

Dear KU Customer:

To comply with existing and new federal environmental laws and regulations, KU must continue to invest in additional pollution control facilities. Currently, KU is seeking Kentucky Public Service Commission ("KPSC") approval to build additional pollution control facilities. Following KPSC approval, the actual costs associated with the pollution control facilities would be passed on to retail customers through the existing Environmental Surcharge billing factor. KU estimates that the initial impact would be an increase in the environmental surcharge of \$2.16 per month for a residential customer using 1,146 kilowatt hours (kWh) per month during 2016. The announcement below is included to comply with KPSC regulations regarding notice of tariff changes to customers. If approved as filed, this change in rates will be included on customer bills no sooner than August 31, 2016.

NOTICE TO CUSTOMERS OF
~~KENTUCKY UTILITIES COMPANY~~

RECOVERY BY ENVIRONMENTAL SURCHARGE OF KENTUCKY UTILITIES
COMPANY'S 2016 ENVIRONMENTAL COMPLIANCE PLAN

PLEASE TAKE NOTICE that Kentucky Utilities Company ("KU") filed with the Kentucky Public Service Commission ("Commission") on January 29, 2016 in Case No. 2016-00026, an Application pursuant to Kentucky Revised Statute 278.183 for approval of an amended compliance plan ("KU's 2016 Environmental Compliance Plan") for the purpose of recovering the capital costs associated with new pollution control facilities through an increase in the environmental surcharge on customers' bills beginning August 31, 2016 under KU's existing Electric Rate Schedule ECR, also known as the environmental cost recovery surcharge. The total capital cost of the projects in KU's 2016 Environmental Compliance Plan is estimated to be \$678 million.

Federal, state, and local environmental regulations require KU to build and upgrade equipment and facilities that produce energy from coal to operate in an environmentally sound manner. Specifically, KU is seeking Commission approval of Certificates of Public Convenience and Necessity for the construction of Phase II of the landfill at the E.W. Brown Generation Station ("Brown"), and to close coal-combustion-residual ("CCR") ponds and construct new process-water facilities at Brown, the Ghent Generating Station ("Ghent"), and the Trimble County Generating Station. Each construction project is component of KU's 2016 Environmental Compliance Plan.

KU is also seeking an order declaring that CCR pond closures at the Green River Generating Station, Pineville Generating Station, and Tyrone Generating Station are ordinary extensions of existing systems of the usual course of business.

Lastly, KU is seeking an order approving an amended compliance plan for purposes of recovering the costs of new pollution control facilities through its Environmental Surcharge tariff. These projects are required for KU to comply with the federal Clean Air Act as amended, the U.S. Environmental Protection Agency's new rule on the Disposal of CCR from Electric Utilities, the Mercury Air Toxics Standards, and other environmental requirements that apply to KU facilities used in the production of energy from coal. In addition to the projects described above, additional projects in KU's 2016 Environmental Compliance Plan include installing improvements to the Wet Flue Gas Desulfurization systems on Ghent Unit 2 and installing improvements to the mercury-related control

equipment of Ghent Units 1-4, thereby allowing additive injections to mitigate mercury emissions. The total capital cost of the new pollution control facilities for which KU is seeking recovery at this time is estimated to be \$640 million. Additional operation and maintenance expenses will be incurred for certain projects in KU's 2016 Environmental Compliance Plan and are costs that KU is requesting to recover through the environmental surcharge in its application.

The impact on KU's customers is estimated to be a 2.06% increase in 2016 with a maximum increase of 3.35% in 2019. For a KU residential customer using 1,146 kilowatt hours per month, the initial monthly increase is expected to be \$2.16 during 2016, with the maximum monthly increase expected to be \$3.52 during 2019. ^{\$25.00}

The Environmental Surcharge Application described in this Notice is proposed by KU. However, the Public Service Commission may issue an order modifying or denying KU's Environmental Surcharge Application. Such action may result in an environmental surcharge for consumers other than the environmental surcharge described in this Notice.

Comments regarding KU's 2016 Environmental Surcharge Plan and Application may be submitted to the Public Service Commission through its Web site or by mail to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602.

Any corporation, association, body politic or person may, by motion within thirty (30) days after publication, request leave to intervene in Case No. 2016-00026. That motion shall be submitted to the Public Service Commission, 211 Sower Blvd., P.O. Box 615, Frankfort, Kentucky, 40602, and shall set forth the grounds for the request including the status and interest of the party. Intervention may be granted beyond the thirty (30) day period for good cause shown, however, if the Commission does not receive a written request for intervention within thirty (30) days of initial publication, the Commission may take final action on the application. Any person who has been granted intervention may obtain copies of the Application and testimony by contacting Kentucky Utilities Company at 220 West Main Street, Louisville, Kentucky, 40202, Attention: State Regulation and Rates.

A copy of the Application and testimony is available for public inspection on KU's website (<http://www.lge-ku.com>), on the Commission's website (<http://www.psc.ky.gov>), and in paper medium Monday through Friday, 8:00 a.m. to 4:30 pm at the office of Kentucky Utilities Company, 100 Quality Street, Lexington, Kentucky, 40507, or the Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, 40601, after January 29, 2016.

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Public Service
Commission

Dear Public Service Commission,

Please DENY KU's Application to add a surcharge to our bills amounting to from ^{\$25.00} to ^{\$45.00} a year. These amounts are Huge for older couples on a Fixed Income. They definitely can absorb to cost better than most of us can. Thanks,
Concerned Retiree