



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Daniel E. Logsdon Jr.
Commissioner

NEWS RELEASE

Contact:
Andrew Melnykovich
502-782-2564 or 502-564-3940
502-330-5981 (cell)
Andrew.Melnykovich@ky.gov

PSC Approves Settlement in KU, LG&E Rate Cases ***No increase in LG&E electric rates; LG&E gas, KU electric rate hikes reduced***

FRANKFORT, Ky. (June 30, 2015) – The Kentucky Public Service Commission (PSC) has approved a settlement that reduces the base rate increases sought by Louisville Gas & Electric Co. (LG&E) and Kentucky Utilities Co. (KU).

Under the terms of the unanimous settlement agreement, LG&E's electric customers will see virtually no change to base rates. Rates will increase for LG&E natural gas customers and KU customers, but the increases will be smaller than those requested by the two utilities.

In orders issued today, the PSC said the settlement yields "fair, just and reasonable rates" consistent with an analysis of the companies' operating expenses, borrowing costs and reasonable rate of return for investors.

The settlement leaves monthly residential customer charges unchanged. LG&E natural gas customers will see delivery charges rise, while KU customers will pay more for each unit of electricity they consume.

Both LG&E and KU are subsidiaries of the PPL Corp. Their most recent base rate increases took effect in January 2013.

Kentucky Utilities has about 512,000 electric customers in 77 counties across Kentucky. Louisville Gas & Electric has about 400,000 electric customers in nine counties in the Louisville area and 320,000 natural gas customers in 17 counties.

The two utilities filed the current cases on Nov. 26, 2014. The settlement agreement was filed with the PSC on April 20, 2015. An evidentiary hearing on the settlement was held the following day. The PSC conducted earlier public comment meetings in Lexington and Louisville.

In addition to the two utilities, parties to the cases included the Kentucky Office of Attorney General and groups representing a variety of customers. A list is attached. All the parties either signed the agreement or indicated they would not object to it.

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The settlement grants KU an additional \$125 million in revenue per year, about 81.7 percent of the amount requested by the utility, and an increase in annual revenue of about 7.9 percent. LG&E's base rate electric revenue will not increase. The utility had requested an additional \$30 million in annual electric revenue, or about 2.7 percent.

LG&E had requested an increase in its annual revenue from natural gas operations of \$14 million, or about 4.2 percent. The settlement sets the increase at \$7 million.

Under the settlement, an average KU customer will see about a \$9 increase in the monthly electric bill. An average LG&E electric customer initially will see monthly bills decline by a few cents resulting from a slight rise in usage charges offset by a decrease in the surcharge that recovers environmental compliance costs.

The base rate portion of the monthly natural gas bill for an average LG&E residential customer will rise by about \$1.30. The base rates do not include the cost of the gas itself, which accounts for about half the total bill. The gas cost is adjusted every three months to reflect - on a dollar-for-dollar basis – the amount LG&E pays for gas on the wholesale market.

A chart with the details of the rate changes follows this release.

Much of the electric rate increase will pay for the \$563 million gas-fired electric power plant being built at the Cane Run station in western Jefferson County. The 640-megawatt plant, which went into service earlier this month, is replacing a coal-fired plant at the same location.

Kentucky Utilities owns 78 percent of the plant, which is why the proposed rate increase was higher for KU than for LG&E. The utilities stated that the rate increase also will pay for expanded hydroelectric generating capacity at McAlpine Dam in Louisville and a new solar-powered generating facility in Mercer County.

KU and LG&E said the rate increases also will pay for reliability and safety improvements to both the electric and natural gas systems and for improved technology that will speed repairs following electric outages.

Other provisions in the settlement include:

- Making permanent the 25-cent per-meter charge paid by residential customers into a fund to assist low-income ratepayers. Company shareholders will contribute at least \$1.15 million annually to the fund.
- Continuation, through June 30, 2018, of a program to assist schools with efforts to reduce energy costs.
- Immediate initiation of a study by the two utilities of the potential of energy efficiency programs aimed at industrial customers. The PSC had previously ordered such a study, but it had not been undertaken. Utility shareholders will bear the cost of the study, which is to be filed with the PSC by May 31, 2016.

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Today's orders, the settlement agreement, the KU and LG&E applications and related documents, and video recordings of the public meetings and hearing are available on the PSC website, psc.ky.gov. The case numbers are 2014-00371 (KU) and 2014-00372 (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 85 employees.

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RATE CHARTS AND LISTS OF PARTIES FOLLOW

KENTUCKY UTILITIES

The current residential base rates, residential base rates proposed by Kentucky Utilities, and those set forth in the settlement and approved by the PSC, are in the chart below. The average bill is based on usage of 1,200 kWh per month. (A kiloWatt-hour is the amount of electricity used by a 100-watt light bulb in 10 hours.) The base rate does not include environmental surcharges, fuel cost adjustments and other items.

	Current	Proposed	Settlement/PSC Order
Monthly Charge	\$ 10.75	\$ 18	\$ 10.75
Cost per kWh	7.744 ¢	8.057 ¢	8.508 ¢
Average bill	\$ 103.68	\$ 114.68	\$ 112.85

LOUISVILLE GAS & ELECTRIC - ELECTRICITY

The current residential base rates, residential base rates proposed by Louisville Gas & Electric, and those set forth in the settlement and approved by the PSC, are in the chart below. The average bill is based on usage of 984 kWh per month. (A kiloWatt-hour is the amount of electricity used by a 100-watt light bulb in 10 hours.) The base rate does not include environmental surcharges, fuel cost adjustments and other items.

	Current	Proposed	Settlement/PSC Order
Monthly Charge	\$ 10.75	\$ 18	\$ 10.75
Cost per kWh	8.076 ¢	7.618 ¢	8.082 ¢
Average bill	\$ 90.22	\$ 92.96	\$ 90.27

LOUISVILLE GAS & ELECTRIC – NATURAL GAS

The current residential base rates, residential base rates proposed by Louisville Gas & Electric, and those set forth in the settlement and approved by the PSC, are in the chart below. The average bill is based on usage of 5,700 cubic feet (cf) per month. The base rate does not include the commodity cost of gas, surcharges and other items.

	Current	Proposed	Settlement/PSC Order
Monthly Charge	\$ 13.50	\$ 19	\$ 13.50
Delivery charge per 1000 cf	\$ 2.64	\$ 2.13	\$ 2.87
Average bill	\$ 28.55	\$ 31.14	\$ 29.86

PARTIES TO THE CASES

KENTUCKY UTILITIES

- Attorney General of the Commonwealth of Kentucky
- Kentucky Industrial Utility Customers, Inc.
- Kentucky School Boards Association
- Kentucky Cable Television Association
- Kroger Co.
- Wal-Mart Stores East, LP and Sam's East, Inc.
- Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.
- Lexington-Fayette Urban County Government
- Sierra Club

LOUISVILLE GAS & ELECTRIC

- Attorney General of the Commonwealth of Kentucky
- Kentucky Industrial Utility Customers, Inc.
- Kentucky School Boards Association
- Kentucky Cable Television Association
- Kroger Co.
- Wal-Mart Stores East, LP and Sam's East, Inc.
- Association of Community Ministries, Inc.
- Metropolitan Housing Coalition
- United States Department of Defense and all other Federal Executive Agencies
- Sierra Club