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NEWS RELEASE

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PSC Will Examine LG&E/KU Wind Power Proposal ***No surcharge now; any cost recovery should be considered in rate case***

FRANKFORT, Ky. (Oct. 21, 2009) – The Kentucky Public Service Commission (PSC) will review wind energy contracts submitted by Louisville Gas & Electric Co. (LG&E) and Kentucky Utilities Co. (KU).

However, if the utilities wish to recover any costs of purchasing wind energy, they should do so by requesting a rate adjustment rather than a separate surcharge, the PSC said in a procedural order issued today.

LG&E and KU have proposed to purchase power from two Illinois wind farms with a combined capacity of about 110 megawatts. The utilities say the wind power purchases would help them meet any future requirement that a portion of their energy generation come from renewable sources.

In today's order, the PSC denied a request by LG&E and KU to bypass the more exhaustive rate adjustment process in favor of a surcharge assessment. LG&E had estimated the wind power surcharge would add 71 cents to the average residential customer's electric bill; KU estimated a monthly surcharge of 92 cents.

The wind energy costs should be considered only within the framework of a general rate case that examines a utility's overall expenses and revenue, the PSC said. An examination of the contracts can proceed independently, the commission said.

"Today's decision is simply about ensuring that the rate impacts of this proposal are considered appropriately," PSC Chairman David Armstrong said. "It is purely procedural and makes no judgment about the wind energy proposal itself."

LG&E and KU are both subsidiaries of E.ON US. 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.

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Other parties to the case are the Kentucky Office of Attorney General and the Kentucky Industrial Utility Customers, Inc.

Today's order and other documents in the case are available on the PSC Web site, psc.ky.gov. The case number is 2009-00353.

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.