

ENVIRONMENTAL SURCHARGE MECHANISM RIDER

APPLICABILITY

This rider is applicable to all retail sales in the Company's electric service area beginning with the billing month June 2018. Rate RTP program participants utilize the applicable portions of the Baseline Charge and Program Charge, as those terms are defined in Rate RTP, for this rider.

Standard electric rate schedules subject to this schedule are:

Residential: Rate Schedule RS

Non-Residential: Rate Schedules DS, EH, SP, DP, DT, GSFL, TT, SL, TL, UOLS, NSU, SC, SE, and LED

RATE

The monthly billing amount under each of the schedules to which this rider is applicable, shall be increased or decreased by a percentage factor according to the following formula:

Environmental Surcharge Billing Factor = Jurisdictional E(m) / R(m)

DEFINITIONS

For all Plans:

E(m) = RORB + OE – EAS + Prior Period Adjustment + (Over)Under Recovery

RORB = (RB/12)*ROR

RB = the Environmental Compliance Rate Base, defined as electric plant in service for applicable environmental projects adjusted for accumulated depreciation, accumulated deferred taxes, accumulated investment tax credits, CWIP and emission allowance inventory.

ROR = the Rate of Return on the Environmental Compliance Rate Base, designated as the cost of debt and pretax cost of equity for environmental compliance plan projects approved by the Commission.

OE = the Operating Expenses, defined as the monthly depreciation expense, taxes other than income taxes, amortization expense, emission allowance expense and environmental reagent expense.

EAS = proceeds from Emission Allowance Sales.

Prior Period Adjustment is the amount resulting from the amortization of amounts determined by the Commission during six-month and two-year reviews.

CANCELLED

May 1, 2020

Issued by authority of an Order of the Kentucky Public Service Commission dated April 13, 2018 in Case No. 2017-00321.

Issued: April 30, 2018

Effective: April 14, 2018

Issued by James P. Henning, President /s/ James P. Henning

**KENTUCKY
PUBLIC SERVICE COMMISSION**

Gwen R. Pinson
Executive Director

Gwen R. Pinson
EFFECTIVE
4/14/2018

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

