

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY FOR CERTIFICATES OF)	
PUBLIC CONVENIENCE AND NECESSITY AND)	CASE NO.
APPROVAL OF ITS 2011 COMPLIANCE PLAN)	2011-00162
FOR RECOVERY BY ENVIRONMENTAL)	
SURCHARGE)	

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recordings of the evidentiary hearing conducted November 9, 2011 – November 10, 2011 in this proceeding;
- Certifications of the accuracy and correctness of the digital video recordings;
- All exhibits introduced at the evidentiary hearing conducted November 9, 2011 – November 10, 2011 in this proceeding;
- The written logs listing, inter alia, the date and time of where each witness' testimony begins and ends on the digital video recordings of the evidentiary hearing conducted November 9, 2011 – November 10, 2011.

A copy of this Notice, the certifications of the digital video records, exhibit lists, and hearing logs have been served by first class mail upon all persons listed at the end of this Notice. Parties desiring electronic copies of the digital video recordings of the hearing in Windows Media format may download copies at:

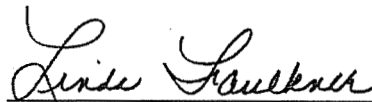
http://psc.ky.gov/av_broadcast/2011-00162/2011-00162_09Nov11_Inter.asx

http://psc.ky.gov/av_broadcast/2011-00162/2011-00162_10Nov11_Inter.asx

Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

The exhibits introduced at the evidentiary hearing may be downloaded at <http://psc.ky.gov/pscscf/2011%20cases/2011-00162/>.

Done at Frankfort, Kentucky, this 21st day of November 2011.



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Director, Filings Division
Public Service Commission of Kentucky

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
 COMPANY FOR CERTIFICATES OF PUBLIC)
 CONVENIENCE AND NECESSITY AND)
 APPROVAL OF ITS 2011 COMPLIANCE PLAN) CASE NO. 2011-00161
 FOR RECOVERY BY ENVIRONMENTAL)
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APPLICATION OF LOUISVILLE GAS AND)
 ELECTRIC COMPANY FOR CERTIFICATES OF)
 PUBLIC CONVENIENCE AND NECESSITY AND)
 APPROVAL OF ITS 2011 COMPLIANCE PLAN)
 FOR RECOVERY BY ENVIRONMENTAL) CASE NO. 2011-00162
 SURCHARGE)

CERTIFICATE

I, Kathy Gillum, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on November 9, 2011;
2. I am responsible for the preparation of the digital recording;
3. The digital recording accurately and correctly depicts the hearing;
4. The hearing was recorded in 2 segments, November 9, 2011 and November 10, 2011. All Exhibits introduced during the hearings will be attached to the segment recorded November 10, 2011.
5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of November 9, 2011 and the time at which each occurred.

Given this 17th day of November, 2011.



Kathy Gillum, Notary Public
State at Large

My commission expires: Sept 3, 2013



Case History Log Report

Case Number: 2011-00161_2011-00162_09Nov11

Case Title: LG&E and KU

Case Type: Other

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

Date: 11/9/2011

Location: Default Location

Judge: David Armstrong, Jim Gardner, Charles Borders

Clerk: Kathy Gillum

Bailiff:

Event Time	Log Event	
9:05:21 AM	Case Started	
9:05:42 AM	Preliminary Remarks	
9:05:58 AM	Introductions Note: Kathy Gillum	Allyson Sturgeon, Kendrick Riggs, counsel for KU and LG&E; Larry Cook, OAG;
9:08:05 AM	Larry Cook (OAG) Note: Kathy Gillum	Statement regarding possible settlement.
9:09:10 AM	Introductions continue Note: Kathy Gillum	Mike Kurtz, counsel for KIUC; David Brown, counsel for the Kroger Co.; Iris Skidmore, CAC; David Barberie, LFCG; Joe Childers, counsel for Sierra Club, as well as Kristin Henry and Shannon Fisk; Scott Hsndley and Robert Ganton US Dept of Defense;
9:11:35 AM	Call for Public Comments Note: Kathy Gillum	No Public Comments
9:12:10 AM	Introduction of PSC staff Note: Kathy Gillum	Richard Raff, Quang Nguyen and Faith Burns
9:12:42 AM	Housekeeping Issues Note: Kathy Gillum	There are outstanding motions, but settlement negotiations are taking place. Kendrick Riggs asked for a recess to continue settlement negotiations.
9:13:30 AM	Introductions continue Note: Kathy Gillum	Tom FitzGerald, counsel for MHC.
9:13:45 AM	Richard Raff (PSC) Response Note: Kathy Gillum	States that he is in agreement with negotiations. No objection from other counsel.
9:14:13 AM	Chairman Armstrong Note: Kathy Gillum	Recess until noon.
9:14:36 AM	Commissioner Gardner Note: Kathy Gillum	Commissioner Gardner asks Larry Cook about his contact with the Attorney General as far as negotiations.

9:15:10 AM	Larry Cook (OAG) Note: Kathy Gillum	Mr. Cook stated that he had made a diligent effort to be in contact with the front office and would inform the Commission of any further contact.
9:15:33 AM	Case Recessed	
12:05:43 PM	Case Started	
12:05:45 PM	Chairman Armstrong	
12:05:53 PM	Introduction of Chief Deputy OAG Note: Kathy Gillum	Larry Cook introduced Patrick Hughes, the Chief Deputy Attorney General.
12:06:06 PM	Chairman Armstrong Note: Kathy Gillum	Chairman asks Patrick Hughes if he had authority to act for the OAG. Mr. Hughes stated that he did.
12:06:18 PM	Patrick Hughes (OAG) Note: Kathy Gillum	Made statement that OAG has been reviewing the proposed settlements and are prepared to move forward. Mr. Hughes stated that there are still some issues. Mr. Hughes started to recite issues, but was stopped by Commissioner Gardner.
12:07:06 PM	Commissioner Gardner Note: Kathy Gillum	States that the Commission probably should not hear the issues regarding the negotiations.
12:07:33 PM	Kendrick Riggs (LG&E-KU) Note: Kathy Gillum	Made statement that all parties were not aware of all of the issues.
12:07:41 PM	Chairman Armstrong Note: Kathy Gillum	Asks if they needed more time.
12:07:54 PM	Patrick Hughes (OAG) Note: Kathy Gillum	Stated that they needed more time.
12:08:08 PM	Chairman Armstrong	
12:08:15 PM	Larry Cook (OAG) Note: Kathy Gillum	States that there are also other issues with the other parties.
12:08:41 PM	Richard Raff (PSC) Note: Kathy Gillum	Suggests that come back at 2:00 p.m. and either have the settlement worked out or call first witness.
12:09:28 PM	Commissioner Gardner	
12:09:37 PM	Chairman Armstrong Note: Kathy Gillum	Chairman recessed hearing until 2:00 pm
12:09:58 PM	Case Recessed	
2:01:32 PM	Case Started	
2:01:43 PM	Chairman Armstrong Note: Kathy Gillum	Chairman asks counsel if they had worked out a settlement.
2:01:54 PM	Kendrick Riggs (LG&E-KU) Note: Kathy Gillum	They have a verbal agreement and are reducing to writing. Asks for time to file agreement by 5:00 p.m. and reconvene tomorrow for finalizing.
2:03:11 PM	Larry Cook (OAG) Note: Kathy Gillum	Asks if all other witnesses could be excused.
2:03:32 PM	Mike Kurtz (KIUC) Note: Kathy Gillum	
2:03:47 PM	Chairman Armstrong	

2:04:34 PM	Kendrick Riggs (LG&E-KU) Note: Kathy Gillum	Proposes to meet tomorrow morning and submit agreement into evidence at that time.
2:04:56 PM	No objections Note: Kathy Gillum	No objections to recess by parties.
2:05:04 PM	Chairman Armstrong	
2:05:18 PM	Richard Raff (PSC) Note: Kathy Gillum	Gives summary of accepting settlement. (i.e., that there would be questions by the Commission, parties would be admonished, etc)
2:06:15 PM	Kendrick Riggs (LG&E-KU) Note: Kathy Gillum	Asks for hearing to be recessed until 10 am tomorrow morning.
2:06:38 PM	Case Recessed	
2:06:26 PM	Chairman Armstrong Note: Kathy Gillum	
2:23:13 PM	Case Stopped	Chairman recesses hearing until 10:00 a.m. 11-10-11.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

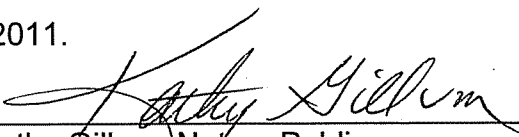
APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR CERTIFICATES OF PUBLIC)
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CERTIFICATE

I, Kathy Gillum, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on November 10, 2011;
2. I am responsible for the preparation of the digital recording;
3. The digital recording accurately and correctly depicts the hearing;
4. The hearing was recorded in 2 segments, November 9, 2011 and November 10, 2011. All Exhibits introduced during the hearings will be attached to the segment recorded November 10, 2011, along with an accurate "Exhibit List".
5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of November 10, 2011 and the time at which each occurred.

Given this 18th day of November, 2011.


Kathy Gillum, Notary Public
State at Large
My commission expires: Sept 3, 2013



Case History Log Report

Case Number: 2011-00161_2011-00162_10Nov11

Case Title: LG&E and KU

Case Type: Other

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

Date: 11/10/2011

Location: Default Location

Judge: David Armstrong, Jim Gardner, Charles Borders

Clerk: Kathy Gillum

Bailiff:

Event Time	Log Event	
10:05:28 AM	Case Started	
10:05:34 AM	Preliminary Remarks	
10:05:56 AM	Note: Kathy Gillum Kendrick Riggs (LG&E-KU) Note: Kathy Gillum	Continuation of hearing which began Nov 9, 2011. Mr. Riggs states that the settlement agreement has been signed and filed with the PSC
10:06:17 AM	Richard Raff (PSC)	
10:06:31 AM	Note: Kathy Gillum Kendrick Riggs (LG&E-KU)	Requests to approach the bench to present copies of settlement agreement to the Commission.
10:07:13 AM	Note: Kathy Gillum Witness, Lonnie Bellar (LG&E-KU)	Witness called to testify by Kendrick Riggs.
10:07:47 AM	Note: Kathy Gillum Examination by Kendrick Riggs (LG&E-KU)	Qualification of witness by Kendrick Riggs. Witness asked to explain the settlement discussions.
10:09:03 AM	Note: Kathy Gillum Exhibit LG&E-KU 1	Exhibit introduced by Kendrick Riggs and marked as LG&E-KU Exhibit 1. Document titled, "Settlement Agreement, Stipulation, and Recommendation", along with cover letter dated November 10, 2011.
10:09:25 AM	Note: Kathy Gillum Examination by Kendrick Riggs (LG&E-KU) continues	Witness states that the settlement agreement is the entire settlement agreement. Questions regarding sections of settlement agreement. Questions regarding Pages 5-6 of settlement agreement. Questions regarding page 7-8. Questions regarding Exhibits 2, 3 and 4.
10:16:57 AM	Note: Kathy Gillum Exhibit LG&E-KU 2	Exhibit introduced by Kendrick Riggs and marked as LG&E-KU Exhibit 2. Document titled, "Allocation of Jurisdictional ECR Revenue Requirement Methodologies"

10:17:09 AM	Exhibit LG&E-KU 3 Note: Kathy Gillum	Exhibit introduced by Kendrick Riggs and marked as LG&E-KU Exhibit 3. Document titled, "LG&E Environmental Cost Recovery Surcharge Summary 2011 Compliance Plan" (schedule showing revenue requirement) .
10:17:15 AM	Exhibit LG&E-KU 4 Note: Kathy Gillum	Exhibit introduced by Kendrick Riggs and marked as LG&E-KU Exhibit 4. Document titled, "LG&E Environmental Cost Recovery Surcharge Summary 2011 Compliance Plan", (schedule showing totals)
10:17:23 AM	Examination by Kendrick Riggs (LG&E-KU) continues Note: Kathy Gillum	Witness explains revenue allocations as expressed in Exhibits 2, 3, and 4.
10:23:53 AM	Data Request by Mike Kurtz (KIUC) Note: Kathy Gillum	Mr. Kurtz requested an update to the schedules to be provided as post hearing data requests.
10:24:16 AM	Examination by Kendrick Riggs (LG&E-KU) continues Note: Kathy Gillum	Questions regarding section 5.06. Questions regarding cases 2011-00231 and 2011-00232. Witness testifies regarding Exhibit 3 and Exhibit 4. Questions regarding section 6 regarding low income component.
10:31:56 AM	Larry Cook (OAG) Note: Kathy Gillum	No questions.
10:32:22 AM	Mike Kurtz (KIUC) Note: Kathy Gillum	No questions.
10:32:28 AM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Questions regarding compliance plans. Questions regarding the retirement of existing units at Cane Run, Green River and Tyrone Station. Questions regarding the plan in place to handle the retirement of those units. Questions regarding the 2009 Envir. Compliance Plan pertaining to the landfill. Questions regarding witness' rebuttal testimony v. new allocation. Questions regarding Exhibit 4.
10:47:21 AM	Data Request (PSC) Note: Kathy Gillum	Richard Raff requests a document indicating the impact to the average GS customer single phase and a 3 phase customer.
10:47:45 AM	Questions by Chairman Armstrong	
10:48:44 AM	Data Request (PSC) Note: Kathy Gillum	Chairman asks for a copy of plan to be provided to the PSC prior to the customers.
10:49:14 AM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding page 5 of settlement agreement. Questions regarding the Brown units. Questions regarding section 2.05. Questions regarding section 6.03 last sentence. Questions regarding impact of regulations on Brown I and II. Questions regarding the plan proposed in the settlement agreement regarding additional transmission that might be required. Questions regarding reliability when scheduling the retro-fits. Questions regarding Green River, Tyrone and Cane Run as to removal, shutting down, etc.
11:04:01 AM	Questions by Commissioner Borders Note: Kathy Gillum	Questions regarding new EPA rules/regulations. Questions regarding short term financing of expenditures v. long term financing. Commisisoner Borders commends parties for coming together to present settlement.

11:11:08 AM	Re-Direct by Kendrick Riggs (LG&E-KU) Note: Kathy Gillum	Questions regarding Section 3.02. Questions regarding Section 3.01. Questions regarding Section 2.04. Questions regarding cost of retro fitting units I and II. Questions regarding benefit to customers. Questions regarding monitoring of changing revenue allocation, (page 10). Questions regarding insert to the customers.
11:17:37 AM	Chairman Armstrong Note: Kathy Gillum	Chairman Armstrong asked in what form was the notice to customers communicated.
11:17:48 AM	Data Request (PSC) Note: Kathy Gillum	Chairman Armstrong asked that the insert included in the monthly bills be provided as a post hearing data request.
11:19:06 AM	Re-Direct by Kendrick Riggs (LG&E-KU) Note: Kathy Gillum	continues Questions regarding ECR calculations. Modified ECR will be filed next Tuesday with PSC
11:20:24 AM	Mike Kurtz (KIUC) Note: Kathy Gillum	No questions.
11:20:29 AM	Larry Cook (OAG) Note: Kathy Gillum	No questions.
11:20:35 AM	Data Request (LFUCG) Note: Kathy Gillum	David Barberie asked that LG&E-KU provide copies of letters.
11:20:52 AM	Richard Raff (PSC)	
11:20:58 AM	Witness Excused (Bellar)	
11:21:07 AM	Kendrick Riggs (LG&E-KU) Note: Kathy Gillum	Mr. Riggs asks the Commission to swear parties who participated in settlement agreement..
11:21:44 AM	Chairman Armstrong Note: Kathy Gillum	Chairman Armstrong admonishes parties to settlement. Parties under oath agree that the settlement is agreed upon by all. 15 minute recess called.
11:23:55 AM	Case Recessed	
11:40:38 AM	Case Started	
11:40:46 AM	David Barberie (LFUCG)	
11:41:08 AM	Kendrick Riggs (LG&E-KU) Note: Kathy Gillum	Mr. Riggs stated that some type of filing to confirm would be needed. Made reference to a letter, Mr. Barberie asked for a copy. Copy has been distributed to all parties.
11:42:24 AM	Witness, John Voyles (LG&E-KU) Note: Kathy Gillum	Witness called to testify by Kendrick Riggs. Mr. Riggs did not have any questions for this witness.
11:43:05 AM	Exhibit LG&E-KU 5 Note: Kathy Gillum	Exhibit introduced by Kendrick Riggs and marked as LG&E-KU Exhibit 5. Letter dated November 10, 2011 to PSC requesting delay in issuing orders in Case Nos. 2011-00231 and 2011-00232. Mr. Riggs states that this is the letter requested by David Barberie in post hearing data request, and that this exhibit should satisfy that request.
11:43:24 AM	Larry Cook (OAG) Note: Kathy Gillum	No questions.
11:43:29 AM	Mike Kurtz (KIUC) Note: Kathy Gillum	No questions.

11:43:35 AM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Questions regarding proposed construction time schedule and possible revision. Questions regarding 2009 Compliance Plan, project no. 29, landfill at Cane Run. Witness states that the application is still pending with Waste Management. Questions regarding space limitations at Cane Run. Questions regarding retirement of Cane Run, Green River and Tyrone. Questions regarding lead and asbestos at the plants to be retired.
12:04:37 PM	Questions by Chairman Armstrong Note: Kathy Gillum	Questions regarding whether or not they would use the retired plants to burn hazardous materials or garbage. Witness states that they have no plans to use the retired plants after retirement. Questions regarding acreage surrounding the facilities, whether it would be used for public use. Questions regarding ash ponds. Witness states that they would have to comply with closer requirements. Questions regarding the smoke stacks height.
12:14:37 PM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding deferral of Brown I and II pertaining to future expenditures. Commissioner Gardner states that he was referring to the Exhibit to the application. Witness states that is referring to operating costs. Witness refers to his Direct Testimony page 17 in effort to answer the questions. Questions regarding timeframe of construction. Questions regarding "green house gas tailoring rule".
12:23:22 PM	Data Request (PSC) Note: Kathy Gillum	Commissioner Gardner requested that the most recent report supplied to EPA be provided to the Commission.
12:24:32 PM	Questions by Commissioner Gardner continues Note: Kathy Gillum	Questions regarding FGDs and DSIs. Comm. Gardner reads a statement from 8-106 regarding aging units.
12:30:18 PM	Kendrick Riggs (LG&E-KU) Note: Kathy Gillum	Asks witness if he needed to see the document that Commissioner Gardner was reading from prior to answering the question. Witness stated he thought he could explain without looking at the document.
12:31:03 PM	Questions by Commissioner Gardner continues Note: Kathy Gillum	Questions regarding 2009 ECR plans. Questions regarding new landfill at Trimble. Questions regarding raising up of the dikes. Questions regarding KU's 2009 plan. Questions regarding the dam walls of the ash pond at Brown. Witness refers to Exhibit 4 to his testimony to answer the question. Questions regarding coal combustion. Witness states that they are moving toward dry landfills. Questions regarding water quality standards. Commissioner Gardner made statement that he also commends the parties for their efforts to come to an agreement.
12:52:17 PM	Re-Direct by Kendrick Riggs (LG&E-KU) Note: Kathy Gillum	Questions regarding KU Exhibit 4. Questions regarding the filing of CPCNs in next 5 years for other projects. Questions regarding the Tyrone unit.
12:58:07 PM	Armstrong	
12:58:58 PM	Tom FitzGerald	
12:59:56 PM	Kendrick Riggs	
1:00:13 PM	Richard Raff	
1:00:22 PM	Armstrong Note: Kathy Gillum	hearing adjourned

1:01:40 PM Case Recessed

1:52:34 PM Case Stopped



Exhibit List Report

Case Number: 2011-00161_2011-00162_10Nov11

Case Title: LG&E and KU

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

Name	Description
LG&E-KU Exhibit 1	Document titled, "Settlement Agreement, Stipulation, and Recommendation", along with cover letter dated November 10, 2011.
LG&E-KU Exhibit 2	Document titled, "Allocation of Jurisdictional ECR Revenue Requirement Methodologies"
LG&E-KU Exhibit 3	Document titled, "LG&E Environmental Cost Recovery Surcharge Summary 2011 Compliance Plan" (schedule showing revenue requirement) .
LG&E-KU Exhibit 4	Document titled, "LG&E Environmental Cost Recovery Surcharge Summary 2011 Compliance Plan", (schedule showing totals)
LG&E-KU Exhibit 5	Letter dated November 10, 2011 to PSC requesting delay in issuing orders in Case Nos. 2011-00231 and 2011-00232.



**STOLL
KEENON
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KENDRICK R. RIGGS
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DIRECT FAX: (502) 627-8722
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November 10, 2011

HAND DELIVERED

Jeffrey DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40601

RE: *Environmental Surcharge Proceedings*
Case Nos. 2011-00161 and 2011-0162

Dear Mr. DeRouen:

Please find enclosed and accept the filing of two original and fully executed versions of a Settlement Agreement, Stipulation and Recommendation by and among all the parties in these proceedings. Fifteen copies of these documents are enclosed for filing in each case.

Yours very truly,


Kendrick R. Riggs

KRR: jms

Enclosures

Cc: Parties of Record

SETTLEMENT AGREEMENT, STIPULATION, AND RECOMMENDATION

This Settlement Agreement, Stipulation, and Recommendation ("Settlement Agreement") is entered into this 9th day of November 2011 by and between Kentucky Utilities Company ("KU"); Louisville Gas and Electric Company ("LG&E") (collectively, the "Companies"); Kentucky Industrial Utility Customers, Inc. ("KIUC"); Attorney General for the Commonwealth of Kentucky, by and through his office of Rate Intervention ("AG"); Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. ("CAC"); Lexington-Fayette Urban County Government ("LFUCG"); The Kroger Co. ("Kroger"); Metropolitan Housing Coalition ("MHC"); United States Department of Defense and Other Federal Executive Agencies ("DOD/FEA"); and Rick Clewett, Raymond Berry, Drew Foley, Janet Overman, Gregg Wagner, Sierra Club and the Natural Resources Defense Council ("Environmental Group") (collectively, the "Intervenors") in the proceedings involving KU and LG&E, which proceedings are the subject of this Settlement Agreement as set forth below:

WITNESSETH:

WHEREAS, KU filed on June 1, 2011, with the Kentucky Public Service Commission ("Commission") its Application and Testimony in *The Application of Kentucky Utilities Company for Certificates of Public Convenience and Necessity and Approval of Its 2011 Compliance Plan for Recovery by Environmental Surcharge*, and the Commission has established Case No. 2011-00161 to review KU's application;

WHEREAS, LG&E filed on June 1, 2011, with the Commission its Application and Testimony in *The Application of Louisville Gas and Electric Company for a Certificates of Public Convenience and Necessity and Approval of Its 2011 Compliance Plan for Recovery by Environmental Surcharge*, and the Commission has established Case No. 2011-00162 to review LG&E's application;

WHEREAS, the Commission issued deficiency letters to LG&E and KU concerning their applications on June 14, 2011, which deficiencies LG&E and KU subsequently cured, and the Commission, by Order dated June 21, 2011, accepted the applications as filed on June 16, 2011;

WHEREAS, KIUC filed petitions to intervene in both proceedings on May 18, 2011, and was granted intervention by the Commission in both proceedings on May 23, 2011;

WHEREAS, AG filed petitions to intervene in both proceedings on May 25, 2011, and was granted intervention by the Commission in both proceedings on June 3, 2011;

WHEREAS, CAC filed a petition to intervene in only Case No. 2011-00161 on June 3, 2011, and was granted intervention by the Commission on June 16, 2011;

WHEREAS, LFUCG filed a petition to intervene in only Case No. 2011-00161 on June 8, 2011, and was granted intervention by the Commission on June 16, 2011;

WHEREAS, Kroger filed petitions to intervene in both proceedings on June 14, 2011, and was granted intervention by the Commission in both proceedings on June 16, 2011;

WHEREAS, MHC filed a petition to intervene in only Case No. 2011-00162 on June 15, 2011, and was granted intervention by the Commission in both proceedings on June 23, 2011;

WHEREAS, Rick Clewett, Raymond Berry, Sierra Club, and the Natural Resources Defense Council filed a petition to intervene in Case No. 2011-00161 on June 16, 2011, and were granted intervention by the Commission on July 27, 2011; and Drew Foley, Janet Overman, Gregg Wagner, Sierra Club, and the Natural Resources Defense Council filed a petition to intervene in Case No. 2011-00162 on June 16, 2011, and were granted intervention by the Commission on July 27, 2011;

WHEREAS, DOD/FEA filed a petition to intervene in only Case No. 2011-00162 on July 6, 2011, and was granted intervention by the Commission on July 15, 2011;

WHEREAS, an informal conference for the purpose of reviewing the status of the case and discussing the possible settlement of issues, attended in person or by phone by representatives of the Intervenors, the Commission Staff, and the Companies, took place on November 4, 7, and 9, 2011, at the offices of the Commission;

WHEREAS, the Companies and the Intervenors hereto desire to settle issues pending before the Commission in the above-referenced proceedings;

WHEREAS, the adoption of this Settlement Agreement will eliminate the need for the Commission and the parties to expend significant resources litigating these proceedings, and eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final orders herein;

WHEREAS, the Intervenors and the Companies agree that this Settlement Agreement, viewed in its entirety, is a fair, just, and reasonable resolution of all the issues in the above-referenced proceedings;

WHEREAS, it is understood by the parties hereto that this Settlement Agreement is subject to the approval of the Commission insofar as it constitutes an agreement by the parties to the proceedings for settlement; and

WHEREAS, it is the position of the parties hereto that this Settlement Agreement is supported by sufficient and adequate data and information, and should be approved by the Commission.

NOW, THEREFORE, for and in consideration of the premises and conditions set forth herein, the parties hereto stipulate and agree as follows:

SECTION 1. Overall Recommendation. The parties to this Settlement Agreement recommend the Commission approve the respective applications of LG&E and KU in the above-captioned cases filed on June 1, 2011 (accepted for filing on June 16, 2011), and grant the relief requested therein as amended by the terms of this Settlement Agreement, and as more specifically stated below, by entering orders on or before December 16, 2011, approving LG&E's and KU's applications in their entirety except as described in the following Sections.

SECTION 1.01 All parties to this agreement except the Environmental Intervenor stipulate and support KU's 2011 Environmental Cost Recovery ("ECR") Compliance Plan, as amended herein, and LG&E's 2011 ECR Compliance Plan as reasonable and cost-effective for purposes of KRS 278.183; parties recommend the Compliance Plans be approved and Certificates of Public Convenience and Necessity ("CPCNs") for requested projects in KU's application, as amended, and LG&E's application be granted; and ECR surcharge recovery of the costs for the 2011 ECR Compliance Plans, as amended by the terms of this Settlement Agreement, be approved.

SECTION 1.02 Environmental Intervenor do not support KU's plans to retrofit the Ghent power plant, and LG&E's plans to retrofit the Mill Creek and Trimble power plant; however, Environmental Intervenor agree not to challenge the reasonableness or cost-effectiveness for purposes of KRS 278.183 of KU's ECR Compliance Plan, as amended, and LG&E's Compliance Plan or CPCNs for requested projects in KU's application, as amended and LG&E's application, or ECR surcharge recovery of the costs for the 2011 ECR Compliance plans, as modified by the terms of this settlement. The Environmental Intervenor's main motivation for not opposing the

CPCNs and the Companies' 2011 ECR Compliance Plans is to support their low-income housing advocate allies.

SECTION 2. Removing E.W. Brown Units 1 and 2 from the KU 2011 ECR Compliance Plan and Withdrawing KU's Related Request for a Certificate of Public Convenience and Necessity.

SECTION 2.01 KU agrees to withdraw from its application the portion of Project No. 34 in KU's 2011 ECR Compliance Plan concerning the proposed "Particulate Matter Control System," defined as a pulse-jet fabric filter or "baghouse" to capture particulate matter, a Powdered Activated Carbon injection system to capture mercury, a lime injection system to protect the baghouses from the corrosive effects of sulfuric acid mist ("SAM") and other balance-of-plant support system changes such as ash collection and transport systems and fans, to serve each of Brown Units 1 and 2, except the SAM mitigation equipment consisting of sorbent injection systems on Brown Units 1 and 2 that are independent of the lime injection systems associated with the baghouses. The SAM mitigation systems for Brown Units 1 and 2 are necessary to meet the Title V SAM emissions requirement for Brown that arose from a U.S. Environmental Protection Agency ("EPA") enforcement action.

SECTION 2.02 KU agrees to withdraw the portion of its application requesting a CPCN to permit the construction of a Particulate Matter Control System to serve Brown Units 1 and 2.

SECTION 2.03 The foregoing notwithstanding, KU will continue to dispatch, operate, and maintain Brown Units 1 and 2 as part of its generation fleet as long

as, and to the extent to which, it is reasonable and cost-effective to do so while complying with all applicable environmental regulations.

SECTION 2.04 KU further agrees that, in any applications filed under KRS 278.020 or KRS 278.183 seeking a CPCN to permit the construction of a Particulate Matter Control System to serve Brown units 1 and 2 or approval of cost recovery for such equipment and related costs through the ECR mechanism, it will not ask the Commission to issue an order granting the requested relief before January 1, 2014, and will not file such request before July 1, 2013, unless finalized changes in the proposed utility MACT rules, future finalized ambient air quality standards, or other regulations finalized after the date of this agreement establish new environmental requirements for Brown Units 1 or 2. The parties acknowledge that KU projects that it would need two years from the date of Commission approval to complete the construction of the retrofit project.

SECTION 2.05 Nothing contained herein shall prohibit any party to this agreement from seeking to intervene in any future proceeding or challenge any application filed by the Companies for the retrofitting of Brown Units 1 and 2, except that the recovery of additional costs resulting from the delay in deciding whether to retrofit Brown Units 1 and 2, including, but not limited to, fuel costs, purchase power, and construction costs, will not be challenged by any party to this Settlement Agreement. Subject to the foregoing restriction, any other challenge to such an application may include the argument that the cost of retrofitting the units is not reasonable or cost effective pursuant to KRS Chapter 278.

SECTION 3. Financing

SECTION 3.01 Each of KU and LG&E will seek to increase its short-term borrowing limit to \$500 million, subject to approval by the Federal Energy Regulatory Commission ("FERC").

SECTION 3.02 KU and LG&E will use short term debt as the first form of financing for capital projects. The Companies expect to allow their short-term debt balances to accumulate to approximately \$250 million at each company, at which time first mortgage bonds would be issued in a minimum size of \$250 million. Market conditions may accelerate or delay the timing of the long-term debt issuances or increase the size of such issuances.

SECTION 3.03 KU and LG&E will evaluate the cost-effectiveness, reasonableness, and feasibility of issuing tax-exempt pollution control bonds in connection with long-term debt financings.

SECTION 3.04 In the six-month and two-year review proceedings under KRS 278.183(3), KU and LG&E will calculate the short-term debt rate using average daily balances and daily interest rates, and will calculate the long-term debt rate using daily balances and daily interest rates in connection with the ECR true-up calculations for the actual weighted average cost of capital.

SECTION 4. Return on Equity

SECTION 4.01 The return on equity to be used concerning all projects and items contained in KU's and LG&E's 2009, 2006, and 2005 ECR Compliance Plans, the costs of which KU and LG&E currently recover through their respective ECR

mechanisms, shall remain at the current level of 10.63% unless prospectively changed by a future Commission order.

SECTION 4.02 The return on equity to be used concerning all projects and items contained in KU's and LG&E's 2011 ECR Compliance Plans, the costs of which KU and LG&E will recover through their respective ECR mechanisms, shall be 10.10% unless prospectively changed by a future Commission order.

SECTION 4.03 The parties acknowledge the Commission's jurisdiction under KRS Chapter 278 to regulate the Companies' rates and service. The parties further acknowledge the AG's statutory right pursuant to KRS 367.150 to act as an advocate for customers in proceedings before the Commission, including the right to file a rate complaint pursuant to KRS 278.260.

SECTION 5. Revenue Allocation

SECTION 5.01 Each utility's current ECR revenue allocation methodology, which uses total utility revenues to allocate ECR revenues between rate classes, will continue to be used as modified by the two-step methodology described in Section 5.

SECTION 5.02 Each utility's total ECR revenues to be collected will be allocated between each rate class on a total-revenues basis.

SECTION 5.03 The total amount of ECR revenues to be collected from each of following LG&E rate classes will be determined on a total-revenues basis: RS Residential Service, VFD Volunteer Fire Department Service, LS Lighting Service, RLS Restricted Lighting Service, LE Lighting Energy Service, TE Traffic Energy Service,

DSK Dark Sky Friendly, LEV Low Emission Vehicle Service, and RRP Residential Responsive Pricing Service. The total amount of ECR revenues to be collected from each of following KU rate classes will be determined on a total-revenues basis: RS Residential Service, VFD Volunteer Fire Department Service, AES All Electric School, ST. LT. Street Lighting Service, P.O. LT. Private Outdoor Lighting, LE Lighting Energy Service, TE Traffic Energy Service, DSK Dark Sky Friendly, and LEV Low Emission Vehicle Service.

SECTION 5.04 Each utility's total ECR revenues from the remaining rate classes will be reallocated from the remaining rate schedules on the basis of non-fuel revenues (i.e., total revenues less fuel revenues). For purposes of Section 5.04, the ECR revenues allocated in the second step of the allocation process will be reallocated among the following LG&E rate classes on the basis of non-fuel revenues: GS General Service, PS Power Service, ITODS Industrial Time-of-Day Secondary Service, CTODS Commercial Time-of-Day Secondary Service, ITODP Industrial Time-of-Day Primary Service, CTODP Commercial Time-of-Day Primary Service, RTS Retail Transmission Service, FLS Fluctuating Load Service, GRP General Responsive Pricing Service, and special contracts. For purposes of Section 5.04, the ECR revenues allocated in the second step of the allocation process will be reallocated among the following KU rate classes on the basis of non-fuel revenues: GS General Service, PS Power Service, TODS Time-of-Day Secondary Service, TODP Time-of-Day Primary Service, RTS Retail Transmission Service, FLS Fluctuating Load Service, and special contracts.

SECTION 5.05 Each utility will use the two-step ECR revenue allocation methodology described in Sections 5.01 through 5.04 unless prospectively changed by

future Commission orders. Each utility shall address the impact of this change in revenue allocation in the next two future environmental surcharge two-year reviews or ECR compliance plan proceedings and, if appropriate, present recommendations after consulting with the AG, KIUC, Kroger, and DOD/FEA.

SECTION 5.06 If the Commission approves this Settlement Agreement, the Companies will forthwith submit evidence in Case Nos. 2011-00231 and 2011-00232 to effectuate the roll-in at issue in those proceedings consistent with Sections 5.01-5.04 of this Settlement Agreement, and will request that the Commission issue orders granting the appropriate relief by January 31, 2012. The Companies will continue to use the existing total revenue allocation methodology in the Companies' monthly ECR filings until the Commission issues orders in Case Nos. 2011-00231 and 2011-00232 to effectuate the base-rate roll-ins described above. The purpose of this provision is to effectuate the base-rate roll-ins consistent with the methodology contained in Sections 5.01-5.04.

SECTION 6. Low-Income Items

SECTION 6.01 KU's and LG&E's shareholders will make two additional annual contributions totaling \$500,000 to the Companies' Home Energy Assistance ("HEA") programs, consisting of a shareholder contribution of \$250,000 in each of 2011 and 2012. These contributions will be split evenly between the KU and LG&E HEA Programs.

SECTION 6.02 Effective January 1, 2012, the Companies' HEA charges will increase from 15 cents to 16 cents, and will remain at the 16-cent level until the next change in the Companies' base rates. The Companies estimate this 1-cent HEA charge

increase will produce \$115,000 of additional HEA funds each year. The proceeds resulting from this increase will be allocated consistent with LG&E's and KU's existing HEA Programs. Nothing in this Settlement Agreement precludes any party from seeking the continuation or expansion of the HEA Programs in any future proceeding.

SECTION 6.03 The applications of LG&E and KU in these cases contain evidence supporting their positions that they are obligated to comply with the pending and impending regulations of the Environmental Protection Agency. The Attorney General cannot state, suggest, infer, or otherwise imply that LG&E and KU should fail to comply with the Environmental Protection Agency's regulations, which have been duly enacted after public participation in the rule-making process, regardless of any argument that the regulations are flawed or unfair.

SECTION 7. Miscellaneous Provisions

SECTION 7.01 Each party waives all cross-examination of the other parties' witnesses unless the Commission disapproves this Agreement, and each party further stipulates and recommends that the Notice of Intent, Notice, Application, testimony, pleadings, and responses to data requests filed in this proceeding be admitted into the record. The parties stipulate that after the date of this Settlement Agreement they will not otherwise contest the Companies' proposals, as modified by this Settlement Agreement, in the hearing of the above-referenced proceedings regarding the subject matter of the Settlement Agreement, and that they will refrain from cross-examination of the Companies' witnesses during the hearing, except insofar as such cross-examination is in support of the Settlement Agreement.

SECTION 7.02 The signatories hereto agree that making this Settlement Agreement shall not be deemed in any respect to constitute an admission by any party hereto that any computation, formula, allegation, assertion, or contention made by any other party in these proceedings is true or valid.

SECTION 7.03 The signatories hereto agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein and request the Commission to approve the Settlement Agreement.

SECTION 7.04 The signatories hereto agree that, following the execution of this Settlement Agreement, the signatories shall cause the Settlement Agreement to be filed with the Commission by November 10, 2011, together with a request to the Commission for consideration and approval of this Settlement Agreement.

SECTION 7.05 The signatories hereto agree that this Settlement Agreement is subject to the acceptance of and approval by the Kentucky Public Service Commission. The signatories hereto further agree to act in good faith and to use their best efforts to recommend to the Commission that this Settlement Agreement be accepted and approved.

SECTION 7.06 The signatories hereto agree that if the Commission does not accept and approve this Settlement Agreement in its entirety, then: (a) this Settlement Agreement shall be void and withdrawn by the parties hereto from further consideration by the Commission and none of the parties shall be bound by any of the provisions herein, provided that no party is precluded from advocating any position contained in this Settlement Agreement; and (b) neither the terms of this Settlement Agreement nor any

matters raised during the settlement negotiations shall be binding on any of the signatories to this Settlement Agreement or be construed against any of the signatories.

SECTION 7.07 If the Commission issues an order adopting this Settlement Agreement in its entirety and without additional conditions, each of the parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such order.

SECTION 7.08 The signatories hereto agree that this Settlement Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their successors and assigns.

SECTION 7.09 The signatories hereto agree that this Settlement Agreement constitutes the complete agreement and understanding among the parties hereto, and any and all oral statements, representations, or agreements made prior hereto or contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Settlement Agreement.

SECTION 7.10 The signatories hereto agree that, for the purpose of this Settlement Agreement only, the terms of the Settlement Agreement are based upon the independent analysis of the parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation.

SECTION 7.11 The signatories hereto agree that neither the Settlement Agreement nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation or an administrative action arising out of the implementation of the terms herein or the approval of this Settlement

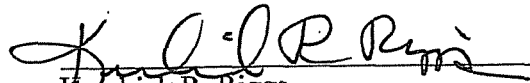
Agreement. This Settlement Agreement shall not have any precedential value in this or any other jurisdiction.

SECTION 7.12 The signatories hereto warrant that they have informed, advised, and consulted with the respective parties hereto in regard to the contents and significance of this Settlement Agreement and, based upon the foregoing, are authorized to execute this Settlement Agreement on behalf of the parties hereto.

SECTION 7.13 The signatories hereto agree that this Settlement Agreement is a product of negotiation among all parties hereto, and no provision of this Settlement Agreement shall be strictly construed in favor of or against any party.

SECTION 7.14 The signatories hereto agree that this Settlement Agreement may be executed in multiple counterparts.

IN WITNESS WHEREOF, the parties have hereunto affixed their signatures:

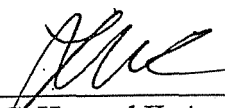


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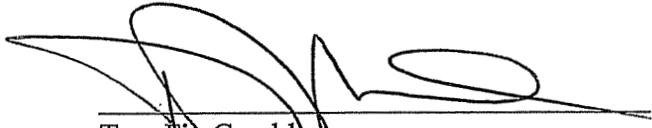
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A handwritten signature in cursive script, reading "David C. Brown", is written over a horizontal line.

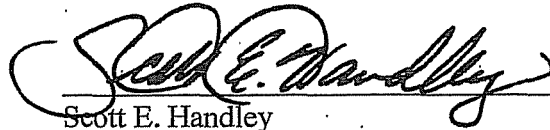
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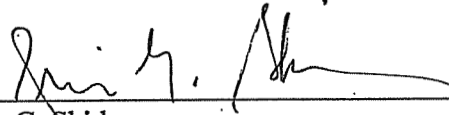
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David J. Barberie Subject to

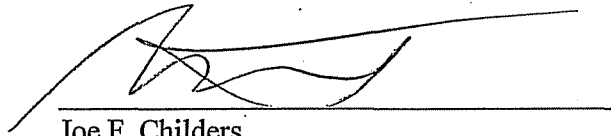
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Settlement Agreement, Stipulation and Recommendation
Allocation of Jurisdictional ECR Revenue Requirement Methodologies

ECR Revenue Requirement - Approved ECR Compliance Plans (\$000)

Alternative Method Using Total Revenue less fuel as specified in the Settlement Agreement

	Annual based on August 2011		
	Current	Alternative	Delta
	Method	Method	
Residential/Other	\$ 4,487	\$ 4,487	\$ -
GS	\$ 1,538	\$ 1,720	\$ 182
PS	\$ 2,252	\$ 2,301	\$ 49
TOD	\$ 1,663	\$ 1,507	\$ (156)
RTS	\$ 310	\$ 264	\$ (46)
FLS	\$ -	\$ -	\$ -
Special Contracts	\$ 170	\$ 142	\$ (28)
TOTAL	\$ 10,420	\$ 10,420	\$ (0)

	Annual based on August 2011		
	Current	Alternative	Delta
	Method	Method	
Residential/ AES / Other	\$ 70,577	\$ 70,577	\$ -
General Service (GS)	\$ 23,343	\$ 28,024	\$ 4,682
Power Service (PSS, PSP)	\$ 39,006	\$ 39,969	\$ 963
Time of Day (TODS, TODP)	\$ 26,099	\$ 23,101	\$ (2,998)
RTS	\$ 10,832	\$ 9,022	\$ (1,810)
FLS	\$ 3,067	\$ 2,230	\$ (837)
TOTAL	\$ 172,923	\$ 172,923	\$ 0

ECR Revenue Requirement - Approved Compliance Plans (% of Total revenue)

Alternative Method Using Total Revenue less fuel as specified in the Settlement Agreement

	Annual based on August 2011		
	Current	Alternative	Delta
	Method	Method	
Residential/Other	1.09%	1.09%	0.00%
GS	1.09%	1.22%	0.13%
PS	1.09%	1.11%	0.02%
TOD	1.09%	0.99%	-0.10%
RTS	1.09%	0.93%	-0.16%
FLS	0.00%	0.00%	0.00%
Special Contracts	<u>1.09%</u>	<u>0.91%</u>	<u>-0.18%</u>
TOTAL	1.09%	1.09%	0.00%

	Annual based on August 2011		
	Current	Alternative	Delta
	Method	Method	
Residential/ AES / Other	12.67%	12.67%	0.00%
General Service (GS)	12.67%	15.21%	2.54%
Power Service (PSS, PSP)	12.67%	12.98%	0.31%
Time of Day (TODS, TODP)	12.67%	11.21%	-1.46%
RTS	12.67%	10.55%	-2.12%
FLS	<u>12.67%</u>	<u>9.21%</u>	<u>-3.46%</u>
TOTAL	12.67%	12.67%	0.00%

Settlement Agreement, Stipulation and Recommendation
Allocation of Jurisdictional ECR Revenue Requirement Methodologies

ECR Revenue Requirement - 2011 Compliance Plan (\$000)
 Alternative Method Using Total Revenue less fuel as specified in the Settlement Agreement

LG&E	2012			2013			2014			2015			2016		
	Current	Alternative	Delta	Current	Alternative	Delta	Current	Alternative	Delta	Current	Alternative	Delta	Current	Alternative	Delta
	Method	Method		Method	Method		Method	Method		Method	Method		Method	Method	
Residential/Other	\$ 9,479	\$ 9,479	\$ -	\$ 28,763	\$ 28,763	\$ -	\$ 47,711	\$ 47,711	\$ -	\$ 81,936	\$ 81,936	\$ -	\$ 93,485	\$ 93,485	\$ -
GS	\$ 3,249	\$ 3,633	\$ 385	\$ 9,858	\$ 11,025	\$ 1,167	\$ 16,352	\$ 18,288	\$ 1,936	\$ 28,082	\$ 31,407	\$ 3,325	\$ 32,040	\$ 35,834	\$ 3,794
PS	\$ 4,758	\$ 4,860	\$ 103	\$ 14,437	\$ 14,748	\$ 311	\$ 23,948	\$ 24,464	\$ 516	\$ 41,127	\$ 42,013	\$ 887	\$ 46,924	\$ 47,935	\$ 1,012
TOD	\$ 3,513	\$ 3,183	\$ (329)	\$ 10,659	\$ 9,660	\$ (999)	\$ 17,681	\$ 16,023	\$ (1,657)	\$ 30,364	\$ 27,518	\$ (2,846)	\$ 34,644	\$ 31,397	\$ (3,247)
RTS	\$ 655	\$ 557	\$ (98)	\$ 1,987	\$ 1,690	\$ (297)	\$ 3,296	\$ 2,803	\$ (493)	\$ 5,661	\$ 4,814	\$ (847)	\$ 6,459	\$ 5,493	\$ (966)
FLS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Contracts	\$ 360	\$ 300	\$ (60)	\$ 1,093	\$ 911	\$ (182)	\$ 1,813	\$ 1,511	\$ (302)	\$ 3,113	\$ 2,594	\$ (519)	\$ 3,552	\$ 2,960	\$ (592)
TOTAL	\$ 22,012	\$ 22,012	\$ 0	\$ 66,797	\$ 66,797	\$ 0	\$ 110,800	\$ 110,800	\$ 0	\$ 190,284	\$ 190,284	\$ 0	\$ 217,105	\$ 217,105	\$ 0

KU	2012			2013			2014			2015			2016		
	Current	Alternative	Delta	Current	Alternative	Delta	Current	Alternative	Delta	Current	Alternative	Delta	Current	Alternative	Delta
	Method	Method		Method	Method		Method	Method		Method	Method		Method	Method	
Residential/ AES / Other	\$ 8,165	\$ 8,165	\$ -	\$ 24,783	\$ 24,783	\$ -	\$ 51,050	\$ 51,050	\$ -	\$ 70,960	\$ 70,960	\$ -	\$ 82,606	\$ 82,606	\$ -
General Service (GS)	\$ 2,701	\$ 3,242	\$ 542	\$ 8,197	\$ 9,841	\$ 1,644	\$ 16,884	\$ 20,271	\$ 3,386	\$ 23,469	\$ 28,176	\$ 4,707	\$ 27,321	\$ 32,800	\$ 5,479
Power Service (PSS, PSP)	\$ 4,513	\$ 4,624	\$ 111	\$ 13,697	\$ 14,035	\$ 338	\$ 28,214	\$ 28,910	\$ 697	\$ 39,217	\$ 40,186	\$ 968	\$ 45,654	\$ 46,781	\$ 1,127
Time of Day (TODS, TODP)	\$ 3,019	\$ 2,673	\$ (347)	\$ 9,165	\$ 8,112	\$ (1,053)	\$ 18,878	\$ 16,709	\$ (2,169)	\$ 26,241	\$ 23,226	\$ (3,015)	\$ 30,547	\$ 27,038	\$ (3,509)
RTS	\$ 1,253	\$ 1,044	\$ (209)	\$ 3,804	\$ 3,168	\$ (636)	\$ 7,835	\$ 6,526	\$ (1,309)	\$ 10,891	\$ 9,071	\$ (1,820)	\$ 12,678	\$ 10,560	\$ (2,118)
FLS	\$ 355	\$ 258	\$ (97)	\$ 1,077	\$ 783	\$ (294)	\$ 2,218	\$ 1,613	\$ (605)	\$ 3,083	\$ 2,242	\$ (841)	\$ 3,589	\$ 2,610	\$ (979)
TOTAL	\$ 20,005	\$ 20,005	\$ (0)	\$ 60,722	\$ 60,722	\$ (0)	\$ 125,079	\$ 125,079	\$ (0)	\$ 173,861	\$ 173,861	\$ 0	\$ 202,394	\$ 202,394	\$ (0)

ECR Revenue Requirement - 2011 Compliance Plan (% of Total revenue)
 Alternative Method Using Total Revenue less fuel as specified in the Settlement Agreement

LG&E	2012			2013			2014			2015			2016		
	Current	Alternative	Delta	Current	Alternative	Delta	Current	Alternative	Delta	Current	Alternative	Delta	Current	Alternative	Delta
	Method	Method		Method	Method		Method	Method		Method	Method		Method	Method	
Residential/Other	2.30%	2.30%	0.00%	6.60%	6.60%	0.00%	10.67%	10.67%	0.00%	17.67%	17.67%	0.00%	19.20%	19.20%	0.00%
GS	2.30%	2.58%	0.27%	6.60%	7.38%	0.78%	10.67%	11.93%	1.26%	17.67%	19.76%	2.09%	19.20%	21.47%	2.27%
PS	2.30%	2.35%	0.05%	6.60%	6.74%	0.14%	10.67%	10.90%	0.23%	17.67%	18.05%	0.38%	19.20%	19.61%	0.41%
TOD	2.30%	2.09%	-0.22%	6.60%	5.98%	-0.62%	10.67%	9.67%	-1.00%	17.67%	16.01%	-1.66%	19.20%	17.40%	-1.80%
RTS	2.30%	1.96%	-0.34%	6.60%	5.61%	-0.99%	10.67%	9.07%	-1.60%	17.67%	15.03%	-2.64%	19.20%	16.33%	-2.87%
FLS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Special Contracts	2.30%	1.92%	-0.38%	6.60%	5.50%	-1.10%	10.67%	8.89%	-1.78%	17.67%	14.72%	-2.94%	19.20%	16.00%	-3.20%
TOTAL	2.30%	2.30%	0.00%	6.60%	6.60%	0.00%	10.67%	10.67%	0.00%	17.67%	17.67%	0.00%	19.20%	19.20%	0.00%

KU	2012			2013			2014			2015			2016		
	Current	Alternative	Delta	Current	Alternative	Delta	Current	Alternative	Delta	Current	Alternative	Delta	Current	Alternative	Delta
	Method	Method		Method	Method		Method	Method		Method	Method		Method	Method	
Residential/ AES / Other	1.47%	1.47%	0.00%	4.21%	4.21%	0.00%	8.31%	8.31%	0.00%	11.15%	11.15%	0.00%	12.23%	12.23%	0.00%
General Service (GS)	1.47%	1.76%	0.29%	4.21%	5.05%	0.84%	8.31%	9.98%	1.67%	11.15%	13.38%	2.24%	12.23%	14.68%	2.45%
Power Service (PSS, PSP)	1.47%	1.50%	0.04%	4.21%	4.31%	0.10%	8.31%	8.51%	0.21%	11.15%	11.42%	0.28%	12.23%	12.53%	0.30%
Time of Day (TODS, TODP)	1.47%	1.30%	-0.17%	4.21%	3.73%	-0.48%	8.31%	7.36%	-0.95%	11.15%	9.87%	-1.28%	12.23%	10.83%	-1.41%
RTS	1.47%	1.22%	-0.24%	4.21%	3.51%	-0.70%	8.31%	6.92%	-1.39%	11.15%	9.29%	-1.86%	12.23%	10.19%	-2.04%
FLS	1.47%	1.07%	-0.40%	4.21%	3.06%	-1.15%	8.31%	6.04%	-2.27%	11.15%	8.11%	-3.04%	12.23%	8.89%	-3.34%
TOTAL	1.47%	1.47%	0.00%	4.21%	4.21%	0.00%	8.31%	8.31%	0.00%	11.15%	11.15%	0.00%	12.23%	12.23%	0.00%

Settlement Agreement, Stipulation and Recommendation

Louisville Gas and Electric Company Environmental Cost Recovery Surcharge Summary 2011 Compliance Plan

<u>(\$000) - Revenue Requirement</u>	2012	2013	2014	2015	2016
AS FILED (10.63% ROE)	\$25,243	\$76,600	\$127,031	\$218,209	\$248,966
SETTLEMENT (10.10% ROE)	\$23,185	\$70,517	\$117,511	\$206,543	\$237,839
Increase/(Decrease) to As Filed	(\$2,058)	(\$6,083)	(\$9,520)	(\$11,666)	(\$11,127)

Incremental Billing Factor

AS FILED (10.63% ROE)	2.30%	6.60%	10.67%	17.67%	19.20%
SETTLEMENT (10.10% ROE)	2.12%	6.07%	9.87%	16.72%	18.34%
Increase/(Decrease) to As Filed	-0.19%	-0.52%	-0.80%	-0.94%	-0.86%

Residential Customer Impact

Monthly bill (1,000 kWh per month)

AS FILED (10.63% ROE)	\$1.96	\$5.61	\$9.08	\$15.03	\$16.33
SETTLEMENT (10.10% ROE)	\$1.80	\$5.17	\$8.40	\$14.23	\$15.60
Increase/(Decrease) to As Filed	-\$0.16	-\$0.45	-\$0.68	-\$0.80	-\$0.73

Settlement Agreement, Stipulation and Recommendation

Kentucky Utilities Company Environmental Cost Recovery Surcharge Summary 2011 Compliance Plan

<u>(\$000) - Revenue Requirement</u>	2012	2013	2014	2015	2016
AS FILED (10.63% ROE)	\$22,998	\$69,805	\$143,788	\$199,867	\$232,668
SETTLEMENT (10.10% ROE)	\$13,989	\$47,623	\$100,984	\$149,693	\$183,596
Increase/(Decrease) to As Filed	(\$9,009)	(\$22,182)	(\$42,804)	(\$50,174)	(\$49,072)

Incremental Billing Factor

AS FILED (10.63% ROE)	1.47%	4.21%	8.31%	11.15%	12.23%
SETTLEMENT (10.10% ROE)	0.89%	2.87%	5.84%	8.35%	9.65%
Increase/(Decrease) to As Filed	-0.57%	-1.34%	-2.47%	-2.80%	-2.58%

Residential Customer Impact

Monthly bill (1,000 kWh per month)

AS FILED (10.63% ROE)	\$1.13	\$3.26	\$6.43	\$8.63	\$9.46
SETTLEMENT (10.10% ROE)	\$0.69	\$2.22	\$4.52	\$6.46	\$7.47
Increase/(Decrease) to As Filed	-\$0.44	-\$1.04	-\$1.91	-\$2.17	-\$2.00

Settlement Agreement, Stipulation and Recommendation

Louisville Gas and Electric Company Environmental Cost Recovery Surcharge Summary 2011 Compliance Plan

	2012	2013	2014	2015	2016
Total E(m) - (\$000)	\$23,185	\$70,517	\$117,511	\$206,543	\$237,839
12 Month Average Jurisdictional Ratio	87.20%	87.20%	87.20%	87.20%	87.20%
Jurisdictional E(m) - (\$000)	\$20,218	\$61,493	\$102,473	\$180,110	\$207,402
Forecasted Jurisdictional R(m) - (million)	\$956	\$1,013	\$1,038	\$1,077	\$1,131
Incremental Billing Factor	2.12%	6.07%	9.87%	16.72%	18.34%
Residential Customer Impact					
Monthly bill (1,000 kWh per month)	\$1.80	\$5.17	\$8.40	\$14.23	\$15.60

Kentucky Utilities Company Environmental Cost Recovery Surcharge Summary 2011 Compliance Plan

	2012	2013	2014	2015	2016
Total E(m) - (\$000)	\$13,989	\$47,623	\$100,984	\$149,693	\$183,596
12 Month Average Jurisdictional Ratio	86.99%	86.99%	86.99%	86.99%	86.99%
Jurisdictional E(m) - (\$000)	\$12,169	\$41,426	\$87,844	\$130,215	\$159,707
Forecasted Jurisdictional R(m) - (million)	\$1,365	\$1,442	\$1,505	\$1,560	\$1,655
Incremental Billing Factor	0.89%	2.87%	5.84%	8.35%	9.65%
Residential Customer Impact					
Monthly bill (1,000 kWh per month)	\$0.69	\$2.22	\$4.52	\$6.46	\$7.47

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Jeff Derouen
Executive Director
Kentucky Public Service Commission
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November 10, 2011

**RE: AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION
OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF
KENTUCKY UTILITIES COMPANY FOR THE TWO-YEAR
BILLING PERIOD ENDING APRIL 30, 2011 - CASE NO.
2011-00231**

**AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION
OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF
LOUISVILLE GAS AND ELECTRIC COMPANY FOR THE TWO-
YEAR BILLING PERIOD ENDING APRIL 30, 2011 - CASE NO.
2011-00232**

Dear Mr. Derouen:

I am writing to request the Commission to delay issuing orders in the above-captioned proceedings until after the Commission enters final orders in Case Nos. 2011-00161 and 2011-00162 concerning the tendered Settlement Agreement, Stipulation, and Recommendation filed on November 10, 2011. In addition, during the week of January 2, 2012, the Companies will be filing supplemental information in the above-captioned proceedings concerning the allocation methodology to be used for the Companies' base rate roll-ins.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Robert M. Conroy

1/1