

Rate adjustment for LG&E electric customers

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LG&E is requesting an increase of \$30 million in revenue, 2.7 percent, for its electric business. For a residential customer using an average of 984 kWh per month the increase is expected to be \$2.74 per month if approved. This is an increase of 9 cents per day.

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- ▶ **Replacing retired coal capacity as a result of stricter federal EPA mandates**
- ▶ **Continuing to provide safe and reliable service**
- ▶ **Making it easier for customers to do business with us**

Louisville Gas and Electric Company and Kentucky Utilities Company today announced plans to submit requests for base rate adjustments with the Kentucky Public Service Commission on Nov. 26. The rate increases are the result of LG&E and KU's proactive efforts to secure generation supply well into the future and to ensure continued reliability across the service territories.

In the KPSC filing, LG&E anticipates submitting a request to increase electric revenues by 2.7 percent, and natural gas revenues by 4.2 percent. KU's request will be for an increase of 9.6 percent through an adjustment to base rates. In spite of these base rate adjustments, LG&E and KU will continue to have some of the lowest energy costs in the nation.

Securing generation supply

After the U.S. Environmental Protection Agency issued stricter

environmental mandates on coal-fired generation, the company announced plans in 2011 to retire 13 percent — 800 megawatts — of older coal-fired generation (at the Cane Run, Green River and Tyrone plants). To help replace this lost generation and provide energy with fewer emissions, LG&E and KU concluded after careful evaluation that a 640-megawatt natural gas combined-cycle generating unit at an existing facility offered the least-cost solution. The unit, currently under construction at Cane Run Station, will be Kentucky's first NGCC and will deliver power to LG&E and KU customers across the utilities' service territories. KU will own 78 percent and LG&E will own 22 percent of the \$563 million unit, scheduled to be commercially operational in May.

Additionally, the company is increasing its clean generation capacity at the [Ohio Falls hydroelectric plant](#) on the Ohio River. Once rehabilitation work is complete on the eight units of this 1920s-era hydro plant, its electric generation will increase 27 percent, from 80 to 102 megawatts. LG&E and KU have also asked for KPSC approval to build a 10-megawatt solar facility at E.W. Brown. That decision is pending, but if approved would be included in this case.

Ensuring reliability

Ensuring all customers — residential, commercial and industrial — continue to have reliable service is a priority for the company. In recent years, LG&E and KU have invested millions of dollars in various infrastructure improvements to maintain high levels of reliability across the LG&E and KU service territories.

- While storms and their severity impact reliability, **overall electric reliability** across the service territories has improved since 2009. Outages are occurring less often and, when they do occur, customers are without power for less time. This improvement is due, in large part, to circuit hardening and a proactive hazardous tree removal program.
- On the **high-voltage transmission system**, the company has

undertaken several major initiatives that will continue to enhance the safety and reliability of its system as well as the entire region. Those investments include significant right of way clearing and transmission line and substation projects across the state.

- LG&E's **natural gas system improvements** continue to enhance the safety, reliability and capacity of the system. New compressor units have been added at the Magnolia Compressor Station and Center Gas Storage Field to give LG&E the ability to move additional natural gas to its customers. Enhancements for continued system reliability are taking place throughout the natural gas transmission system and at the city gates where LG&E receives natural gas from its natural gas transmission company partners.
- LG&E and KU are using **technological enhancements** to improve response times when crews are working in the field and restoring customers' power. Today, most field employees receive work orders directly from an outage management system through specialized laptops installed in their trucks.

Practicing financial prudence, enhancing economic development, creating jobs

In all aspects of the business, LG&E and KU use a careful financial approach to diligently maintain high-quality and efficient service and to hold costs down. And these efforts are recognized industrywide. Based on information filed by utilities annually with the Federal Energy Regulatory Commission, LG&E and KU's costs are well below industry averages in all five cost segments — generation, transmission, administrative and general, retail and distribution.

Additionally, LG&E and KU's low rates have been a significant factor in Kentucky's ability to attract and expand businesses with good paying jobs. Site Selection, an international economic development magazine, recently ranked the utilities in the nation's top 10 for their job creation efforts. LG&E and KU's Economic Development team was honored for helping Kentucky create more than 80 percent of the state's 12,500 new jobs in 2013. In fact, since 2000, LG&E and KU have helped create nearly 110,000 new jobs in

Kentucky, including approximately 3,200 construction jobs as part of the utilities' ongoing \$6 billion investment in environmental upgrades.

Rate impacts

LG&E and KU have some of the lowest energy costs in the nation. Even with the requested rate increases, the utilities' residential rates will continue to fall well below the national average.

LG&E

- The current national residential average cost per kilowatt-hour is 12.43 cents, while LG&E's residential average cost per kWh is 9.75 cents. If approved, that cost per kWh would be 10.50 cents, still below the national average.
- Overall, LG&E is requesting an increase of \$30 million in revenue, 2.7 percent, for its electric business, and an increase of \$14 million in revenue, 4.2 percent, for its natural gas business.
- For a residential electric customer using an average of 984 kWh per month, the increase is expected to be \$2.74 per month. This is an increase of 9 cents per day.
- For a residential natural gas customer using an average 57 Ccf per month, the increase is expected to be \$2.60 per month or 9 cents per day.

KU

- The national residential average cost per kilowatt-hour is 12.43 cents, while KU's cost per kWh is 8.99 cents. If approved, that cost per kWh would be 10.50 cents, still below the national average.
- Kentucky Utilities is requesting a \$153 million revenue increase, 9.6 percent.
- For a residential electric customer using an average of 1,200 kWh per month, the increase is expected to be approximately \$11 per month. This increase is 37 cents per day.

"Our customers have trusted us for more than 100 years to keep their

lights on and they expect us to be there when they need us. The investments we're seeking to recover in this rate case represent our commitment to prudently plan for Kentucky's energy future while continuing to keep rates among the lowest in the nation," said **Vic Staffieri**, chairman, CEO and president in today's announcement. "We understand the financial impact these increases have on our customers, and we've worked hard to minimize the consequences of federal environmental mandates. We continue to demonstrate fiscal restraint to ensure our customers continue to receive some of the lowest cost, most reliable energy in the country."

If approved by the KPSC, the rate adjustments will take effect in July 2015.

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