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NEWS RELEASE

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PSC Revises Settlement in KU, LG&E Rate Cases *Reduces rates to below levels agreed to by utilities and other parties*

FRANKFORT, Ky. (June 22, 2017) – The Kentucky Public Service Commission (PSC) has granted base rate increases sought by Louisville Gas & Electric Co. (LG&E) and Kentucky Utilities Co. (KU), but reduced them below the levels agreed to earlier by the utilities and other parties to the cases.

In orders issued today, the PSC made several findings that differ from a settlement agreement in the cases. Notably, the PSC barred certain utility employee retirement benefits from being reflected in rates and also slightly reduced the level of authorized earnings for each utility's investors.

The PSC approved a provision in the settlement agreement under which the utilities withdrew a proposal to upgrade their systems with Advanced Metering Infrastructure (also known as AMI or "smart" meters) that allows meters to be read remotely and automates the process of detecting and locating outages. Instead, the utilities will convene a group of interested parties to the cases to examine concerns over deployment of such meters.

The settlement, as modified, increases both monthly residential customer charges and the rate for each unit of electricity consumed for both LG&E and KU customers. LG&E natural gas customers will see both the monthly customer charge and delivery charges rise.

In today's orders, the PSC said the rates it approved are "fair, just and reasonable." The new rates take effect July 1, 2017.

Both LG&E and KU are subsidiaries of the PPL Corp. Their last base rate increases took effect in July 2015.

Kentucky Utilities has about 516,000 electric customers in 77 counties across Kentucky. Louisville Gas & Electric has about 403,000 electric customers in nine counties in the Louisville area and 322,000 natural gas customers in 17 counties.

The two utilities filed the current cases on Nov. 23, 2016. The principal settlement agreement was filed with the PSC on April 19, with a second agreement – dealing solely with issues regarding the placement of cable television and telecommunication lines and wireless facilities on KU or LG&E utility poles – filed on May 1.

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An evidentiary hearing in the cases was held May 9. The PSC earlier conducted public comment meetings in Lexington, Louisville and Madisonville.

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 agreements or indicated they would not object to it.

With the PSC's changes, KU will receive an additional \$50.5 million in revenue per year, less than half the amount requested by the utility, and about \$4.4 million less than allowed by the settlement. KU's annual revenue will increase about 3.1 percent.

LG&E's base rate electric revenue will increase by about \$56.3 million – about 5 percent. The utility had requested an additional \$93.6 million in annual electric revenue, and had agreed to \$59.4 million in the settlement.

LG&E had requested an increase in its annual revenue from natural gas operations of \$13.8 million. The PSC set the increase at about \$6.5 million, \$1 million less than the amount in the settlement and less than half the original request. It will increase LG&E's revenue from gas operations by 2 percent.

With the PSC's changes, a typical LG&E residential electric bill will increase by about \$6.42 per month. The monthly bill for a typical KU residential customer will increase by about \$3.85.

LG&E residential natural gas customers will see an increase of about \$6.98 per month in base rate charges, although a portion of that will be offset by a reduction of nearly \$5 per month in a surcharge that pays for gas line safety improvements. 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.

In their applications, KU and LG&E said the rate increases will pay for new technology that will improve safety and reliability. The utilities said the rate increase also will pay for rehabilitation of the hydroelectric generating capacity at McAlpine Dam in Louisville, improvements at other power plants and safety and reliability improvements through their systems.

Changes made by the PSC to the settlement include:

- Removed from the costs recovered from ratepayers certain company contributions to the retirement savings funds of select employee classes who are also participating in other company-funded pension plans.
- Reduced – from 9.75 percent to 9.70 percent – the authorized return on investment for company shareholders.
- Ordered that increases in the monthly customer charges for KU and LG&E electric customers take effect immediately, rather than being increased in two phases over the course of a year
- Ordered that a pilot program intended to help schools reduce energy expenses be made available to private as well as public schools.
- Directed that the Kentucky Department of Energy Development and Independence be added as a participant to a collaborative group examining issues related to electric buses and to the use of LED (light-emitting diode) outdoor lighting.

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Among the settlement provisions left unchanged by the PSC are:

- An agreement by KU and LG&E to withdraw their proposal for a system-wide deployment of smart meters and to study the issue further.
- Establishment of a pilot rate for sports field lighting that will reflect the usage pattern of such facilities.
- Continuation of a program to assist low-income ratepayers. It is funded by monthly charges on residential meters – 25 cents per month for LG&E customers and 30 cents per month (an increase of 5 cents) for KU customers. Company shareholders will contribute a total of \$1.45 million a year to the program.
- Changes to depreciation rates and other financial calculations that led to reductions in the amount of revenue received by the companies.

The PSC also approved as submitted the second settlement agreement that set out the rates that KU and LG&E will charge in return for allowing telephone, cable television and other telecommunications companies to attach wires and wireless facilities to electric poles.

Because nine cities that have purchased electricity from KU for resale through their municipal systems will cease doing so in April 2019, the PSC ordered the utility to develop a plan for dealing with the significant loss of load and revenue. The plan, which is to address issues such as finding new markets for power, is to be filed with the PSC within 90 days.

Finally, the PSC approved LG&E's construction of a new natural gas pipeline in Bullitt County. The \$27.6 million project will provide additional reliability for the gas supply to about 9,500 customers in a rapidly growing area in the eastern part of the county that is now served by a single line.

Today's orders, the settlement agreements, 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 2016-00370 (KU) and 2016-00371 (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 75 employees.

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QUESTIONS OR PROBLEMS REGARDING YOUR UTILITY SERVICE?

CALL THE PSC CONSUMER HOTLINE: 800-772-4636

RATE CHARTS AND LISTS OF PARTIES FOLLOW

KENTUCKY UTILITIES

The current residential base rates, residential base rates proposed by Kentucky Utilities, those set forth in the settlement and those ordered by the PSC, are in the chart below. The average bill is based on usage of 1,179 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	Applied For	Proposed Settlement	PSC Order Eff. July 1, 2017
Monthly Charge	\$ 10.75	\$ 22.00	\$ 12.25	\$12.25
Cost per kWh	8.87 ¢	8.523 ¢	9.163 ¢	9.07 ¢
Average bill	\$ 115.33	\$ 122.49	\$ 120.28	\$ 119.18

LOUISVILLE GAS & ELECTRIC - ELECTRICITY

The current residential base rates, residential base rates proposed by Louisville Gas & Electric, those set forth in the settlement and those ordered by the PSC, are in the chart below. The average bill is based on usage of 957 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	Applied For	Proposed Settlement	PSC Order Eff. July 1, 2017
Monthly Charge	\$ 10.75	\$ 22.00	\$ 12.25	\$ 12.25
Cost per kWh	8.639 ¢	8.471 ¢	9.268 ¢	9.153 ¢
Average bill	\$ 93.42	\$ 103.07	\$100.94	\$ 99.84

LOUISVILLE GAS & ELECTRIC – NATURAL GAS

The current residential base rates, residential base rates proposed by Louisville Gas & Electric, those set forth in the settlement and those ordered by the PSC, are in the chart below. The average bill is based on usage of 5,500 cubic feet (cf) per month. The base rate does not include the commodity cost of gas, surcharges and other items.

	Current	Applied For	Proposed Settlement	PSC Order Eff. July 1, 2017
Monthly Charge	\$ 13.50	\$ 24.00	\$ 16.35	\$16.35
Delivery charge per 1000 cf	\$ 2.87	\$ 2.54	\$ 3.66	\$3.62
Average bill	\$29.28	\$ 37.97	\$ 36.48	\$ 36.26

PARTIES TO THE CASES

KENTUCKY UTILITIES

- Attorney General of the Commonwealth of Kentucky
- Kentucky Industrial Utility Customers, Inc.
- Kentucky School Boards Association
- Kentucky Cable Telecommunications Association
- BellSouth Telecommunications/AT&T Kentucky
- 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
- Kentucky League of Cities
- Sierra Club

LOUISVILLE GAS & ELECTRIC

- Attorney General of the Commonwealth of Kentucky
- Kentucky Industrial Utility Customers, Inc.
- Kentucky School Boards Association
- Kentucky Cable Telecommunications Association
- BellSouth Telecommunications/AT&T Kentucky
- Kroger Co.
- Wal-Mart Stores East, LP and Sam's East, Inc.
- JBS Swift & Co.
- Association of Community Ministries, Inc.
- Metropolitan Housing Coalition
- Louisville/Jefferson County Metro Government
- United States Department of Defense and all other Federal Executive Agencies
- Sierra Club