

# KU Requests Rate Adjustment for New Generation;

## **Forced coal unit retirements lead to Kentucky's first natural gas combined-cycle generating unit**

(LOUISVILLE, Ky.) — Kentucky Utilities Company anticipates submitting a request for a base rate adjustment Nov. 26 with the Kentucky Public Service Commission, in large part, to recover costs associated with Kentucky's first natural gas combined-cycle generating unit as well as other infrastructure projects to continue to improve reliability.

Due to environmental mandates issued by the U.S. Environmental Protection Agency, KU, and its sister company Louisville Gas and Electric Company, announced in 2011 the retirement of 13 percent, 800 megawatts, of their older coal-fired generation. While the company still depends on coal for much of its current generation, the stricter environmental regulations made building new coal-fired generation uneconomical to pursue. After years of studying extensive supply options, KU and LG&E received approval to build a 640-megawatt natural gas combined-cycle unit, which was the least expensive solution. The new unit, which is being constructed at an existing facility, will provide energy with less emissions and help cover the loss of generation from the coal units' retirement.

KU serves approximately 543,000 customers in 77 Kentucky counties and five counties in Virginia. To meet their energy needs, KU will own 78 percent of the new \$563 million unit that is scheduled to be commercially operational in May.

"We continue to work diligently to maintain high-quality and efficient service at some of the lowest rates in the nation. We use prudent financial measures to achieve savings that benefit our customers, and don't go before the Kentucky Public Service Commission with requests to recover our costs unless it's absolutely necessary," said Victor A. Staffieri, chairman, CEO and president of LG&E and KU Energy. "Our customers have trusted us for more than 100 years to keep their lights on and they expect us to be there when they need us. The investments we're seeking to recover in this rate case represent our commitment to prudently plan for Kentucky's energy future while continuing to keep rates among the lowest in the nation."

In addition to building Cane Run, KU also is making investments in its transmission and distribution systems to maintain its high reliability into the future. While storms and their severity impact reliability, overall electric reliability across the service territory has improved since 2009. Outages are occurring less often and, when they do occur, customers are without power for less time. This is, in large part, due to circuit hardening and a proactive hazardous tree removal program. KU also is using technological enhancements to improve response times when crews are working in the field and restoring customers' power. Today, most KU field employees receive work orders directly from an outage management system through specialized laptops installed in their trucks.

KU continues to have some of the lowest energy costs in the nation. Currently, the national residential average cost per kilowatt hour is 12.43 cents while KU's cost per kWh is 8.99 cents. If approved, that average cost per

kWh would be 10.50 cents. Kentucky Utilities is requesting a \$153 million revenue increase, 9.6 percent. For a residential customer using an average of 1,200 kWh, the increase is expected to be approximately \$11 per month if approved. This increase is 37 cents per day.

Combined, KU and LG&E continue to work diligently to maintain high-quality and efficient service and to hold costs down. The companies' careful financial approach has paid off. Based on information filed by utilities annually with the Federal Energy Regulatory Commission, LG&E and KU's costs are well below industry averages in all five cost segments — generation, transmission, administrative and general, retail and distribution.

KU and LG&E's low rates have been a significant factor in the commonwealth's ability to attract and expand businesses with high-quality jobs. In fact, the utilities were recently ranked in the top 10 in the country by an international economic development magazine, Site Selection, for their job creation efforts. LG&E and KU's Economic Development team was honored for helping Kentucky create more than 80 percent of the 12,500 new jobs created in the state in 2013. In fact, since 2000, KU and LG&E have helped create nearly 110,000 new jobs in Kentucky.

Growing companies in KU's and LG&E's service territories include Toyota, Martinrea, Nestle Prepared Foods, Asahi Forge, Total Quality Logistics, Ford, North American Stainless, Carbide, CertainTeed, Johnson Controls and a number of major distilleries. In addition, KU and LG&E have created approximately 3,200 construction jobs as part of its ongoing \$6 billion investment environmental upgrade projects.

"We understand the financial impact these increases have on our customers," added Staffieri. "We've worked hard to minimize the consequences of federal environmental mandates. We continue to demonstrate fiscal restraint to ensure our customers continue to receive some of the lowest cost, most reliable energy in the country."

If approved by the KPSC, the rate adjustments will take effect in July 2015.

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*Kentucky Utilities, part of the PPL Corporation (NYSE: PPL) family of companies, is a regulated utility that serves 543,000 customers in 77 Kentucky counties and five counties in Virginia. It has consistently ranked among the best companies for customer service in the United States. More information is available at [www.lge-ku.com](http://www.lge-ku.com) and [www.pplweb.com](http://www.pplweb.com).*

For further information: LG&E and KU, 502-627-4999 (Toll-free: 888-627-4999)

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