

PPL Electric Utilities Requests First Rate Increase Since 1995

**-- Customer Rates Today About The Same As They Were in 1986 --
-- Company Plans New Pricing Structure --**

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PPL Electric Utilities is asking the Pennsylvania Public Utility Commission for permission to increase its distribution rates for the first time in nearly a decade. It also is proposing innovative pricing that will better reflect the cost of providing electricity delivery services.

One of the four major subsidiaries of PPL Corporation (NYSE: PPL), PPL Electric Utilities provided about 5 percent of the corporation's earnings from ongoing operations in 2003.

PPL Electric Utilities also informed the PUC of the need to increase a pass-through for transmission charges on customer bills. The combination of the proposed distribution rate increase and transmission charge pass-through would result in an 8.1 percent increase in revenues for PPL Electric Utilities. The size of the increases on individual customers will vary with usage and rate class. PUC review of the distribution rate request is expected to take about nine months.

"We are very mindful of the challenges that Pennsylvania consumers are facing and we believe this request does an excellent job of balancing funding for necessary long-term electricity reliability improvements and a price increase for our customers," said John Sipics, PPL Electric Utilities president.

PPL Electric Utilities filed the distribution rate request and the information about the change in the transmission charge pass-through with the commission on Monday (3/29). With the two changes combined, the total rates of the average residential customer, who uses about 900 kilowatt-hours a month, would increase by about 9.8 percent on Jan. 1, 2005.

"We realize that no one wants any of their monthly bills to increase, but this increase is necessary for PPL Electric Utilities to remain financially healthy and to enable us to continue to provide the exceptional, reliable service that our customers expect," Sipics said.

"While we certainly have a track record of keeping our prices low and will continue our efforts in that vein, the capital-intensive nature of the electricity distribution business makes periodic rate increase requests a normal part of the process," said Sipics. "In return, electricity distribution companies serve all customers, even if adding those customers is not in the economic interest of the company."

This is the first base rate increase the company has requested since 1995. Because of rate decreases in the decade prior to 1995, however, PPL Electric Utilities residential customers are paying about the same for electricity today as they were in 1986.

In 1986, a customer using about 900 kilowatt-hours a month was paying \$77.30 for electricity. Today, that customer is paying \$77.47 per month. With the proposed increase, the customer would pay \$85.09.

Despite the fact that rates have been basically flat for 18 years, Sipics said that the company's costs have increased significantly. For instance, the cost of a line truck has increased by 48 percent, a utility pole costs 85 percent more and health care costs for employees are 149 percent higher. In addition, he said, the company has spent more than \$240 million on technology improvements since 1999, most notably an electronic meter reading system that has virtually eliminated estimated bills, a significant source of concern for customers.

Even with the proposed increase, Sipics said, PPL Electric Utilities would continue to provide superb value for its customers. "Our rates will continue to be lower than the average rates in Pennsylvania," said Sipics.

Important Change in Pricing Structure

In the process of preparing the distribution rate filing, Sipics said, the company completed a thorough review not only of its revenue needs to provide reliable service in the future but also different pricing concepts.

"We have concluded that the best policy for electric distribution companies, such as PPL Electric Utilities, is to charge a flat monthly fee for electricity delivery services, rather than fees based on the kilowatt-hours used," said Sipics. "Our request incorporates proposals that move us in that direction."

As a result, for the first time, the basic charge paid by all residential customers will include an allotment of kilowatt-hours. Specifically, the company is proposing that the new basic customer charge, of \$12.20, include the delivery of the first 200 kilowatt-hours a month that a customer uses. Delivery of electricity above that amount would be charged on a per-kilowatt-hour basis.

Most large industrial customers would no longer pay any per-kilowatt-hour charge for their electricity distribution services under the proposal but would pay rates based on the largest amount of electricity they use at any one time during the month.

The company also continues to offer a number of pricing options for its customers.

Among the options:

- Budget billing, which allows customers to pay about the same amount each month. This program, which is provided free of charge, minimizes high monthly payments for heating and cooling customers' homes by averaging costs over the whole year.
- Automatic bill payment, which eliminates the need for envelopes and stamps. Customers give the company permission to withdraw their monthly payment from a checking or savings account.
- Credit or debit card payment.
- Internet payment, which allows customers to receive and pay their bills from the comfort of their home.

Sipics pointed out that the company also is extending a pilot program in which customers pay for their electricity based on the time that they use electricity. "This time-of-use pilot, which is another glimpse of the future, is possible because we are a pioneer in the installation of electronic meters," said Sipics. "In addition to improving service for our customers today and supporting Pennsylvania's Customer Choice program, these meters put in place a platform to provide customers with more electric service options in the future."

As part of its distribution rate request, PPL Electric Utilities is proposing a 23 percent increase in funding for its low-income programs and is proposing to extend funding for the Sustainable Energy Fund, which promotes development and use of renewable energy, clean energy technology and energy conservation.

PPL Electric Utilities also is proposing a new community development program in which the company would contribute \$1 million a year.

The PUC will examine the company's distribution request in a process that is expected to be completed by year-end, meaning that electricity delivery rates would increase only after the expiration of the delivery rate cap, which was established as part of its 1998 settlement under Pennsylvania's Electric Competition Act. PPL Electric Utilities' generation rates, for customers who do not choose an alternative energy supplier, are fixed through the end of 2009.

The requested increase in distribution rates totals \$164 million.

The transmission charge pass-through, which PPL Electric Utilities pays to the PJM Interconnection on behalf of customers who do not select an alternative energy supplier, is forecast to increase by about \$57 million at the beginning of 2005. PPL Electric Utilities has been under-recovering these charges from customers for a number of years because of the transmission rate cap, which also was established by the 1998 restructuring settlement. Transmission charges are billed to PPL Electric Utilities by PJM under the terms of a transmission tariff, which has been approved by the Federal Energy Regulatory Commission.

Electricity customers in Pennsylvania have the option to shop for the company that generates their electricity. That electricity then is delivered by the distribution utility serving the area where the customer lives or does business. If a customer does not choose another company as an electricity generator, PPL Electric Utilities provides both electricity delivery services and electricity generation supply for that customer.

The company is requesting PUC approval for an increase in the distribution rates. Generation charges are fixed through the end of 2009. The transmission charge pass-through, for customers who do not shop for an

alternative supplier, does not require PUC approval.

"The process in Pennsylvania appropriately provides for significant scrutiny of rate increase requests. We look forward to detailing how we were able to keep rates stable for such an extended period of time while incorporating reliability-improving technology and why the increase is needed to ensure future reliability for our customers," said Sipics. "We also are looking forward to a discussion about the appropriate methods for electricity delivery pricing in the future."

For more information on the company's filing, customers can visit www.pplrateinfo.com.

Other PPL Corporation subsidiaries include PPL Generation, which operates power plants in key U.S. markets; PPL EnergyPlus, which sells electricity in wholesale and retail markets; and PPL Global, which operates electricity delivery companies in the United Kingdom and Latin America.

SOURCE: PPL Electric Utilities

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