

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY UTILITIES)	
COMPANY FOR CERTIFICATES OF PUBLIC)	
CONVENIENCE AND NECESSITY AND)	
APPROVAL OF ITS 2016 COMPLIANCE PLAN)	CASE NO. 2016-00026
FOR RECOVERY BY ENVIRONMENTAL)	
SURCHARGE)	

STATUTORY NOTICE

Kentucky Utilities Company (“KU”), by counsel, informs the Kentucky Public Service Commission (“Commission”) that it is engaged in business as an operating public utility, principally furnishing retail electric service within 77 counties throughout the Commonwealth of Kentucky.

Pursuant to KRS 278.183, and as required, KRS 278.020(1), KU hereby gives notice to the Commission that, on this 29th day of January 2016, it files herewith its application to issue an order granting KU Certificates of Public Convenience and Necessity (“CPCNs”) for the construction Phase II of the landfill at the E.W. Brown Generating Station, and to conduct surface-impoundment-related construction necessary to comply with the U.S. Environmental Protection Agency’s Coal Combustion Residuals Final Rule (“CCR Rule”) and construct new process-water systems at the Ghent, Trimble County and E.W. Brown Generating Stations.¹ The application further asks the Commission to declare that the proposed surface impoundment closures at the Green River, Pineville, and Tyrone Generating Stations do not require CPCNs, or in the alternative to grant a CPCN for each generating station for which the Commission

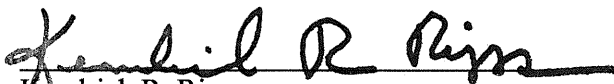
¹ The CCR Rule defines CCR as “fly ash, bottom ash, boiler slag, and flue gas desulfurization materials generated from burning coal for the purpose of generating electricity by electric utilities and independent power producers.” 40 CFR 257.53. This definition includes what is commonly referred to as gypsum.

determines a CPCN is required. The application further seeks approval of an amended compliance plan for purposes of recovering the costs of new pollution control facilities through its Rate Schedule ECR.

Notice is further given that KU proposes to adjust its Rate Schedule ECR effective July 29, 2016, for purposes of recovering the costs of 2016 Environmental Compliance Plan by an increased assessment to customers' bills beginning on August 31, 2016, in conformity with the attached schedule.

Submitted to the Commission this 29th day of January 2016.

Respectfully submitted,



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Counsel for Kentucky Utilities Company

Environmental Cost
Recovery Surcharge
Tariff Sheets

Kentucky Utilities Company

P.S.C. No. 17, Second Revision of Original Sheet No. 87
Canceling P.S.C. No. 17, First Revision of Original Sheet No. 87

Adjustment Clause

ECR

Environmental Cost Recovery Surcharge

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

This schedule is mandatory to all Standard Electric Rate Schedules listed in Section 1 of the General Index except CTAC and Special Charges, all Pilot Programs listed in Section 3 of the General Index, and the FAC (including the Off-System Sales Tracker) and DSM Adjustment Clauses. Standard Electric Rate Schedules subject to this schedule are divided into Group 1 or Group 2 as follows:

Group 1: Rate Schedules RS; RTOD-Energy; RTOD-Demand; VFD; AES; LS; RLS; LE; and TE.

Group 2: Rate Schedules GS; PS; TODS; TODP; RTS; and FLS.

RATE

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

$$\text{Group Environmental Surcharge Billing Factor} = \text{Group E(m)} / \text{Group R(m)}$$

As set forth below, Group E(m) is the sum of Jurisdictional E(m) of each approved environmental compliance plan revenue requirement of environmental compliance costs for the current expense month allocated to each of Group 1 and Group 2. Group R(m) for Group 1 is the 12-month average revenue for the current expense month and for Group 2 it is the 12-month average non-fuel revenue for the current expense month.

DEFINITIONS

- 1) For all Plans, $E(m) = [(RB/12) (ROR + (ROR - DR) (TR / (1 - TR)))] + OE - EAS + BR$
 - 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. OE includes operation and maintenance expense recovery authorized by the K.P.S.C. in all approved ECR Plan proceedings.
 - f) EAS is the total proceeds from emission allowance sales.
 - g) BR is the operation and maintenance expenses, and/or revenues if applicable, associated with Beneficial Reuse.
 - h) Plans are the environmental surcharge compliance plans submitted to and approved by the Kentucky Public Service Commission pursuant to KRS 278.183.

DATE OF ISSUE: January 29, 2016

DATE EFFECTIVE: July 29, 2016

ISSUED BY: /s/ Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the
Public Service Commission in Case No.
2016-00026 dated _____, 20____

Kentucky Utilities Company

P.S.C. No. 17, First Revision of Original Sheet No. 87.1
Canceling P.S.C. No. 17, Original Sheet No. 87.1

Adjustment Clause

ECR
Environmental Cost Recovery Surcharge

DEFINITIONS (continued)

- 2) Total E(m) (sum of each approved environmental compliance plan revenue requirement) is multiplied by the Jurisdictional Allocation Factor. Jurisdictional E(m) is adjusted for any (Over)/Under collection or prior period adjustment and by the subtraction of the Revenue Collected through Base Rates for the Current Expense month to arrive at Adjusted Net Jurisdictional E(m). Adjusted Net Jurisdictional E(m) is allocated to Group 1 and Group 2 on the basis of Revenue as a Percentage of Total Revenue for the 12 months ending with the Current Month to arrive at Group 1 E(m) and Group 2 E(m).
- 3) The Group 1 R(m) is the average of total Group 1 monthly base revenue for the 12 months ending with the current expense month. Base revenue includes the customer, energy, and lighting charges for each rate schedule included in Group 1 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 in Group 1.
- 4) The Group 2 R(m) is the average of total Group 2 monthly base non-fuel revenue for the 12 months ending with the current expense month. Base non-fuel revenue includes the customer, non-fuel energy, and demand charges for each rate schedule included in Group 2 to which this mechanism is applicable and automatic adjustment clause revenues for the Demand-Side Management Cost Recovery Mechanism as applicable for each rate schedule in Group 2. Non-fuel energy is equal to the tariff energy rate for each rate schedule included in Group 2 less the base fuel factor as defined on Sheet No. 85.1, Paragraph 6.
- 5) Current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

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