

Louisville Gas and Electric Company

P.S.C. Electric No. 7, First Revision of Original Sheet No. 87
Canceling P.S.C. Electric No. 7, Original Sheet No. 87

Adjustment Clause

ECR

Environmental Cost Recovery Surcharge

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

To electric rate schedules RS, VFD, GS, CPS, IPS, CTOD, ITOD, RTS, IS, LS, RLS, LE, TE, FAC, and DSM.

RATE

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

$$CESF = E(m) / R(m)$$

CESF = Current Environmental Surcharge Factor

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

C1/28/10

- 1) For all Plans, $E(m) = [(RB/12) (ROR + (ROR - DR) (TR / (1 - TR)))] + OE - BAS$
 - 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 [Depreciation and Amortization Expense, Property Taxes, Insurance Expense; adjusted for the Average Month Expense already included in existing rates]. Includes operation and maintenance expense recovery authorized by the K.P.S.C. in Case Nos. 2000-386, 2002-147, 2004-00421 and 2006-00208.
 - f) BAS is the total proceeds from by-product and allowance sales.
- 2) Total E(m) (sum of each approved environmental compliance plan revenue requirement) is multiplied by the Jurisdictional Allocation Factor and reduced by current expense month ECR revenue collected through base rates to arrive at the Net Jurisdictional E(m).
- 3) The revenue R(m) is the average monthly base revenue for the Company for the 12 months ending with the current expense month. Base revenue includes the customer, energy and demand charge for each schedule 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.
- 4) Current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed

Date of Issue: December 22, 2009

Date Effective: January 28, 2010

Issued By: Lonnie E. Bellar, Vice President, State Regulation and Rates, Louisville, Kentucky

Lonnie E. Bellar

KENTUCKY
PUBLIC SERVICE COMMISSION

JEFF B. DERONEN
EXECUTIVE DIRECTOR

TARIFF BRANCH

Brent Kirtley

EFFECTIVE
1/28/2010

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

Issued by Authority of an Order of the KPSC in Case No. 2009-00311 dated December 2, 2009

Louisville Gas and Electric Company

P.S.C. Electric No. 7, Original Sheet No. 87.

Adjustment Clause

ECR

Environmental Cost Recovery Surcharge

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

To electric rate schedules RS, VDF, GS, CPS, IPS, CTOD, ITOD, RTS, IS, LS, RLS, LE, TE, FAC, and DSM.

RATE

The monthly billing amount under each of the schedules to which this mechanism is applicable, including the fuel clause and demand-side management cost recovery mechanism, 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

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, $\text{E(m)} = [(\text{RB}/12) (\text{ROR} + (\text{ROR} - \text{DR}) (\text{TR} / (1 - \text{TR}))) + \text{OE} - \text{BAS}]$
 - 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.
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 - f) BAS is the total proceeds from by-product and allowance sales.
- 2) Total E(m) (sum of each approved environmental compliance plan revenue requirement) is multiplied by the Jurisdictional Allocation Factor to arrive at the Net Jurisdictional E(m).
- 3) The revenue R(m) is the average monthly base revenue for the Company for the 12 months ending with the current expense month. Base revenue includes the customer, energy and demand charge for each schedule 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.
- 4) Current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

Date of Issue: February 9, 2009

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Issued By: Lonnie E. Bellar, Vice President, State Regulation and Kentucky

Lonnie E. Bellar

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

Executive Director