

405 E. 4th Street
Augusta, Kentucky 41002

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July 8, 2012

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PUBLIC SERVICE
COMMISSION

Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40601

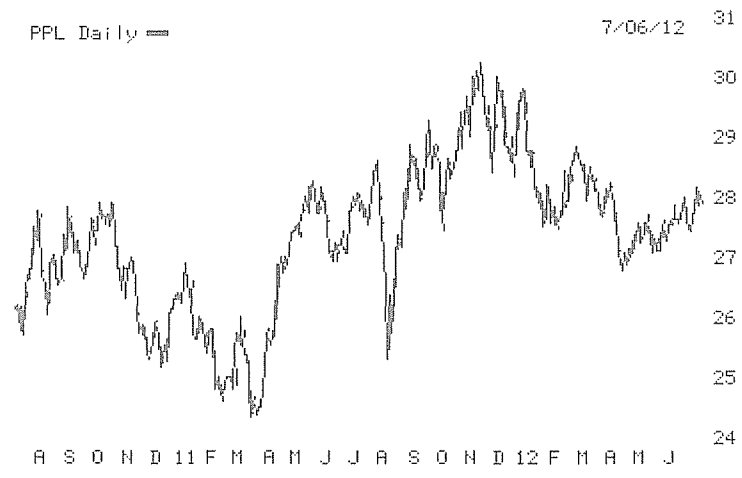
Dear Sirs,

Kentucky Utilities Company (KU) recently published a request for an adjustment of electric rates and charges proposed to become effective on and after August 1, 2012. The request is subject to a "Stay-Out" Commitment under which the change in rates may be filed during 2012 but not take effect before January 1, 2013.

The proposed rates include an 8.03% increase in residential rates. As a homeowner in Bracken County, I have a substantial interest in the matter of an 8.03% increase in residential utility rates.

When the Pennsylvania-based PPL Corp. acquired Louisville Gas and Electric Company and Kentucky Utilities from E.ON U.S. for \$7.6 billion in November 2010, the sale was approved by the Kentucky Public Service Commission after certain pledges by PPL representatives were made, including a promise that customers wouldn't face an increase in the base rate of their monthly bill for at least three years.

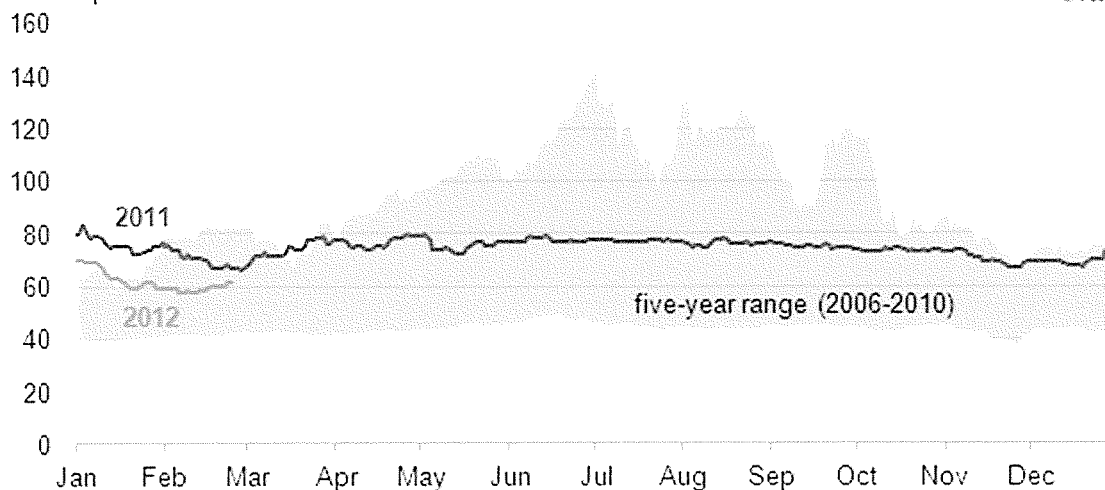
Since PPL's acquisition of LG&E and KU, PPL's net income has increased over 50%, from \$955 million in 2010 to \$1.5 billion in 2011. First quarter 2012 net income was \$541 million, an increase of 36% from last year and higher than any other quarter in 2011. PPL's stock price has risen \$2 per share, nearly 8%, since November 2010.



PPL's quarterly dividend was increased by a penny/share to 36¢/share in 2012. PPL's current dividend yield is over 5%, a good return for shareholders.

Meanwhile, the price of coal has decreased 30% in the last year, from \$80/ton last summer to the July 6 close of \$56/ton for the near-month NYMEX contract.

Central Appalachian near-month NYMEX coal futures prices
dollars per short ton



Lower feedstock costs suggest that KU and PPL capital requirements may be funded and profitability enhanced without a rate hike if the company operates efficiently.

Accordingly, I hereby make a motion to request the Public Service Commission's intervention in this matter to require KU to justify why an increase in utility rates is being requested at a time when coal feedstock costs have declined significantly and when parent company financials and returns to investors are quite favorable.

Thank you for your kind consideration of this matter.

Sincerely yours,

Edward Taylor Kelsch

Cc: Rep. Mike Denham, House District 70, Maysville, Ky.