

**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 ) CASE NO. 2016-00026**  
**APPROVAL OF ITS 2016 COMPLIANCE PLAN )**  
**FOR RECOVERY BY ENVIRONMENTAL )**  
**SURCHARGE )**

**In the Matter of:**

**THE APPLICATION OF LOUISVILLE GAS AND )**  
**ELECTRIC COMPANY FOR CERTIFICATES OF )**  
**PUBLIC CONVENIENCE AND NECESSITY AND ) CASE NO. 2016-00027**  
**APPROVAL OF ITS 2016 COMPLIANCE PLAN )**  
**FOR RECOVERY BY ENVIRONMENTAL )**  
**SURCHARGE )**

**SETTLEMENT TESTIMONY OF**  
**ROBERT M. CONROY**  
**VICE PRESIDENT, STATE REGULATION AND RATES**  
**KENTUCKY UTILITIES COMPANY AND**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Dated: June 13, 2016**

1 **Q. Please state your name, position and business address.**

2 A. My name is Robert M. Conroy. I am the Vice President of State Regulation and Rates  
3 for Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company  
4 (“LG&E”) (collectively, the “Companies”) and an employee of LG&E and KU Services  
5 Company, which provides services to KU and LG&E. My business address is 220 West  
6 Main Street, Louisville, Kentucky.

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is to describe the unanimous settlement agreement reached  
9 by all parties to these proceedings, to discuss why it produces a fair, just, and reasonable  
10 resolution of the issues in these proceedings for all of the Companies’ customers, and to  
11 recommend that the Commission approve the settlement without modification. The  
12 Settlement Agreement, Stipulation, and Recommendation (“Settlement Agreement”) is  
13 attached as Settlement Testimony Exhibit RMC-1.

14 **Q. Who are the parties to the Settlement Agreement?**

15 A. The parties to the Settlement Agreement are the Companies, the Attorney General  
16 (“AG”), and the Kentucky Industrial Utility Customers, Inc. (“KIUC”). The AG has a  
17 statutory responsibility to represent all customers in Commission proceedings.<sup>1</sup> The  
18 KIUC represents large industrial customers generally, and specifically in these  
19 proceedings it represents Clopay Plastic Products Co., Inc.; Corning, Inc.; Dow Coming  
20 Corporation; Lexmark International, Inc.; North American Stainless; Toyota Motor

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<sup>1</sup> See *In the Matter of: The Application of Kentucky Utilities Company for Certificates of Public Convenience and Necessity and Approval of Its 2016 Compliance Plan for Recovery by Environmental Surcharge*, Case No. 2016-00026, Attorney General’s Motion to Intervene and Notice of Waiver of Service by U.S. Mail (Feb. 19, 2016)(“KRS 367.150(8) ... grants him [the AG] the right and obligation to appear before regulatory bodies of the Commonwealth of Kentucky to represent consumers’ interests ....”).

1 Manufacturing, Kentucky, Inc.; AAK USA K2, LLC; Carbide Industries LLC; Cemex;  
2 and The Chemours Company.<sup>2</sup> The KIUC thus represents the Companies' largest  
3 customers, customers who are among the largest employers and most significant  
4 economic interests in the Commonwealth.

5 Both parties are represented by counsel with substantial experience in this area of  
6 practice and who engaged their own independent expert consultants who also have years  
7 of experience in representing customer interests in utility matters. The agreement was  
8 reached at an informal conference held at the Commission's offices on June 9, 2016  
9 where Commission Staff attended all negotiations sessions. The KIUC executed the  
10 Settlement Agreement by counsel on June 13, 2016; the AG's Office of Rate Intervention  
11 has recommended to the AG that he approve the Settlement Agreement, whose approval  
12 is anticipated on June 14, 2016.

13 **Q. Why is it important to note the diversity of customer interests represented by these**  
14 **parties?**

15 A. When parties with diverse interests such as those represented by the AG and KIUC reach  
16 a unanimous settlement with a utility concerning significant cost recovery matters like  
17 those at issue in these proceedings, it is strong evidence of the reasonableness and  
18 fundamental fairness of the agreement reached. Therefore, although the Commission is  
19 not bound to accept a unanimous Settlement Agreement, I respectfully submit that an  
20 agreement entered into by both the AG and KIUC is worthy of being approved without  
21 modification by the Commission.

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<sup>2</sup> Case No. 2016-00026, Motion to Intervene of Kentucky Industrial Utility Customers, Inc.; Case No. 2016-00027, Motion to Intervene of Kentucky Industrial Utility Customers, Inc.

1 **Q. Please describe the unanimous Settlement Agreement between the AG, KIUC, and**  
2 **Companies.**

3 A. In these proceedings, although the Commission Staff, AG, and KIUC issued two rounds  
4 of data requests, only the KIUC caused testimony to be filed in these proceedings. The  
5 unanimous Settlement Agreement addresses all of the issues raised in that testimony,  
6 which also were the focus of the large majority of the data requests issued to the  
7 Companies.

8 Article I of the agreement addresses how the Companies will recover the costs of  
9 the surface-impoundment closures and related expenditures (e.g., ongoing groundwater  
10 monitoring costs) at the Companies' active and KU's retired generating stations through  
11 the Companies' environmental cost recovery ("ECR") mechanisms.

12 Article II of the agreement addresses how the Companies will continue to  
13 approach the Section 199 federal tax deduction as it affects their ECR mechanisms.  
14 Article III addresses the Companies' ongoing commitment to advise the Commission of  
15 any material changes in cost or scope of Commission-approved ECR projects.

16 Article IV states that all other relief requested in the Companies' applications in  
17 these proceedings should be approved. This includes continuing to use for the  
18 Companies' ECR the 10.00% return on equity ("ROE") agreed to by 12 diverse  
19 intervenors (including the AG and KIUC) in the unanimous settlement agreement  
20 achieved in the Companies' 2014 base-rate cases.<sup>3</sup> The Commission approved that  
21 unanimous settlement agreement less than a year ago on June 30, 2015.<sup>4</sup>

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<sup>3</sup> *In the Matter of: Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates*, Case No. 2014-00371, Settlement Agreement Article 1.3 (Apr. 20, 2015); *In the Matter of: Application of Louisville Gas and*

1 **Q. Please describe in greater detail Article I of the unanimous Settlement Agreement,**  
2 **which concerns ECR cost recovery for the surface-impoundment closures at most of**  
3 **the Companies' generating stations.**

4 A. The first section, Article 1.1, states that for KU Projects 40, 41, and 42 (concerning the  
5 Ghent, Trimble County, and E.W. Brown Generating Stations, respectively) and LG&E  
6 Projects 29 and 30 (concerning the Mill Creek and Trimble County Generating Stations,  
7 respectively) of the Companies' 2016 ECR Plans, each of the Companies will amortize  
8 on a non-levelized basis over 25 years its actual surface-impoundment-closure costs  
9 incurred to comply with the federal Coal Combustion Residuals ("CCR") Rule (including  
10 groundwater monitoring costs) of each project. (This approach will not apply to the  
11 process-water facilities included in each project, the costs of which will be capitalized,  
12 depreciated, and earn a return like other ECR capital projects.) In other words, as the  
13 Companies actually incur costs on a monthly basis related to the surface-impoundment  
14 closures or CCR Rule compliance, those actual costs become part of the total amount to  
15 be amortized and collected through the ECR mechanism. The monthly amortization  
16 amounts to be collected through each of the Companies' ECR mechanisms will be billed  
17 over a total of 300 expense months beginning with and including the expense month of  
18 July 2016 and ending with and including the expense month of June 2041. Also, each of  
19 the Companies will include the unamortized balance of its actual costs incurred for the  
20 non-process-water portions of these projects in its ECR rate base, allowing the  
21 Companies to earn and recover the full rate of return applicable to ECR rate base on all

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*Electric Company for an Adjustment of Its Electric and Gas Rates*, Case No. 2014-00372, Settlement Agreement Article 1.3 (Apr. 20, 2015).

<sup>4</sup> Case No. 2014-00371, Order (June 30, 2015); Case No. 2014-00372, Order (June 30, 2015).

1 such unamortized balances. This amortization approach is the same as the Commission  
2 approved concerning LG&E's Mill Creek Generating Station ash-pond dredging included  
3 in Project 10 of LG&E's 2004 ECR Plan.<sup>5</sup> A purely illustrative example of how this  
4 amortization calculation would be performed is attached to my testimony as Settlement  
5 Testimony Exhibit RMC-2. The modified ES Forms 2.00 and 2.10 for both Companies  
6 which reflect the amortization approach are attached as exhibits to the Settlement  
7 Agreement.

8 The parties have also unanimously agreed that the actually incurred costs of KU  
9 Project 39, the surface-impoundment closures at the Green River, Pineville, and Tyrone  
10 Generating Stations, should be recovered through KU's ECR mechanism by amortizing  
11 those costs on a non-levelized basis over 10 years. The monthly amortization amounts to  
12 be collected through KU's ECR mechanism will be billed over a total of 120 expense  
13 months beginning with and including the expense month of July 2016 and ending with  
14 and including the expense month of June 2026. As with the projects concerning surface-  
15 impoundment closures at its active generating stations, KU will include the unamortized  
16 balance of its actual costs incurred for these projects in its ECR rate base, allowing it to  
17 earn and recover the full rate of return applicable to ECR rate base on the unamortized  
18 balance.

19 The amortization approach described above has the benefit of reducing rate  
20 impacts in the early years of cost recovery, a form of consideration important to the  
21 parties. For example, a KU residential customer with average energy usage (1,146 kWh  
22 per month) will see a bill-impact reduction of \$1.96 per month in 2016 under the agreed

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<sup>5</sup> *In the Matter of: The Application of Louisville Gas and Electric Company for Approval of Its 2004 Compliance Plan for Recovery by Environmental Surcharge*, Case No. 2004-00421, Order (June 20, 2005).

1 amortization approach compared to KU's proposed depreciation approach. Similarly, an  
2 LG&E residential customer with average energy usage (976 kWh per month) will see a  
3 bill-impact reduction of \$0.44 per month in 2016 under the agreed amortization approach  
4 compared to LG&E's proposed depreciation approach. Additional bill-impact-reduction  
5 information is attached to my testimony as Settlement Testimony Exhibit RMC-3.

6 The terms of Article I represent large and significant compromises by all parties  
7 to these proceedings. The Companies had proposed to depreciate the project costs over  
8 the remaining lives of the facilities for the active generating stations, and to use the same  
9 depreciation approach for KU Project 39 but over a four-year recovery term. KIUC  
10 opposed that approach and proposed amortizing actually incurred costs over the average  
11 remaining service lives of the generating stations for the active generating stations, and  
12 opposed ECR recovery of KU Project 39 entirely, though it asked for a ten-year  
13 amortization approach if the Commission approved ECR recovery of the project's costs.  
14 This part of the unanimous Settlement Agreement therefore represents real and  
15 significant compromise by all parties, and is a strong reason to approve the agreement  
16 without modification.

17 **Q. Please describe in greater detail Article II of the unanimous Settlement Agreement,**  
18 **which concerns the Companies' approach to the Section 199 federal tax deduction**  
19 **as it affects their ECR mechanisms.**

20 A. Article II states that the Companies will continue their current practice concerning the  
21 Section 199 federal tax deduction as it applies to their ECR mechanisms. That practice is  
22 to review the use of the deduction and to determine whether the deduction should be  
23 reflected in prospective ECR rates in the Companies' six-month and two-year ECR

1 review proceedings. Article II further provides that it is not intended to prejudice or  
2 dictate any position the parties or the Commission might take concerning the Section 199  
3 deduction in any of the Companies' six-month or two-year ECR review proceedings.  
4 The parties have agreed this approach will help ensure the Section 199 deduction is  
5 properly considered and if appropriate reflected in the Companies' ECR mechanisms.

6 **Q. Please describe in greater detail Article III of the unanimous Settlement Agreement,**  
7 **which concerns the Companies' ongoing commitment to report to the Commission if**  
8 **material changes to the scope or cost of ECR projects occur.**

9 A. Article III commits the Companies to continue their existing practice of updating the  
10 Commission if and when material changes occur to the scope or cost of approved ECR  
11 projects, a practice the Companies have followed for years. This commitment is in  
12 addition to the information the Companies typically provide in their six-month and two-  
13 year ECR review proceedings. The Companies further commit in Article III that if they  
14 determine a change sufficiently material to merit notifying the Commission occurs  
15 concerning one or more of their 2016 ECR Plan projects, they will notify the AG and  
16 KIUC reasonably soon after notifying the Commission. Finally, the Companies have  
17 committed to make reasonable efforts to invite the AG and KIUC to attend any meetings  
18 the Companies have with the Commission or Commission Staff to provide updates  
19 concerning any 2016 ECR Plan projects.

20 **Q. Please describe in greater detail Article IV of the unanimous Settlement Agreement,**  
21 **which concerns the parties' agreement that all other relief the Companies have**  
22 **requested in the ECR Proceedings should be approved.**



1 A. As is customary with settlement agreements of this type, Article IV states the parties’  
2 agreement that, except as modified in the unanimous Settlement Agreement and its  
3 exhibits, all of the relief the Companies requested in their filings in these proceedings (as  
4 corrected by their Errata and other filings) should be approved as filed. The only exhibits  
5 to the agreement are modified ES Forms 2.00 and 2.10 for both Companies, which the  
6 Companies modified to reflect the amortization approach described above. For the sake  
7 of clarity, the agreement notes explicitly but without limitation the following relief the  
8 Companies have requested, which the parties are consequently recommending  
9 unanimously that the Commission approve:

- 10 • Granting KU a certificate of public convenience and necessity (“CPCN”) to construct  
11 Phase II of the landfill at the E.W. Brown Generating Station;
- 12 • Declaring that no CPCN is required for any portion of KU Project 39 (surface-  
13 impoundment closures at the Green River, Pineville, and Tyrone Generating  
14 Stations);
- 15 • Granting the Companies CPCNs to conduct CCR Rule compliance construction and  
16 construct new process water systems at the Ghent, E.W. Brown, Trimble County, and  
17 Mill Creek Generating Stations (KU Projects 40, 41, and 42 and LG&E Projects 29  
18 and 30);
- 19 • Except as modified by Article I, approving the Companies’ 2016 ECR Plans for ECR  
20 cost recovery as proposed in the Companies’ applications, including the Companies’  
21 requested 10.00% ROE as approved by the Commission for use in the Companies’  
22 ECR billings in the Commission’s final orders dated June 30, 2015, in Case Nos.  
23 2014-00371 and 2014-00372;

- 1 • Approving the Companies' respective ECR tariff provisions for recovery of the costs  
2 of the Companies' 2016 ECR Plans effective for bills rendered on and after August  
3 31, 2016 (i.e., beginning with the expense month of July 2016); and
- 4 • Approving the Companies' proposed environmental surcharge monthly filing forms  
5 as filed, except as modified by Settlement Agreement Exhibit 1 (KU's revised ES  
6 Forms 2.00 and 2.10) and Settlement Agreement Exhibit 2 (LG&E's revised ES  
7 Forms 2.00 and 2.10), which account for the non-levelized amortization approach  
8 addressed in Article I.

9 **Q. Please explain why the unanimous Settlement Agreement recommends using for the**  
10 **2016 ECR Plan projects the 10.00% ROE approved by the Commission for use in**  
11 **the Companies' ECR billings in the Commission's final orders dated June 30, 2015,**  
12 **in Case Nos. 2014-00371 and 2014-00372 (the Companies' 2014 base-rate cases).**

13 A. In the Companies' 2014 base-rate cases, the subject of an appropriate ROE was the  
14 subject of significant expert testimony and discovery. As I noted above, in addition to  
15 the Companies, the parties to those proceedings were 12 diverse intervenors with widely  
16 varying interests: the AG; KIUC; Lexington-Fayette Urban County Government; The  
17 Kroger Company; Community Action Council of Lexington-Fayette, Bourbon, Harrison,  
18 and Nicholas Counties, Inc.; Kentucky Cable Telecommunications Association;  
19 Kentucky School Boards Association; Sierra Club, Alice Howell, Carl Vogel and  
20 Wallace McMullen; Wal-Mart Stores East, LP and Sam's East, Inc.; United States  
21 Department of Defense and All Other Executive Agencies; Association of Community  
22 Ministries, Inc.; and Metropolitan Housing Coalition. These intervenors represented

1 residential, commercial, industrial, governmental, low-income, and environmental  
2 interests.

3 Through vigorous and lengthy settlement negotiations, the 12 intervenors and the  
4 Companies reached a unanimous settlement agreement. The consideration involved in  
5 the agreement ranged from revenue requirements to items not available through a  
6 litigated outcome, including donations by the Companies' shareholders to various  
7 charitable causes. One of the items of consideration included in the unanimous  
8 settlement agreement that could not have been achieved by litigation in those proceedings  
9 was this:

10 **1.3. Environmental Cost Recovery Mechanism Return on Equity.** The  
11 Parties agree that, effective as of the expense month that includes July 1,  
12 2015, the return on equity that shall apply to the Utilities' recovery under  
13 their environmental cost recovery ("ECR") mechanism is 10.00% for all  
14 environmental compliance plans.

15 In providing this consideration, the Companies agreed to reduce their then-approved ECR  
16 return on equity from 10.25% to 10.00%. The Commission approved the unanimous  
17 settlement agreement less than a year ago by final orders dated June 30, 2015.<sup>6</sup> In doing  
18 so, the Commission noted that it was not simply deferring to the parties' agreement, but  
19 was exercising its own independent judgment in approving the agreement.<sup>7</sup> And the  
20 Commission was clearly aware of the provision of the agreement concerning the 10.00%  
21 ROE to be applied to ECR calculations going forward, as the Commission explicitly  
22 listed that provision when reciting the terms of the agreement.<sup>8</sup>

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<sup>6</sup> Case No. 2014-00371, Order (June 30, 2015); Case No. 2014-00372, Order (June 30, 2015).

<sup>7</sup> Case No. 2014-00371, Order at 7 (June 30, 2015); Case No. 2014-00372, Order at 7-8 (June 30, 2015).

<sup>8</sup> Case No. 2014-00371, Order at 3 (June 30, 2015); Case No. 2014-00372, Order at 4 (June 30, 2015).

1           Therefore, in filing their applications in these proceedings, the Companies  
2 requested to continue applying the same ROE for ECR purposes that the Commission  
3 approved less than a year ago and that 12 diverse intervenors agreed to as part of a global,  
4 unanimous settlement of significant base-rate cases. Arguably the two most significant  
5 intervenors in those proceedings, the AG and KIUC, are parties to the unanimous  
6 Settlement Agreement in these proceedings;<sup>9</sup> that agreement recommends applying the  
7 currently applicable 10.00% ROE to the 2016 ECR Plan projects in addition to the  
8 Companies' existing ECR projects. There is no contrary evidence in the record of these  
9 proceedings and, in fact, not a single question concerning ROE was raised during  
10 discovery by the AG, KIUC or Commission Staff. Thus, I respectfully submit that the  
11 Commission should approve the unanimous Settlement Agreement in its entirety,  
12 including the requested 10.00% ROE.

13 **Q. Has the Commission approved the Companies' use of a 10.00% ROE for calculating**  
14 **the ECR since June 30, 2015 Orders in the 2014 base rate cases?**

15 A. Yes. Following an almost three-month investigation and review of the Companies'  
16 environmental surcharge mechanisms for the six-month billing period ending October 31,  
17 2015, the Commission entered orders on March 16, 2016—less than three months ago—  
18 expressly approving the overall weighted average cost of capital, including the 10.00%  
19 ROE in calculating the ECR charges.<sup>10</sup> In doing so, the Commission's order expressly

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<sup>9</sup> As noted above, the KIUC executed the Settlement Agreement by counsel on June 13, 2016; the AG's Office of Rate Intervention has recommended to the AG that he approve the Settlement Agreement, whose approval is anticipated on June 14, 2016.

<sup>10</sup> *An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Utilities Company for the Six-Month Billing Period Ending October 31, 2015*, Case No. 2015-00411, Order (March 16, 2016); *An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Louisville Gas and Electric Company for the Six-Month Billing Period Ending October 31, 2015*, Case No. 2015-00412, Order (March 16, 2016).

1 describes the 10.00% ROE as the “currently approved 10 percent return on equity.”<sup>11</sup> In  
2 each Order the Commission made specific determinations that the Companies’ respective  
3 calculations of the weighted average cost of capital, containing the 10.00% ROE “was  
4 reasonable for the Compliance Plans and should be approved.”<sup>12</sup>

5 **Q. Do you have a recommendation?**

6 A. Yes. LG&E and KU, and the other parties to the unanimous Settlement Agreement  
7 recommend the Commission approve the agreement in its entirety and without  
8 modification.

9 **Q. Does this conclude your testimony?**

10 A. Yes.

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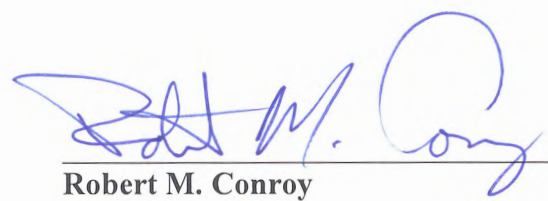
<sup>11</sup> *An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Utilities Company for the Six-Month Billing Period Ending October 31, 2015*, Case No. 2015-00411, Order, p.3 (March 16, 2016); *An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Louisville Gas and Electric Company for the Six-Month Billing Period Ending October 31, 2015*, Case No. 2015-00412, Order, p.3 (March 16, 2016).

<sup>12</sup> *Id.*

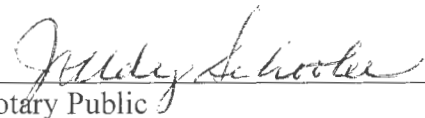
VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

  
Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 13<sup>th</sup> day of June 2016.

 (SEAL)  
Notary Public

My Commission Expires:  
**JUDY SCHOOLER**  
**Notary Public, State at Large, KY**  
**My commission expires July 11, 2018**  
**Notary ID # 512743**

## **SETTLEMENT AGREEMENT, STIPULATION AND RECOMMENDATION**

This Settlement Agreement, Stipulation, and Recommendation (“Settlement Agreement”) is entered into this 13th day of June 2016 by and between Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (collectively, “the Utilities”); Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (“AG”); and Kentucky Industrial Utility Customers, Inc. (“KIUC”) (collectively, “Parties”).

### **WITNESSETH:**

**WHEREAS**, on January 29, 2016, KU filed with the Kentucky Public Service Commission (“Commission”) its Application *In the Matter of: The Application of Kentucky Utilities Company for Certificates of Public Convenience and Necessity and Approval of Its 2016 Compliance Plan for Recovery by Environmental Surcharge*, and the Commission has established Case No. 2016-00026;

**WHEREAS**, on January 29, 2016, LG&E filed with the Commission its Application *In the Matter of: The Application of Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Approval of Its 2016 Compliance Plan for Recovery by Environmental Surcharge*, and the Commission has established Case No. 2016-00027 (Case Nos. 2016-00026 and 2016-00027 are hereafter collectively referenced as the “ECR Proceedings”);

**WHEREAS**, on February 5, 2016, the Commission Staff issued deficiency letters to the Companies concerning their applications in the ECR Proceedings, which deficiencies the Companies cured on February 9, 2016, as reflected by a letter in each of the ECR Proceedings from the Commission Staff dated February 16, 2009;

**WHEREAS**, the Commission has granted full intervention in the ECR Proceedings to the AG and KIUC;

**WHEREAS**, a prehearing informal conference for the purpose of discussing settlement, attended by representatives of the Parties and the Commission Staff took place on June 9, 2016, at the offices of the Commission, during which a number of procedural and substantive issues were discussed, including potential settlement of all issues pending before the Commission in the ECR Proceedings;

**WHEREAS**, all of the Parties hereto unanimously desire to settle all the issues pending before the Commission in the ECR Proceedings;

**WHEREAS**, the adoption of this Settlement Agreement as a fair, just, and reasonable disposition of the issues in this case will eliminate the need for the Commission and the Parties to expend significant resources litigating these ECR Proceedings, and eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final orders herein;

**WHEREAS**, it is understood by all Parties hereto that this Settlement Agreement is subject to the approval of the Commission, insofar as it constitutes an agreement by all Parties to the ECR Proceedings for settlement;

**WHEREAS**, all of the Parties, who represent diverse interests and divergent viewpoints, agree that this Settlement Agreement, viewed in its entirety, is a fair, just, and reasonable resolution of all the issues in the ECR Proceedings; and

**WHEREAS**, the Parties believe sufficient and adequate data and information support this Settlement Agreement, and further believe the Commission should approve it;

**NOW, THEREFORE**, for and in consideration of the promises and conditions set forth herein, the Parties hereby stipulate and agree as follows:



## **ARTICLE I. AMORTIZATION OF SURFACE-IMPOUNDMENT-CLOSURE COSTS**

**1.1.** Concerning the Utilities' amended compliance plan for purposes of recovering the costs of new pollution control facilities through their respective Environmental Cost Recovery ("ECR") Surcharge tariff provisions ("2016 ECR Plans"), for KU Projects 40, 41, and 42 and LG&E Projects 29 and 30, each Utility will amortize on a non-levelized basis over 25 years the actual surface-impoundment-closure costs incurred and CCR Rule compliance costs incurred (including groundwater monitoring costs) of each project; such costs will not include costs related to the process-water facilities included in each project. The monthly amortization amounts to be collected through each Utility's ECR mechanism will be billed over a total of 300 expense months beginning with and including the expense month of July 2016 and ending with and including the expense month of June 2041. Each Utility will include the unamortized balance of such actual costs in its ECR rate base and will be entitled to earn and recover the full rate of return applicable to ECR rate base on all such unamortized balances.

**1.2.** For KU Project 39, KU will amortize on a non-levelized basis over 10 years the actually incurred costs of the project, with monthly amortization amounts to be collected through KU's ECR mechanism for a total of 120 expense months beginning with and including the expense month of July 2016 and ending with and including the expense month of June 2026. KU will include the unamortized balance of such actual costs in its ECR rate base and will be entitled to earn and recover the full rate of return applicable to ECR rate base on the unamortized balance.

**1.3.** As with all ECR projects, ECR cost recovery as described in Paragraphs 1.1 and 1.2 above will be adjusted or eliminated to account for base-rate roll-ins or project elimination; however, no ECR base-rate roll-in or project elimination will affect the period over which the

unamortized balances will be recovered or the Utilities' right to recovery of, and a full rate of return on, all such unamortized balances.

**1.4.** The depreciation rates proposed by the Utilities in their applications and the associated requests for approval by the Commission are withdrawn.

## **ARTICLE II. SECTION 199 TAX DEDUCTION**

**2.1.** The Utilities will continue their current practice concerning the Section 199 federal tax deduction by reviewing the use of the deduction and determining whether the deduction would be available to reduce ECR revenue requirements and should be reflected in prospective ECR rates in six-month and two-year ECR review proceedings held before the Commission. Nothing in this provision is intended to bind any of the Parties or the Commission concerning any position they might take concerning the Section 199 deduction in any of the Utilities' six-month or two-year ECR review proceedings.

## **ARTICLE III. REPORTING TO THE COMMISSION CONCERNING THE UTILITIES' 2016 ECR PLANS**

**3.1.** The Utilities commit to continue their current practice of updating the Commission if and when material changes occur to the scope or cost of approved ECR projects in addition to the information the Utilities ordinarily provide in their six-month and two-year ECR review proceedings. If the Utilities determine a change sufficiently material to merit notifying the Commission occurs concerning one or more of their respective 2016 ECR Plan projects, the Utilities commit to notify the Parties within a reasonable time following the Utilities' notification of the Commission. The Utilities further commit to make reasonable efforts to invite the Parties to attend any meetings the Utilities have with the Commission or Commission Staff for providing updates concerning any 2016 ECR Plan projects.

**ARTICLE IV. ALL OTHER RELIEF TO BE GRANTED AS REQUESTED IN THE  
UTILITIES' APPLICATIONS**

4.1. The Parties agree that, except as modified in this Settlement Agreement and the exhibits attached hereto, all of the relief requested in the Utilities' filings in the ECR Proceedings (as corrected by the Utilities' errata and other filings in the ECR Proceedings) should be approved as filed, including without limitation the following:

(A) Granting KU a certificate of public convenience and necessity ("CPCN") to construct Phase II of the Brown landfill;

(B) A declaration that no CPCN is required for any portion of KU Project 39 (surface-impoundment closures at the Green River, Pineville, and Tyrone Generating Stations);

(C) Granting the Utilities CPCNs to conduct federal Coal Combustion Residuals ("CCR") Rule compliance construction and construct new process water systems at the Ghent, E.W. Brown, Trimble County, and Mill Creek Generating Stations (KU Projects 40, 41, and 42 and LG&E Projects 29 and 30);

(D) Except as modified by this Settlement Agreement in Article I, approving the Utilities' 2016 ECR Plans for purposes of recovering their costs through the Utilities' respective ECR mechanisms as proposed in the Utilities' applications in the ECR proceedings, including the Utilities' requested 10.00% return on equity as approved by the Commission for use in the Utilities' ECR billings in the Commission's final orders dated June 30, 2015, in Case Nos. 2014-00371 and 2014-00372;

(E) Approving the Utilities' respective ECR tariff provisions for recovery of the costs of the Utilities' 2016 ECR Plans effective for bills rendered on and after August 31, 2016 (i.e., beginning with the expense month of July 2016); and

(F) Approving the Utilities' proposed environmental surcharge ("ES") monthly filing forms as filed, except as modified by this Settlement Agreement in Exhibit 1 (KU's revised ES Forms 2.00 and 2.10) and Exhibit 2 (LG&E's revised ES Forms 2.00 and 2.10), which account for the non-levelized amortization approach addressed in Article I of this Settlement Agreement.

#### **ARTICLE V. MISCELLANEOUS PROVISIONS**

**5.1.** Except as specifically stated otherwise in this Settlement Agreement, entering into this Settlement Agreement shall not be deemed in any respect to constitute an admission by any of the Parties that any computation, formula, allegation, assertion or contention made by any other party in these ECR Proceedings is true or valid.

**5.2.** The Parties 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.

**5.3.** Following the execution of this Settlement Agreement, the Parties shall cause the Settlement Agreement to be filed with the Commission on or about June 14, 2016, together with a request to the Commission for consideration and approval of this Settlement Agreement effective for bills rendered on and after August 31, 2016 (i.e., beginning with the expense month of July 2016) by issuing an order on or before July 29, 2016.

**5.4.** Each of the Parties waives all cross-examination of the other Parties' witnesses unless the Commission disapproves this Settlement Agreement, and each party further stipulates and recommends that the Notice of Intent, Notice, Application, testimony, pleadings, and responses to data requests filed in the ECR Proceedings be admitted into the record. The Parties stipulate that after the date of this Settlement Agreement they will not otherwise contest the

Utilities' proposals, as modified by this Settlement Agreement, in the hearing of the ECR Proceedings regarding the subject matter of the Settlement Agreement, and that they will refrain from cross-examination of the Utilities' witnesses during the hearing, except insofar as such cross-examination is in support of the Settlement Agreement.

**5.5.** This Settlement Agreement is subject to the acceptance of, and approval by, the Commission. The Parties 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.

**5.6.** 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.

**5.7.** If the Commission does not accept and approve this Settlement Agreement in its entirety, then: (a) any or all of the Parties may withdraw from this Settlement Agreement, and any withdrawing Party shall not be bound by any of the provisions herein, though any such withdrawals shall not preclude any or all of the Parties from advocating any position contained in this Settlement Agreement; (b) any of the Parties may request a hearing on any or all of the issues in the ECR Proceedings; and (c) neither the terms of this Settlement Agreement nor any matters raised during the settlement negotiations shall be binding on any withdrawing Party or be construed against any withdrawing Party.

**5.8.** All Parties agree to keep confidential all communications among any of the Parties concerning this Settlement Agreement, including without limitation all communications related to negotiating this Settlement Agreement. This provision will survive any withdrawal from this Settlement Agreement pursuant to Article 5.7 above or any action by the Commission,

and will be binding upon all Parties, including any Parties withdrawing from this Settlement Agreement.

**5.9.** If the Settlement Agreement is voided or vacated for any reason after the Commission has approved the Settlement Agreement, none of the Parties will be bound by the Settlement Agreement except as stated in Article 5.8 above.

**5.10.** The Settlement Agreement shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

**5.11.** The Settlement Agreement shall inure to the benefit of and be binding upon the Parties hereto and their successors and assigns.

**5.12.** The Settlement Agreement constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into the Settlement Agreement.

**5.13.** The Parties hereto agree that, for the purpose of the Settlement Agreement only, the terms 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.

**5.14.** The Parties 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 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.

**5.15.** The signatories hereto warrant that they have appropriately informed, advised, and consulted their respective Parties 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 their respective Parties.

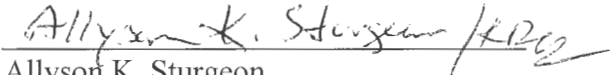
5.16. The Parties hereto agree that this Settlement Agreement is a product of negotiation among all Parties hereto, and no provision of this Settlement Agreement shall be strictly construed in favor of or against any party. Notwithstanding anything contained in the Settlement Agreement, the Parties recognize and agree that the effects, if any, of any future events upon the operating income of the Utilities are unknown and this Settlement Agreement shall be implemented as written.

5.17. The Parties hereto agree that this Settlement Agreement may be executed in multiple counterparts.

**IN WITNESS WHEREOF**, the Parties have hereunto affixed their signatures.

Kentucky Utilities Company and  
Louisville Gas and Electric Company

By:   
Kendrick R. Riggs

By:   
Allyson K. Sturgeon

Attorney General for the Commonwealth of  
Kentucky, by and through the Office of Rate  
Intervention

HAVE SEEN AND AGREED:

By: \_\_\_\_\_  
Lawrence W. Cook  
Rebecca W. Goodman



Kentucky Industrial Utility Customers, Inc.

HAVE SEEN AND AGREED:

By: Michael L. Kurtz

Michael L. Kurtz

Kurt J. Boehm

Jody M. Kyler Cohn

400001.152778/1351196.8

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**

Revenue Requirements of Environmental Compliance Costs  
For the Expense Month of

**Determination of Environmental Compliance Rate Base**

	Environmental Compliance Plan	
Eligible Pollution Control Plant		
Eligible Pollution CWIP Excluding AFUDC		
Subtotal		
Additions:		
Inventory - Emission Allowances per ES Forms 2.31, 2.32, 2.33 and 2.34		
Less: Allowance Inventory Baseline		
Net Emission Allowance Inventory		
Cash Working Capital Allowance		
Net Unamortized Closure Cost Balance - Active Stations		
Net Unamortized Closure Cost Balance - Retired Stations		
Subtotal		
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant		
Pollution Control Deferred Income Taxes		
Pollution Control Deferred Investment Tax Credit		
Subtotal		
Environmental Compliance Rate Base		

**Determination of Pollution Control Operating Expenses**

	Environmental Compliance Plan	
Monthly Operations & Maintenance Expense		
Monthly Depreciation & Amortization Expense		
Monthly Taxes Other Than Income Taxes - Eligible Plant		
Monthly Taxes Other Than Income Taxes - Closure Costs		
Amortization of Monthly Closure Costs - Active Stations		
Amortization of Monthly Closure Costs - Retired Stations		
Monthly Emission Allowance Expense from ES Forms 2.31, 2.32, 2.33 and 2.34		
Add KU Current Month TC2 Emission Allowance Expense reported on ES Form 2.31, 2.32, 2.33 and 2.34		
Less Monthly Emission Allowance Expense in base rates		
Net Recoverable Emission Allowance Expense		
Monthly Surcharge Consultant Fee		
Construction Monitoring Consultant Fee		
Total Pollution Control Operations Expense		

**Determination of Beneficial Reuse Operating Expenses**

	Environmental Compliance Plan
Total Monthly Beneficial Reuse Expense	
Adjustment for Beneficial Reuse in Base Rates (from ES Form 2.61)	
Net Beneficial Reuse Operations Expense	

**Proceeds From By-Product and Allowance Sales**

	Total Proceeds	Amount in Base Rates	Net Proceeds
	(1)	(2)	(1) - (2)
Allowance Sales			
Scrubber By-Products Sales			
Total Proceeds from Sales			

**KENTUCKY UTILITIES COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Plant, CWIP & Depreciation Expense

For the Month Ended:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Description	Eligible Plant In Service	Eligible Accumulated Depreciation	CWIP Amount Excluding AFUDC	Eligible Net Plant In Service	Unamortized ITC as of	Deferred Tax Balance as of	Monthly Depreciation Expense	Monthly Property Tax Expense
				(2)-(3)+(4)				
<b>2009 Plan:</b>								
Project 28 - Brown 3 SCR								
Project 29 - ATB Expansion at E.W. Brown Station (Phase II)								
Project 30 - Ghent CCP Storage (Landfill- Phase I)								
Project 31 - Trimble County Ash Treatment Basin (BAP/GSP)								
Project 32 - Trimble County CCP Storage (Landfill - Phase I)								
Project 33 - Beneficial Reuse								
Subtotal								
Less Retirements and Replacement resulting from implementation of 2009 Plan								
<b>Net Total - 2009 Plan:</b>								
<b>2011 Plan:</b>								
Project 29 - Brown Landfill (Phase I)								
Project 34 - E.W. Brown Station Air Compliance								
Project 35 - Ghent Station Air Compliance								
Subtotal								
Less Retirements and Replacement resulting from implementation of 2011 Plan								
<b>Net Total - 2011 Plan:</b>								
<b>2016 Plan:</b>								
Project 36 - Brown Landfill (Phase II)								
Project 37 - Ghent 2 WFGD Improvements								
Project 38 - Supplemental Mercury Control								
Project 40 - Ghent New Process Water Systems								
Project 41 - Trimble County New Process Water Systems								
Project 42 - Brown New Process Water Systems								
Subtotal								
Less Retirements and Replacement resulting from implementation of 2016 Plan								
<b>Net Total - 2016 Plan:</b>								
<b>Net Total - All Plans:</b>								

Note 1: Trimble County projects for the 2009 Plan are proportionately shared by KU at 48% and LG&E at 52%

Note 2: Project 29 as approved in the 2009 ECR Plan recovers costs associated with the Brown Aux Pond (Phase II). In the 2011 Plan, Project 29 was amended to recover costs associated with the conversion of the Brown Main Ash Pond to the Brown Landfill (Phase I)

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**

Revenue Requirements of Environmental Compliance Costs  
For the Expense Month of

**Determination of Environmental Compliance Rate Base**

	Environmental Compliance Plan	
Eligible Pollution Control Plant		
Eligible Pollution CWIP Excluding AFUDC		
Subtotal		
Additions:		
Inventory - Emission Allowances per ES Forms 2.31, 2.32, 2.33 and 2.34		
Cash Working Capital Allowance		
Net Unamortized Closure Cost Balance		
Subtotal		
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant		
Pollution Control Deferred Income Taxes		
Subtotal		
Environmental Compliance Rate Base		

**Determination of Pollution Control Operating Expenses**

	Environmental Compliance Plan
Monthly Operations & Maintenance Expense	
Monthly Depreciation & Amortization Expense	
less investment tax credit amortization	
Monthly Taxes Other Than Income Taxes - Eligible Plant	
Monthly Taxes Other Than Income Taxes - Closure Costs	
Amortization of Monthly Closure Costs	
Monthly Emission Allowance Expense from ES Forms 2.31, 2.32, 2.33 and 2.34	
Monthly Surcharge Consulting Fees	
Construction Monitoring Consultant Fee	
Total Pollution Control Operations Expense	

**Determination of Beneficial Reuse Operating Expenses**

	Environmental Compliance Plan
Total Monthly Beneficial Reuse Expense	
Adjustment for Beneficial Reuse in Base Rates (from ES Form 2.61)	
Net Beneficial Reuse Operations Expense	

**Proceeds From By-Product and Allowance Sales**

	Total Proceeds	Amount in Base Rates	Net Proceeds
	(1)	(2)	(1) - (2)
Allowance Sales			
Scrubber By-Products Sales			
Total Proceeds from Sales			

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Plant, CWIP & Depreciation Expense

For the Month Ended:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Description	Eligible Plant In Service	Eligible Accumulated Depreciation	CWIP Amount Excluding AFUDC	Eligible Net Plant In Service	Deferred Tax Balance as of	Monthly ITC Amortization Credit	Monthly Depreciation Expense	Monthly Property Tax Expense
				(2)-(3)+(4)				
<b>2009 Plan:</b>								
Project 22 - Cane Run CCP Storage (Landfill - Phase I) [CANCELLED]								
Project 23 - Trimble County Ash Treatment Basin (BAP/GSP)								
Project 24 - Trimble County CCP Storage (Landfill - Phase 1)								
Project 25 - Beneficial Reuse								
Subtotal								
Less Retirements and Replacement resulting from implementation of 2009 Plan								
<b>Net Total - 2009 Plan:</b>								
<b>2011 Plan:</b>								
Project 26 - Mill Creek Station Air Compliance								
Project 27 - Trimble County Unit 1 Air Compliance								
Subtotal								
Less Retirements and Replacement resulting from implementation of 2011 Plan								
<b>Net Total - 2011 Plan:</b>								
<b>2016 Plan:</b>								
Project 28 - Supplemental Mercury Control								
Project 29 - Mill Creek New Process Water Systems								
Project 30 - Trimble County New Process Water Systems								
Subtotal								
Less Retirements and Replacement resulting from implementation of 2016 Plan								
<b>Net Total - 2016 Plan:</b>								
<b>Net Total - All Plans:</b>								

Note 1: Trimble County projects for the 2009 Plan are proportionately shared by KU at 48% and LG&E at 52%.

Note 2: Effective with the September 2012 expense month, Project 22 is cancelled and the previous CWIP balance is included on ES Form 2.50 as an expense for the September 2012 expense month.

**LG&E and KU 2016 ECR Compliance Plan**  
**Example of Proposed Amortization Methodology**

(1)	WACC Annual	12.00%
(2)	WACC Monthly	1.00%
(3)	Tax Rate	40.00%

**Monthly (4 Year Amortization Recovery Period)**

(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Month	Carrying Charges (Month End)	Amortization	Closure Costs	Change in Unamortized Balance	Month End Unamortized Balance	Accumulated Deferred Income Tax on Unamortized Balance	Accumulated Deferred Income Tax Balance	Balance of Components Subject to WACC
	= (2) x (12)	= (6) <sub>prior month</sub> - [(7) / [48 - (4) + 1]]		= (6) + (7)	= (8) + (9) <sub>prior month</sub>	= -(3) x (8)	= -(3) x (9)	= (8) + (10) + (12) <sub>prior month</sub>
1	\$ 5,875	\$ (20,833)	\$ 1,000,000	\$ 979,167	\$ 979,167	\$ (391,667)	\$ (391,667)	\$ 587,500
2	\$ 11,622	\$ (42,110)	\$ 1,000,000	\$ 957,890	\$ 1,937,057	\$ (383,156)	\$ (774,823)	\$ 1,162,234
3	\$ 17,239	\$ (63,849)	\$ 1,000,000	\$ 936,151	\$ 2,873,208	\$ (374,460)	\$ (1,149,283)	\$ 1,723,925
4	\$ 22,723	\$ (86,071)	\$ 1,000,000	\$ 913,929	\$ 3,787,136	\$ (365,571)	\$ (1,514,855)	\$ 2,272,282
5	\$ 28,070	\$ (108,799)	\$ 1,000,000	\$ 891,201	\$ 4,678,338	\$ (356,481)	\$ (1,871,335)	\$ 2,807,003
6	\$ 33,278	\$ (132,054)	\$ 1,000,000	\$ 867,946	\$ 5,546,283	\$ (347,178)	\$ (2,218,513)	\$ 3,327,770
7	\$ 38,343	\$ (155,864)	\$ 1,000,000	\$ 844,136	\$ 6,390,420	\$ (337,654)	\$ (2,556,168)	\$ 3,834,252
8	\$ 43,261	\$ (180,254)	\$ 1,000,000	\$ 819,746	\$ 7,210,165	\$ (327,898)	\$ (2,884,066)	\$ 4,326,099
9	\$ 48,029	\$ (205,254)	\$ 1,000,000	\$ 794,746	\$ 8,004,911	\$ (317,898)	\$ (3,201,965)	\$ 4,802,947
10	\$ 52,644	\$ (230,895)	\$ 1,000,000	\$ 769,105	\$ 8,774,016	\$ (307,642)	\$ (3,509,606)	\$ 5,264,410
11	\$ 57,101	\$ (257,211)	\$ 1,000,000	\$ 742,789	\$ 9,516,805	\$ (297,116)	\$ (3,806,722)	\$ 5,710,083
12	\$ 61,395	\$ (284,238)	\$ 1,000,000	\$ 715,762	\$ 10,232,567	\$ (286,305)	\$ (4,093,027)	\$ 6,139,540
Year 1 Total	\$ 419,580	\$ (1,767,433)	\$ 12,000,000	\$ 10,232,567		\$ (4,093,027)		

**Annual (4 Year Amortization Recovery Period)**

(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
Year	Carrying Charges (Month End)	Amortization	Closure Costs	Change in Unamortized Balance	Month End Unamortized Balance	Accumulated Deferred Income Tax	Accumulated Deferred Income Tax	Balance of Components Subject to WACC
	Calculated Monthly	Calculated Monthly		= (15) + (16)	= (17) + (18) <sub>prior month</sub>	= -(3) x (17)	= -(3) x (18)	= (17) + (19) + (21) <sub>prior month</sub>
1	\$ 419,580	\$ (1,767,433)	\$ 12,000,000	\$ 10,232,567	\$ 10,232,567	\$ (4,093,027)	\$ (4,093,027)	\$ 6,139,540
2	\$ 603,721	\$ (3,410,856)	\$ -	\$ (3,410,856)	\$ 6,821,711	\$ 1,364,342	\$ (2,728,685)	\$ 4,093,027
3	\$ 358,140	\$ (3,410,856)	\$ -	\$ (3,410,856)	\$ 3,410,856	\$ 1,364,342	\$ (1,364,342)	\$ 2,046,513
4	\$ 112,558	\$ (3,410,856)	\$ -	\$ (3,410,856)	\$ 0	\$ 1,364,342	\$ (0)	\$ 0
Total	\$ 1,494,000	\$ (12,000,000)	\$ 12,000,000	\$ 0		\$ (0)		

**Estimated KU Jurisdictional E(m) by Group - 2016 ECR Plan (Case No. 2016-00026)**

\$M	Current		Settlement		Delta (Settlement - Current)	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
2016	\$12.9	\$19.1	\$1.7	\$2.5	(\$11.2)	(\$16.6)
2017	\$17.5	\$26.0	\$8.1	\$12.0	(\$9.4)	(\$14.0)
2018	\$21.0	\$31.2	\$14.1	\$20.9	(\$7.0)	(\$10.3)
2019	\$23.2	\$34.5	\$18.5	\$27.6	(\$4.7)	(\$7.0)
2020	\$17.0	\$25.3	\$20.2	\$30.1	\$3.2	\$4.7
2021	\$17.9	\$26.6	\$22.0	\$32.7	\$4.1	\$6.1
2022	\$18.5	\$27.5	\$23.5	\$34.9	\$5.0	\$7.4
2023	\$18.4	\$27.4	\$23.9	\$35.5	\$5.4	\$8.1
2024	\$17.9	\$26.6	\$23.3	\$34.6	\$5.4	\$8.0
Total	\$164.4	\$244.4	\$155.2	\$230.8	(\$9.2)	(\$13.6)

**Estimated KU Incremental Billing Factor - 2016 ECR Plan (Case No. 2016-00026)**

	Current		Settlement		Delta (Settlement - Current)	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
2016	2.15%	3.31%	0.28%	0.43%	-1.87%	-2.88%
2017	2.83%	4.39%	1.31%	2.03%	-1.52%	-2.36%
2018	3.31%	5.11%	2.21%	3.42%	-1.10%	-1.69%
2019	3.50%	5.39%	2.80%	4.30%	-0.71%	-1.08%
2020	2.50%	3.84%	2.97%	4.56%	0.47%	0.72%
2021	2.49%	3.81%	3.06%	4.68%	0.57%	0.87%
2022	2.49%	3.83%	3.16%	4.86%	0.67%	1.03%
2023	2.41%	3.72%	3.13%	4.82%	0.71%	1.10%
2024	2.29%	3.56%	2.97%	4.63%	0.68%	1.06%

**Estimated KU Monthly Customer Impact - 2016 ECR Plan (Case No. 2016-00026)**

	Current	Settlement	Delta (Settlement - Current)
	Group 1	Group 1	Group 1
2016	\$2.26	\$0.30	(\$1.96)
2017	\$2.97	\$1.37	(\$1.60)
2018	\$3.47	\$2.32	(\$1.15)
2019	\$3.67	\$2.93	(\$0.74)
2020	\$2.63	\$3.12	\$0.49
2021	\$2.61	\$3.21	\$0.60
2022	\$2.62	\$3.32	\$0.70
2023	\$2.53	\$3.28	\$0.75
2024	\$2.40	\$3.12	\$0.72

## Notes:

1. "Current" is as filed per errata.
2. "Settlement" is 25 year amortization on all "CCR" impoundments; Project 39 is 10 year amortization.

**Estimated LG&E Jurisdictional E(m) by Group - 2016 ECR Plan (Case No. 2016-00027)**

\$M	Current		Settlement		Delta (Settlement - Current)	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
2016	\$3.3	\$4.7	\$1.3	\$1.9	(\$1.9)	(\$2.8)
2017	\$5.9	\$8.4	\$4.3	\$6.1	(\$1.6)	(\$2.3)
2018	\$8.5	\$12.1	\$7.2	\$10.3	(\$1.2)	(\$1.8)
2019	\$10.4	\$14.9	\$9.6	\$13.7	(\$0.8)	(\$1.1)
2020	\$11.0	\$15.8	\$10.9	\$15.6	(\$0.1)	(\$0.2)
2021	\$10.9	\$15.6	\$11.2	\$16.1	\$0.3	\$0.5
2022	\$10.9	\$15.6	\$11.4	\$16.4	\$0.5	\$0.8
2023	\$10.8	\$15.5	\$11.6	\$16.6	\$0.8	\$1.1
2024	\$10.5	\$15.1	\$11.4	\$16.3	\$0.9	\$1.2
Total	\$82.2	\$117.6	\$79.0	\$113.1	(\$3.2)	(\$4.6)

**Estimated LG&E Incremental Billing Factor - 2016 ECR Plan (Case No. 2016-00027)**

	Current		Settlement		Delta (Settlement - Current)	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
2016	0.82%	1.21%	0.33%	0.49%	-0.49%	-0.72%
2017	1.43%	2.05%	1.04%	1.50%	-0.39%	-0.56%
2018	2.00%	2.81%	1.70%	2.40%	-0.29%	-0.41%
2019	2.40%	3.41%	2.22%	3.15%	-0.18%	-0.26%
2020	2.52%	3.57%	2.50%	3.54%	-0.03%	-0.04%
2021	2.41%	3.41%	2.48%	3.52%	0.07%	0.10%
2022	2.35%	3.35%	2.46%	3.52%	0.12%	0.16%
2023	2.24%	3.17%	2.40%	3.39%	0.16%	0.22%
2024	2.12%	3.00%	2.29%	3.25%	0.17%	0.24%

**Estimated LG&E Monthly Customer Impact - 2016 ECR Plan (Case No. 2016-00027)**

	Current	Settlement	Delta (Settlement - Current)
	Group 1	Group 1	Group 1
2016	\$0.74	\$0.30	(\$0.44)
2017	\$1.30	\$0.95	(\$0.35)
2018	\$1.82	\$1.55	(\$0.27)
2019	\$2.18	\$2.01	(\$0.17)
2020	\$2.29	\$2.27	(\$0.02)
2021	\$2.19	\$2.25	\$0.07
2022	\$2.13	\$2.24	\$0.10
2023	\$2.03	\$2.18	\$0.14
2024	\$1.92	\$2.08	\$0.16

## Notes:

1. "Current" is as filed per errata.
2. "Settlement" is 25 year amortization on all impoundments.