



a PPL company

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Dear LG&E Customer:

To comply with existing and new federal environmental laws and regulations, LG&E must continue to invest in additional pollution control facilities. Currently, LG&E 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 electric customers through the existing Environmental Surcharge billing factor. LG&E estimates that the initial impact would be an increase in the environmental surcharge of \$1.96 per month for a residential electric customer using 1,000 kilowatt hours (kWh) per month. 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 January 31, 2012.

**NOTICE TO CUSTOMERS OF
LOUISVILLE GAS AND ELECTRIC COMPANY**

**RECOVERY BY ENVIRONMENTAL SURCHARGE OF LOUISVILLE GAS AND
ELECTRIC'S 2011 ENVIRONMENTAL COMPLIANCE PLAN**

PLEASE TAKE NOTICE that on June 1, 2011, Louisville Gas and Electric Company ("LG&E") will file with the Kentucky Public Service Commission ("Commission") in Case No. 2011-00162, an Application pursuant to Kentucky Revised Statute 278.183 for approval of an amended compliance plan ("LG&E's 2011 Environmental Compliance Plan") for the purpose of recovering the capital costs and operation and maintenance costs associated with new pollution control facilities through an increase in the environmental surcharge on customers' bills beginning January 31, 2012 under LG&E's Electric Rate Schedule ECR, also known as the environmental cost recovery surcharge.

Federal, state, and local environmental regulations require LG&E to build and upgrade equipment and facilities to operate in an environmentally sound manner. Specifically, LG&E is seeking Commission approval of Certificates of Public Convenience and Necessity ("CPCN") to build new Flue Gas Desulfurization systems ("FGDs") for Units 1, 2, and 4 at the Mill Creek Generating Station in Jefferson County, Kentucky; to remove the existing Mill Creek Units 1, 2, and 3 FGDs; to upgrade the existing Mill Creek Unit 4 FGD and tie Unit 3 into the existing Unit 4 FGD; and to install

Particulate Matter Control Systems to serve all units at the Mill Creek Generating Station and Unit 1 at the Trimble County Generating Station near Wisers Landing in Trimble County, Kentucky. Additionally, LG&E is seeking recovery of costs associated with these environmental projects, which are necessary for compliance with the federal Clean Air Act, and other current or proposed environmental laws and regulations, as implemented by the relevant government agencies. These additional projects primarily relate to installing FGDs and Particulate Matter Control Systems on all units at the Mill Creek Generating Station, and installing a Particulate Matter Control System on Unit 1 at the Trimble County Generating Station and other pollution control facilities. The capital cost of the new pollution control facilities for which LG&E will seek cost recovery at this time is estimated to be \$1.4 billion. Additional operation and maintenance expenses will be incurred for these projects and are costs that LG&E is requesting to recover through the environmental surcharge in its application.

The impact on LG&E's electric customers is estimated to be a 2.3% increase in 2012 with a maximum increase of 19.2% in 2016. For a LG&E residential electric customer using 1,000 kilowatt hours per month, the initial monthly increase is expected to be \$1.96 during 2012, with the maximum monthly increase expected to be \$16.33 during 2016.

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

Any corporation, association, body politic or person may, by motion within thirty (30) days after publication, request leave to intervene in Case No. 2011-00162. 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. Intervenors may obtain copies of the Application and testimony by contacting Louisville Gas and Electric Company at 220 West Main Street, Louisville, Kentucky, 40202, Attention: Lonnie E. Bellar, Vice President, State Regulation and Rates. A copy of the Application and testimony will be available for public inspection on LG&E's website (<http://www.lge-ku.com>) and at LG&E's offices where bills are paid after June 1, 2011.