



PPL companies

Jeff DeRouen, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

February 9, 2012

RECEIVED

FEB 09 2012

PUBLIC SERVICE
COMMISSION

LG&E and KU Energy LLC
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.lge-ku.com

Robert M. Conroy
Director - Rates
T 502-627-3324
F 502-627-3213
robert.conroy@lge-ku.com

RE: *The Application of Kentucky Utilities Company for Certificates of Public Convenience and Necessity and Approval of Its 2011 Compliance Plan for Recovery by Environmental Surcharge*
Case No. 2011-00161

The Application of Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Approval of Its 2011 Compliance Plan for Recovery by Environmental Surcharge
Case No. 2011-00162

Dear Mr. DeRouen:

Enclosed please find an original and fifteen (15) copies of Kentucky Utilities Company (KU) and Louisville Gas and Electric Company's (LG&E) supplemental response Question No. 4 of the Information Requested in Hearing dated November 10, 2011, in the above-referenced matters.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. M. Conroy', written over a horizontal line.

Robert M. Conroy

Enclosure

cc: Parties of Record

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.
APPROVAL OF ITS 2011 COMPLIANCE PLAN)	2011-00161
FOR RECOVERY BY ENVIRONMENTAL)	
SURCHARGE)	

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY FOR CERTIFICATES)	
OF PUBLIC CONVENIENCE AND NECESSITY)	CASE NO.
AND APPROVAL OF ITS 2011 COMPLIANCE)	2011-00162
PLAN FOR RECOVERY BY ENVIRONMENTAL)	
SURCHARGE)	

KENTUCKY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY
SUPPLEMENTAL RESPONSE TO THE
INFORMATION REQUESTED IN HEARING
DATED NOVEMBER 10, 2011

FILED: FEBRUARY 9, 2012

VERIFICATION

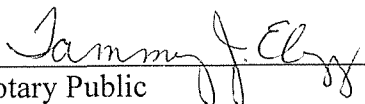
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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



Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 9th day of February 2012.

 (SEAL)

Notary Public

My Commission Expires:

November 9, 2014

**KENTUCKY UTILITIES COMPANY
LOUISVILLE GAS AND ELECTRIC COMPANY**

Case Nos. 2011-00161 and 2011-00162

**Supplemental Response to Information Requested in Hearing
Dated November 10, 2011**

Supplemental Response filed February 9, 2012

Question No. 4

Witness: Lonnie E. Bellar

Q-4. Prior to communicating the changes resulting from the Settlement to customers, provide a copy of the Companies' ECR communications plan on how the settlement and increase will be presented to customers.

A-4. **Original Response:**

Once developed, the Companies will provide a copy of its communication plans prior to presenting it to customers.

Supplemental Response:

The Companies have developed communication plans for the 2011 ECR Plan and Settlement that includes various means of communicating with customers. In order to reach all customers, bill inserts will be provided to each customer during their normal March 2012 billing cycle. Attachment 1 contains a draft of the LG&E and KU bill inserts that will be updated to reflect the actual two billing factors for the March billing cycle. An explanation of the Environmental Surcharge will be included in the section entitled "Billing Information" on customers' March 2012 bills. In addition, information concerning the ECR Plan settlement, impact to customers and specifics concerning the environmental control projects will be included on the Companies' website. Attachment 2 contains a screen shot of the website and specific language in outline form of the web content that will be available to customers. Talking points surrounding the information contained in the bill inserts and on the website related to the ECR will be provided to employees in the Residential Service Centers, Business Service Centers, and Business Offices and to Major Accounts representatives to assist with responding to customer inquiries.

Attachment 1

Q. Since natural gas is falling in price, why doesn't LG&E switch to gas as their primary fuel source?

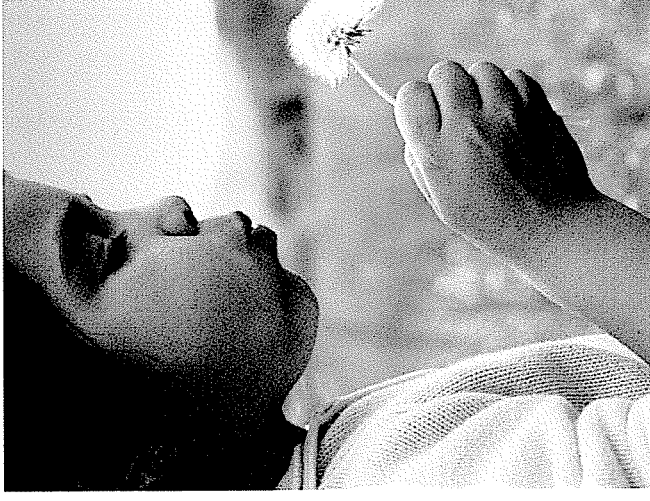
A. We have a fleet of gas peaking units, but not nearly enough to meet our customers' needs 24 hours a day, 7 days a week. The cost of coal for our existing coal units is still less expensive than today's natural gas when burned in peaking units.

We are planning to build (assuming we get the necessary approvals) a new, more efficient gas-fired electric generation facility that will help us to continue to meet our customers' energy needs.

Q. Renewable energy — from wind and solar — has no fuel cost and no emissions. Why can't LG&E use wind power on windy days and solar power on sunny days and use coal only as needed?

We continuously evaluate new technologies to find the lowest cost means to provide electricity to our customers. To date, solar and wind technologies are more expensive than other means of generating power. The total cost to customers of wind and solar resources is greater than the cost of operating and maintaining our existing plants, and for new plants, wind and solar are currently more expensive than the projected cost of natural gas plants.

We have to serve our customers' needs at all hours of the day and night. Kentucky does not have consistently adequate wind or sun to allow these resources to operate even a high percentage of the time. Wind and solar are intermittent by nature and, therefore, need backup resources which further add to their total cost.



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cleaner electricity
for the future*

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Visit www.lge-ku.com/ecr
for more information about this
issue, as well as details about LG&E's
environmental investments.

LG&E[®]
a PPL company

As we told you last June,

new federal environmental regulations are requiring significant changes to our power plants. We filed a proposal with the Kentucky Public Service Commission (KPSC) outlining our plan to comply with the new laws.

In December 2011, the KPSC approved a settlement agreement where LG&E will invest \$1.4 billion in cleaner electric generation. This plan includes upgrades to our Mill Creek plant in Louisville and our Trimble County plant in Bedford.

As a result of the investments currently under way, the "Environmental Surcharge" line item on your electric bill will increase over time as construction progresses on the environmental projects.

The Environmental Surcharge line item represents a small portion of your total bill each month, but the investments it represents play a large part in helping us comply with state and federally mandated regulations that protect and preserve the environmental resources we all share.

If you would like more information about the Environmental Surcharge or the company's environmental stewardship initiatives, visit our website at www.lge-ku.com/ECR.

Frequently Asked Questions

- Q.** What impact will the increase in the environmental surcharge have on my overall bill?
- A.** The increase in the Environmental Surcharge will impact each customer differently. Much depends on your individual usage and rate type. The percentage used in the calculation (referred to as a "billing factor") you will see on your bill each month will continue to adjust each month as project construction progresses.
- To help you plan for what to expect this year, we have listed below the average increase to customers' 2012 electric bills. You can find your specific rate type(s) on your bill.

Customers' 2012 electric bills	
Rate Type	Avg. % Increase
Residential (RS)	2.17%
Volunteer Fire Department (VFD)	2.17%
Lighting	2.17%
General Service (GS)	2.57%
Power Service (PS)	2.35%
Time-Of-Day (TOD)	2.08%
Retail Transmission Service (RTS)	1.95%
Special Contracts	1.91%

Q. How will the Environmental Surcharge be calculated?

A. Beginning this month, there will be two different methods for calculating the Environmental Surcharge each month. For the rate types that are not shaded in the chart on the left, the surcharge calculation remains the same. For rate types that are shaded in the chart on the left, the calculation has changed, effective this month, to be based on non-fuel charges. For those rate types, the fuel cost will be excluded from the Energy Charge and the Fuel Adjustment before multiplying a new Environmental Surcharge Billing Factor against all of the Electric Charges.

Q. Why does LG&E wait for federal legislation to prompt the investment in environmental controls instead of doing it on their own?

A. LG&E is required by the KPSC to provide electricity in a least-cost manner while at the same time complying with environmental laws and regulations. This means we make investments that are required in order to comply with all of the environmental laws and regulations as they become effective, and we do it in such a way as to ensure the least cost for our customers. The upgrades we are making to our electric generation plants will ensure we meet the new federal environmental regulations.

Unlike most businesses, LG&E has an obligation to provide electric service to any home or business in our service territory. In exchange for this obligation to serve, our customers reimburse us for the costs to provide that service. Regulators in Kentucky, Virginia, Tennessee and the federal government work to ensure we provide service in a least-cost way. Therefore, we would not be allowed to recover any unnecessary costs associated with running our business.

ELECTRIC CHARGES

Rate Type: Residential Electric Service

Basic Service Charge	8.50
Energy Charge (\$0.07225 x 1200.00 kwh)	86.70
Electric DSM (\$0.00238 x 1200.00 kwh)	2.86
Electric Fuel Adjustment (\$0.00313 x 1200 kwh)	3.76
Environmental Surcharge (2.170% x \$101.82)	2.21
Home Energy Assistance Fund Charge	0.16

Rate Type: General Service Single Phase

Basic Service Charge	17.50
Energy Charge (\$0.08208 x 900.00 kwh)	73.87
Electric DSM (\$0.00208 x 900.00 kwh)	1.87
Environmental Surcharge (3.440% x (\$93.24 - \$19.94))	2.52
Electric Fuel Adjustment (\$0.00313 x 900 kwh)	2.82

Total Electric Charges

\$202.77

Q. Since natural gas is falling in price, why doesn't KU switch to gas as their primary fuel source?

A. We have a fleet of gas peaking units, but not nearly enough to meet our customers' needs 24 hours a day, 7 days a week. The cost of coal for our existing coal units is still less expensive than today's natural gas when burned in peaking units.

We are planning to build (assuming we get the necessary approvals) a new, more efficient gas-fired electric generation facility that will help us to continue to meet our customers' energy needs.

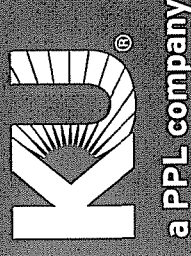
Q. Renewable energy — from wind and solar — has no fuel cost and no emissions. Why can't KU use wind power on windy days and solar power on sunny days and use coal only as needed?

We continuously evaluate new technologies to find the lowest cost means to provide electricity to our customers. To date, solar and wind technologies are more expensive than other means of generating power. The total cost to customers of wind and solar resources is greater than the cost of operating and maintaining our existing plants, and for new plants, wind and solar are currently more expensive than the projected cost of natural gas plants.

We have to serve our customers' needs at all hours of the day and night. Kentucky does not have consistently adequate wind or sun to allow these resources to operate even a high percentage of the time. Wind and solar are intermittent by nature and, therefore, need backup resources which further add to their total cost.



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for the future*



Visit www.lge-ku.com/ecr
for more information about this
issue, as well as details about KU's
environmental investments.



a PPL company

As we told you last June,

new federal environmental regulations are requiring significant changes to our power plants. We filed a proposal with the Kentucky Public Service Commission (KPSC) outlining our plan to comply with the new laws.

In December 2011, the KPSC approved a settlement agreement where KU will invest \$896 million in cleaner electric generation.

This plan includes upgrades to our Ghent plant near Carrollton and our E.W. Brown plant near Harrodsburg.

As a result of the investments currently under way, the "Environmental Surcharge" line item on your electric bill will increase over time as construction progresses on the environmental projects.

The Environmental Surcharge line item represents a small portion of your total bill each month, but the investments it represents play a large part in helping us comply with state and federally mandated regulations that protect and preserve the environmental resources we all share.

If you would like more information about the Environmental Surcharge or the company's environmental stewardship initiatives, visit our website at www.ige-ku.com/ECR.

Frequently Asked Questions

Q. What impact will the increase in the environmental surcharge have on my overall bill?

A. The increase in the Environmental Surcharge will impact each customer differently. Much depends on your individual usage and rate type. The percentage used in the calculation (referred to as a "billing factor") you will see on your bill each month will continue to adjust each month as project construction progresses.

To help you plan for what to expect this year, we have listed below the average increase to customers' 2012 electric bills. You can find your specific rate type(s) on your bill.

Customers' 2012 electric bills	
Rate Type	Avg. % Incr.
Residential (RS)	1.73%
Volunteer Fire Department (VFD)	1.73%
Lighting	1.73%
All Electric Schools (AES)	1.73%
General Service (GS)	2.25%
Power Service (PS)	1.92%
Time-Of-Day (TOD)	1.66%
Retail Transmission Service (RTS)	1.56%
Fluctuating Load Service (FLS)	1.36%

Q. How will the Environmental Surcharge be calculated?

A. Beginning this month, there will be two different methods for calculating the Environmental Surcharge each month. For the rate types that are not shaded in the chart on the left, the surcharge calculation remains the same. For rate types that are shaded in the chart on the left, the calculation has changed, effective this month, to be based on non-fuel charges. For those rate types, the fuel cost will be excluded from the Energy Charge and the Fuel Adjustment before multiplying a new Environmental Surcharge Billing Factor against all of the Electric Charges.

Q. Why does KU wait for federal legislation to prompt the investment in environmental controls instead of doing it on their own?

A. KU is required by the KPSC to provide electricity in a least-cost manner while at the same time complying with environmental laws and regulations. This means we make investments that are required in order to comply with all of the environmental laws and regulations as they become effective, and we do it in such a way as to ensure the least cost for our customers. The upgrades we are making to our electric generation plants will ensure we meet the new federal environmental regulations.

Unlike most businesses, KU has an obligation to provide electric service to any home or business in our service territory. In exchange for this obligation to serve, our customers reimburse us for the costs to provide that service. Regulators in Kentucky, Virginia, Tennessee and the federal government work to ensure we provide service in a least-cost way. Therefore, we would not be allowed to recover any unnecessary costs associated with running our business.

ELECTRIC CHARGES

Rate Type: Residential Service - All Electric

Basic Service Charge 8.50
 Energy Charge (\$0.06719 x 3000.00 kwh) 201.57
 Electric DSM (\$0.00189 x 3000.00 kwh) 5.67
 Fuel Adjustment (\$0.00035- x 3000 kwh) -1.05
 Environmental Surcharge (1.730% x \$214.69) 3.71
 Home Energy Assistance Fund Charge 0.16

Rate Type: General Services

Basic Service Charge 17.50
 Energy Charge (\$0.0771 x 200.00 kwh) 15.42
 Electric DSM (\$0.00160 x 200.00 kwh) 0.32
 Environmental Surcharge (3.140% x (\$33.24 - \$5.34)) 0.88
 Fuel Adjustment (\$0.00035- x 200 kwh) -0.07

Total Electric Charges

\$252.61

Attachment 2

- [Company Profile](#)
- [Management Team](#)
- [Chairman's Message](#)
- [Investor Information](#)
- [Mailing Addresses](#)
- [Corp. Responsibility](#)
- [Environment](#)
- [Diversity](#)
- [Service Territory](#)
- [History](#)
- [Regulatory](#)
 - [Facil. Conn. Procedures](#)
 - [Standards of Conduct](#)
 - [LEM Transactions](#)
 - [LG&E Electric Rates](#)
 - [LG&E Gas Rates](#)
 - [KU Electric Rates](#)
 - [ODP - Virginia Filing](#)
 - [LG&E and KU ECR Filing](#)
- [Community](#)

Investing in Cleaner Electricity for the Future



More information

- [Environmental Stewardship](#)
- [Energy Efficiency](#)
- [Regulatory](#)
- [Contact Us](#)

As was announced in December 2011, new environmental regulations are requiring significant changes to our power plants. Last year, we filed a proposal with the [Kentucky Public Service Commission \(KPSC\)](#) outlining our plan to comply with the new laws. In December, the KPSC approved a unanimous settlement agreement in the environmental cost recovery case for LG&E and KU.

LG&E's Environmental Investment

KU's Environmental Investment

Impact on LG&E Customers' 2012 Electric Bills

Impact on KU Customers' 2012 Electric Bills

Commonly Asked Questions

What impact will the increase in the Environmental Surcharge have on my overall bill?

How is the Environmental Surcharge billing factor determined for each customer?

Why are customers on different rate types being impacted differently?

Why do I see both the RS Rate Type and a GS Rate Type on my bill?

What are LG&E and KU doing to assist customers who are experiencing difficulty paying their bills?

Since natural gas is falling in price, why don't LG&E and KU switch to gas as their primary fuel source?

Renewable energy -- from wind and solar -- has no fuel cost and no emissions. Why can't LG&E and KU use wind power on windy days and solar power on sunny days and use coal only as needed?

Can't LG&E and KU build zero emissions generating plants?

Are coal-fired power plants the primary source of most of the mercury found in the environment?

What if we all do our part to be more energy efficient? Won't that eliminate the problem?

What if I want to install solar panels -- or some other generation source -- at my home. Can I do that?

How do LG&E's and KU's rates compare to those in the region and in the U.S.?

ECR Microsite

www.lge-ku.com/ecr

Main Page Copy

Investing in Cleaner Electricity for the Future <INSERT PHOTO FROM FRONT OF BROCHURE – SEE JEFF>

As was announced in December 2011, new environmental regulations are requiring significant changes to our power plants. Last year, we filed a proposal with the Kentucky Public Service Commission (KPSC) outlining our plan to comply with the new laws. In December, the KPSC approved a unanimous settlement agreement in the environmental cost recovery case for LG&E and KU.

LG&E's Environmental Investment (Expand/Collapse)

LG&E will invest \$1.4 billion in environmental upgrades to meet the new, stricter U.S. Environmental Protection Agency (EPA) regulations.

LG&E will modernize the flue gas desulfurization systems, better known as scrubbers, at its Mill Creek plant in Louisville, Ky. In addition, LG&E will install fabric-filter baghouse systems for increased particulate and mercury control on all units at Mill Creek and for Unit 1 at its Trimble County plant in Bedford.

The impact on LG&E residential customers is estimated to be an increase of 2.12 percent in 2012, growing to an increase of 18.34 percent in 2016. For an LG&E residential electric customer using 1,000 kilowatt hours (kWh) of electricity per month, this increase equals an estimated initial impact of \$1.80 per month on the electric portion of your bill in 2012, with an estimated impact of \$15.60 per month by 2016.

KU's Environmental Investment (Expand/Collapse)

KU will invest \$896 million in environmental upgrades to meet the new, stricter U.S. Environmental Protection Agency (EPA) regulations.

KU will install fabric-filter baghouse systems for increased particulate and mercury control on all units at its Ghent plant near Carrollton and on Unit 3 at its E.W. Brown plant near Harrodsburg. Brown will also be converting its current coal ash pond to a dry storage landfill.

While E.W. Brown Units 1 and 2 will continue to operate as always, the installation of additional emission controls will be deferred until KU gets a clearer picture of pending federal environmental regulations.

The impact on KU residential customers is estimated to be an increase of .89 percent in 2012, growing to an increase of 9.65 percent in 2016. For a KU residential customer using 1,000 kilowatt hours (kWh) of electricity per month, this increase equals an estimated initial impact of 69 cents per month on the electric portion of your bill in 2012, with an estimated impact of \$7.47 per month by 2016.

Impact on LG&E Customers’ 2012 Electric Bills (Expand/Collapse)

Beginning in March 2012, the way the Environmental Surcharge – also referred to as Environmental Cost Recovery – is calculated will change for some customers. As a result of the settlement in the regulatory proceeding, there are now two methods for calculating the Environmental Surcharge.

The method for calculating the Environmental Surcharge for the majority of customers (Group 1 in the chart below) remains unchanged and is based on what we refer to as “Total Revenues.” On your bill, Total Revenues include the Basic Service Charge, the Energy Charge, the Electric Demand-Side Management (DSM) charge and the Fuel Adjustment. Group 1 includes customers who are served under the Residential Service (RS), Volunteer Fire Department (VFD) and Lighting rate types.

The method for calculating the Environmental Surcharge for customers in Group 2 in the chart below will be based on non-fuel revenues, which we refer to as “Net Revenue.” On your bill, Net Revenue includes the Basic Service Charge, the Energy Charge less the fuel cost component, the Demand Charge (if there is one) and Electric Demand-Side Management (DSM) if the rate type is charged the DSM. Group 2 includes customers who are served under the General Service (GS), Power Service (PS), Time-of-Day (TOD), Retail Transmission Service (RTS) and Special Contracts rate types.

While the Environmental Surcharge billing factor for customers in Group 2 will appear to be higher, it is only applied to the non-fuel costs of the Electric Charges on the bill.

The chart below can help you plan for what to expect this year. We have listed the average increase to customers’ 2012 electric bills based on the various rate types. You can find your specific rate type(s) on your bill.

Summary Impact of All ECR Plans for 2012

	LG&E
	2012
Group 1	
Billing Factor (Total Revenue)	2.17%
% increase in bill Rate RS, VFD, Lighting	2.17%
Group 2	
Billing Factor (Net Revenue)*	3.44%
% increase in bill	
Rate GS	2.57%
Rate PS	2.35%
Rate TOD	2.08%
Rate RTS	1.95%

Special Contracts	1.91%
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*Actual customer impact is dependent on an individual customer's load factor and usage.

Impact on KU Customers' 2012 Electric Bills (Expand/Collapse)

Beginning in March 2012, some customers will begin to see a new Environmental Surcharge billing factor – also referred to as Environmental Cost Recovery – on their bills. As a result of the settlement, there are now two methods for calculating the Environmental Surcharge.

The method for calculating the Environmental Surcharge for the majority of our residential customers (Group 1 in the chart below) remains unchanged and is based on Total Revenues. On your bill, Total Revenues include the Basic Service Charge, the Energy Charge, the Electric Demand-Side Management (DSM) charge and the Fuel Adjustment. Group 1 includes customers who are served under the Residential Service (RS), Volunteer Fire Department (VFD), Lighting and All Electric Schools (AES) rate types.

The method for calculating the Environmental Surcharge for customers in Group 2 in the chart below will be based on non-fuel revenues, which we refer to as "Net Revenue." On your bill, Net Revenue includes the Basic Service Charge, the Energy Charge less the fuel cost component, the Demand Charge (if there is one) and Electric Demand-Side Management (DSM) if the rate type is charged the DSM. Group 2 includes customers who are served under the General Service (GS), Power Service (PS), Time-of-Day (TOD), Retail Transmission Service (RTS) and Fluctuating Load Service (FLS) rate types.

While the Environmental Surcharge billing factor for customers in Group 2 will appear to be higher, it is only applied to the customer's non-fuel cost on the bill.

The chart below can help you plan for what to expect this year. We have listed the average increase to customers' 2012 electric bills based on the various rate types. You can find your specific rate type(s) on your bill.

Summary Impact of All ECR Plans for 2012

	KU 2012
Group 1	
Billing Factor (Total Revenue)	1.73%
% increase in bill	
Rate RS, VFD, AES, Lighting	1.73%
Group 2	
Billing Factor (Net Revenue)*	3.14%
% increase in bill	
Rate GS	2.25%
Rate PS	1.92%
Rate TOD	1.66%
Rate RTS	1.56%

Rate FLS	1.36%
----------	-------

*Actual customer impact is dependent on an individual customer's load factor and usage.

Commonly Asked Questions (Expand/Collapse)

Q. What impact will the increase in the Environmental Surcharge have on my overall bill?

A. The increase in the Environmental Surcharge will impact each customer differently. Much depends on your individual usage (and for some rate types, your electric demand) and the rate type for your account. The percentage used in the calculation (referred to as a "billing factor") that determines the amount you see on your bill each month will continue to adjust as project construction progresses.

Q. How do LG&E and KU determine the Environmental Surcharge billing factor for each customer?

A. There are two Environmental Surcharge billing factors based on various Rate Types. You can find your Rate Type on your bill.

Group 1

Customers in Group 1 have an Environmental Surcharge ("billing factor") that is based on what we refer to as a total revenue calculation and is applied to total revenues.

Group 1 includes customers on the Residential Service (RS) Rate Type, the All Electric Schools (AES) Rate Type for KU customers, customers on the Volunteer Fire Department (VFD) Rate Type and customers with special outdoor lights that are served under our Lighting Rate Type.

Group 2

Group 2 includes customers who are served by our General Service (GS) Rate Type, the Power Service (PS) Rate Type, the Time-Of-Day (TOD) Rate Type, and the Retail Transmission Service (RTS), Special Contracts and Fluctuating Load Service (FLS) rate types.

The Group 2 billing factor is based on what we refer to as a non-fuel revenue calculation and is applied to non-fuel revenues.

The chart below shows the average percentage impact on customers' bills for 2012 based on the customer's Rate Type:

Summary Impact of All ECR Plans for 2012

	LG&E	KU
	2012	2012
Group 1		
ECR Billing Factor (Total Revenue)	2.17%	1.73%

% increase in bill Rate RS, VFD, AES, Lighting	2.17%	1.73%
Group 2		
ECR Billing Factor (Net Revenue)*	3.44%	3.14%
% increase in bill		
Rate GS	2.57%	2.25%
Rate PS	2.35%	1.92%
Rate TOD	2.08%	1.66%
Rate RTS	1.95%	1.56%
Rate FLS	N/A	1.36%
Special Contracts	1.91%	N/A

*Actual customer impact is dependent on an individual customer's load factor and usage.

PROPOSED: Take a look at the example for your particular rate type to see how the Environmental Surcharge affects you.

Q. Why are customers on different rate types being impacted differently?

A. In addition to usage and demand differences among customers, the settlement agreement includes a different way of calculating the Environmental Surcharge based on Rate Type.

LG&E and KU Customers Served Under the RS, VFD, AES and Lighting Rate Types

The Environmental Surcharge billing factor for the vast majority of our residential customers and other customers – those classified in Group 1 in the chart above – is unchanged. It continues to be based on what we refer to as a total revenue calculation and is applied to total revenues.

LG&E and KU Customers Served Under the GS, PS, TOD, RTS, FLS and Special Contracts Rate Types

Customers with rate types listed in Group 2 on the chart above now have a billing factor that is based on what we refer to as a non-fuel revenue calculation and is applied to non-fuel revenues.

Q. Why do I see both the RS Rate Type and a GS Rate Type on my bill?

A. Residential Customers:

If you are a residential customer with a second meter that serves an outdoor building, you would see both Environmental Surcharge billing factors on your bill each month.

The service for your home would be provided under the Residential Service (RS) Rate Type and the Group 1 billing factors would be used to calculate your Environmental Surcharge. The service to your separately metered outdoor building is served under the General Service (GS) Rate Type and the Group 2 billing factors would be used to calculate your Environmental Surcharge for that portion of your bill.

Business Customers:

If you are a business customer (served under one of our business Rate Types) and you have an outdoor light, you would have the Group 2 billing factor calculated for your business service and the Group 1 billing factor applied to your outdoor light service.

Q. What are LG&E and KU doing to assist customers who are experiencing difficulty paying their bills?

A. As part of the settlement agreement, LG&E and KU provided an additional \$500,000 in shareholder funds to the LG&E and KU Home Energy Assistance programs - \$250,000 in December 2011 and the remaining \$250,000 in January 2012. In addition, beginning January 2012, the Home Energy Assistance fund's per meter charge increased from 15 to 16 cents. These additional HEA funds will assist customers in need.

Q. Since natural gas is falling in price, why don't LG&E and KU switch to gas as their primary fuel source?

A. LG&E and KU have a fleet of natural gas peaking units, but not nearly enough to meet our customers' needs 24 hours a day, 7 days a week. The cost of coal for our existing coal units is still less expensive than today's natural gas when burned in peaking units.

We are planning to build (assuming we receive the necessary approvals) a new, more efficient natural gas-fired electric generation facility that will help us continue to meet our customers' energy needs.

Q. Renewable energy – from wind and solar – has no fuel cost and no emissions. Why can't LG&E and KU use wind power on windy days and solar power on sunny days and use coal only as needed?

A. We continuously evaluate new technologies to find the lowest cost means to provide electricity to our customers. To date, solar and wind technologies are more expensive than other means of generating power. The total cost to customers of wind and solar resources is greater than the cost of operating and maintaining our existing plants, and for new plants, wind and solar are currently more expensive than the projected cost of natural gas plants.

We have to serve our customers' needs at all hours of the day and night. Kentucky simply does not have consistently adequate wind or sun to allow these resources to operate even a high percentage of the time. Wind and solar are intermittent by nature and, therefore, need backup resources which further add to their total cost.

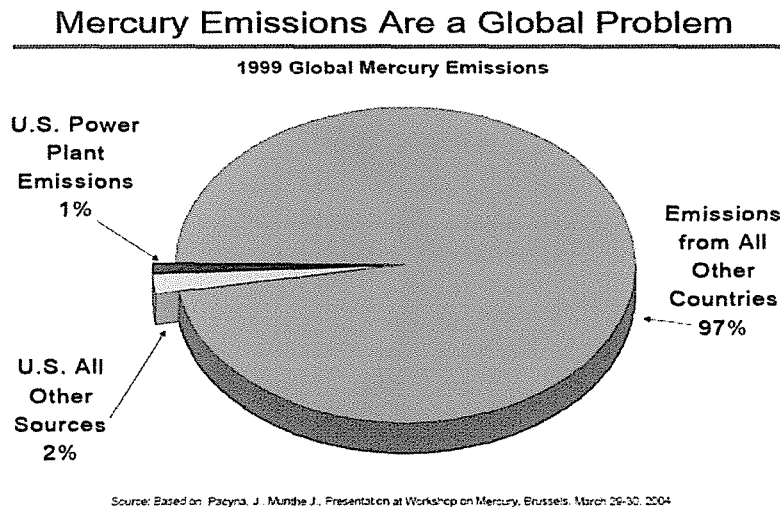
Q. Can't LG&E and KU build zero emissions generating plants?

A. While zero emissions plants are an ideal, there currently are no economically viable technologies available for commercial operations.

Q. Are coal-fired power plants the primary source of most of the mercury found in the environment?

A. No. Anthropogenic sources (volcanic eruptions, emissions from the oceans, forest fires, other natural sources) are the largest emitters accounting for about a half of the global mercury emissions. Man-

made sources make up the other half. The Electric Power Research Institute (EPRI) reports that 50% of global man-made emissions come from Asia; coal-fired power plants are a large portion of that. About 5% of the man-made global mercury emissions come from the U.S. About 2% of the global man-made emissions come from U.S. coal-fired power plant emissions. The chart below offers a visual depiction of the mercury issue.



Q. What if we all do our part to be more energy efficient? Won't that eliminate the problem?

A. Energy efficiency programs are designed to reduce the level of peak energy demand or reduce the amount of energy consumed. A primary benefit of reducing the peak demand is to possibly delay the need for additional power plants.

However, we have an obligation to serve customers and, therefore, must plan our system to meet our customers' energy needs.

While energy efficiency efforts likely won't eliminate the need for new generation capacity entirely, they can offset the need for new generation somewhat.

LG&E and KU offer a wide variety of energy efficiency programs. Learn more and sign up for the programs that interest you.

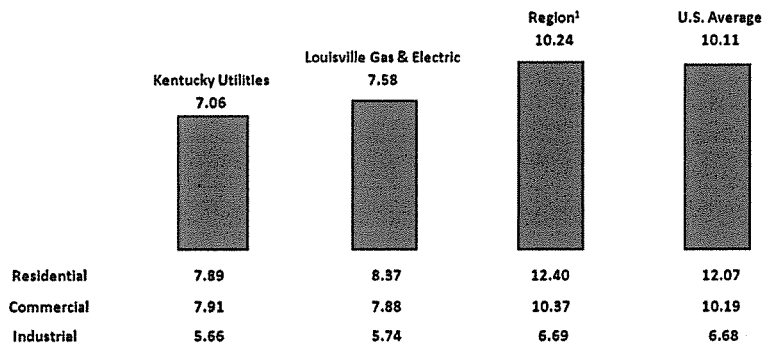
Q. What if I want to install solar panels – or some other generation source – at my home. Can I do that?

A. Certainly. LG&E and KU offer a Net Metering option for customers who want to generate renewable energy to power their homes or businesses.

Q. How do LG&E's and KU's rates compare to those in the region and in the U.S.?

A. LG&E and KU have rates that are well below the regional and national averages.

Retail Electric Rates: Currently and Historically Competitive



Source: Edison Electric Institute, Typical Bills and Average Rates Report, Summer 2011 (covers July 2010 through June 2011).

The EEI reports surveys approximately 90 electric utilities in the U.S.

¹Region includes the following states: DE, IL, IN, KY, MD, MI, NJ, OH, PA, WV, & WI.
Equivalent to the Reliability First Corporation (old NERCEAR/MAIN/MAAC) area.

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Energy Efficiency (Link to EE section of the site)

Regulatory (Link to Regulatory section of the site)

Contact Us (Hyperlink to Customer Service contact us email address)