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NEWS RELEASE

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PSC Sets Rates for KU and LG&E *Increases are smaller than those sought by the utilities*

FRANKFORT, Ky. (Apr. 30, 2019) – The Kentucky Public Service Commission (PSC) has set new base rates for Louisville Gas & Electric Co. (LG&E) and Kentucky Utilities Co. (KU), at levels lower than those applied for by the two utilities

The rates approved in orders issued today are the product of a partial settlement between the utilities and other parties to the case and PSC decisions on matters left unresolved by the settlement. Notably, the PSC barred certain utility employee retirement benefits from being reflected in rates and reduced the proposed increase in the customer charge for LG&E electric customers.

With the new rates, the base rate portion of a typical LG&E residential electric bill will increase by about 27 cents per month. The base rate portion of the monthly bill for a typical KU residential customer will increase by about \$4.27.

Service charges will increase for both KU and LG&E residential electric customers. KU residential customers will see a slight increase in the electric usage charge, while LG&E residential electric customers will see a slight reduction.

A typical LG&E residential natural gas customer will see a \$3.70 increase in the base rate portion of the monthly bill, with increases to both the service charge and delivery charges. 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.

In addition to the adjustments to base rates, monthly bills will be affected by the expiration of credits reflecting the impact of the federal corporate income tax rate reduction that took effect in 2018. Those tax impacts now will be reflected in base rates.

Expiration of the credits will add \$3.84 per month to a KU residential customer's bill, on average. For LG&E residential customers, monthly electric bills will increase by an average of \$3.30 and monthly natural gas bills by an average of \$2.21 when the tax adjustment credit expires.

(A chart detailing the previous rates, the proposed rates and the new rates follows this release.)

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

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PSC Sets KU, LG&E Rates – Page 2

Both LG&E and KU are subsidiaries of the PPL Corp. Their last base rate increases took effect in June 2017.

KU has about 553,000 electric customers in 77 counties across Kentucky. LG&E has about 411,000 electric customers in nine counties in the Louisville area and 326,000 natural gas customers in 17 counties.

The two utilities filed the current cases on September 28, 2018. The principal settlement agreement, reached with the Kentucky Office of the Attorney General and other parties, was filed with the PSC on March 1. A separate agreement dealing solely with issues regarding the placement of cable television and telecommunication lines and wireless facilities on KU or LG&E utility poles was filed on February 27.

An evidentiary hearing in the cases was held March 5 and 6. The PSC earlier conducted public comment meetings in Lexington and Louisville.

In addition to the two utilities, parties to the cases included the Kentucky Office of the Attorney General and groups representing a variety of customers. A list is attached.

KU will receive an additional \$55.88 million in revenue per year, less than half the \$112.46 million requested by the utility, and about \$2.46 million less than allowed by the settlement.

LG&E's base rate electric revenue will increase by about \$2.1 million. The utility had requested an additional \$34.89 million in annual electric revenue, and had agreed to \$3.92 million in the settlement.

LG&E had requested an increase in its annual revenue from natural gas operations of \$24.92 million. The PSC set the increase at about \$18.64 million, \$691,000 below the amount in the settlement.

In their applications to adjust rates, KU and LG&E cited increased operating costs, including investments made to improve reliability and safety. The companies also cited the need to maintain the rate of return for their shareholders and investors.

The smaller revenue increases agreed to in the settlement came mostly through lowering the rate of return for investors, by changing depreciation calculations for certain physical assets and by including certain non-ratepayer revenue in the calculation of overall revenue.

The PSC accepted the settlements with only minor adjustments. The utilities and the parties to the cases could not agree on several issues, leaving them to be argued during the evidentiary hearing.

In today's orders, the PSC found that the KU and LG&E should not be allowed to recover from ratepayers the cost of certain company contributions to the retirement savings funds of employees who are also participating in other company-funded pension plans. The PSC's disallowance of those costs lowered the amounts of revenue granted the utilities from the figures in the settlement.

The PSC granted the proposal by the utilities to switch from a monthly service charge to a daily service charge, with the change also representing an increase. KU was granted the increase it requested, while LG&E received the requested increase in the natural gas service charge, but was granted a service charge for electric customers that was smaller than requested.

The final major issue left unresolved by the settlement was the question of how KU and LG&E would display in their tariffs the electric energy charges – the cost per kilowatt-hour (a kilowatt-hour is the amount of electricity used by a 100-watt light bulb in 10 hours).

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The utilities proposed, for informational purposes, to split the energy charges for their residential rate schedules and for those rate schedules without a demand charge into two components: fixed cost recovery (those costs that do not vary with usage) and variable cost recovery (those that do, principally the cost of producing electricity). Under the proposal, customers on the affected rate schedules would still only see one energy charge on their bills but could see each component of the energy charge in the tariffs that KU and LG&E file with the PSC.

The PSC found that the companies should be allowed to use the split charge for informational purposes only. Today's orders direct KU and LG&E to include a definition of the variable and fixed components in the tariffs that it files with the PSC.

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 2018-00294 (KU) and 2018-00295 (LG&E).

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,100 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, and those ordered by the PSC, are in the chart below. The average bill is based on usage of 1,139 kWh per month. The base rate does not include environmental surcharges, fuel cost adjustments, the expiring tax credits and other items.

	Current	Applied For	PSC Order Eff. May 1 2019
Service Charge	\$ 12.25/mo.	\$ 0.53/day (\$16.13/avg. mo.)	\$ 0.53/day
Cost per kWh	9.047 ¢	9.552 ¢	9.082 ¢
Average base bill	\$ 115.30	\$ 124.70	\$ 119.57

LOUISVILLE GAS & ELECTRIC - ELECTRICITY

The current residential base rates, residential base rates proposed by Louisville Gas & Electric, and those ordered by the PSC, are in the chart below. The average bill is based on usage of 917 kWh per month. The base rate does not include environmental surcharges, fuel cost adjustments, the expiring tax credits and other items.

	Current	Applied For	PSC Order Eff. May 1 2019
Service Charge	\$ 12.25/mo.	\$ 0.53/day (\$16.13/avg. mo.)	\$ 0.45/day (\$13.70/avg. mo.)
Cost per kWh	9.382 ¢	9.420 ¢	9.253 ¢
Average base bill	\$ 98.28	\$ 102.28	\$ 98.55

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 5,400 cubic feet (cf) per month. The base rate does not include the commodity cost of gas, surcharges, the expiring tax credits and other items.

	Current	Applied For	PSC Order Eff. May 1, 2019
Monthly Charge	\$ 16.35	\$ 0.65/day (\$19.78/avg. mo.)	\$ 0.65/day
Delivery charge per 1000 cf	\$ 3.63	\$ 3.91	\$ 3.68
Average base bill	\$ 35.95	\$ 40.61	\$ 39.65

PARTIES GRANTED INTERVENTION IN THE CASES

KENTUCKY UTILITIES

- Attorney General of the Commonwealth of Kentucky
- Kentucky Industrial Utility Customers, Inc.
- Kentucky School Boards Association
- Charter Communications
- Kroger Co. and Wal-Mart, Inc. (jointly)
- Lexington-Fayette Urban County Government
- United States Department of Defense and all other Federal Executive Agencies

LOUISVILLE GAS & ELECTRIC

- Attorney General of the Commonwealth of Kentucky
- Kentucky Industrial Utility Customers, Inc.
- Kentucky School Boards Association
- Charter Communications
- Kroger Co. and Wal-Mart, Inc. (jointly)
- Louisville/Jefferson County Metro Government
- United States Department of Defense and all other Federal Executive Agencies