

**ECR**

**Environmental Cost Recovery Surcharge**

**APPLICABLE TO:** All electric rate schedules.

The monthly billing amount computed under each of the rate schedules to which this fuel clause is applicable shall be increased or decreased by the following Environmental Surcharge Factor:

$$\text{Environmental Surcharge Factor} = \frac{E(m)}{R(m)}$$

Where E(m) is the revenue requirement of environmental compliance costs for the current expense month and R(m) is the revenue for the current expense month as set forth below:

- (1) Environmental Compliance Costs E(m) shall be the actual environmental compliance costs as defined in KRS 289.183(1) for the second preceding month, determined as follows:

$$E(m) = [(RB/12) (ROR)] + OE - BAS$$

Where:

- E(m) = Environmental Surcharge Gross Revenue Requirement
- RB = Environmental Compliance Rate Base, as adjusted by Commission Order for eligible Pollution Control Plant in service and Accumulated Depreciation already included in existing rates
- ROR = Rate of Return on Environmental Compliance Rate Base, adjusted or "grossed up" for Income Taxes
- OE = Operating Expenses [Depreciation and Amortization Expense, Property and Other Applicable Taxes, Insurance Expense, Emission Allowance Expense, Surcharge Consultant Fee, and Permit Fees; adjusted by Commission order for the Average Monthly Expense already included in the existing rates]
- BAS = Net Proceeds from By-Product and Allowance Sales

- (2) Revenue R(m) is the average monthly revenue, including base and fuel adjustment revenues, for the Company for the 12 months ending with the current expense month.
- (3) Current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.



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