

Louisville Gas and Electric Company

Original Sheet No. 72
P.S.C. of Ky. Electric No. 6

ECR

Environmental Cost Recovery Surcharge

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

To all electric rate schedules

RATE

The monthly billing amount under each of the schedules to which this mechanism is applicable, including the fuel clause, shall be increased or decreased by a percentage factor calculated in accordance with the following formula.

$$\text{CESF} = \text{E(m)} / \text{R(m)}$$

$$\text{MESF} = \text{CESF} - \text{BESF}$$

MESF = Monthly Environmental Surcharge Factor

CESF = Current Environmental Surcharge Factor

BESF = Base Environmental Surcharge Factor

Where E(m) is the jurisdictional total of each approved environmental compliance plan 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.

DEFINITIONS

- 1) For all Plans, $\text{E(m)} = [(\text{RB}/12) (\text{ROR} + (\text{ROR} - \text{DR}) (\text{TR} / (1 - \text{TR}))) + \text{OE}]$
 - a) Where RB is the total Environmental Compliance Rate Base, adjusted for eligible Pollution Control Plant in Service, Accumulated Depreciation, and Deferred Taxes already included in existing rates.
 - b) Where ROR is the Rate of Return on Environmental Compliance Rate Base, designated as the overall rate of return [cost of short-term debt, accounts receivable financing, long-term debt, preferred stock, and common equity].
 - c) Where DR is the Debt Rate [cost of short-term debt, accounts receivable financing and long-term debt].
 - d) Where TR is the composite Federal and State Income Tax Rate.
 - e) Where OE is the Operating Expenses [Depreciation and Amortization Expense, Property and Other Applicable Taxes, and Insurance Expense; adjusted for the Average Month Expense already included in existing rates]. Includes operation and maintenance expense associated with NOx control projects, as recorded in Account Nos. 506105 and 512101.
- 2) The sum of the E(m), for each approved environmental compliance plan revenue requirement of environmental compliance costs is multiplied by the Jurisdictional Allocation Factor to arrive at the Net Jurisdictional E(m).
- 3) The revenue R(m) is the average monthly revenue, including base revenues and automatic adjustment clause revenues less Environmental Cost Recovery Surcharge revenues, for the Company for the 12 months ending with the current expense month.
- 4) Current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

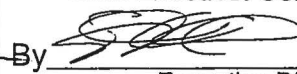
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Issued By



Michael S. Beer, Vice President
Louisville, Kentucky

Date Effective: October 16, 2003
July 20, 2004



Executive Director

Issued By Authority of an Order of the KPSC in Case No. 2003-00433 dated June 30, 2004

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
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SECTION 9 (1)

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