

2012-00221

405 E. 4th Street
Augusta, Kentucky 41002
July 25, 2012

Attorney General
Office of Rate Intervention
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601

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PUBLIC SERVICE

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Dear Mr. Attorney General:

Per the attached letter dated July 18, the Executive Director of the Public Service Commission (PSC) suggested that I make you aware of my concerns about the Kentucky Utilities Company's (KU) recently published request for an 8.03% increase in residential electric rates.

Attached is a copy of my letter dated July 8 to the PSC requesting the Commission's intervention to require KU to justify why any increase in utility rates is necessary at a time when coal feedstock costs have declined significantly and when parent company financials and returns to investors are quite favorable.

The PSC advised that you have intervened in this matter. I hope that your intervention will reflect the interests of residential homeowners in the KU service area.


Thank you for reviewing my concerns about KU's proposed increase in residential electric rates.

Sincerely yours,


Edward Taylor Kelsch

Cc: Rep. Mike Denham, House District 70, Maysville, Ky.
Jeff Derouen, Executive Director, Public Service Commission ✓

Thank you for your letter of July 15.

Sincerely,




Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Linda Breathitt
Commissioner

July 18, 2012

Edward Taylor Kelsch
405 E. 4th Street
August, KY 41002

RE: Case No. 2012-00221
Kentucky Utilities Company

Dear Mr. Kelsch:

This letter is in response to your letter received on July 11, 2012 regarding your concerns in the case referenced above. Your letter is being treated as an official protest and will be placed in the case file of this proceeding. The Commission will take your concerns into consideration in its review and decision in this matter.

Please be advised that the Attorney General has intervened in this matter. You may want to make the Attorney General aware of your concerns by contacting him through his Office of Rate Intervention, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.

You may view all documents filed in this case on the Commission's website at <http://psc.ky.gov>.

Thank you for your letter of interest and concern in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

405 E. 4th Street
Augusta, Kentucky 41002
July 8, 2012

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

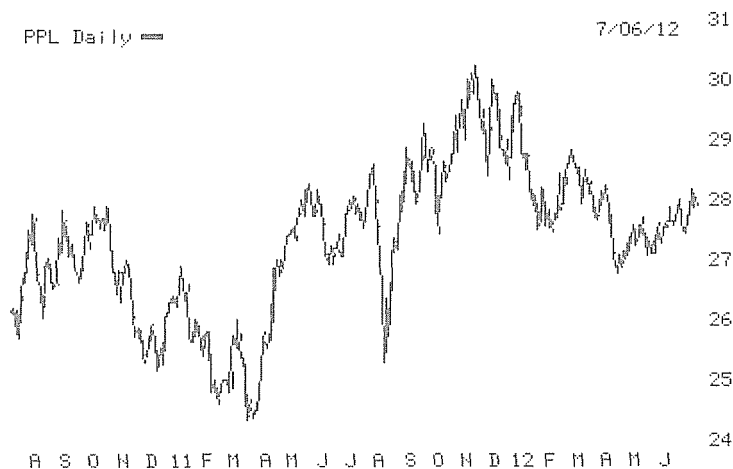
Dear Sirs,

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.

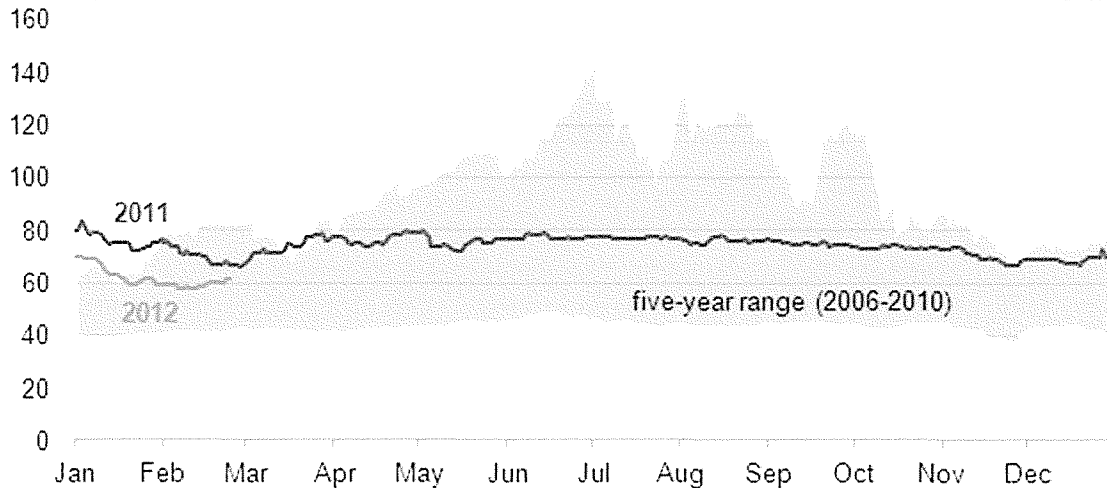
Since PPL's acquisition of LG&E and KU, PPL's net income has increased over 50%, from \$955 million in 2010 to \$1.5 billion in 2011. First quarter 2012 net income was \$541 million, an increase of 36% from last year and higher than any other quarter in 2011. PPL's stock price has risen \$2 per share,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