COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS RATES, A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY, APPROVAL OF OWNERSHIP OF GAS SERVICE LINES AND RISERS, AND A GAS LINE SURCHARGE	)	CASE NO. 2012-00222

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ORDER

Louisville Gas and Electric Company ("LG&E"), a subsidiary of LG&E and KU Energy LLC, is a combination electric and gas utility that generates, transmits, distributes, and sells electricity to approximately 400,000 consumers in Jefferson County, Kentucky and in portions of eight other Kentucky counties. It purchases, stores, transports, distributes, and sells natural gas to approximately 320,000 consumers in Jefferson County and in portions of 15 other Kentucky counties.[1]

BACKGROUND

On June 1, 2012, LG&E filed a notice of its intent to file an application for approval of increases in its electric and gas rates based on a historical test year ending March 31, 2012.[2] On June 29, 2012, LG&E filed its application, which included new rates to be effective August 1, 2012, based on a request to increase its electric revenues by $62.1 million and its gas revenues by $17.2 million. The application also

[1] See LG&E's application, page 2, for a list of the counties served.

[2] LG&E's sister utility, Kentucky Utilities Company ("KU"), filed a concurrent application, which was docketed as Case No. 2012-00221, Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates, filed July 10, 2012.

included LG&E's requests for: (1) a Certificate of Public Convenience and Necessity ("CPCN") for its proposal to take ownership of customers' gas service lines and risers through its Gas Line Program; (2) approval to take ownership of customers' gas service lines and risers; (3) a gas line surcharge; and (4) proposals to revise, add, and delete various tariffs applicable to its electric and gas service. LG&E was notified, by letter dated July 9, 2012, that its application was deficient in that it did not comply with the provisions of 807 KAR 5:001, Sections 10(1)(b)(3) and (5). On July 10, 2012, LG&E filed information which cured its deficiency and its application was deemed to be filed as of that date. Based on a July 10, 2012 filed date, the earliest that LG&E's proposed rates could become effective was August 9, 2012. To determine the reasonableness of LG&E's requests, the Commission suspended the proposed rates for five months from their effective date, pursuant to KRS 278.190(2), up to and including January 8, 2013.

The following parties requested and were granted full intervention: the Kentucky Industrial Utility Customers, Inc. ("KIUC"); the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"); Kroger Co.; the Kentucky School Boards Association ("KSBA"); and the Association of Community Ministries, Inc. ("ACM"). Hess Corporation ("Hess") and Stand Energy Corporation ("Stand Energy") requested and were granted intervention limited to the issue of gas transportation thresholds.

On July 18, 2012, the Commission issued a procedural order establishing the schedule for processing this case. The schedule provided for discovery, intervenor testimony, rebuttal testimony by LG&E, a formal evidentiary hearing, and an opportunity for the parties to file post-hearing briefs.[3] Intervenor testimonies were filed on October 2 and 3, 2012. LG&E filed its rebuttal testimony on November 5, 2012.

An informal conference was held at the Commission's offices on November 13 and 14, 2012, to discuss procedural matters and the possible resolution of pending issues.[4] All parties in this case and the KU rate case participated in the conference.

On November 19, 2012, LG&E, KU, and the intervenors in this case, and in Case No. 2012-00221, filed a "Settlement Agreement, Stipulation, and Recommendation" ("Settlement"), intended to address all rate-related issues raised in the two cases.[5] Under the terms of the Settlement, the utilities and intervenors agreed to forego cross-examination of each other's witnesses at the formal evidentiary hearing, which was held at the Commission's offices on November 27, 2012.

SETTLEMENT TERMS

The Settlement reflects the agreement of the parties on all issues raised in this case as well as the KU rate case. The major provisions of the Settlement as they relate to LG&E's revenues, rates, and accounting are as follows:

- LG&E's base rate electric revenues should be increased by $33,700,000, effective January 1, 2013.
- LG&E's base rate natural gas revenues should be increased by $15,000,000, effective January 1, 2013.
- The allocation of the increase in LG&E's electric revenues is set forth in Exhibit 2 to the Settlement.

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[3] Three public meetings were conducted in the KU and LG&E service territories: (1) November 8, 2012, in Harlan; (2) November 15, 2012, in Lexington; and (3) November 20, 2012, in Louisville.

[4] For administrative efficiency, the informal conference was a joint conference for this case and the rate case of KU, Case No. 2012-00221.

[5] The Settlement does not address LG&E's request for a CPCN for its Gas Line Program.

- The allocation of the increase in LG&E's gas revenues is set forth in Exhibit 3 to the Settlement.

- The electric rates for LG&E resulting from the Settlement are set forth in Exhibit 5 to the Settlement.

- The gas rates for LG&E resulting from the Settlement are set forth in Exhibit 6 to the Settlement.

- The monthly residential electric customer charge should be $10.75.

- The monthly residential gas customer charge should be $13.50.

- A reasonable return on equity for LG&E is 10.25 percent, which will be used in LG&E's monthly environmental cost recovery ("ECR") filings and its gas line tracker.

- The depreciation rates in Exhibit 8 to the Settlement, which include a negative 2 percent terminal net salvage percentage, are to be used by LG&E for accounting and ratemaking purposes effective January 1, 2013.

All parties agreed that the amount of increases in electric and gas revenues, the allocations of those increases, and the proposed rates, all as set forth in the Settlement, are fair, just, and reasonable. The Settlement addresses several other issues, including rate design, tariffs, and contributions to various low-income assistance programs. The remaining provisions of the Settlement affecting LG&E's operations are as follows:

- Late payment charges will be reduced from 5 to 3 percent for all rate schedules to which a 5 percent charge is now applied.

- LG&E will maintain its current Curtailable Service Riders, CSR10 and CSR30, without change, except for text changes proposed in its application.

- Rather than merge them into a single rate TODP, LG&E will maintain rate schedules Rate CTODP and Rate ITODP, which will have similar rate structures but different rates.

- Payment of a customer's bill shall be due to LG&E 16 business days, i.e., at least 22 calendar days, after the date on which the bill is issued. LG&E will issue bills only on business days.

- LG&E's shareholder contribution for low-income customer support will be increased by $187,500 annually beginning in 2013, to a total of $592,500; $412,500 for utility assistance and $180,000 for the Home Energy Assistance ("HEA") program, both of which are administered by ACM. Up to 5 percent of LG&E's total contribution to ACM may be used for reasonable administrative expenses. This shareholder contribution will not be conditioned upon the receipt of matching funds from other sources. These contribution amounts will continue until the effective date of new base rates for LG&E.

- LG&E will increase the monthly residential meter charge for the HEA program from $0.16 to $0.25 per meter, which will remain in effect until the effective date of new base rates for LG&E.

- Costs associated with LG&E's 2005 and 2006 environmental compliance plan, except the Emissions Allowance Project (LG&E Project 17), shall be incorporated into and recovered through LG&E's base rates and removed from LG&E's monthly environmental surcharge filings effective as of the first expense month after the Commission approves the Settlement.

- LG&E, together with KU, commits to propose a two-year demand-side management ("DSM") program to help fund energy management programs for schools affected by KRS 160.325. LG&E's annual level of funding is proposed to be $225,000. With input from KSBA and other stakeholders, LG&E and KU commit to file an application with the Commission by February 28, 2013, seeking approval of such a program by May 31, 2013.

- LG&E's Gas Line Tracker for the recovery of costs associated with replacing customer service risers, replacing and installing service lines, leak mitigation and main replacements should be approved as proposed in LG&E's application with rates to become effective on January 1, 2013, and that the return on equity that should apply to the Gas Line Tracker is 10.25 percent.

- LG&E will reimburse gas customers who replaced their service entrances or gas risers (or both) between January 1, 2011 and December 31, 2012. Customers desiring such reimbursement must notify LG&E. While LG&E will have no obligation to seek out such customers, it will post a notice of the availability of reimbursement on its website. Reimbursement will be in the amount of the customers' reasonable costs of replacement, which must be demonstrated to LG&E's reasonable satisfaction. Disputes regarding the amount of reimbursement may be brought before the Commission. LG&E will reimburse only owners of affected properties, each of whom must have owned the affected property at the time of the replacement of the service entrance or gas riser. LG&E will capitalize the amounts paid to such customers, and will recover the amounts through the Gas Line Tracker.

- LG&E's gas transportation tariffs Rate FT and Rider PS-TS-2 will have a daily nomination deadline of 10:00 a.m., Eastern Clock Time. For Rate FT and Rider PS-FT, the Utilization Charge for Daily Imbalances shall apply to daily imbalances in excess of $\pm$ 5 percent of the delivered volume of gas.

- To take service under Rider TS-2, a customer must consume a minimum of 15,000 Mcf of gas annually at each individual delivery point, in addition to meeting the other requirements in LG&E's tariff.

- The monthly administrative charge for customers taking service under Rate FT, Rider TS, and Rider TS-2 is $400.00 per delivery point.

- Participation in a third-party managed pool under Rider PS-TS-2 is a prerequisite to a customer obtaining service under Rider TS-2. The PS-TS-2 Pool Administrative Charge shall be $75 per customer per month in the TS-2 Pool.

- Remote metering service shall be required as a prerequisite to a customer obtaining service under Rider TS-2. The customer can elect to reimburse LG&E through either a one-time payment for the installed cost of remote metering equipment (including any required meter replacement) or a $300.00 monthly charge. The customer will be responsible for the costs associated with any required modifications to the customer's piping.

- Each supplier participating in Rider PS-TS-2 will be required to adhere to a code of conduct that provides consumer protections similar to supplier codes of conduct contained in the tariffs of other local distribution companies in Kentucky. For any failure to comply with the code of conduct, LG&E may temporarily suspend or terminate the non-compliant supplier from further participation in the program.

- When LG&E issues an Operational Flow Order ("OFO"), the issuance notice will provide information related to the issuance of the OFO.

- LG&E's proposed changes to its Gas Supply Clause should be approved except for:

  (1) With respect to LG&E's gas tariff, Original Sheet No. 85.1, LG&E will remove the proposed text changes to the definition of the Gas Cost Balancing Adjustment.

  (2) With respect to LG&E's gas tariff, Original Sheet No. 85.1, the proposed definition of the Gas Cost Actual Adjustment ("GCAA") will be revised to read, "(GCAA) is the Gas Cost Actual Adjustment per 100 cubic feet which compensates for differences between the previous three-month period's expected gas cost and the actual cost of gas during that three-month period, plus net uncollectible gas cost portion of bad debt."

  (3) With respect to LG&E's gas tariff, Original Sheet No. 86.2, LG&E will remove the proposed paragraph beginning, "Company may file at least twenty (20) days prior...."

- The regulatory assets and associated amortizations proposed by LG&E in its application (e.g., rate case expense, management audit expenses, MISO exit fees, etc.) are approved effective January 1, 2013.

- Except as modified in the Settlement and the exhibits attached thereto, the rates, terms, and conditions proposed in LG&E's application should be approved as filed.

ANALYSIS AND FINDINGS ON SETTLEMENT

The Commission's statutory obligation when reviewing a rate application is to determine whether the proposed rates are "fair, just and reasonable."[6] Even though there are numerous intervenors in this case, each having significant expertise in ratemaking proceedings and collectively representing a diverse range of customer interests, the Commission cannot simply defer to the decision of the parties as to what

[6] KRS 278.030(1).

constitutes "fair, just and reasonable" rates. The Commission must review the entire record, including the Settlement, and apply our expertise to make an independent decision as to the level of rates (including terms and conditions of service) that should be approved.

To satisfy its statutory obligation in this case, the Commission has performed its traditional ratemaking analysis, which consists of reviewing the reasonableness of each revenue and expense adjustment proposed or justified by the record, along with a determination of a fair return on equity ("ROE"). Based on the Commission's analysis of LG&E's revenues and expenses, as well as a determination of a reasonable range for LG&E's ROE, we reach the conclusion that the provisions in the Settlement will produce a revenue requirement and increases in base rates consistent with those justified by our traditional ratemaking analysis. Our analysis indicates that a reasonable range for LG&E's ROE is 9.6 percent to 10.6 percent, with a mid-point of 10.1 percent. The 10.25 percent ROE agreed upon by the parties to the Settlement falls within this ROE range. Likewise, the parties' agreed upon $33,700,000 increase in LG&E's electric revenues and $15,000,000 increase in LG&E's gas revenues are within the ranges of reasonableness for revenue increases produced by the Commission's ratemaking analysis which reflects the combined impact of our likely treatment of revenue and expense adjustments and a fair ROE.[7]

The Settlement provides that the 10.25 percent ROE agreed to by the parties is reasonable for calculating LG&E's base rates, and further provides that the 10.25 percent ROE shall also apply to LG&E's monthly ECR filings for recovery of costs in its

[7] Absent the Settlement, the evidentiary record would have been further developed, and the results of the Commission's traditional ratemaking analysis might have been different.

2009 and 2011 environmental compliance plans. However, the Commission notes that just 12 months ago, in Case No 2011-00162,[8] many of these same parties filed a settlement that provided for LG&E to use a ROE of 10.10 percent, subject to prospective changes by the Commission, in the monthly ECR filings for recovery of costs in LG&E's 2011 environmental compliance plan. In particular, LG&E's 2011 environmental compliance plan will require additional capital expenditures in excess of $1 billion over the next three years to meet emission standards. This level of capital expenditures is very significant and the Commission puts LG&E on notice that we will continue to closely monitor the progress of these environmental projects, the costs proposed to be recovered in the monthly ECR filings, and the reasonableness of the ROE applicable to those capital expenditures.

Based on its review of the provisions of the Settlement and the exhibits attached thereto; the voluminous record, including intervenor testimony and data responses; and the public comments, the Commission finds that the provisions of the Settlement are in the public interest and should be approved. The Settlement is the product of arms'-length negotiations involving many hours over several days among knowledgeable, capable parties. Approval of the Stipulation is based solely on its reasonableness in total and does not constitute precedent on any issue except as specifically provided for therein.

[8] Case No. 2011-00162, Application of Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Approval of Its 2011 Compliance Plan for Recovery by Environmental Surcharge (Ky. PSC Dec. 15, 2011).

CPCN REQUEST

In addition to the items contained in the Settlement, the Commission must address LG&E's request for a CPCN for its Gas Line Program. The Gas Line Program provides for the proactive replacement of gas service risers that have a compression type mechanical coupling. Due to potential safety issues with this type of riser, LG&E will identify and replace these risers over a five year period and assume ownership upon replacement. LG&E will also assume ownership of or responsibility for a customer's service line upon repair or replacement of the line by LG&E, or when LG&E installs a new service line. LG&E not only requested the Commission's approval to assume ownership of customer service lines and risers through its Gas Line Program, pursuant to 807 KAR 5:022, Section 9(17)(a)(2), it also requested a CPCN because of the new construction and increased charges to customers due to the Gas Line Program.

No utility may construct any facility to be used in providing utility service to the public until it has obtained a CPCN from this Commission.[9] To obtain a CPCN, the utility must demonstrate a need for such facilities as well as an absence of wasteful duplication.[10] In support of its request, LG&E stated that the proposed Gas Line Program will not create wasteful duplication, but rather will ensure that adequate and safe facilities are in place to serve its customers. LG&E indicated that the proposed program will not interfere with the service or operations of other utilities under the Commission's jurisdiction, and that the Gas Line Program's goal of ensuring public safety and quality of service are self-evidently in the public interest. The Commission

[9] KRS 278.020(1).

[10] *Kentucky Utilities Co. v. Pub. Serv. Comm'n*, 252 S.W.2d 885 (Ky. 1952).

finds that LG&E's proposal to replace over a five-year period the service risers with a compression type mechanical coupling and to take ownership of customers' gas service lines and risers as replaced or installed under its Gas Line Program is reasonable, and that the requested CPCN should be granted.

OTHER ISSUES

While the Commission is approving the Settlement, there are some aspects of the case which we believe merit further discussion. Those items are set out in the following paragraphs.

Customer Charges

For over 30 years, the Commission has historically noted the importance of energy efficiency (conservation) as a ratemaking standard. "It is intended to minimize the 'wasteful' consumption of electricity and to prevent consumption of scarce resources. . . ."[11]

In recent years the Commission has emphasized the importance of energy efficiency, and has often considered it and DSM in conjunction with a requested increase in the customer charge. For example, Owen Electric Cooperative, Inc. ("Owen"),[12] stated that not only was a higher customer charge necessitated by the cost of service, but without such an increase it would suffer revenue erosion from the reduced sales that likely would result from an increase in energy efficiency and DSM programs. The linkage between increasing the customer charge, driven by cost of

[11] Administrative Case 203, The Determinations with Respect to the Ratemaking Standards Identified in Section III (d)(I)-(6) of the Public Utility Regulatory Policies Act of 1978, p. 7 (Ky. PSC Feb. 28, 1982).

[12] Case No. 2008-00154, Application of Owen Electric Cooperative, Inc. for Adjustment of Rates, at 22-24 (Ky. PSC June 25, 2009).

service, and energy efficiency became explicit for utilities that do not have a DSM surcharge as set out by KRS 278.285.

The Commission agreed with this linkage in a subsequent case in which Owen sought a revenue neutral rate design change (increase in customer charge and decrease in energy charge) and an aggressive expansion of DSM and energy efficiency offerings. The Commission concluded:

> [T]he argument that there is a need to guard against the revenue erosion that can occur due to decreases in sales volume that accompanies the implementation or expansion of DSM and energy efficiency programs has merit. We also conclude, in conjunction with Owen's proposed expansion of its programs, that the potential reduction in sales volume provides strong reasons for increasing customer (fixed) charges in order to improve the utility's recovery of its fixed costs.[13]

The Commission, while agreeing with Owen in theory, did not grant the entire requested customer charge increase and instead relied on gradualism.

Thus, in other cases, utilities have argued that a higher customer charge is necessitated before they can justify rolling out aggressive DSM and energy efficiency programs. In the case at bar, LG&E has requested an increase in the customer charge based solely on its cost of service. Unlike the distribution cooperatives, LG&E, which has a DSM surcharge in place, did not argue for an increase in the customer charge to justify DSM and energy efficiency. In fact, the Commission had previously approved

[13] Case No. 2011-00037, Application of Owen Electric Cooperative Corporation for an Order Authorizing a Change in Rate Design for Its Residential and Small Commercial Rate Classes, and the Proffering of Several Optional Rate Designs for the Residential Rate Classes, p. 8 (Ky. PSC Feb. 29, 2012).

LG&E's (and KU's) current energy efficiency and DSM programs, which are the most comprehensive in the Commonwealth.[14]

The Commission, in this case, is faced with a different argument, one raised by consumers whose e-mails, letters, and public hearing comments contend that a higher customer charge will disincentivize them to make energy efficiency expenditures. They argue that their bills will rise even though they reduce their energy usage.[15]

A close examination of the increase in the residential customer charge agreed upon in the Settlement, from $8.50 to $10.75 per month, demonstrates that it is unlikely that consumers will be disincentivized as feared. The table below provides a comparison of residential customer bills at Settlement revenues using the current customer charge of $8.50 and the settlement customer charge of $10.75. The table shows that, at various usages, there is little impact on the total bill as a result of increasing the customer charge.

[14] Case No. 2011-00134, Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Review, Modification, and Continuation of Existing, and Addition of New Demand-Side Management and Energy-Efficiency Programs (Ky. PSC Nov. 9, 2011).

[15] The Commission received 55 written comments and five people spoke about this issue at the LG&E and KU public meetings.

Louisville Gas and Electric Company
Comparison of Customer Bills at Current and Settled Customer Charge

KWH Usage	Rate		500		1,010	1,500	2,000
Bills at Current Rates:							
Customer charge:	$ 8.50						
Volumetric rate:	$ 0.07242	$	44.71	$	81.64	$117.13	$153.34
Bills with Settlement Increase:							
At Current Customer charge:	$ 8.50						
Volumetric rate:	$ 0.07662	$	46.81	$	85.88	$123.43	$161.73
At Settlement Customer charge:	$ 10.75						
Volumetric rate:	$ 0.07439	$	47.95	$	85.88	$122.34	$159.53

Monthly average kWh usage of residential customer is 1,010.

In addition, under current rates for a LG&E customer using 1,010 kWh per month, the average monthly bill would be $81.64, with 10.41 percent of the revenue collected coming from the customer charge. Under the Settlement's rates, the average monthly bill would be $85.88, with 12.51 percent coming from the customer charge. We do not believe that this would disincent customers from using energy efficiency to reduce their bills.

Therefore, we believe the Settlement increasing the customer charge is reasonable and should be adopted. Determining the proper balance between cost of service, energy efficiency incentives for the utility, and energy efficiency incentives for the customer is challenging and requires a close examination of the facts and circumstances of each case. However, as the Commission said in 1982 in considering these sometimes conflicting purposes, "It is not necessary that in every instance all of the purposes be achieved."[16] Finally, with the potential for huge increases in the costs of generation and transmission as a result of aging infrastructure, low natural gas prices and stricter environmental requirements, we will strive to avoid taking actions that might disincent energy efficiency.

Gas Transportation Thresholds

In 2010, the Kentucky General Assembly adopted Joint Resolution 141 which directed the Commission to commence a collaborative study of natural gas retail competition programs and to prepare and submit a report to the Kentucky General Assembly and the Legislative Research Commission. Pursuant to that directive, the Commission established Case No. 2010-00146 to conduct an investigation of natural gas competition.[17] After developing a record that consisted of discovery responses, testimony, and public comments, and having conducting a public hearing, the Commission concluded that the existing transportation thresholds of jurisdictional local distribution companies ("LDCs") should be further examined, and that each LDC's tariffs and rate design would be evaluated in its next general rate proceeding. In its rate application in this proceeding, LG&E proposed changes to its TS transportation tariffs including the eligibility thresholds. LG&E's new TS-2 tariff as proposed, and as further revised through the negotiation process with Hess and Stand Energy following their limited intervention in this proceeding, represents a meaningful effort to address the Commission's directive from Case No. 2010-00146 that gas transportation thresholds be examined in each LDC's next rate case. The Commission finds that the exploration

[16] Administrative Case 203, p. 7 (Ky. PSC Feb. 28, 1982).

[17] Case No. 2010-00146, An Investigation of Natural Gas Competition Programs (Ky. PSC Dec. 28, 2010).

of LG&E's gas transportation services and issues surrounding the extension of the availability of such service to more customers satisfies the intent of our Order in Case No. 2010-00146. In LG&E's next rate case, we will review customer response to the transportation tariff changes and the lowered volumetric threshold that are included in the Settlement and approved in this Order. However, the Commission recognizes that there are many factors that may influence the decision by a transportation-eligible customer to switch gas suppliers and, consequently, the reasonableness of an optional tariff or rider for gas transportation service cannot be judged solely on the basis of the number of customers that elect transportation service.

The Commission, based on the evidence of record and the findings contained herein, HEREBY ORDERS that:

1. The rates and charges proposed by LG&E are denied.

2. The Settlement, set forth in Appendix A, attached hereto (without exhibits), is approved.

3. LG&E's request for a CPCN for its proposed Gas Line Program is reasonable and is approved.

4. The rates and charges for LG&E, as set forth in Appendix B, attached hereto, are the fair, just, and reasonable rates for LG&E, and these rates are approved for service rendered on and after January 1, 2013.

5. LG&E shall file within 20 days of the date of this Order, its revised tariffs setting out the rates authorized herein, reflecting that they were approved pursuant to this Order.

By the Commission

ENTERED

DEC 20 2012

KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Executive Director

Case No. 2012-00222

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00222 DATED DEC 20 2012

SETTLEMENT AGREEMENT, STIPULATION, AND RECOMMENDATION

This Settlement Agreement, Stipulation, and Recommendation ("Settlement Agreement") is entered into this 19th day of November 2012 by and between Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively, "the Utilities"); Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention ("AG"); Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. ("CAC"); Kentucky Industrial Utility Customers, Inc. ("KIUC"); The Kroger Co. ("Kroger"); Kentucky School Boards Association ("KSBA"); Lexington-Fayette Urban County Government ("LFUCG"); Association of Community Ministries, Inc. ("ACM"); Hess Corporation ("Hess"), and Stand Energy Corporation ("Stand Energy"). (Collectively, the Utilities, AG, CAC, KIUC, Kroger, KSBA, LFUCG, ACM, Hess, and Stand Energy are the "Parties.")

W I T N E S S E T H:

WHEREAS, on June 29, 2012, KU filed with the Kentucky Public Service Commission ("Commission") its Application for Authority to Adjust Electric Rates, *In the Matter of: An Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates*, and the Commission has established Case No. 2012-00221 to review KU's base rate application, in which KU requested a revenue increase $82.4 million;

WHEREAS, on June 29, 2012, LG&E filed with the Commission its Application for Authority to Adjust Electric and Gas Rates, a Certificate of Public Convenience and Necessity, Approval of Ownership of Gas Service Lines and Risers, and a Gas Line Surcharge, *In the Matter of: An Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates, a Certificate of Public Convenience and Necessity, Approval of Ownership of Gas Service Lines and Risers, and a Gas Line Surcharge*, and the Commission has established Case No. 2012-00222 to review LG&E's base rate application, in which LG&E requested a revenue increase for its electric operations $62.1 million and a revenue increase of $17.2 million for its gas operations. (Case Nos. 2012-00221 and 2012-00222 are hereafter collectively referenced as the "Rate Proceedings");

WHEREAS, the Commission has granted intervention in Case No. 2012-00221 to the AG, CAC, KIUC, Kroger, LFUCG, and KSBA;

WHEREAS, the Commission has granted full intervention in Case No. 2012-00222 to ACM, the AG, KIUC, Kroger, and KSBA, and limited intervention to Hess and Stand Energy on the sole issue of gas transportation thresholds;

WHEREAS, a prehearing informal conference for the purpose of discussing settlement, attended by representatives of the Parties and the Commission Staff took place on November 13 and 14, 2012, at the offices of the Commission, during which a number of procedural and substantive issues were discussed, including potential settlement of all issues pending before the Commission in the Rate Proceedings;

WHEREAS, a prehearing informal conference for the purpose of discussing the text of this Settlement Agreement, attended by representatives of the Parties and the Commission Staff took place on November 16 and 19, 2012, at the offices of the Commission;

WHEREAS, all of the Parties hereto unanimously desire to settle all the issues pending before the Commission in the Rate Proceedings;

WHEREAS, the adoption of this Settlement Agreement as a fair, just and reasonable disposition of the issues in this case will eliminate the need for the Commission and the Parties to expend significant resources litigating these Rate Proceedings, and eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final order herein;

WHEREAS, it is understood by all Parties hereto that this Settlement Agreement is subject to the approval of the Commission, insofar as it constitutes an agreement by all Parties to the Rate Proceedings for settlement, and, absent express agreement stated herein, does not represent agreement on any specific claim, methodology, or theory supporting the appropriateness of any proposed or recommended adjustments to the Utilities' rates, terms, or conditions;

WHEREAS, the Parties have spent many hours over several days to reach the stipulations and agreements which form the basis of this Settlement Agreement;

WHEREAS, all of the Parties, who represent diverse interests and divergent viewpoints, agree that this Settlement Agreement, viewed in its entirety, is a fair, just, and reasonable resolution of all the issues in the Rate Proceedings; and

WHEREAS, the Parties believe sufficient and adequate data and information support this Settlement Agreement, and further believe the Commission should approve it;

NOW, THEREFORE, for and in consideration of the promises and conditions set forth herein, the Parties hereby stipulate and agree as follows:

ARTICLE I. <u>REVENUE REQUIREMENTS</u>

SECTION 1.1. ***Utilities' Electric Revenue Requirements.*** The Parties stipulate that the following increases in annual revenues for LG&E electric operations and for KU operations, for purposes of determining the rates of LG&E and KU in the Rate Proceedings, are fair, just and reasonable for the Parties and for all electric customers of LG&E and KU:

LG&E Electric Operations: $33,700,000;

KU Operations: $51,000,000.

The Parties agree that any increase in annual revenues for LG&E electric operations and for KU operations should be effective for service rendered on and after January 1, 2013.

SECTION 1.2. **LG&E Gas Revenue Requirement.** The Parties stipulate and agree that, effective for service rendered on and after January 1, 2013,an increase in annual revenues for LG&E gas operations of $15,000,000, for purposes of determining the rates of LG&E gas operations in the Rate Proceedings, is fair, just and reasonable for the Parties and for all gas customers of LG&E.

SECTION 1.3. The Parties agree that a reasonable return on equity for the Utilities is 10.25% in this case.

SECTION 1.4. **Environmental Cost Recovery Mechanism Issues.** The Parties agree that, effective as of the first expense month after the Commission approves this Settlement Agreement, the return on equity that shall apply to the Utilities' recovery under their environmental cost recovery ("ECR") mechanism is 10.25% for their 2009 and 2011 environmental compliance plans. The Parties further agree that all costs associated with KU's and LG&E's 2005 and 2006 environmental compliance plans, excepting the Emission Allowance Projects discussed in Robert M. Conroy's testimony in both Rate Proceedings (KU Project 22 and LG&E Project 17), shall be incorporated into and recovered through the Utilities' base rates and will be removed from the Utilities' monthly environmental surcharge filings effective as of the first expense month after the Commission approves this Settlement Agreement.

SECTION 1.5. **Gas Line Tracker Return on Equity.** The Parties agree that the Commission should approve LG&E's Gas Line Tracker as proposed in LG&E's application with rates to become effective on January 1, 2013. The Parties further agree that the return on equity that should apply to the Gas Line Tracker is 10.25%.

ARTICLE II. REVENUE ALLOCATION AND RATE DESIGN

SECTION 2.1. **Revenue Allocation.** The Parties hereto agree that the allocations of the increases in annual revenues for KU and LG&E electric operations, and that the allocation of the increase in annual revenue for LG&E gas operations, as set forth on the allocation schedules designated Exhibit 1 (KU), Exhibit 2 (LG&E electric), and Exhibit 3 (LG&E gas) attached hereto, are fair, just, and reasonable for the Parties and for all customers of LG&E and KU.

SECTION 2.2. **Tariff Sheets.** The Parties hereto agree that, effective January 1, 2013, the Utilities shall implement the electric and gas rates set forth on the tariff sheets in Exhibit 4 (KU), Exhibit 5 (LG&E electric), and Exhibit 6 (LG&E gas), attached hereto, which rates the Parties unanimously stipulate are fair, just, and reasonable and should be approved by the Commission.

SECTION 2.3. **Depreciation Rates.** The Parties agree that the depreciation rates the Utilities proposed in these Rate Proceedings, with the exception that the percentage for terminal net salvage shall be approximately 2% rather than the Utilities' proposed 10%, shall be effective for the Utilities' accounting and ratemaking purposes as of January 1, 2013. This change to depreciation rates represents a $10.0 million reduction in annual depreciation expense for KU and a

$9.3 million decrease in annual electric depreciation expense for LG&E from the Utilities' filed positions. The revised rates are attached hereto as Exhibit 7 (KU) and Exhibit 8 (LG&E).

SECTION 2.4. Late Payment Charges. The Utilities' late payment charges will be reduced to 3% from 5% for all rate schedules to which the Utilities currently apply a 5% late-payment charge. This reduction does not affect the revenue requirements stated above, and is reflected in the revenue allocations shown in Exhibits 1, 2, and 3.

SECTION 2.5. Basic Service Charges. The Parties agree that the following monthly basic service charge amounts shall be implemented:

LG&E and KU Rates RS, VFD, and LEV:	$10.75
LG&E Rates RGS and VFD:	$13.50

All other basic service charges shall be the amounts proposed by the Utilities. These basic service charges are reflected in the proposed tariff sheets attached hereto in Exhibits 4, 5 and 6.

SECTION 2.6. Curtailable Service Riders. The Parties agree that LG&E and KU will maintain their current Curtailable Service Riders, CSR10 and CSR30, without change, excepting text changes the Companies proposed in their applications to address administrative issues, as shown in Exhibits 4 and 5. These text changes will not substantively alter the way CSR10 and CSR30 currently operate.

SECTION 2.7. LG&E's Rates CTODP and ITODP. LG&E will maintain its two rate schedules Rate CTODP and Rate ITODP rather than merging them into a single Rate TODP. Rates CTODP and ITODP will have similar rate structures but different rates, as shown in Exhibit 2.

SECTION 2.8. **KU's Rate AES.** With respect to schools that currently qualify to take service under Rate AES but cannot take such service because the rate schedule is closed, KU agrees to allow such schools to migrate to Rate AES, but only up to $50,000 projected annual savings to such schools in total as determined by KU. All such migrations must occur by March 31, 2013; after that date, no school may migrate to Rate AES. In addition, no school that ceases taking service under Rate AES may return to it.

SECTION 2.9. **Gas Transportation Issues.** LG&E will change its proposed gas transportation tariff sheets so that they provide as follows:

(A) The daily nomination deadline for Rate FT and Rider PS-TS-2 is 10:00 a.m., Eastern Clock Time.

For Rate FT and Rider PS-FT, the Utilization Charge for Daily Imbalances shall apply to daily imbalances in excess of ±5% of the delivered volume of gas.

(B) In order to take service under Rider TS-2, a customer, in addition to the other requirements set forth in LG&E's tariff, must consume a minimum of 15,000 Mcf of gas annually at each individual delivery point.

(C) The monthly administrative charge for customers taking service under Rate FT, Rider TS, and Rider TS-2 is $400.00 per delivery point.

(D) Participation in a third-party managed pool under Rider PS-TS-2 is a prerequisite to a customer obtaining service under Rider TS-2. The PS-

TS-2 Pool Administrative Charge shall be $75 per customer per month in the TS-2 Pool.

(E) Remote metering service shall be required as a prerequisite to a customer obtaining service under Rider TS-2. The customer can elect to reimburse LG&E through either (1) a one-time payment for the installed cost of the remote metering equipment (including any required meter replacement), or (2) a monthly charge of $300.00. Under either option, the customer is responsible for bearing the costs associated with any required modifications to the customer's piping.

(F) Each supplier participating in Rider PS-TS-2 must adhere to a supplier's code of conduct that provides consumer protections similar to supplier codes of conduct contained in the tariffs of other local distribution companies in Kentucky. If a supplier fails to comply with the code of conduct, LG&E has the discretion to temporarily suspend or terminate such supplier from further participation in the program.

(G) When LG&E issues an Operational Flow Order ("OFO"), the issuance notice will provide information related to the issuance of the OFO.

ARTICLE III. <u>CHANGES TO LG&E'S GAS SUPPLY CLAUSE</u>

SECTION 3.1. The Parties agree that the Commission should approve LG&E's proposed change to its Gas Supply Clause except:

(A) With respect to LG&E's gas tariff, P.S.C. Gas No. 9, Original Sheet No. 85.1, LG&E will remove its proposed text changes to the definition of the Gas Cost Balancing Adjustment (GCBA).

(B) With respect to LG&E's gas tariff, P.S.C. Gas No. 9, Original Sheet No. 85.1, LG&E will revise its proposed definition of the Gas Cost Actual Adjustment (GCAA) to be, "(GCAA) is the Gas Cost Actual Adjustment per 100 cubic feet which compensates for differences between the previous three-month period's expected gas cost and the actual cost of gas during that three month period, plus net uncollectible gas cost portion of bad debt."

(C) With respect to LG&E's gas tariff, P.S.C. Gas No. 9, Original Sheet No. 85.2, LG&E will remove its proposed paragraph beginning, "Company may file at least twenty (20) days prior …."

ARTICLE IV. TREATMENT OF CERTAIN SPECIFIC ISSUES

SECTION 4.1. Low-Income Customer Support. In addition to the shareholder contribution commitments the Utilities have already made in previous cases, the Utilities commit to contribute an additional $187,500 of shareholder funds per year per Utility. KU shall make its additional $187,500 annual shareholder contribution to the Home Energy Assistance program, which CAC administers. LG&E shall make its additional $187,500 annual shareholder contribution to ACM for utility assistance. The total of these shareholder contribution commitments for LG&E and KU is one million dollars per year beginning in 2013.

(A) The Utilities' total shareholder contribution level for 2013, including the additional $187,500 in each of the Utilities' service territories addressed above, will continue until the effective date of new base rates for the Utilities.

(i) The total annual shareholder contribution from KU shall be as follows: $100,000 for Wintercare, $307,500 for HEA ($120,000 is KU's existing commitment, $187,500 is KU's additional commitment). CAC administers both programs.

(ii) The total annual shareholder contribution from LG&E shall be as follows: $412,500 to ACM for utility assistance ($225,000 is LG&E's existing commitment, $187,500 is LG&E's additional commitment), $180,000 for HEA.

(B) LG&E agrees that up to 5% of its total contributions to ACM may be used for reasonable administrative expenses.

(C) None of the Utilities' shareholder contributions will be conditioned upon receiving matching funds from other sources.

SECTION 4.2. **Bill Due Date.** Payment for a customer's bill shall be due to the appropriate Utility sixteen business days, i.e., at least 22 calendar days, after the date on which the Utility issues the bill. The Utilities will issue bills only on business days.

SECTION 4.3. **Home Energy Assistance Charges.** The Utilities will increase the monthly residential meter charge (for gas and electric meters) for the Home Energy Assistance ("HEA") program from the current $0.16 per meter to $0.25 per meter, which increase shall remain effective until the effective date of new base rates for the Utilities.

SECTION 4.4. HEA Subsidy Amount Administered by CAC in the KU Service Territory. In the KU service territory, the HEA subsidy benefit will be a direct subsidy amount during peak cooling and heating months. The monthly benefit may be up to \$88 per applicable month, and may not exceed \$616 per year.

SECTION 4.5. Purchase of Certain Customer-Owned Gas Service Entrances and Risers. LG&E will reimburse its gas customers who have replaced their service entrances or gas risers (or both) between January 1, 2011 and December 31, 2012. Customers must notify LG&E if they desire such reimbursement; LG&E will have no obligation to seek out such customers, though LG&E will post on its website a notice of the availability of reimbursement. The reimbursement will be in the amount of the customers' reasonable costs of replacing such service entrances or gas risers (or both), which must be demonstrated to LG&E's reasonable satisfaction. Customers disputing the amount of reimbursement may contact the Commission. LG&E will reimburse only owners of affected properties, each of whom must have owned the affected property at the time of the replacement of the service entrance or gas riser. LG&E will capitalize the amounts paid to such customers, and will recover such amounts through the Gas Line Tracker mechanism.

SECTION 4.6. Demand-Side Management Program Proposal. The Utilities commit to propose a two-year demand-side management program to help fund energy management programs for schools affected by KRS 160.325. The annual levels of funding to be proposed are \$500,000 for KU and \$225,000 for LG&E.

With input from KSBA and other stakeholders, the Utilities commit to file an application with the Commission no later than February 28, 2013, seeking approval of such a program by May 31, 2013.

SECTION 4.7. **Regulatory Asset and Amortizations.** The regulatory assets and associated amortizations proposed in the Utilities' applications (e.g., rate case expense, 2011 Windstorm, Commission management audit expenses, MISO exit, swap termination) are approved beginning January 2013.

SECTION 4.8. The Parties agree that, except as modified in this Settlement Agreement and the exhibits attached hereto, the rates, terms, and conditions contained in the Utilities' filings in these Rate Proceedings shall be approved as filed.

ARTICLE V. <u>MISCELLANEOUS PROVISIONS</u>

SECTION 5.1. Except as specifically stated otherwise in this Settlement Agreement, entering into this Settlement Agreement shall not be deemed in any respect to constitute an admission by any of the Parties that any computation, formula, allegation, assertion or contention made by any other party in these Rate Proceedings is true or valid.

SECTION 5.2. The Parties hereto agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein and request the Commission to approve the Settlement Agreement.

SECTION 5.3. Following the execution of this Settlement Agreement, the Parties shall cause the Settlement Agreement to be filed with the Commission on November 19, 2012, together with a request to the Commission for consideration and approval of this Settlement Agreement for rates to become effective on January 1, 2013.

SECTION 5.4. Each of the Parties waives all cross-examination of the other Parties' witnesses unless the Commission disapproves this Settlement Agreement, and each party further stipulates and recommends that the Notice of Intent, Notice, Application, testimony, pleadings, and responses to data requests filed in the Rate Proceedings be admitted into the record. The Parties stipulate that after the date of this Settlement Agreement they will not otherwise contest the Utilities' proposals, as modified by this Settlement Agreement, in the hearing of the Rate Proceedings regarding the subject matter of the Settlement Agreement, and that they will refrain from cross-examination of the Utilities' witnesses during the hearing, except insofar as such cross-examination is in support of the Settlement Agreement.

SECTION 5.5. This Settlement Agreement is subject to the acceptance of and approval by the Commission. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Settlement Agreement be accepted and approved.

SECTION 5.6. If the Commission issues an order adopting this Settlement Agreement in its entirety, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such order.

SECTION 5.7. If the Commission does not accept and approve this Settlement Agreement in its entirety, then: (a) this Settlement Agreement shall be void and withdrawn by the Parties from further consideration by the Commission and none of the Parties shall be bound by any of the provisions herein, provided that none of the Parties is precluded from advocating any position contained in this Settlement Agreement; and (b) neither the terms of this Settlement Agreement nor any matters raised during the settlement negotiations shall be binding on any of the Parties or be construed against any of the Parties.

SECTION 5.8. If the Settlement Agreement is voided or vacated for any reason after the Commission has approved the Settlement Agreement, none of the Parties will be bound by the Settlement Agreement.

SECTION 5.9. The Settlement Agreement shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

SECTION 5.10. The Settlement Agreement shall inure to the benefit of and be binding upon the Parties hereto, their successors and assigns.

SECTION 5.11. The Settlement Agreement constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into the Settlement Agreement.

SECTION 5.12. The Parties hereto agree that, for the purpose of the Settlement Agreement only, the terms are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation.

SECTION 5.13. The Parties hereto agree that neither the Settlement Agreement nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Settlement Agreement. This Settlement Agreement shall not have any precedential value in this or any other jurisdiction.

SECTION 5.14. The signatories hereto warrant that they have appropriately informed, advised, and consulted their respective Parties in regard to the contents and significance of this Settlement Agreement and based upon the foregoing are authorized to execute this Settlement Agreement on behalf of their respective Parties.

SECTION 5.15. The Parties hereto agree that this Settlement Agreement is a product of negotiation among all Parties hereto, and no provision of this Settlement Agreement shall be strictly construed in favor of or against any party. Notwithstanding anything contained in the Settlement Agreement, the Parties recognize and agree that the effects, if any, of any future events upon the operating income of the Utilities are unknown and this Settlement Agreement shall be implemented as written.

SECTION 5.16. The Parties hereto agree that this Settlement Agreement may be executed in multiple counterparts.

IN WITNESS WHEREOF, the Parties have hereunto affixed their signatures.

Kentucky Utilities Company and
Louisville Gas and Electric Company

HAVE SEEN AND AGREED:

By: ______________________
Kendrick R. Riggs, Counsel

-and-

By: ______________________
Allyson K. Sturgeon, Counsel

Attorney General for the Commonwealth of Kentucky, by and through the Office of Rate Intervention

HAVE SEEN AND AGREED:

By:____________________________________
Dennis G. Howard, II, Assistant Director
Lawrence W. Cook, Asst Attorney General

Kentucky Industrial Utility Customers, Inc.

HAVE SEEN AND AGREED:

By: ______________________

Michael L. Kurtz, Counsel
Kurt J. Boehm, Counsel
Jody M. Kyler, Counsel

The Kroger Co.

HAVE SEEN AND AGREED:

By:________________________________

David C. Brown, Counsel

Kentucky School Boards Association

HAVE SEEN AND AGREED:

By: ______________________________
Matthew R. Malone, Counsel
William H. May, II, Counsel

Community Action Council for
Lexington-Fayette, Bourbon, Harrison
and Nicholas Counties, Inc.

HAVE SEEN AND AGREED:

By:______________________________
Iris G. Skidmore, Counsel

Lexington-Fayette Urban County Government
HAVE SEEN AND AGREED:

By: *David J. Barberie*

David J. Barberie, Managing Attorney
(contingent upon ratification by the Urban County Council)

Association of Community Ministries, Inc.

HAVE SEEN AND AGREED:

By: ______________________

Lisa Kilkelly, Counsel
Eileen Ordover, Counsel

Hess Corporation

HAVE SEEN AND AGREED:

By:______________________

Matthew R. Malone, Counsel
William H. May, II, Counsel

Stand Energy Corporation

HAVE SEEN AND AGREED:

By: Patrick R. Hughes

Patrick R. Hughes, Counsel By: Rmc

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00222 DATED DEC 20 2012

The following rates and charges are prescribed for the customers in the area served by Louisville Gas and Electric Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

ELECTRIC SERVICE RATES

SCHEDULE RS
RESIDENTIAL SERVICE

Basic Service Charge per Month	$10.75
Energy Charge per kWh	$ .07439

SCHEDULE VFD
VOLUNTEER FIRE DEPARTMENT

Basic Service Charge per Month	$10.75
Energy Charge per kWh	$ .07439

SCHEDULE GS
GENERAL SERVICE RATE

Basic Service Charge per Month – Single Phase	$20.00
Basic Service Charge per Month – Three Phase	$35.00
Energy Charge per kWh	$ .08466

SCHEDULE PS
POWER SERVICE

Secondary Service:

Basic Service Charge per Month	$90.00
Demand Charge per kW:	
Summer Rate	$15.95
Winter Rate	$13.56
Energy Charge per kWh	$ .03550

Primary Service:

Basic Service Charge per Month	$170.00
Demand Charge per kW:	
Summer Rate	$ 13.50
Winter Rate	$ 11.21
Energy Charge per kWh	$ .03416

SCHEDULE TODS
TIME-OF-DAY SECONDARY SERVICE

Basic Service Charge per Month	$200.00
Maximum Load Charge per kW:	
Peak Demand Period	$ 5.96
Intermediate Demand Period	$ 4.36
Base Demand Period	$ 3.85
Energy Charge per kWh	$ .03480

SCHEDULE CTODP
COMMERCIAL TIME-OF-DAY PRIMARY SERVICE

Basic Service Charge per Month	$300.00
Maximum Load Charge per kVA:	
Peak Demand Period	$ 5.70
Intermediate Demand Period	$ 4.00
Base Demand Period	$ 3.85
Energy Charge per kWh	$ .03300

SCHEDULE ITODP
INDUSTRIAL TIME-OF-DAY PRIMARY SERVICE

Basic Service Charge per Month	$300.00
Maximum Load Charge per kVA:	
Peak Demand Period	$ 4.50
Intermediate Demand Period	$ 3.66
Base Demand Period	$ 3.50
Energy Charge per kWh	$ .03028

SCHEDULE RTS
RETAIL TRANSMISSION SERVICE

Basic Service Charge per Month	$750.00
Maximum Load Charge per kVA:	
Peak Demand Period	$ 4.45
Intermediate Demand Period	$ 2.90
Base Demand Period	$ 2.65
Energy Charge per kWh	$ .03100

SCHEDULE FLS
FLUCTUATING LOAD SERVICE

Primary:

Basic Service Charge per Month	$750.00
Maximum Load Charge per kVA:	
Peak Demand Period	$ 2.84
Intermediate Demand Period	$ 1.79
Base Demand Period	$ 1.79
Energy Charge per kWh	$ .03100

Transmission:

Basic Service Charge per Month	$750.00
Maximum Load Charge per kVA:	
Peak Demand Period	$ 2.84
Intermediate Demand Period	$ 1.79
Base Demand Period	$ 1.04
Energy Charge per kWh	$ .03100

SCHEDULE LS
LIGHTING SERVICE

Rate per Light per Month: (Lumens Approximate)

Overhead:

	Fixture Only
High Pressure Sodium:	
16,000 Lumens – Cobra Head	$ 12.28
28,500 Lumens – Cobra Head	$ 14.33
50,000 Lumens – Cobra Head	$ 16.31
16,000 Lumens - Directional	$13.23
50,000 Lumens - Directional	$17.14
9,500 Lumens – Open Bottom	$10.42

Metal Halide

12,000 Lumens - Directional		$ 12.27	
32,000 Lumens - Directional		$ 17.80	
107,800 Lumens - Directional		$ 37.19	

Underground:

	Fixture Only	Decorative Smooth	Historic Fluted
High Pressure Sodium:			
5,800 Lumens – Colonial, 4-Sided		$ 19.42	
9,500 Lumens – Colonial, 4-Sided		$ 20.05	
5,800 Lumens - Acorn		$ 19.81	
9,500 Lumens - Acorn		$ 22.12	
5,800 Lumens - London			$ 34.83
9,500 Lumens - London			$ 35.63
5,800 Lumens - Victorian			$ 32.56
9,500 Lumens - Victorian			$ 34.55
Victorian/London Bases – Westchester/Norfolk			$ 3.56
16,000 Lumens – Cobra Head		$ 25.81	
28,500 Lumens – Cobra Head		$ 27.69	
50,000 Lumens – Cobra Head		$ 32.96	
16,000 Lumens - Contemporary	$ 15.92	$ 29.35	
28,500 Lumens - Contemporary	$ 17.52	$ 32.10	
50,000 Lumens - Contemporary	$ 21.25	$ 37.32	
4,000 Lumens - Dark Sky Lantern		$ 23.44	
9,500 Lumens - Dark Sky Lantern		$ 24.46	
Metal Halide			
12,000 Lumens - Contemporary	$ 13.54	$ 23.31	
32,000 Lumens - Contemporary	$ 19.58	$ 29.33	
107,800 Lumens - Contemporary	$ 40.15	$ 49.90	

SCHEDULE RLS
RESTRICTED LIGHTING SERVICE

Overhead:

	Fixture Only	Fixture and Wood Pole	Fixture and Ornamental Pole
Mercury Vapor:			
8,000 Lumens – Cobra/O.B.	$ 9.06		
8,000 Lumens – Cobra Head	$10.62		
13,000 Lumens – Cobra Head	$10.28		
25,000 Lumens – Cobra Head	$12.51		
60,000 Lumens – Cobra Head	$25.29		
25,000 Lumens - Directional	$ 14.54		
60,000 Lumens - Directional	$ 26.49		
4,000 Lumens – Open Bottom	$ 7.82		
Metal Halide:			
12,000 Lumens - Directional		$ 14.55	
32,000 Lumens - Directional		$ 20.09	$ 27.54
107,800 Lumens - Directional		$ 40.37	
Wood Pole:			
Installed Before 3/1/2010	$11.31		
Installed Before 7/1/2004	$ 2.06		

Underground:

	Fixture Only	Decorative Smooth
High Pressure Sodium:		
16,000 Lumens – Cobra/Contemporary		$ 24.35
28,500 Lumens – Cobra/Contemporary		$ 26.59
50,000 Lumens – Cobra/Contemporary		$ 30.33
5,800 Lumens – Coach/Acorn		$ 13.78
9,500 Lumens – Coach/Acorn		$ 16.73
16,000 Lumens – Coach/Acorn		$ 21.61
120,000 Lumens – Contemporary	$ 38.88	$ 70.00
9,500 Lumens – Acorn, Bronze		$ 23.24
16,000 Lumens – Acorn, Bronze		$ 24.10

5,800 Lumens - Victorian	$ 18.99	
9,500 Lumens - Victorian	$ 19.89	
5,800 Lumens - London	$ 19.14	
9,500 Lumens - London	$ 20.36	
5,800 Lumens - London		$ 32.85
9,500 Lumens - London		$ 33.65
5,800 Lumens - Victorian		$ 31.89
9,500 Lumens - Victorian		$ 33.89
Victorian/London Bases:		
Old Town		$ 3.47
Chesapeake		$ 3.73
Poles:		
10' Smooth Pole		$ 10.81
10' Fluted Pole		$ 12.90
Mercury Vapor:		
8,000 Lumens – Cobra Head		$ 16.91
13,000 Lumens – Cobra Head		$ 18.52
25,000 Lumens – Cobra Head		$ 21.95
25,000 Lumens – Cobra (State of KY Pole)	$21.94	
4,000 Lumens – Coach		$ 12.13
8,000 Lumens – Coach		$ 13.73
Incandescent:		
1,500 Lumens – Continental Jr.		$ 8.72
6,000 Lumens – Continental Jr.		$ 12.18

SCHEDULE LE
LIGHTING ENERGY SERVICE

Energy Charge per kWh	$ .05847

SCHEDULE TE
TRAFFIC ENERGY SERVICE

Basic Service Charge per Month	$3.25
Energy Charge per kWh	$ .07044

SCHEDULE CTAC
CABLE TELEVISION ATTACHMENT CHARGES

Per Year for Each Attachment to Pole	$ 9.11

RATE CSR 10
CURTAILABLE SERVICE RIDER 10

	Transmission	Primary
Demand Credit per kVA	$ 5.40	$ 5.50
Non-compliance Charge Per kVA	$ 16.00	$ 16.00

RATE CSR 30
CURTAILABLE SERVICE RIDER 30

	Transmission	Primary
Demand Credit per kVA	$ 4.30	$ 4.40
Non-compliance Charge Per kVA	$ 16.00	$ 16.00

STANDARD RIDER FOR EXCESS FACILITIES

Monthly Excess Facilities Charge:

Percentage with No Contribution in Aid of Construction	1.32%
Percentage with Contribution in Aid of Construction	.54%

SCHEDULE RC
STANDARD RIDER FOR REDUNDANT CAPACITY CHARGE

Capacity Reservation Charge per kW/kVA:

Secondary Distribution	$ 1.17
Primary Distribution	$ .83

SCHEDULE SS
STANDARD RIDER FOR SUPPLEMENTAL OR STANDY SERVICE

Contract Demand per kW/kVA:

Secondary	$12.86
Primary	$12.23
Transmission	$11.04

SCHEDULE LEV

LOW EMISSION VEHICLE SERVICE

Basic Service Charge per Month	$ 10.75
Energy Charge per kWh:	
Off Peak Hours	$ .05183
Intermediate Hours	$ .07262
Peak Hours	$ .13814

SPECIAL CONTRACTS

Fort Knox:	
Demand Charge per kW:	
Summer Rate	$ 14.67
Winter Rate	$ 12.35
Energy Charge per kWh	$ .03230
Louisville Water Company:	
Demand Charge per kW	$ 10.00
Energy Charge per kWh	$ .03192

METER PULSE CHARGE

Charge per Month per Installed Set of Pulse Generating Equipment	$ 15.00

SPECIAL CHARGES

Disconnect/Reconnect	$ 28.00
Meter Test Charge	$ 75.00

CUSTOMER DEPOSITS

Combination Gas and Electric Residential Customers	$ 230.00

HOME ENERGY ASSISTANCE PROGRAM – HEA

Per Month per Meter	$ .25

GAS SERVICE RATES

RATE RGS
RESIDENTIAL GAS SERVICE

Basic Service Charge Per Month	$ 13.50
Distribution Charge Per Ccf	$ .26419

RATE VFD
VOLUNTEER FIRE DEPARTMENT SERVICE

Basic Service Charge Per Month	$ 13.50
Distribution Charge Per Ccf	$ .26419

RATE CGS
FIRM COMMERCIAL GAS SERVICE

Basic Service Charge Per Month	
Meters < 5000 cf/hr	$ 35.00
Meters ≥ 5000 cf/hr	$ 175.00
Distribution Charge Per Ccf	$ .20999

Gas Transportation Service/Standby Rider to Rate CGS

Administrative Charge Per Month	$ 400.00
Distribution Charge Per Mcf	$ 2.0999

RATE IGS
FIRM INDUSTRIAL GAS SERVICE

Basic Service Charge Per Month	
Meters < 5000 cf/hr	$ 35.00
Meters ≥ 5000 cf/hr	$ 175.00
Distribution Charge Per Ccf	$ .21452

Gas Transportation Service/Standby Rider to Rate IGS

Administrative Charge Per Month	$ 400.00
Distribution Charge Per Mcf	$ 2.1452

RATE AAGS
AS-AVAILABLE GAS SERVICE

Basic Service Charge Per Month	$ 275.00
Distribution Charge per Mcf	$ .6086

Gas Transportation Service/Standby Rider to Rate AAGS

Administrative Charge Per Month	$ 400.00
Distribution Charge Per Mcf	$ .6086

RATE DGGS
DISTRIBUTED GENERATION GAS SERVICE

Basic Service Charge Per Month	
Meters < 5000 cf/hr	$ 35.00
Meters ≥ 5000 cf/hr	$ 175.00
Demand Charge per Ccf of Monthly Billing Demand	$ 1.1402
Distribution Charge per Ccf	$ .03095

RATE FT
FIRM TRANSPORTATION SERVICE

Basic Service Charge Per Month	$ 400.00
Distribution Charge per Mcf	$ .43

RIDER GMPS
GAS METER PULSE SERVICE

Monthly Charge for FT or Rider TS-2 Customers	$ 7.17
Monthly Charge for Non-FT or Rider TS-2 Customers	$ 24.34

STANDARD RIDER FOR EXCESS FACILITIES

Excess Facilities Charge Percentage Applied to Original Installed Cost:

Monthly Charge with no Contribution-in-aid-of-Construction	1.24%
Monthly Charge with Contribution-in-aid-of-Construction	.47%

GLT
GAS LINE TRACKER

Monthly Charge per Customer:

RGS – Residential Gas Service	$ 2.27
VFD – Volunteer Fire Department Service	$ 2.27
CGS – Commercial Gas Service	$ 11.24
IGS – Industrial Gas Service	$ 90.32
AAGS – As-Available Gas Service	$ 498.09
DGGS – Distributed Generation Gas Service	$ 0

HOME ENERGY ASSISTANCE-HEA

Monthly Charge per Meter	$ .25

CUSTOMER DEPOSITS

Customers Served Under Residential Service Rate RGS	$ 95.00
Combination Gas and Electric Residential Customers	$ 230.00

SPECIAL CHARGES

Meter Test Charge	$ 90.00
Disconnect/Reconnect Service Charge	$ 28.00
Inspection Charge	$ 150.00
Additional Trip Charge – Rate FT, Rider TS-2, Rider GMPS	$ 150.00
Optional Monthly Telemetry Charge – Rate TS-2	$300.00

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