

PPL: Growth Under the Regulated-Utility Compact

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The investor question

PPL Corporation expected annual earnings-per-share growth of 6%-8% through at least 2029. Its plan rested on regulated investment in three U.S. territories, while new data centers and other large energy users could create additional opportunities. But the pipeline of potential electricity demand was large, the timing of investment recovery depended on regulators, and customers were already facing affordability concerns.

You are an outside investor assessing the credibility of that growth thesis. Decide how much confidence to place in PPL's projection and identify the evidence that should change your view. This is a strategy assessment, not a valuation exercise.

A multi-state utility portfolio

PPL operates through regulated utilities in Pennsylvania, Kentucky, and Rhode Island. The businesses are not identical. PPL Electric delivers electricity in Pennsylvania. LG&E and Kentucky Utilities (KU) generate, transmit, and distribute electricity in Kentucky; LG&E also distributes natural gas. Rhode Island Energy (RIE) delivers electricity and gas in Rhode Island. Parent-company earnings therefore depend on subsidiary operations and the state and federal regulatory frameworks governing them. [1]

PPL reaffirmed 2026 ongoing-earnings guidance of \$1.90-\$1.98 per share and projected 6%-8% annual EPS growth through at least 2029, near the top end of the range compared with 2025 actual ongoing earnings. Management said stronger growth would begin in 2027, supported by rate recovery and capital-tracking mechanisms. These are forecasts, not realized results. [2]

The latest reported operating picture was mixed. In the second quarter of 2026, ongoing EPS was flat year over year in Kentucky, down \$0.01 per share in Pennsylvania, and up \$0.02 in Rhode Island. For the first six months, it increased by \$0.03 in Kentucky and \$0.01 in Rhode Island, but declined by \$0.01 in Pennsylvania. Management cited rate changes and investment returns alongside operating costs, depreciation, interest, sales volume, and weather. [2]

A large-load opportunity with different stages of certainty

PPL Electric reported that its data-center pipeline had reached 31.8 gigawatts (GW) in advanced stages of planning in the second quarter. More than 11 GW was under signed electric-service agreements, and more than 6.5 GW was under construction. The categories describe different stages of project development; they are not separate totals and do not establish the amount of electricity ultimately consumed. [2]

PPL estimated that economic-development activity in Pennsylvania and Kentucky could present \$10-\$12 billion of total generation-investment upside through 2032. This was an opportunity estimate, not approved spending or a forecast of PPL earnings. In Kentucky, the reported potential-load pipeline was 13.7 GW, including 11.6 GW tied to data-center opportunities; 1.3 GW was under signed agreements. Management said the pipeline made an additional generation filing more likely and estimated that potential incremental Kentucky generation could require \$3.5-\$4.0 billion of investment between 2027 and 2032. [2]

Pennsylvania's generation opportunity followed a different path. PPL held 51% of Invitium Energy, a joint venture with Blackstone Infrastructure. In the June 30 filing, PPL said Invitium had secured land parcels and placed turbine deposits, but had not signed energy-supply-services agreements with data-center developers. The company said construction and material commitments depended on appropriate commercial agreements or cost-reimbursement arrangements. Its August release said the base business plan excluded Invitium capital investment and earnings, with no material earnings contribution expected through 2030. The company expected to have one or more commercial agreements by year-end 2026. [1, 2]

The difference matters. Utility distribution and transmission investments, Kentucky generation projects, and a separately financed joint-venture generation project do not have the same commercial, regulatory, or timing conditions. PPL did not publish customer-by-customer pipeline conversion probabilities, project-level upgrade costs, or a load sensitivity for its EPS forecast. [1, 2]

What regulators approved-and what they did not

Pennsylvania

The Pennsylvania Public Utility Commission (PAPUC) approved a settlement in PPL Electric's distribution-rate case. New rates took effect July 1, 2026. The settlement provided an approximately \$275 million annual increase in electric base-distribution revenue and a two-year freeze on base distribution rates. Eligible distribution-system investment charges were rolled into base rates, and the rider reset to zero subject to a 5% annual-revenue cap. The settlement also supported a new schedule for certain large-load customers, including data centers; PPL said the class would provide \$11 million for its residential low-income program. [1]

Pennsylvania also adopted statewide guidance for large-load tariffs. The PAPUC said upgrades that would not have been needed "but for" a large-load interconnection generally should be assigned to that customer, except for improvements already planned under an approved long-term infrastructure plan. It set a five-year minimum initial contract term and said actual terms should reflect the time needed for utility investment to be repaid. The order documents disagreements over how to allocate shared benefits, who should pay for network improvements, and the risk of delays or cost shifting. The statewide guidance does not establish every term of PPL Electric's separate tariff. [3]

Kentucky

In February, the Kentucky Public Service Commission (KPSC) approved annual electricity and gas revenue increases totaling approximately \$233 million for LG&E and KU. It approved an “Extremely High Load Factor Tariff” for future eligible customers such as data centers, including long-term contracts, minimum revenue payments, and collateral protections. [1]

On August 14, the KPSC partly granted and partly denied LG&E and KU rehearing requests. The commission addressed, among other matters, regulatory assets and liabilities in rate-base calculations and recovery, updated cost estimates for a potential cap in the Pilot Generation Recovery Clause, and certain pre-2026 Mill Creek Unit 2 stay-open costs. It denied other requests, including reinstatement of certain provisions from the October 2025 stipulation. The revised rates took effect for service on August 14 and added approximately \$4 million in annual LG&E electric and gas revenue and \$3 million in annual KU electric revenue above the February order. [1, 4]

Rhode Island

The Rhode Island Public Utilities Commission (RIPUC) acted on RIE's distribution-rate case on August 21. PPL reported annual revenue increases of \$44.1 million for electric distribution and \$93.7 million for gas distribution, a 9.275% return on equity, and a 48% debt/52% equity capital structure. Rates became effective September 1. The commission denied the requested second rate-year increase, while leaving open whether it might be considered later. It directed RIE to file an extra-large electric-load tariff by December 31, initially using a 20 MW class threshold or supporting a different threshold. The future tariff was to address reliability and resilience, cost shifting, and rate shock. [4, 5]

The hold-harmless credits associated with PPL's 2022 acquisition of RIE were a separate matter. The RIPUC denied RIE's proposal as filed but authorized a modified alternative. RIE accepted the alternative on August 25. PPL described total credits of approximately \$170 million. RIE filed electric and gas credit tariffs on September 4, and the Division of Public Utilities and Carriers recommended approval on September 22. The docket showed the tariff review was still before the commission at its October 2 update. [4, 5]

The investment question is also a customer question

PPL described grid modernization, resilience, and new load as reasons for investment. It also named rapid demand growth, capital access, cost recovery, customer affordability, project costs, and construction schedules among the risks to its outlook. A large-load tariff can reduce some risks of cost shifting; its existence does not demonstrate that each project will pay every incremental or shared-system cost. Conversely, a rate increase does not show that the underlying investment is unnecessary. [1, 3]

PPL's reported first-half 2026 property, plant, and equipment expenditures were \$616 million higher than in the first half of 2025. The company attributed increases across PPL Electric, RIE, LG&E, and KU to different projects, including transmission and distribution, battery storage, and generation construction. The figure is a change in six-month cash spending, not total capital spending or a measure of data-center-related investment. [1]

Research perspective

Research on utility regulation presents competing considerations. Investment may be needed to modernize an aging network and serve new demand. But regulated cost recovery can also shape utilities' incentives to own capital, while customers bear costs through approved rates.

Werner and Jarvis studied a multi-decade database of U.S. electric and natural-gas utility rate cases, combining rate-case, financial-market, credit, and annual utility-capital-spending data. Their 2022 working paper reports evidence that higher approved returns are associated with greater utility capital ownership and estimates potential consumer costs. Their findings depend on uncertain cost-of-equity benchmarks and empirical identification choices. The paper was circulated for discussion and was not peer-reviewed; it is a sector-level caution, not evidence that PPL's investments are imprudent. [6]

Cullmann and Nieswand's peer-reviewed study examined 109 German electricity distributors from 2006 to 2012. Its abstract reports increased investment after Germany's 2009 revenue-cap incentive regulation, especially in the base year used to set the rate base for a later regulatory period. The full article was not accessible for this research, and the German regime differs from PPL's U.S. state regulatory arrangements. [7]

Questions for analysis

1. How much confidence should an outside investor place in PPL's 6%-8% annual EPS-growth projection? Which parts of the evidence support or weaken that confidence?
2. How should you distinguish the 31.8 GW planning pipeline, signed agreements, projects under construction, regulated network investments, and the Invitium generation opportunity?
3. What do the Pennsylvania, Kentucky, and Rhode Island decisions show about cost recovery and customer protections? Which risks remain unresolved or unmeasured?
4. How should the utility-regulation research affect your analysis? What does it explain, and what can it not establish about PPL?
5. State your confidence level and identify the next evidence you would monitor. What specific development would cause you to revise your view?

Sources

1. PPL, Form 10-Q for quarter ended June 30, 2026, filed Aug. 7, 2026, especially forward-looking information; Notes 7-8; and MD&A investing activities. [SEC filing](#)
2. PPL, second-quarter 2026 earnings release, Aug. 7, 2026, pp. 0-4. [Official release](#)
3. Pennsylvania PUC, Docket M-2025-3054271, final large-load order, especially paragraphs 418-491. [Official order](#)
4. PPL, Form 8-K dated Aug. 14, filed Aug. 17, 2026, Item 8.01; and Form 8-K dated Aug. 27, 2026, Items 8.01. [KPSC order update](#); [RIPUC decisions](#)
5. RIPUC, Docket 25-45-GE, Aug. 21 minutes, motions 44 and 47; related RIE filings and DPUC recommendation through Sept. 22. [Official docket](#)
6. Karl Dunkle Werner and Stephen Jarvis, “Rate of Return Regulation Revisited,” Energy Institute at Haas Working Paper 329, September 2022, pp. 1-4, 8-17, 24-35 and Tables 3-5. [Full paper](#)
7. Astrid Cullmann and Maria Nieswand, “Regulation and Investment Incentives in Electricity Distribution: An Empirical Assessment,” *Energy Economics* 57 (2016), 192-203. Abstract and record only. [Publisher record](#)

This case was prepared for classroom discussion. It is not investment advice.