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## NEWS RELEASE

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### **PSC Accepts Settlement in LG&E, KU Rate Cases** ***Electric rates will change little; LG&E natural gas rate to rise***

FRANKFORT, Ky. (Feb. 5, 2009) – The Kentucky Public Service Commission (PSC) has accepted a settlement that raises natural gas base rates for customers of Louisville Gas and Electric Co. (LG&E), while leaving electric rates for LG&E and Kentucky Utilities Co. (KU) customers essentially the same.

Under the settlement, the typical LG&E residential gas customer – one using 10,000 cubic feet per month – will see their monthly bill increase by about \$7. That figure does not include the cost of the natural gas itself, which is calculated separately and is not affected by the settlement.

LG&E and KU, both subsidiaries of E.ON-US, negotiated the settlement with the Office of Attorney General, the Kentucky Industrial Utility Customers, Inc. (KIUC), and several other parties, including advocates for low-income consumers.

LG&E and KU filed for rate increases in July. KU, which provides only electric service, sought a base revenue increase of \$22.2 million. LG&E asked to increase electric base revenue by \$15.1 million and natural gas base revenue by \$29.8 million.

During the course of the PSC's examination of the application, the utility, the Attorney General, KIUC and the other parties began settlement negotiations. The settlement was submitted to the PSC for review on January 13.

A public hearing on the proposed settlement was held January 13 and 15.

In today's orders, the PSC said that it had determined that the provisions of the agreement are reasonable and in the public interest. As requested by the parties to the cases, the PSC is issuing its orders in time for the new rates to take effect February 6.

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A typical KU residential customer using 1,000 kilowatt hours per month (a kilowatt-hour is the amount of electricity used by a 100-watt light bulb in 10 hours) will see an 11-cent increase in the monthly bill. A typical LG&E customer will see a 21-cent monthly increase.

The settlement agreement includes the following elements:

- An \$8.85 million revenue decrease for KU, coming through a decrease of less than one-tenth of a cent in the per-kilowatt-hour usage charge.
- A \$13.16 million decrease in electric revenue for LG&E, through a decrease of one-tenth of a cent in the per-kilowatt-hour usage charge.
- A \$22 million increase in gas revenue for LG&E. The monthly residential customer charge will rise by \$1, from \$8.50 to \$9.50, and the gas delivery charge will increase by 59 cents per 1,000 cubic feet, from \$1.55 per 1,000 cubic feet to \$2.14 per 1,000 cubic feet.
- The monthly per-meter charge assessed to fund a program to assist low-income customers with their bills will go up by a nickel, to 15 cents. LG&E and KU will match the first \$300,000 collected on a dollar-for-dollar basis. The company contribution will come from funds that would otherwise go to shareholders.
- The new rates mark the end of separate credits to ratepayers to reflect savings resulting from the 1998 merger of LG&E and KU. Anticipated future savings are reflected in the overall rates and will go entirely to ratepayers, rather than being split with shareholders. Bills will no longer list the credits separately.

When all of the changes are combined, the net effects on monthly bills for typical customers are as follow (these comparisons do not include bill components that fluctuate monthly, such as fuel adjustments and environmental costs on electric bills and commodity costs on natural gas bills):

	<b>Current rates</b>	<b>Settlement rates</b>	<b>Change</b>
<b>KU</b>	\$62.20	\$62.31	\$0.11
<b>LG&amp;E electric</b>	\$67.97	\$68.18	\$0.21
<b>LG&amp;E gas</b>	\$24.07	\$31.00	\$6.93

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## **PSC APPROVES SETTLEMENT IN LG&E, KU RATE CASES – Page 2**

In today's orders, the PSC said that it had received numerous public comments in opposition to the rate increases. In addition to receiving comments by mail, e-mail and telephone, the PSC held public meetings in Louisville, Lexington, Madisonville and Middlesboro to take comments on the proposed rate increases.

The PSC noted that it has for several years encouraged LG&E and KU to contribute shareholder funds to the low-income energy assistance program funded by the customer fee.

"Especially in today's economic conditions, the Commission compliments (the utilities) for making this commitment of shareholder dollars to assist its low-income customers in making payments on, and maintaining, their utility service," the PSC said in today's orders.

LG&E has about 401,000 electric customers in nine counties in and around the Louisville area and 308,000 natural gas customers in 21 counties. KU has 504,000 customers in 77 Kentucky counties.

In addition to the Attorney General and KIUC, other parties to the case included The Kroger Co.; Lexington-Fayette Urban County Government; Community Action Kentucky, Inc.; Community Action for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc.; Association of Community Ministries; and People Organized and Working for Energy Reform (POWER). The last four organizations represent low-income utility customers.

Today's orders and other documents in the cases, as well as videos of the hearings and public meetings, are available on the PSC Web site, [psc.ky.gov](http://psc.ky.gov). The case numbers are 2008-00251 (KU) and 2008-00252 (LG&E).

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.