,942	\$ 1,664,138	\$ 99,124
Less Retirements and Replacement resulting from implementation of 2011 Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Total - 2011 Plan:</b>	\$ 833,140,718	\$ 48,316,336	\$ 6,739,305	\$ 791,563,686	\$ -	\$ 187,017,942	\$ 1,664,138	\$ 99,124
<b>2016 Plan:</b>								
Project 36 - Brown Landfill (Phase II)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project 37 - Ghent 2 WFGD Improvements	\$ 3,077,193	\$ 58,268	\$ -	\$ 3,018,925	\$ -	\$ 544,063	\$ 6,103	\$ 378
Project 38 - Supplemental Mercury Control	\$ 3,191,413	\$ 3,153	\$ -	\$ 3,188,260	\$ -	\$ 27,008	\$ 3,153	\$ -
Project 40 - Ghent New Process Water Systems	\$ -	\$ -	\$ 54,475,441	\$ 54,475,441	\$ -	\$ -	\$ -	\$ 0
Project 41 - Trimble County New Process Water Systems	\$ 350,074	\$ 8,209	\$ 15,312,550	\$ 15,654,415	\$ -	\$ 61,281	\$ 691	\$ 43
Project 42 - Brown New Process Water Systems	\$ -	\$ -	\$ 1,248,587	\$ 1,248,587	\$ -	\$ -	\$ -	\$ 0
Subtotal	\$ 6,618,680	\$ 69,630	\$ 71,036,578	\$ 77,585,628	\$ -	\$ 632,352	\$ 9,947	\$ 421
Less Retirements and Replacement resulting from implementation of 2016 Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Total - 2016 Plan:</b>	\$ 6,618,680	\$ 69,630	\$ 71,036,578	\$ 77,585,628	\$ -	\$ 632,352	\$ 9,947	\$ 421
<b>Net Total - All Plans:</b>	\$ 1,338,078,638	\$ 89,117,542	\$ 158,441,658	\$ 1,407,402,754	\$ -	\$ 292,098,880	\$ 2,703,154	\$ 156,859

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

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

Note 3: The Deferred Tax Balance includes Excess Deferred Taxes resulting from the Tax Cuts and Jobs Act.

ES FORM 1.00

## KENTUCKY UTILITIES COMPANY ENVIRONMENTAL SURCHARGE REPORT

Net Jurisdictional E(m) and  
Jurisdictional Environmental Surcharge Billing Factor  
For the Expense Month of February 2018

### GROUP 1 (Total Revenue)

Group 1 E(m) -- ES Form 1.10, line 15	=	\$ (820,904)
Group 1 ES Billing Factor -- ES Form 1.10, line 17	=	-1.57%

### GROUP 2 (Net Revenue)

Group 2 E(m) -- ES Form 1.10, line 15	=	\$ (1,162,434)
Group 2 ES Billing Factor -- ES Form 1.10, line 17	=	-2.31%

Effective Date for Billing: April billing cycle beginning March 29, 2018

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

Title: Manager, Revenue Requirement COS

Date Submitted: March 19, 2018

**KENTUCKY UTILITIES COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

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

For the Expense Month of February 2018

**Calculation of Total E(m)**

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

		Environmental Compliance Plans
(1) RB	=	\$ 1,145,729,650
(2) RB / 12	=	\$ 95,477,471
(3) $(ROR + (ROR - DR) (TR / (1 - TR)))$	=	8.84%
(4) OE	=	\$ 4,762,036
(5) BAS	=	\$ -
(6) BR	=	\$ (28,194)
(7) E(m)	$(2) \times (3) + (4) - (5) + (6)$	= \$ 13,174,051

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

(8) Jurisdictional Allocation Ratio for Expense Month -- ES Form 3.10	=	87.20%
(9) Jurisdictional E(m) = Total E(m) x Jurisdictional Allocation Ratio [(7) x (8)]	=	\$ 11,487,772
(10) Adjustment for (Over)/Under-collection pursuant to Case No. 2017-00266	=	\$ -
(11) Prior Period Adjustment (if necessary)	=	\$ 3,151
(12) Revenue Collected through Base Rates	=	\$ 13,474,261
(13) Adjusted Net Jurisdictional E(m) [(9) + (10) + (11) - (12)]	=	\$ (1,983,338)

**Calculation of Group Environmental Surcharge Billing Factors**

		GROUP 1 (Total Revenue)	GROUP 2 (Net Revenue)
(14) Revenue as a Percentage of 12-month Total Revenue ending with the Current Month -- ES Form 3.00	=	41.39%	58.61%
(15) Group E(m) [(13) x (14)]	=	\$ (820,904)	\$ (1,162,434)
(16) Group R(m) = Average Monthly Group Revenue for the 12 Months Ending with the Current Expense Month -- ES Form 3.00	=	\$ 52,275,193	\$ 50,391,690
(17) Group Environmental Surcharge Billing Factors [(15) + (16)]	=	-1.57%	-2.31%

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Revenue Requirements of Environmental Compliance Costs  
For the Expense Month of February 2018

**Determination of Environmental Compliance Rate Base**

	Environmental Compliance Plan	
Eligible Pollution Control Plant	\$ 1,338,078,638	
Eligible Pollution CWIP Excluding AFUDC	169,385,257	
Subtotal		\$ 1,507,463,895
Additions:		
Inventory - Emission Allowances per ES Form 2.31, 2.32, 2.33 and 2.34	\$ 130,773	
Less: Allowance Inventory Baseline	-	
Net Emission Allowance Inventory	130,773	
Cash Working Capital Allowance	3,179,329	
Net Unamortized Closure Cost Balance - Active Stations <sup>1</sup>	\$ 10,792,959	
Net Unamortized Closure Cost Balance - Retired Stations <sup>1</sup>	9,083,080	
Subtotal		\$ 23,186,141
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	\$ 91,823,927	
Pollution Control Deferred Income Taxes	293,096,459	
Pollution Control Deferred Investment Tax Credit	-	
Subtotal		\$ 384,920,386
Environmental Compliance Rate Base		\$ 1,145,729,650

**Determination of Pollution Control Operating Expenses**

	Environmental Compliance Plan	
Monthly Operations & Maintenance Expense		\$ 1,726,314
Monthly Depreciation & Amortization Expense		2,706,306
Monthly Taxes Other Than Income Taxes - Eligible Plant		156,859
Monthly Taxes Other Than Income Taxes - Closure Costs		-
Amortization of Monthly Closure Costs - Active Stations		62,319
Amortization of Monthly Closure Costs - Retired Stations		143,994
Amortization of Excess ADIT with gross-up	\$ (25,461)	1,332,451
Monthly Emission Allowance Expense from ES Form 2.31, 2.32, 2.33 and 2.34		170
Add KU Current Month TC2 Emission Allowance Expense reported on ES Form 2.31, 2.32, 2.33 and 2.34		-
Less Monthly Emission Allowance Expense in base rates		-
Net Recoverable Emission Allowance Expense		170
Monthly Surcharge Consultant Fee		-
Construction Monitoring Consultant Fee		-
Total Pollution Control Operations Expense		\$ 4,762,036

**Determination of Beneficial Reuse Operating Expenses**

	Environmental Compliance Plan
Total Monthly Beneficial Reuse Expense	\$ 41,619
Adjustment for Beneficial Reuse in Base Rates (from ES Form 2.61)	(69,813)
Net Beneficial Reuse Operations Expense	\$ (28,194)

**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	\$ -	\$ -	\$ -

Note 1: The net unamortized closure cost balance is comprised of CCR closure cost expenditures less accumulated amortization, accumulated deferred income taxes and amount in base rates.

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Amortization of Monthly CCR Closure Costs

For the Month Ended: February 28, 2018

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Description	Accumulated CCR Closure Costs	Accumulated Amortization (Prior Month)	Current Month Amortization	Accumulated Amortization (Current Month)	Accumulated Deferred Income Taxes (ADIT)	Unamortized CCR Closure Cost Balance (Net of ADIT)
			$[(2)-(3)] /$ Remaining Amort Months	(3)+(4)		(2)-(5)-(6)
<b>2016 Plan:</b>						
Project 39 - Green River Station	\$ 13,975,052	\$ 473,096	\$ 133,683	\$ 606,779	\$ 8,961,861	\$ 8,406,412
Project 39 - Pineville Station	\$ 452,418	\$ 42,195	\$ 4,062	\$ 46,257	\$ 157,844	\$ 248,317
Project 39 - Tyrone Station	\$ 667,583	\$ 36,319	\$ 6,250	\$ 42,569	\$ 198,663	\$ 428,351
Project 40 - Ghent Station	\$ 15,241,082	\$ 576,134	\$ 52,188	\$ 628,322	\$ 5,566,178	\$ 9,046,581
Project 41 - Trimble County Station	\$ 1,004,545	\$ 51,909	\$ 3,390	\$ 55,299	\$ 566,232	\$ 583,013
Project 42 - Brown Station	\$ 1,986,540	\$ 92,493	\$ 6,740	\$ 99,233	\$ 733,943	\$ 1,163,364
<b>Net Total - All Projects:</b>	<b>\$ 33,327,219</b>	<b>\$ 1,272,145</b>	<b>\$ 206,313</b>	<b>\$ 1,478,459</b>	<b>\$ 11,972,721</b>	<b>\$ 19,876,039</b>

Note 1: The Accumulated Deferred Income Taxes (ADIT) includes Excess Deferred Taxes resulting from the Tax Cuts and Jobs Act.

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

For the Month Ended: February 28, 2018

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Description	Eligible Plant In Service	Eligible Accumulated Depreciation	CWIP Amount Excluding AFUDC	Eligible Net Plant In Service	Unamortized JTC as of 2/28/2018	Deferred Tax Balance as of 2/28/2018	Monthly Depreciation Expense	Monthly Property Tax Expense
				(2)-(3)+(4)				
<b>2009 Plan:</b>								
Project 28 - Brown 3 SCR	\$ 100,049,070	\$ 11,958,535	\$ -	\$ 88,090,535	\$ -	\$ 27,918,529	\$ 220,942	\$ 11,067
Project 29 - ATB Expansion at E.W. Brown Station (Phase II)	\$ 32,627,640	\$ 2,296,543	\$ -	\$ 30,331,097	\$ -	\$ 5,538,992	\$ 70,266	\$ 3,809
Project 30 - Ghent CCP Storage (Landfill- Phase I)	\$ 349,137,977	\$ 25,908,712	\$ 863,146	\$ 324,092,411	\$ -	\$ 68,865,433	\$ 717,230	\$ 40,612
Project 31 - Trimble County Ash Treatment Basin (BAP/GSP)	\$ 9,031,671	\$ 1,151,414	\$ -	\$ 7,880,257	\$ -	\$ 971,019	\$ 8,705	\$ 987
Project 32 - Trimble County CCP Storage (Landfill - Phase I)	\$ 4,907,957	\$ 239,186	\$ 81,205,530	\$ 85,874,300	\$ -	\$ 714,628	\$ 7,390	\$ 544
Project 33 - Beneficial Reuse	\$ 4,193,823	\$ 466,097	\$ -	\$ 3,727,726	\$ -	\$ 875,416	\$ 8,033	\$ 468
Subtotal	\$ 499,948,137	\$ 42,020,487	\$ 82,068,676	\$ 539,996,326	\$ -	\$ 104,884,017	\$ 1,032,566	\$ 57,487
Less Retirements and Replacement resulting from implementation of 2009 Plan	\$ (1,628,897)	\$ (259,764)	\$ -	\$ (1,369,133)	\$ -	\$ (313,947)	\$ (3,498)	\$ (173)
<b>Net Total - 2009 Plan:</b>	\$ 498,319,240	\$ 41,760,723	\$ 82,068,676	\$ 538,627,193	\$ -	\$ 104,570,070	\$ 1,029,068	\$ 57,314
<b>2011 Plan:</b>								
Project 29 - Brown Landfill (Phase I)	\$ 107,003,604	\$ 3,758,009	\$ 281,360	\$ 103,526,955	\$ -	\$ 23,653,661	\$ 224,217	\$ 12,974
Project 34 - E.W. Brown Station Air Compliance	\$ 84,655,448	\$ 4,658,612	\$ -	\$ 79,996,836	\$ -	\$ 19,292,408	\$ 186,947	\$ 10,046
Project 35 - Ghent Station Air Compliance	\$ 641,481,666	\$ 41,563,853	\$ 6,544,570	\$ 606,462,383	\$ -	\$ 144,919,676	\$ 1,252,973	\$ 76,103
Subtotal	\$ 833,140,718	\$ 49,980,474	\$ 6,825,930	\$ 789,986,174	\$ -	\$ 187,865,745	\$ 1,664,138	\$ 99,124
Less Retirements and Replacement resulting from implementation of 2011 Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Total - 2011 Plan:</b>	\$ 833,140,718	\$ 49,980,474	\$ 6,825,930	\$ 789,986,174	\$ -	\$ 187,865,745	\$ 1,664,138	\$ 99,124
<b>2016 Plan:</b>								
Project 36 - Brown Landfill (Phase II)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project 37 - Ghent 2 WFGD Improvements	\$ 3,077,193	\$ 64,371	\$ -	\$ 3,012,822	\$ -	\$ 545,215	\$ 6,103	\$ 378
Project 38 - Supplemental Mercury Control	\$ 3,191,413	\$ 9,458	\$ 823,457	\$ 4,005,412	\$ -	\$ 54,016	\$ 6,305	\$ -
Project 40 - Ghent New Process Water Systems	\$ -	\$ -	\$ 61,091,063	\$ 61,091,063	\$ -	\$ -	\$ -	\$ 0
Project 41 - Trimble County New Process Water Systems	\$ 350,074	\$ 8,901	\$ 17,311,252	\$ 17,652,425	\$ -	\$ 61,413	\$ 691	\$ 43
Project 42 - Brown New Process Water Systems	\$ -	\$ -	\$ 1,264,879	\$ 1,264,879	\$ -	\$ -	\$ -	\$ 0
Subtotal	\$ 6,618,680	\$ 82,730	\$ 80,490,651	\$ 87,026,602	\$ -	\$ 660,644	\$ 13,100	\$ 421
Less Retirements and Replacement resulting from implementation of 2016 Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Total - 2016 Plan:</b>	\$ 6,618,680	\$ 82,730	\$ 80,490,651	\$ 87,026,602	\$ -	\$ 660,644	\$ 13,100	\$ 421
<b>Net Total - All Plans:</b>	\$ 1,338,078,638	\$ 91,823,927	\$ 169,385,257	\$ 1,415,639,968	\$ -	\$ 293,096,459	\$ 2,706,306	\$ 156,859

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

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

Note 3: The Deferred Tax Balance includes Excess Deferred Taxes resulting from the Tax Cuts and Jobs Act.