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NEWS RELEASE

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PSC Approves KU and LG&E Environmental Projects

Work will eliminate coal combustion waste ponds at power plants

FRANKFORT, Ky. (Aug. 8, 2016) – The Kentucky Public Service Commission (PSC) today approved environmental compliance plans for Kentucky Utilities Co. (KU) and Louisville Gas & Electric Co. (LG&E).

The compliance plans include elimination of remaining coal combustion waste storage ponds, and the addition of new process water facilities and improvements that will further reduce air emissions from the companies' coal-fired power plants.

In orders issued today, the PSC approved, with some modifications, a settlement reached by the utilities with the Kentucky Office of Attorney General, representing all ratepayers, and the Kentucky Industrial Utility Customers, Inc., which represents large industrial consumers of electricity.

The most significant change made by the PSC reduced the rate of return on equity that the companies may earn on the investments in the new environmental compliance projects authorized by the PSC.

In applications filed in January, KU and LG&E sought PSC authorization to spend a total of about \$994 million to comply with new federal environmental requirements regarding the storage of coal ash and other combustion byproducts at coal-fired power plants, as well as stricter rules governing emissions of mercury and other toxic air emissions.

The settlement approved today reduces the initial impact of the KU projects on electric bills by stretching out the time over which the utility can recover the costs of environmental compliance. But rate impacts in later years are somewhat greater.

For KU residential customers, the rate impact will peak in 2022, three years later than in the original proposal. For LG&E residential customers, the peak impact remains in 2020. (See detailed charts)

Since 1994, Kentucky law has allowed utilities such as KU and LG&E to recover environmental compliance costs separately from their general rates. The costs are recovered through a surcharge that appears as a separate item on electric bills.

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Both LG&E and KU are subsidiaries of PPL Corp. Kentucky Utilities has about 506,000 electric customers in 77 counties across Kentucky. Louisville Gas & Electric has about 400,000 electric customers in nine counties in the Louisville area. LG&E's 321,000 natural gas customers are not affected by this case.

LG&E will spend more than \$300 million. It will close and cap ash ponds at its Mill Creek generating plant in Jefferson County.

Ash ponds also will be closed and capped at a Trimble County generating plant jointly owned with KU and municipal utilities in Indiana and Illinois. Other projects at the Trimble plant include new facilities to handle water that can no longer be discharged to ash ponds and \$5 million in improvements to air emission controls.

A quarter of the cost of all improvements at the Trimble plant will be allocated to the Indiana and Illinois municipal utilities, reflecting their ownership share in the facility. Those costs are in addition to the KU and LG&E expenditures.

KU will spend about \$675 million for new environmental compliance projects. They include closures of ash ponds at its Ghent plant in Carroll County and at three closed generating plants: Green River in Muhlenberg County, Tyrone in Woodford County and Pineville in Bell County.

The KU plan also includes new water handling systems at the Ghent plant and at its Brown plant in Mercer County. Expansion of an ash landfill at the Brown plant also is included, as are air emission control improvements at the Brown and Ghent plants. Finally, KU will share the costs related only to the newer of two coal-fired units at the Trimble County plant, which is the one in which it is a joint owner.

The PSC conducted an evidentiary hearing in the case on June 14. Public information and comment meetings were held in Louisville and Lexington.

A video of the hearing, the KU and LG&E applications and related documents are available on the PSC website, psc.ky.gov. The case numbers are 2016-00026 (KU) and 2016-00027 (LG&E).

A narrated slideshow explaining the environmental surcharge mechanism and environmental compliance plans is available on YouTube at www.youtube.com/watch?v=lvGmPHRtdNk.

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 85 employees.

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RATE IMPACT CHARTS FOLLOW

ESTIMATED RATE IMPACTS

KENTUCKY UTILITIES CO.

Average KU residential customer – 1,146 kilowatt-hours of electricity per month

(a kilowatt-hour is the amount of electricity used by a 100-watt light bulb in 10 hours)

YEAR	MONTHLY RATE IMPACT		
	SETTLEMENT	ORIGINAL PROPOSAL	DIFFERENCE
2016	\$0.30	\$2.26	- \$1.96
2017	\$1.37	\$2.97	- \$1.60
2018	\$2.32	\$3.47	- \$1.15
2019	\$2.93	\$3.67	- \$0.74
2020	\$3.12	\$2.63	+ \$0.49
2021	\$3.21	\$2.61	+ \$0.60
2022	\$3.32	\$2.62	+ \$0.70
2023	\$3.28	\$2.53	+ \$0.75
2024	\$3.12	\$2.40	+ \$0.72

LOUISVILLE GAS & ELECTRIC CO.

Average LG&E residential customer - 976 kilowatt-hours of electricity per month

(a kilowatt-hour is the amount of electricity used by a 100-watt light bulb in 10 hours)

YEAR	MONTHLY RATE IMPACT		
	SETTLEMENT	ORIGINAL PROPOSAL	DIFFERENCE
2016	\$0.30	\$0.74	- \$0.44
2017	\$0.95	\$1.30	- \$0.35
2018	\$1.55	\$1.82	- \$0.27
2019	\$2.01	\$2.18	- \$0.17
2020	\$2.27	\$2.29	- \$0.02
2021	\$2.25	\$2.19	+ \$0.06
2022	\$2.24	\$2.13	+ \$0.11
2023	\$2.18	\$2.03	+ \$0.15
2024	\$2.08	\$1.92	+ \$0.16