

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

FEB 09 2009

MR. AND MRS. JAMES RIDDICK)

PUBLIC SERVICE
COMMISSION

COMPLAINTS)

v.)

Case No. 2009-00020

AMERICAN ELECTRIC POWER,)

KENTUCKY POWER COMPANY)

GRAYSON RURAL ELECTRIC)

DEFENDANTS)

Answer of Kentucky Power Company

Kentucky Power Company for its Answer to the complaint filed by Mr. and Mrs. James Riddick ("the Riddicks") states:

1. American Electric Power Company, although the parent of Kentucky Power Company, is a corporation separate and distinct from Kentucky Power Company. American Electric Power Company does not provide retail electric service in the Commonwealth of Kentucky, and as such is not a proper party to this proceeding. To the extent the complaint purports to make American Electric Power a defendant, it should be dismissed as to American Electric Power Company.

2. The Riddicks' complaint fails to state a claim for which relief may be granted. Their complaint nowhere identifies any statute, regulation or Commission Order that Kentucky Power has violated and none is evident upon the face of the Complaint.

3. Kentucky Power denies the allegations contained in the first paragraph of the Riddicks' complaint, except that it admits the Riddicks applied on July 14, 2008 for service

from Kentucky Power, and that Kentucky Power provided the Riddicks with an estimate of the amount they would be required to pay under the Commission's regulations and the Company's Commission-approved tariffs for the service extension. Kentucky Power further denies its representatives said or implied anything that would have led to the Riddicks to build a house on the belief that Kentucky Power would provide service other than in a fashion consistent with the Commission's regulations and the Company's Commission-approved tariffs. Kentucky Power admits that the attachment referred to in the first paragraph of the Riddick's complaint and attached to the complaint was provided by Kentucky Power to the Riddicks.

4. Kentucky Power admits so much of the second paragraph of the complaint as alleges there previously was electrical service facilities near the Complainants' property on Rockhouse Trace Road, states upon information and belief that such facilities were removed in 1989 or earlier, and denies the remaining allegations of the second paragraph of the complaint.

5. Kentucky Power is without information sufficient to admit or deny the allegations of the third paragraph of the complaint and therefore denies the same, except that it denies so much of the final sentence of the paragraph that implies Kentucky Power (misidentified as AEP) has hampered job creation or adversely affected the Lawrence County, Kentucky tax base by its actions in this matter.

6. To the extent the matters listed under the heading "Relief" and the following sentence require a response, Kentucky Power denies the allegations, except that it states upon information and belief that sometime prior to 1989, electrical service facilities existed near the Riddicks' property for purposes of serving a coal mining operation.

To provide the Commission with a complete and accurate understanding of Kentucky Power's efforts to resolve this matter, Kentucky Power states:

A. The Subject Property And Kentucky Power's Former And Now Existing Facilities.

7. The Riddicks applied to Kentucky Power on July 14, 2008 for electrical service to property located at or near 1230 Rockhouse Trace Road, Louisa, Kentucky. At the time of the application the Riddicks sought service for a company-supplied outdoor light for the gate to their property and for a recreational vehicle/camper parked on the property. Rockhouse Trace Road (or Rockhouse Trace Branch) is located off Mattie-Wilbur Road, approximately 12 miles south west of Louisa, Kentucky in a remote and generally undeveloped area of Lawrence County, Kentucky. The Riddick's property is located near the boundary between the certified territories of Kentucky Power Company and Grayson Rural Electric Cooperative Corporation ("Grayson Rural.")

8. Kentucky Power maintains facilities north and south of the Complainants' property from which an electrical service extension may be made to the Riddicks' property. To serve the Riddicks from Kentucky Power's existing facilities south of their property would require the construction of approximately 6,900 feet of distribution line along Rockhouse Trace Road. Access along this route is not possible because one of the landowners along the proposed right-of-way will not provide Kentucky Power with an easement for the distribution line.

9. Access also is available from existing facilities north of the Complainants' property. Service from these facilities would require the construction of approximately 8,940 feet of distribution line along Rockhouse Trace Road.

10. Kentucky Power previously maintained other service facilities north of the Riddicks' property. These facilities terminated approximately 1,000 feet from the Riddicks' new home. Upon information and belief, Kentucky Power states these former facilities

provided power to a coal mining operation in the area and did not service any other customers. Further upon information and belief, Kentucky Power states that Kentucky Power ceased providing electrical service to the coal mining operation no later than 1989. Sometime during the intervening 20 years, consistent with Company practice, and for safety, efficiency and financial reasons, Kentucky Power removed the facilities that were not, and had not for a period of time, served any customers. The termini of the former line is now covered by a pond constructed after the removal the Company's facilities.

11. Attached to this answer as EXHIBIT 1 is a map illustrating the location of the proposed northern and southern routes, the path of the former line, the Complainants' service locations and the pond. Also illustrated is the boundary between Kentucky Power and Grayson Rural service territories.

12. The facilities requested by the Riddicks will serve only the Riddicks' home and according to the Riddicks a residential subdivision to be developed by the Riddicks. No other applications for electrical service to be served by the proposed extension have been received by Kentucky Power.

B. Efforts By Kentucky Power To Provide Service And Resolve This Matter.

13. Following the Riddicks' July 14, 2008 application for electrical service, John Sode, a Kentucky Power technician, met with the Riddicks at their property on July 23, 2008. At that meeting Mr. Sode informed the Riddicks that because the closest Kentucky Power facility from which service could be provided was located approximately 7,000 feet from the proposed service location, the Complainants would be required to bear the cost of any line extension that exceeded 1,000 feet.

14. Mr. Sode also noted that in light of the proximity of the boundary between the certified territories of Kentucky Power and Grayson Rural, and because Grayson Rural might

have facilities in area, the Complainants should contact Grayson Rural to see if service could be obtained from Grayson Rural for a lesser cost. Finally, Mr. Sode informed the Riddicks that if they chose to receive service from Grayson Rural, Kentucky Power would waive its right of exclusive service under Kentucky's certified territory statutes. The Complainants indicated they intended to contact Grayson Rural.

15. At no time did Mr. Sode or any other Kentucky Power representative "deflect" the Complainants to Grayson Rural. Kentucky Power would have begun the work necessary to provide the Riddicks with an estimate of the cost of an extension if the Riddicks had indicated they wished for Kentucky Power to do so.

16. The next contact between the Riddicks or Grayson Rural, and Kentucky Power, with respect to service to the Riddicks' property was a September 4, 2008 phone call from Grayson Rural requesting a meeting at the property. Mr. Sode agreed to meet the Grayson Rural representative and the Complainants at the property on September 8, 2008. At that meeting,

- (a) After conferring with John Simmons, the Grayson Rural representative, Mr. Sode concluded that Kentucky Power's facilities appeared to be closer and that service should be provided by Kentucky Power.
- (b) It appeared that the Company's closest existing facilities were located south of the Complainants' property and that a line running along Rockhouse Trace Road to Complainants' proposed service location would be the most economical.
- (c) The Complainants informed Mr. Sode that one of their neighbors along the route of the proposed southern line would not consent to Kentucky Power's facilities crossing the neighbor's property.
- (d) Kentucky Power also investigated providing service by means of an extension along Rockhouse Trace Road from its existing facilities north of proposed service locations. This northern route was approximately 2,000 feet longer than the proposed southern route.
- (e) Consistent with Company practice, Mr. Sode indicated Kentucky would bear the average cost of the additional 2,000 feet of the line (plus the cost

of the first 1,000 feet as required under the regulation) required for the northern approach, but that the Complainants would be required to bear the cost of approximately 5,500 feet of extension. Mr. Sode provided an informal estimate of \$44,000 for the Complainants share of the line, but indicated that a more formal evaluation and estimate could be provided.

- (f) The Complainants became agitated upon being informed of this informal estimate and challenged Kentucky Power's right to charge for the extension as well as the amount of the estimate.
- (d) Mr. Riddick also indicated that he wished the line to be buried beginning at the gate to his property. Mr. Sode informed the Complainants that if they performed the trenching, installed the required conduit and backfilled the trench once the line was installed by Kentucky Power, the Company's additional charge for the underground portion of the work could be reduced.

17. On September 10, 2008 Ms. Riddick informed Mr. Sode that she believed service previously had been provided in the general vicinity of the Complainants' property by means of a line from the Company's facilities north of the Complainants' property. Mr. Sode agreed to investigate providing service using the former facilities if they existed.

18. On or about September 17, 2008 Mr. Sode investigated the path of the former line from the north and discovered the former facilities no longer existed. The poles, conductors and appurtenances had been removed. For a portion of its length the former line used the same general route along Rockhouse Trace Road as the proposed northern route. Other portions paralleled the proposed northern route but did not run along the Rockhouse Trace Road. Building along a road allows the company to reduce the cost of the initial construction and permits easier maintenance.

19. Upon information and belief, the facilities along the former line were removed by the Company in the ordinary course of business and in accordance with its usual practices. Even if unused for an extended period, distribution facilities require maintenance, are subject to theft, and can pose a safety hazard.

20. In September and October, 2008 Kentucky Power representatives performed field surveys and secured commitments for rights-of-way (including one from an out-of-state owner) for the northern route along Rockhouse Trace Road. During this period, representatives of Kentucky Power also communicated with the Complainants concerning the proposed extension.

21. On November 13, 2008, Mr. Sode provided the Complainants with a formal written proposal for the 8,940 foot extension. A copy of the proposal is attached to this answer as **EXHIBIT 2**. The total cost of the proposed extension was \$58,537.64 and was calculated in accordance with the Company's usual method. The average cost per foot of the entire extension is \$6.55.¹ Under the terms of the proposal, Kentucky Power agreed to extend its facilities above ground to the Complainants' service locations at a cost to the Complainants of \$38,907.00, based upon the average estimated cost per foot of the total extension.² Kentucky Power, consistent with its prior discussions with the Riddicks, agreed to assume the cost of the remainder of the line (3,000 feet). Kentucky Power also provided the Riddicks with a proposal for the additional cost of placing 4,482 of the line underground.³ Finally, Kentucky Power informed the Riddicks that if the required payment was timely received the line extension could be completed by the end of 2008.

C. Controlling Regulations and Tariffs.

22. 807 KAR 5:041 Section 11(2)(a) provides:

When an extension of the utility's line to serve an applicant or group of applicants amounts to more than 1,000 feet per customer, the utility may, if not

¹ \$58,537.64/8,940 feet.

² \$6.55 x 5,940 feet (8,940 feet [length of extension] – 3,000 [portion to be assumed by Kentucky Power]) equals \$38,907.

³ In reviewing the calculation of the underground differential, Kentucky Power discovered that it overstated the underground differential by \$1,018.11. The Complainants do not challenge the underground differential; instead, it appears they object to being required under the Commission's regulations to paying any of the cost of the extension. As recalculated, the total cost to the Riddicks for the extension, with 4,482 feet being placed underground would be (using the November, 2008 calculations) \$48,782.

inconsistent with its filed tariff, require total cost of the excessive footage over 1,000 feet to be deposited with the utility by the applicant or applicants, based on the average estimated cost per foot of the total extension.

Kentucky Power's proposal to the Riddicks is fully consistent with 807 KAR 5:041 Section 11(2)(a). Under the proposal the Company is bearing the cost of the 3,000 feet of the extension even though the regulation only requires it to assume the cost of 1,000 feet. The costs allocated to the Company and the Riddicks are calculated using the average estimated cost per foot of the total extension as required by the regulation.

23. To the extent the Riddicks also are proposing to use the line extension in connection with their development of a residential subdivision, 807 KAR 5:041 Section 11(3) is applicable. It provides in pertinent part:

An applicant desiring an extension to a proposed real estate subdivision may be required to pay the entire cost of the extension...

The Company's November 13, 2008 proposal is at least as favorable to the Riddicks as the regulation.

24. Pages 2-4 to 2-6 of the Company's tariffs are applicable to extensions. They provide in pertinent part:

6. UNDERGROUND SERVICE.

When a real estate developer desires an underground distribution system within the property which he is developing or when a Customer desires an underground service, the real estate developer or customer, as the case may be, shall pay the Company the difference between the anticipated cost of the underground facilities so requested and the cost of the overhead facilities which would ordinarily be installed in accordance with 807 5:041, Section 21, and the Company's underground service plan as filed with the Public Service Commission. Upon receipt of payment, the Company will install the underground facilities and will own, operate and maintain the same.

9. **EXTENSION OF SERVICE.**

The electric facilities of the Company shall be extended or expanded to supply electrical service to all residential Customers and small commercial Customers which require single phase line where the installed transformer capacity does not exceed 25 kVA in accordance with 807 KAR 5:041, Section 11.

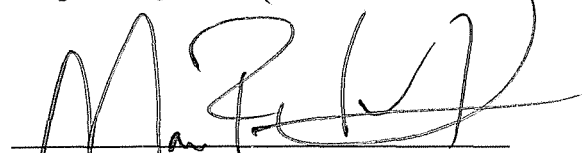
In addition, the Complainants also will take service from the Company under Tariff R.S.

(Residential Service), which provides in pertinent part: "Pursuant to 807 KAR 5:041, Section 11, paragraph (5) (*sic*), of the Public Service Commission Regulations, the Company will make an extension of a 1,000 feet or less to its existing distribution line without charge for a prospective permanent residential customer served under this R.S. tariff." A copy of the applicable tariff provisions are attached to this answer as **EXHIBIT 3**.

25. In requiring the Complainants to pay a portion of the cost of the proposed extension, as well as the additional cost required to install a portion of the line underground, Kentucky Power acted in accordance with its filed tariffs and Terms and Conditions of Service, as well as the Commission's regulations.

Wherefore, Kentucky Power respectfully requests that the complaint be dismissed with prejudice.

Respectfully submitted,



Mark R. Overstreet
STITES & HARBISON PLLC
421 West Main Street
P.O. Box 634
Frankfort, KY 40602-0634
Telephone: (502) 223-3477

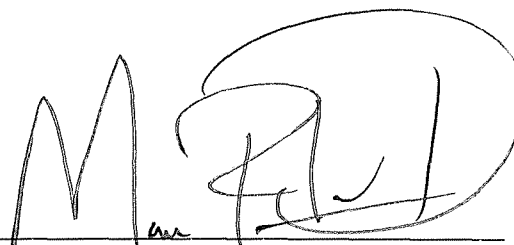
COUNSEL FOR KENTUCKY POWER
COMPANY

CERTIFICATE OF SERVICE

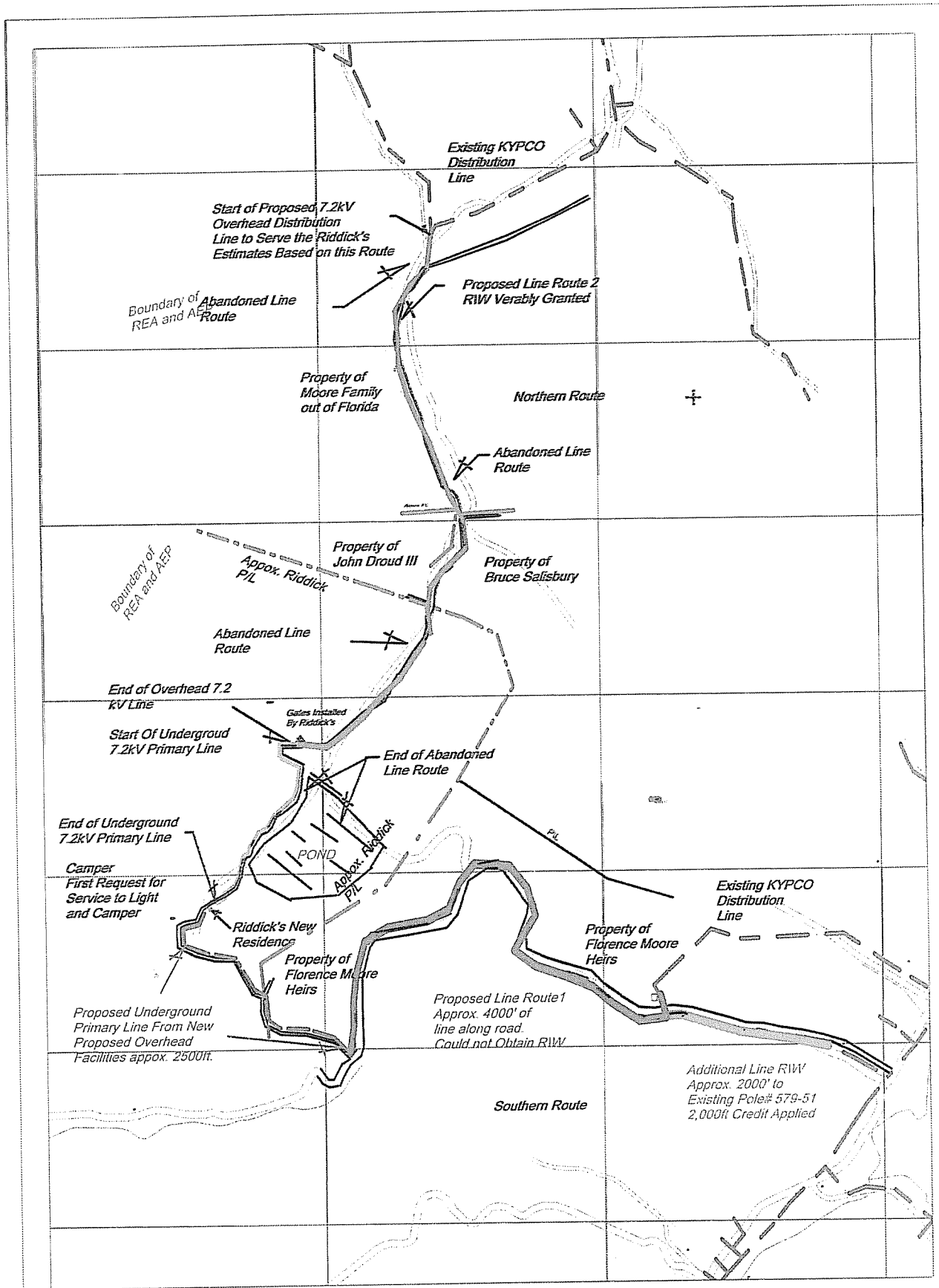
I hereby certify that a copy of the foregoing was served by United States First Class Mail, postage prepaid, on this 9th day of February, 2009 upon:

Mr. and Mrs. James Riddick
1230 Rockhouse Trace Road
Louisa, Kentucky 41230

Wilson & Bailey
101 West Madison Street # 2
Louisa, Kentucky 41230



Mark R. Overstreet



An LD-Pro® Worksketch

Date Requested:	Bucket Truck?:
Date Required: 9/10/2008	Truck to Site?:
4 WD?:	County:
Station No.:	Circuit No.:
Sta/Circuit Name:	Map:
Volage:	Quad:
Phases:	Scale: 1" = 400'
Date: 2/5/2009	Print #:
Drawn By:	Page: 1 of 1

Job Name: 9000' Overhead Estimate			
Location: Head of Rockhouse Trace Rd off of Mattie Road-gravel rd. to right			
Division: KY	District: Ashland	Crew HQ: Ashland Const	Station No.:
WIR#: 27234351	WO#:	Sta/Circuit Name:	Map:
JU Proposal(s):		Volage:	Quad:
R/W#:		Phases:	Scale: 1" = 400'
		Date: 2/5/2009	Print #:
		Drawn By:	Page: 1 of 1

Mr. James Riddick
1230 Rockhouse Trace Rd.
Louisa, KY 41230

November 13, 2008

Dear Mr. Riddick:

As per our conversation on November 3, 2008, I would give you the total cost of the service to your 1300 square foot home located at 1230 Rockhouse Trace Rd.

The distance to our closest utility line is located off of Rich Creek Road which is 8,940 feet. Per the PSC regulations for residential service over 1000 feet from our facilities, the customer pays the average per foot cost of the total cost of the job for the distance over 1000 feet. We could not build the line down Rockhouse Trace Road due to right of way problems. However, since this route is 2,000 feet shorter, I told you I would give you 2,000 extra feet at no cost so there will be a total of 3000' of line you will not have to pay for.

The total cost to build line is \$58,537.64, so the cost works out to \$6.55 per foot. Then at 5,940 ft at \$6.44 per foot is \$38,907.00.

The cost difference for the underground versus overhead from your property line to your home is \$9,875.59 for 4,482 feet.

Underground Cost =	\$35,184.13	
Overhead Cost =	<u>\$25,308.54</u>	
	\$ 9,875.59	Cost Differential
UG Trans.Diff. =	<u>\$ 1,018.11</u>	

If you want to go underground for 4,482 feet, install conduit and pull rope, you will have to pay an additional \$9,875.59 as well as the difference in cost for overhead transformer of \$1,018.11 for a total of \$49,800.11.

If you have any questions or if I may be of further assistance, please contact me at (606) 929-1466.

Sincerely,

John Sode
Senior Technician

**TARIFF R.S.(Cont'd)
(Residential Service)**

SPECIAL TERMS AND CONDITIONS. (Cont'd)

This tariff is available for single-phase service only. Where 3-phase power service is required and/or where motors or heating equipment are used for commercial or industrial purposes, another applicable tariff will apply to such service.

The Company shall have the option of reading meters monthly or bimonthly and rendering bills accordingly. When bills are rendered bimonthly, the minimum charge and the quantity of KWH in each block of the rates shall be multiplied by two.

Pursuant to 807 KAR 5:041, Section 11, paragraph (5), of Public Service Commission Regulations, the Company will make an extension of 1,000 feet or less to its existing distribution line without charge for a prospective permanent residential customer served under this R.S. Tariff.

Customers with PURPA Section 210 qualifying cogeneration and/or small power production facilities shall take service under Tariff COGEN/SPP I or by special agreement.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
3/30/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

DATE OF ISSUE March 20, 2006 DATE EFFECTIVE Service rendered on and after March 30, 2006
ISSUED BY E.K. Wagner DIRECTOR OF REGULATORY SERVICES [Signature] KY
NAME TITLE ADDRESS Executive Director

Issued by authority of an Order of the Public Service Commission in Case No. 2005-00241 dated March 14, 2006

TERMS AND CONDITIONS OF SERVICE (Cont'd)

B. Average Monthly Payment Plan (AMP) (Cont'd)

The difference between the actual billings and the AMP Plan billings will be carried in a deferred balance. Both the debit and credit differences will accumulate in the deferred balance for the duration of the AMP Plan year, which is twelve consecutive billings months. At the end of the AMP Plan year (anniversary month), the current month's billing plus the eleven (11) preceding month's billing is summed and divided by the total billing days associated with the billings to determine a per day average. That result is multiplied by thirty (30) to calculate the AMP Plan's monthly payment amount. In addition, the net accumulated deferred balance is divided by 12. This result is added or subtracted to the calculated average payment amount starting with the next billing of the new AMP plan year and will be used in the average payment amount calculation for the remaining AMP plan year. Settlement occurs only when participation in the AMP Plan is terminated. This happens if any account is final billed, if the customer requests termination, or at the Company's discretion when the customer fails to make two or more consecutive monthly payments on an account by the due date. The deferred balance (debit or credit) is then applied to the billing now due.

In such instances where sufficient billing history is not available, an AMP Plan may be established by using the actual billing history available throughout the first AMP Plan year.

C. All Payments

All bills are payable at the business offices or authorized collection agencies of the Company within the time limits specified in the tariff. Failure to receive a bill will not entitle a Customer to any discount or to the remission of any charges for non-payment within the time specified. The word "month" as used herein and in the tariffs is hereby defined to be the elapsed time between 2 successive meter readings approximately 30 days apart.

In the event of the stoppage of or the failure of any meter to register the full amount of energy consumed, the Customer will be billed for the period based on an estimated consumption of energy in a similar period of like use.

The tariffs of the Company are net if the account of the Customer is paid within the time limit specified in the tariff applicable to the Customer's service. To discourage delinquency and encourage prompt payment within the specified time limit, certain tariffs contain a delayed payment charge, which may be added in accordance with the tariff under which service is provided. Any one delayed payment charge billed against the Customer for non-payment of bill or any one forfeited discount applied against the Customer for non-payment of bill may be remitted, provided the Customer's previous accounts are paid in full and provided no delayed payment charge or forfeited discount has been remitted under this clause during the preceding 6 months.

6. UNDERGROUND SERVICE.

When a real estate developer desires an underground distribution system within the property which he is developing or when a Customer desires an underground service, the real estate developer or the Customer, as the case may be, shall pay the Company the difference between the anticipated cost of the underground facilities so requested and the cost of the overhead facilities which would ordinarily be installed in accordance with 807 KAR 5:041, Section 21, and the Company's underground service plan as filed with the Public Service Commission. Upon receipt of payment, the Company will install the underground facilities and will own, operate and maintain the same.

7. COMPANY'S LIABILITY.

The Company will use reasonable diligence in furnishing a regular and uninterrupted supply of energy, but does not guarantee uninterrupted service. The Company shall not be liable for damages in case such supply should be interrupted or fail by reason of an event of Force Majeure. Force Majeure consists of an event or circumstance which prevents Company from providing service, which event or circumstance was not anticipated, which is not in the reasonable control of, or the result of negligence of, the Company, and which, by the exercise of due diligence, Company is unable to overcome or avoid or causes to be avoided. Force Majeure events includes act of God, the public enemy, accidents, labor disputes, orders or acts of civil or military authority, breakdowns or injury to the machinery, transmission lines, distribution lines or other facilities of the Company, or extraordinary repairs.

(Cont'd on Sheet 2-5)

DATE OF ISSUE March 20, 2006 DATE EFFECTIVE Service rendered on and after March 30, 2006

ISSUED BY E.K. Wagner
E.K. WAGNER DIRECTOR REGULATORY SERVICES FRANKFORT, KENTUCKY
NAME TITLE ADDRESS

Issued by authority of an Order of Public Service Commission in Case No. 2005-00341 dated March 14, 2006

TERMS AND CONDITIONS OF SERVICE (Cont'd)

7. COMPANY'S LIABILITY (Cont'd)

Unless otherwise provided in a contract between Company and Customer, the point at which service is delivered by Company to Customer, to be known as "delivery point," shall be the point at which the Customer's facilities are connected to the Company's facilities. The Company shall not be liable for any loss, injury, or damage resulting from the Customer's use of their equipment or occasioned by the energy furnished by the Company beyond the delivery point.

The Customer shall provide and maintain suitable protective devices on their equipment to prevent any loss, injury or damage that might result from single phasing conditions or any other fluctuation or irregularity in the supply of energy. The Company shall not be liable for any loss, injury or damage resulting from a single phasing condition or any other fluctuation or irregularity in the supply of energy which could have been prevented by the use of such protective devices.

The Company will provide and maintain the necessary line or service connections, transformers (when same are required by conditions of contract between the parties thereto), meters and other apparatus, which may be required for the proper measurement of and protection to its service. All such apparatus shall be and remain the property of the Company.

8. CUSTOMER'S LIABILITY.

In the event of loss or injury to the property of the Company through misuse by, or the negligence of, the Customer or the employees of the same, the cost of the necessary repairs or replacement thereof shall be paid to the Company by the Customer.

Customers will be responsible for tampering with, interfering with, or breaking of seals of meters, or other equipment of the Company installed on the Customer's premises. The Customer hereby agrees that no one except the employees of the Company shall be allowed to make any internal or external adjustments of any meter or any other piece of apparatus, which shall be the property of the Company.

The Company shall have the right at all reasonable hours to enter the premises of the Customer for the purpose of installing, reading, removing, testing, replacing or otherwise disposing of its apparatus and property, and the right of entire removal of the Company's property in the event of the termination of the contract for any cause.

9. EXTENSION OF SERVICE.

The electric facilities of the Company shall be extended or expanded to supply electric service to all residential Customers and small commercial Customers which require single phase line where the installed transformer capacity does not exceed 25 KVA in accordance with 807 KAR 5:041, Section 11.

The electric facilities of the Company shall be extended or expanded to supply electric service to Customer's other than those named in the above paragraph when the estimated revenue is sufficient to justify the estimated cost of making such extensions or expansions as set forth below.

For service to be delivered to Commercial, Industrial, Mining and multiple housing project Customers up to and including estimated demands of 500 KW requiring new facilities, the Company will: (a) where the estimated revenue for one year exceeds the estimated installed cost of new local facilities required, provide such new facilities at no cost to the Customer; (b) where the estimated revenue for one year is less than the installed cost of new local facilities required, the Customer will be required to pay a contribution in aid of construction equal to the difference between the installed cost of the new facilities required to serve the load and the estimated revenue for one year; (c) if the Company has reason to question the financial stability of the Customer and/or the life of the operation is uncertain or temporary in nature, such as construction projects, oil and gas well drilling, sawmills and mining operations, the Customer shall pay a contribution in aid of construction, consisting of the estimated labor cost to install and remove the facilities required plus the cost of unsalvageable material, before the facilities are installed.

(Cont'd on Sheet No. 2-6)

DATE OF ISSUE March 20, 2006 DATE EFFECTIVE Service rendered on and after March 30, 2006

ISSUED BY E. K. Wagner DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY
NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. 2005-00341 dated March 14, 2006

TERMS AND CONDITIONS OF SERVICE (Cont'd)

9. EXTENSION OF SERVICE (Cont'd)

For service to be delivered to Customers with demand levels higher than those specified above, the annual cost to serve the Customer's requirements shall be compared with the estimated revenue for one year to determine if a contribution in aid of construction, and/or a special minimum and/or other arrangement may be necessary. The annual cost to serve shall be the sum of the following components:

1. The annual fixed costs of the generation, transmission and distribution facilities related to the Customer's requirements. These fixed costs will be calculated at 21.95% of the value to be based on the year-end embedded investment depreciated in all similar facilities of the Company.
2. The annual energy costs based on the latest available production costs related to the Customer's estimated annual energy use requirements.
3. The annual fixed costs of the new local facilities necessary to provide the service requested calculated at 21.95% of the installed cost of such facilities.

If the estimated revenue for one year is greater than the cost to serve as described herein, the Company may provide any new local facilities required at no cost to the Customer. If the estimated revenue for one year is less than the cost to serve as described herein, the Company will require the Customer to pay a contribution in aid of construction equal to the difference between the annual cost to serve as calculated and the estimated revenue for one year divided by 21.95%, but in no case to exceed the installed cost of the new facilities required. If, however, the annual cost to serve excluding the cost of new facilities paid for by the Customer, exceeds the estimated revenue for one year, the Company, will, in addition to a contribution in aid of construction, require a special minimum or other arrangement to compensate the Company for such deficiency in revenue.

Except where service is rendered in accordance with 807 KAR 5:041, Section 11, as described herein, the Company may require the Customer to execute an Advance and Refund Agreement where the Company reasonably questions the longevity of the service or the estimated energy use and demand requirements provided by the Customer. Under the Advance and Refund Agreement, the Customer shall pay the Company the estimated total installed cost of the required new facilities which advance could be refunded over a five-year period under certain conditions. Over the five year period the Customer's electric bill would be credited each month up to the amount of 1/60th of the total amount advanced. Such credit shall be applied only to that portion of the Customer's bill, which exceeds a specified minimum. The specified minimum before refund shall be established as the greater of: (1) the minimum as described under the applicable tariff or (2) the amount representing 1/12th of the calculated annual cost to serve as described herein. In the event the Customer's monthly bill in any month does not exceed such minimum by an amount equal to 1/60th of the amount advanced, the difference between 1/60th of the amount advanced and the amount, if any, actually credited to the Customer's bill shall be designated as "accrued credit" and applied to future monthly bills over the balance of the 5 year period as credit where such monthly bills exceed the established minimum by more than 1/60th of the amount advanced.

10. EXTENSION OF SERVICE TO MOBILE HOME.

The electrical facilities of the Company will be extended or expanded to supply electric service to mobile homes in accordance with 807 KAR 5:041, Section 12.

11. LOCATION AND MAINTENANCE OF COMPANY'S EQUIPMENT.

The Company shall have the right to construct its poles, lines and circuits on the property, and to place its transformers and other apparatus on the property or within the building of the Customer, at a point or points convenient for such purposes, as required to serve such Customer, and the Customer shall provide suitable space for the installation of necessary measuring instruments so that the latter may be protected from injury by the elements or through the negligence or deliberate acts of the Customer or of any employee of the same.

(Cont'd on Sheet No. 2-7)

DATE OF ISSUE March 20, 2006 DATE EFFECTIVE Service rendered on and after March 30, 2006

ISSUED BY	<u>E. K. Wagner</u>	DIRECTOR OF REGULATORY SERVICES	FRANKFORT, KENTUCKY
	NAME	TITLE	ADDRESS

Issued by authority of the Public Service Commission in Case No. 2005-00341 dated March 14, 2006