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NEWS RELEASE

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PSC Approves KU and LG&E Environmental Projects

Plans include \$534 million for air emission controls, ash disposal

FRANKFORT, Ky. (Dec. 23, 2009) – The Kentucky Public Service Commission (PSC) today approved environmental compliance plans for Louisville Gas & Electric Co. (LG&E) and Kentucky Utilities Co. (KU).

In orders issued today, the PSC also approved plans by the two utilities to recover the costs of the projects through their environmental surcharge, as authorized by Kentucky statute. Both the construction plans and the cost recovery were included in a settlement between LG&E and KU and the Kentucky Industrial Utility Customers Inc. (KIUC), which intervened in the case as a representative of industries that use large quantities of electricity.

The major construction projects included in the plans are:

- A selective catalytic reduction (SCR) system to remove nitrogen oxide in smokestack emissions from Generating Unit No. 3 at KU's E.W. Brown power plant in Mercer County. Nitrogen oxides cause acid precipitation and contribute to smog. Under an agreement with federal regulators, KU was required to install the SCR system or retire Unit No. 3. It will cost about \$184 million.
- Construction of a new landfill at KU's Ghent power plant near Carrolton. Costing \$204 million, it is needed because current coal ash storage facilities at the plant are nearly full.
- Construction of a new ash landfill at the Trimble County power plant, which supplies power to both LG&E and KU. KU's share of the project is about \$34 million and LG&E's is nearly \$37 million.

A number of smaller projects are included in the environmental compliance plans. They include enlarged or additional landfills or ash basins at the E.W. Brown and Trimble County plants and at the Cane Run plant in Jefferson County.

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The total cost of KU's projects and its portion of the shared projects is more than \$462 million. LG&E's total is more than \$72 million.

The settlement with KIUC outlines the way in which the utilities are to recover the costs in order to protect customers from being overcharged.

In approving the projects, the PSC said that LG&E and KU had shown that they were cost effective and necessary for environmental compliance and to keep the plants operating. Furthermore, the utilities showed that the new ash storage facilities could be modified if necessary to comply with any stricter requirements that might be imposed by federal environmental regulators.

KU and LG&E are both subsidiaries of E.ON US LLC. LG&E has about 401,000 electric customers in nine counties in and around the Louisville area. KU has 504,000 customers in 77 Kentucky counties.

Today's orders and related case documents are available on the PSC Web site, psc.ky.gov. The case numbers are 2009-197 (KU) and 2009-00198 (LG&E).

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.