COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---|---|---|
| ELECTRONIC APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS RATES | )<br>)<br>) | CASE NO.<br>2018-00295 |

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on March 6, 2019 in this proceeding;

- Certification of the accuracy and correctness of the digital video recording;

- All exhibits introduced at the evidentiary hearing conducted on March 6, 2019 in this proceeding;

- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on March 6, 2019.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice. Parties desiring to view the digital video recording of the hearing may do so at http://psc.ky.gov/av_broadcast/2018-00294/2018-00294_06Mar19_Inter.asx.

Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 22nd day of April 2019.

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Gwen R. Pinson
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Public Service Commission of Kentucky

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COMMONWEALTH OF KENTUCKY

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| ELECTRONIC APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS RATES | ) ) ) ) | CASE NO. 2018-00295 |

CERTIFICATION

I, KaBrenda L. Warfield, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on March 06, 2019. Hearing Log, Exhibit List and Witness List are included with the recording on March 06, 2019.

2. I am responsible for the preparation of the digital recording;

3. The digital recording accurately and correctly depicts the Hearing of March 06, 2019

4. The Hearing Log attached to this Certificate accurately and correctly states the events that occurred at the Hearing of March 06, 2019 and the time at which each occurred.

Signed this 22nd day of April, 2019.

KaBrenda L. Warfield

KaBrenda L. Warfield, CKP
Paralegal Consultant

JACQUELINE J. HARTZELL
NOTARY PUBLIC
ID NO. 605476
MY COMMISSION EXPIRES 7/25/2022
STATE AT LARGE, KY.

Jacqueline Hartzell

Jacqueline Hartzell, Notary Public
State at Large
Commission Expires: July 25, 2022
ID#: 605476

| Date: | Type: | Location: | Department: |
|---|---|---|---|
| 3/6/2019 | Public Hearing\Public Comments | Hearing Room 1 | Hearing Room 1 (HR 1) |

Judge: Bob Cicero; Talina Mathews; Michael Schmitt
Witness: Kent Blake ; Robert Conroy ; Marlon Cummings; Cathy Hinko ; Steven Seelye ; Melissa Tibbs ; Glenn Watkins
Clerk: KaBrenda Warfield

| Event Time | Log Event | |
|---|---|---|
| 8:30:59 AM | Session Started | |
| 8:31:02 AM | Session Paused | |
| 9:01:49 AM | Chairman Schmitt | |
| | Note: Fields, Angela | Okay, we are now on the record. Mr. Riggs are you ready to call your next witness? |
| 9:01:49 AM | Session Resumed | |
| 9:01:56 AM | Atty Riggs KU and LG&E | |
| | Note: Fields, Angela | Good morning your honour yes we are. I would just like to provide a brief comment on the update of the status of the addendum [click on the link for remarks.] |
| 9:02:31 AM | Chairman Schmitt | |
| | Note: Fields, Angela | I assume that we will be able to finish today [click on the link for Chairman Schmitt's remarks.] |
| 9:02:57 AM | Chairman Schmitt | |
| | Note: Fields, Angela | Okay. Mr. Riggs if you are ready would you call your next witness? |
| 9:03:08 AM | Chairman Schmitt - witness Conroy | |
| | Note: Fields, Angela | Swearing in. |
| 9:03:16 AM | Chairman Schmitt | |
| | Note: Fields, Angela | You may ask. |
| 9:03:18 AM | Atty Crosby KU and LG&E - witness Conroy | |
| | Note: Fields, Angela | Would you please state your full name for the record? |
| 9:03:25 AM | Atty Crosby KU and LG&E - witness Conroy | |
| | Note: Fields, Angela | And by whom are you employeed? And in what capacity please? |
| 9:03:33 AM | Atty Crosby KU and LG&E - witness Conroy | |
| | Note: Fields, Angela | Please state your business address? |
| 9:03:39 AM | Atty Crosby KU and LG&E - witness Conroy | |
| | Note: Fields, Angela | Did you cause to be prepared and filed in this proceeding written direct or rebuttal testimony? |
| 9:03:44 AM | Atty Crosby KU and LG&E - witness Conroy | |
| | Note: Fields, Angela | And are you a sponsor of certain Data Request answered by the companies in these cases? |
| 9:03:49 AM | Atty Crosby KU and LG&E - witness Conroy | |
| | Note: Fields, Angela | Do you have any corrections or updates to your testimony this morning? |
| 9:03:53 AM | Atty Crosby KU and LG&E - witness Conroy | |
| | Note: Fields, Angela | Subject to the corrections already made into the record you adopt that testimony and Data Responses as your testimony today? |
| 9:04:01 AM | Atty Crosby KU and LG&E - witness Conroy | |
| | Note: Fields, Angela | Mr. Chairman he is available for cross. |
| 9:04:03 AM | Chairman Schmitt | |
| | Note: Fields, Angela | Cross examination by anyone? |

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| 9:04:06 AM | Asst. Atty Gen. Chandler | |
| | Note: Fields, Angela | I think the Attorney General will take a stab. Thank you Chairman. |
| 9:04:09 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Would you agree that KU residential customers are using on average less electricity now then they were a few years ago? |
| 9:04:22 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And would you agree that there seems to be an actual trend of less usage? |
| 9:04:32 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And would you agree that there is evidence in the record to support such a trend? |
| 9:04:43 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Do you mind to turn to page 24 of your rebuttal testimony? |
| 9:05:27 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Page 22. Are you there? |
| 9:05:32 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Chairman do you mind if I approach and pass out an exhibit? |
| 9:06:54 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Okay on page 22 of your testimony do you mind to read into the record the paragraph that starts finally contrary to Mrs. Tibbs assertion its on line 14 [click on the link for remarks.] |
| 9:07:20 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So do you mind to look at the footnote you provided there for footnote 61? |
| 9:07:31 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And what does that footnote say? |
| 9:07:45 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And so the document I handed out is Mrs. Tibbs testimony. Do you mind to turn to page 13 of Mrs. Tibbs testimony? |
| 9:07:55 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Do you mind to show me on pages 13 to 15 where Mrs. Tibbs cites We Care Customers? |
| 9:08:24 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So the footnote to 62 cites responses to CAC 115 and 116? |
| 9:08:33 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So that would be data for KU correct? |
| 9:08:35 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So you provided a response that regards We Care Customers but cited to KU data? |
| 9:08:52 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Okay so that's the first thing. |
| 9:08:54 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So the second between 13 and 15 do you mind where Mrs. Tibbs discuss low or fixed income customers that she specifically mentioned those customers that receive third party assistance? |
| 9:09:24 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So do you mind to turn to tab 7 of the witness binder? And please let me know when you are there. |
| 9:10:33 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And do you see that this is an Order in Case No. 20003-00434? |
| 9:10:43 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And do you have any familiarity with this matter? |
| 9:10:53 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Do you mind to turn to red tab C which is page 7 of the Order? |

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| 9:11:21 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Are you there on page 7? |
| 9:11:23 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Would you agree that the customer charge increase that was set on that case was $5 per customers? |
| 9:11:36 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And if we follow along with the second tabbed page which is red tab D for you, and it is KU Exhibit 1 page 3 of 33. |
| 9:11:57 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Would you agree that this appears to be the customer charge it includes the previous and proposed customer charge in that case? |
| 9:12:21 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So what was the present customer charge before that stipulation? |
| 9:12:29 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | $2.82. So KU was charging a $2.82 customer charge in 2004 correct? |
| 9:12:56 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And then it got increased to $5.00? |
| 9:12:59 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So do you mind to turn in your book there to red tab E? Which is LG&E Electric Exhibit 1 page 3 of 27? |
| 9:13:28 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And would you agree thats the present and proposed rates for the customer charge for LG&E rate R? |
| 9:13:34 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And Rate R was the residential rate for LG&E correct? |
| 9:13:37 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And what was the customer charge before this stipulation? |
| 9:13:44 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And it was proposed to change to? |
| 9:13:47 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So $3.40 going up to $5.00 great. |
| 9:13:53 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And the last one. It should be your red tab F. But its LG&E Gas Exhibit 1 page 2 of 9. |
| 9:14:26 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Page 3 of 9 sorry. |
| 9:14:28 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And do you mind to let me know what the residential customer charge was for present and the settlement rates for each customer? |
| 9:14:53 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Wouldn't you agree that before that rate case KU had not had a case since 1983? |
| 9:15:03 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Approximately 20 years |
| 9:15:05 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So how other than not spending money, how does a utility stay out for 20 years generally? |
| 9:15:26 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | You have no idea how? |
| 9:15:42 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | But you would agree that KU went 20 years with a $2.82 customer charge it would appear? |

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| 9:15:50 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | What is the monthly equivalent of the proposed cutomer charge in this case? |
| 9:16:04 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Would you agree that it is close to $16.13? |
| 9:16:11 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Is there volumetric risk to the company for the amount of money it recovers through customer charges? |
| 9:16:30 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Does is matter how much a person uses on any given month for how much money the companies are going to recover from them through the basic service charge? |
| 9:16:44 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Generally residential customers would you agree that both utilites either have slightly increasing or flat residential customer growth? |
| 9:17:11 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | The number of customers is growing but not necessarily load? |
| 9:17:25 AM | AG's EXHIBIT 7 | |
| | Note: Fields, Angela | Asst. Atty Gen. Chandler - witness Conroy |
| | Note: Fields, Angela | Chairman at this time I would like to mark that Order as AG Exhibit 7. |
| 9:17:32 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | If you would turn to tab 8? |
| 9:17:39 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And please let me know when you are there? |
| 9:17:43 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So would you agree that this is an exhibit that is part of the stipulation in this matter? |
| 9:17:52 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | This is very similar to those other three document we looked at right? |
| 9:18:02 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And so the distinction in this case and that case tho is the proposed customer charge amount that is provided there is $.53 a day. That is not stipulated amongst the parties correct? |
| 9:18:14 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And that's the companies litigation position correct? |
| 9:18:18 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So this one is just for KU. But you would agree that it notes there under present rates that the current customer charge is $12.25? |
| 9:18:31 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So $12.25 multiplied by do you see billing periods to the left of it? |
| 9:18:40 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Multiplying those two together does that provide you the $64 million number that is under the column calculated revenue and present rates? |
| 9:18:50 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And to the right of that it shows that the monthly equivalent of 16 13 would be, and what's that calculated revenue and stipulated rates? |
| 9:19:28 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And all that I am trying to say is [click on the link for remarks.] That's an apples to apples comparison correct? |

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| 9:19:37 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So under the companies proposal from present to proposed rates the company KU will be getting another $20 million of revenue every year that is unaffected by usage? |
| 9:19:54 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And that given the trend that you were discussing is more likely or not to increase during the period given that the number of customers is increasing? |
| 9:20:06 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | We were talking about trend a second ago. And you noted that the trend was that you had customer growth. The number of customers correct? |
| 9:20:15 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So if that trend continues you would agree that that may underestimate the amount in the forecasted test year? |
| 9:20:34 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Under billing periods. The amount for monthly billing periods that says 5,236,339. Do you see that? |
| 9:20:50 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Is that the number of customers you expect to have on average during the year times twelve? |
| 9:20:58 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And the amount below it is the amount of customers on average you expect during the forecasted year times 365 and a quarter? |
| 9:21:06 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Do you have a calculator with you Mr. Conroy? |
| 9:21:12 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So 5,236,339 we would agree that the number of monthly bills expected for the company in the upcoming year correct? |
| 9:21:26 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Multiplied by $2.82 which was the customer charge before the 2003 case? Correct? |
| 9:21:37 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So subject to check would you agree that, that is just under its $14,766,476 that's the math. Would you agree? |
| 9:21:48 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So 14,766,476 if that's the math you would agree that, from the proposed rates you have now, going back to the rates that were received in '04, that the companies would of increased their revenue which has no volumetric risk by $70 million? Would that be the math? |
| 9:22:38 AM | AG'S EXHIBIT 8 | |
| | Note: Fields, Angela | An exhibit that is part of the stipulation in this matter. |
| | Note: Fields, Angela | Asst. Atty Gen. Chandler - witness Conroy |
| 9:22:59 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | I apologize just for the record, subject to check would you agree that that order came out June 30, 2004? It's on page 69 of it. |
| 9:23:44 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | If you don't mind will you turn to AG's Exhibit 12 which is in that binder there? It's under tab 12. |
| 9:24:05 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Do you mind to look at page one there? |
| 9:24:12 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And are you familiar with this order? Have you reviewed it? |

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| 9:24:25 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And you've reviewed that? |
| 9:24:26 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And you would agree that this order came out relatively recently? |
| 9:24:39 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So on page one there [click on link for remarks.] |
| 9:24:48 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Do you see what it says on the last line there? |
| 9:24:51 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And what does that last sentence say? |
| 9:25:03 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So the last rate case was a 2006 rate case for Duke. And do you know what the customer charge that Duke had at that time was? |
| 9:25:17 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | $4.50. Let's have a quick discussion here [click on link for remarks.] |
| 9:25:30 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Right? |
| 9:25:46 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Do you have the full Order there infront of you from that 2017-00321 case correct? |
| 9:26:05 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | In that Order on page 45. Turn to that for me please? |
| 9:26:37 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | It starts on 44 I apologize. You there? |
| 9:26:43 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So do you see the paragraph under rate design that says Duke Kentucky [click on link for remarks.] |
| 9:26:54 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And then it goes on to say [click on link for remarks.] |
| 9:26:59 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And so then it talks about how this method generally [click on link for remarks.] |
| 9:27:10 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Do you see the sentence that starts with although? |
| 9:27:16 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And would you agree that, that sentence says [click on link for remarks.] |
| 9:27:44 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Now you would agree that the Commission in it's Order indicated that part of the reason they gave the increase was because of the amount of time that had passed since the charge was established? |
| 9:28:00 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So we know that June 30, 2004 LG&E and KU got a $5 customer charge. And in 2006 Duke got a $4.50 customer charge. Correct? |
| 9:28:15 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And then it would appear that Duke did not have a case come out until 2018 that increased it to $11 correct? |
| 9:28:23 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So let me ask this. How many rate cases that you know of have LG&E and KU had since the 2003 cases were over? |
| 9:28:45 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Would you agree that in all but one of those cases the companies had a increase in the residential customer charge? |
| 9:28:56 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And the orders speak for themselves [click on link for remarks.] |

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| 9:29:01 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | But is it your understanding that the companies customer charges have increased steadily through the rate cases that you have been involved in through the years? |
| 9:29:11 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And so now you are proposing a monthly equivalent of 16 13? |
| 9:29:19 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | How many bills a year do residential customers ordinarily receive? |
| 9:29:34 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And as it stands now, how many times a year are they assess a basic service charge? |
| 9:29:47 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So the company right now is basically charging the basic service charge by an annual number divided by 12 correct? |
| 9:29:57 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | How many days are in each billing period? |
| 9:30:18 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | You would agree that it is not the same every month? |
| 9:30:24 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Does a customer have any control or imput on how many days are included in their billing period? |
| 9:30:38 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | As it stands now do customers know what the non volumetric portion of their bill is going to be in any given month? |
| 9:30:53 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Right now when they get a bill they know their basic customer charge is going to be 12. 25? |
| 9:31:01 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | If there are 26 days in a billing period, what's the basic customer charge going to be? |
| 9:31:08 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Under the proposal? |
| 9:31:11 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Yeah. But what's that number? |
| 9:31:42 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And if there are 31 days under the current method. How much is the basic customer charge going to be? |
| 9:31:53 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And how about under the fifty three cents? |
| 9:32:08 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Do you mind to turn to your direct testimony on page 19? |
| 9:33:16 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Are you there? |
| 9:33:18 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Do you mind to go to line 20? |
| 9:33:22 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Actually just go to 17 [click on link for remarks.] |
| 9:33:28 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Line 17, do you see the sentence there that starts with the companies [click on the link for remarks.] |
| 9:33:46 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | So this is just a curious question. Is anybody on RTO Demand? |
| 9:33:55 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Do you mind to read the next sentence in there? |

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| 9:34:21 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Would you agree then that the the bases of the companies proposal is for informational and transparency purposes? |
| 9:34:30 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Would you agree that it is likely that executive compensation is recovered by both the proposed residential kilowatt hour and proposed customer charges? |
| 9:35:11 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | It's a cost it is recovered through either one of those lines? |
| 9:35:24 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | I'm just asking. Part of it is going to be charged to residential customers correct? |
| 9:35:30 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And it has to be recovered through one of those pieces correct? |
| 9:35:32 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | If the companies request in this case is approved [click on link for remarks.] |
| 9:36:01 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Well you're proposing to break off the charges in to two componets [click on the link for remarks.] |
| 9:36:48 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Well lets take a step back then [click on the link for remarks.] |
| 9:37:08 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And you would agree that at any given time period [click on the link for remarks.] |
| 9:37:23 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Fixed cost component. So will you commit to breaking that out in the next case, if the Commission approves the breakout of and infrastructure and variable in this case? |
| 9:37:41 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Cross Examination.. |
| 9:40:20 AM | AG EXHBIT 11 | |
| | Note: Fields, Angela | TAB 11 |
| | Note: Fields, Angela | Asst. Atty Gen. Chandler - witness Conroy |
| 9:40:37 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Cross Examination Continued. |
| | Note: Fields, Angela | Please let me know when you are there Mr. Conroy. |
| 9:43:00 AM | Chairman Schmitt | |
| | Note: Fields, Angela | If this was a court of law I would sustain an objection because I don't know how this witness could know what Mr. ? did or what he thought. |
| 9:43:26 AM | Chairman Schmitt | |
| | Note: Fields, Angela | O I understand [click on the link for remarks.] |
| 9:43:48 AM | Chairman Schmitt - witness Conroy | |
| | Note: Fields, Angela | But go ahead Mr. Conroy you can answer his question |
| 9:43:54 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Cross Examination Continued. |
| 9:45:06 AM | AG'S EXHIBITS 7, 8, AND 11 | |
| | Note: Fields, Angela | Chairman I would like to move to introduce AG's Exhibits 7, 8, and 11? |
| 9:45:21 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | And that's all the questions I have for Mr. Conroy. |
| 9:45:25 AM | Chairman Schmitt | |
| | Note: Fields, Angela | Anyone else have any questions for this witness? |

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| 9:45:32 AM | Chairman Schmitt | |
| | Note: Fields, Angela | Yes sir? |
| 9:45:41 AM | Chairman Schmitt | |
| | Note: Fields, Angela | What do you want to do Mr.Gardner? |
| 9:45:50 AM | Chairman Schmitt | |
| | Note: Fields, Angela | Why don't we take about a ten minute break right now and maybe be back by 5 minutes after 10. |
| 9:45:59 AM | Session Paused | |
| 10:01:29 AM | Chairman Schmitt | |
| | Note: Fields, Angela | We are now back on the record. We learned that this morning [click on the link for remarks.] |
| 10:01:30 AM | Session Resumed | |
| 10:09:30 AM | Chairman Schmitt | |
| | Note: Fields, Angela | Having said all of that. I do want to say that our decision is to dismiss from these parties [click on the link for remarks.] |
| 10:11:44 AM | Chairman Schmitt | |
| | Note: Fields, Angela | Having said that, that basically is the ruling of the Commission. |
| 10:12:08 AM | Asst. Atty Gen. Chandler | |
| | Note: Fields, Angela | Before Mr. Fitzgerald goes may I address the Commision? |
| 10:13:20 AM | Chairman Schmitt | |
| | Note: Fields, Angela | As you can recall in the Kentucky Power case nobody intervened on behalf of low income rate payers [click on the link for remarks.] |
| 10:14:23 AM | Asst. Atty Gen. Chandler | |
| | Note: Fields, Angela | And we appreciate that [click on link for remarks.] |
| 10:14:36 AM | Asst. Atty Gen. Chandler | |
| | Note: Fields, Angela | I'll say this given the Commission's ruling today we would like to move to sponsor [click on the link for remarks.] |
| 10:15:08 AM | AttyTom Fitzgerald Metropolitan Housing Coalition (MHC) | |
| | Note: Fields, Angela | Chairman on behalf of the Metropolitan Housing Coalition [click on the link for remarks.] |
| 10:15:54 AM | Chairman Schmitt | |
| | Note: Fields, Angela | There's no point in arguing to me. |
| 10:15:56 AM | AttyTom Fitzgerald Metropolitan Housing Coalition (MHC) | |
| | Note: Fields, Angela | I'm just informing you, I'm not arguing with you [click on the link for remarks.] |
| 10:16:32 AM | Chairman Schmitt | |
| | Note: Fields, Angela | Alright already ready? Mr. Miller its been good having you here. |
| 10:16:38 AM | Atty Miller Sierra Club | |
| | Note: Fields, Angela | Chairman [click on the link for remarks.] |
| 10:17:52 AM | Chairman Schmitt | |
| | Note: Fields, Angela | Alright is there anybody left who would like to cross examine Mr. Conroy? |
| 10:17:57 AM | Asst. Atty Gen. Chandler | |
| | Note: Fields, Angela | Before Mr. Gardner [click on the link for remarks.] |
| 10:18:23 AM | Atty Riggs KU and LG&E | |
| | Note: Fields, Angela | Mr. Chairman may I make a comment [click on link for remarks.] |
| 10:18:45 AM | Asst. Atty Gen. Chandler | |
| | Note: Fields, Angela | And I am ready whenever the Commission is. |
| 10:18:48 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Cross Examination Continued. |
| 10:19:00 AM | AG'S EXHIBIT 13 | |
| | Note: Fields, Angela | I would like to mark this as Attorney General's 13. |
| | Note: Fields, Angela | Asst. Atty Gen. Chandler - witness Conroy |

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| 10:20:38 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Cross examination continued. |
| 10:31:08 AM | Asst. Atty Gen. Chandler - witness Conroy | |
| | Note: Fields, Angela | Thank you. |
| 10:31:10 AM | Chairman Schmitt | |
| | Note: Fields, Angela | Mr. Gardner cross examination? |
| 10:31:16 AM | Atty Gardner Lexington-Fayette Urban County Government (LFUCG) & Louisville/Jefferson County Metro Government (Louisville Metro) - witness Conroy | |
| | Note: Fields, Angela | Cross examination. |
| 10:32:38 AM | Chairman Schmitt | |
| | Note: Fields, Angela | Any other cross examination? |
| 10:32:43 AM | Chairman Schmitt | |
| | Note: Fields, Angela | Staff cross examination? |
| 10:32:47 AM | Asst GC Nguyen PSC - witness Conroy | |
| | Note: Fields, Angela | Cross examination. |
| 11:05:40 AM | Asst GC Nguyen PSC - witness Conroy | |
| | Note: Fields, Angela | I believe those are all the questions. Thank you. |
| 11:05:43 AM | Chairman Schmitt | |
| | Note: Fields, Angela | Commissioner Cicero questions.? |
| 11:05:45 AM | Vice Chairman Cicero - witness Conroy | |
| | Note: Fields, Angela | Cross examination. |
| 11:16:45 AM | Atty Crosby KU and LG&E | |
| | Note: Fields, Angela | I do not like to testify but here we go. [Click on link for remarks.] |
| 11:19:33 AM | Vice Chairman Cicero | |
| | Note: Fields, Angela | First when you make a statement [click on link for remarks.] |
| 11:20:18 AM | Chairman Schmitt | |
| | Note: Fields, Angela | It's based on opinion [click on link for remarks.] |
| 11:25:40 AM | Vice Chairman Cicero - witness Conroy | |
| | Note: Fields, Angela | Cross continued. |
| 11:26:58 AM | Vice Chairman Cicero | |
| | Note: Fields, Angela | I don't have anythiing else. |
| 11:27:00 AM | Chairnan Schmitt | |
| | Note: Fields, Angela | Commissioner Mathews? |
| 11:27:02 AM | Commissioner Mathews - witness Conroy | |
| | Note: Fields, Angela | Cross examination. |
| 11:28:16 AM | Commissioner Mathews - witness Conroy | |
| | Note: Fields, Angela | That's all I have. |
| 11:28:17 AM | Chairman Schmitt - witness Conroy | |
| | Note: Fields, Angela | Cross examination. |
| 11:35:35 AM | Chairman Schmitt - witness Conroy | |
| | Note: Fields, Angela | Anything else? |
| 11:35:40 AM | Atty Crosby KU and LG&E | |
| | Note: Fields, Angela | Apology [click on link for remarks.] |
| 11:35:58 AM | Atty Crosby KU and LG&E - witness Conroy | |
| | Note: Fields, Angela | Redirect. |
| 11:52:00 AM | Atty Crosby KU and LG&E - witness Conroy | |
| | Note: Fields, Angela | I have nothing further your honour. Thank you. |
| 11:52:18 AM | Chairman Schmitt | |
| | Note: Fields, Angela | Let's take a lunch break until 1 o'clock and then we will try to come back and finish. |
| 11:52:28 AM | Session Paused | |
| 12:54:46 PM | Chairman Schmitt | |
| | Note: Fields, Angela | It's now 1 o'clock and we are back on the record. Mr. Riggs do you have another witness? |

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| 12:54:46 PM | Session Resumed | |
| 12:54:58 PM | Chairman Schmitt - witness Seeyle | |
| | Note: Fields, Angela | Swearing in. |
| 12:55:06 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Mr. Crosby. |
| 12:55:07 PM | Atty Riggs KU and LG&E | |
| | Note: Fields, Angela | One house keeping matter [click on link for remarks.] |
| 12:55:45 PM | Atty Crosby KU and LG&E - witness Seeyle | |
| | Note: Fields, Angela | Direct examination. |
| 1:03:31 PM | Atty Crosby KU and LG&E - witness Seeyle | |
| | Note: Fields, Angela | Mr. Chairman the witness is available for any cross |
| 1:03:33 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Mr. Chandler cross? |
| 1:03:36 PM | Asst Atty Gen Chandler - witness Seeyle | |
| | Note: Fields, Angela | Cross examination. |
| 1:05:28 PM | LG&E AND KU DIRECT EXHIBIT 1 | |
| | Note: Fields, Angela | Revenue allocation that was agreed to by the parties. |
| | Note: Fields, Angela | Atty Crosby KU and LG&E - witness Seeyle |
| 1:05:47 PM | Asst Atty Gen Chandler - witness Seeyle | |
| | Note: Fields, Angela | Cross examination continued. |
| 1:25:58 PM | AG'S Exhibits 9 AND 10 | |
| | Note: Fields, Angela | Asst Atty Gen Chandler - witness Seeyle |
| | Note: Fields, Angela | Direct Testimony of Glenna A. Watkins; Direct Testimony of William Steven Seelye |
| 1:26:05 PM | Asst Atty Gen Chandler - witness Seeyle | |
| | Note: Fields, Angela | Cross examination continued. |
| 1:38:44 PM | Asst Atty Gen Chandler - witness Seeyle | |
| | Note: Fields, Angela | That's all the queations I have Chairman. |
| 1:38:46 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Mr. Kurtz questions? |
| 1:38:50 PM | Atty Kurtz KIUC - witness Seeyle | |
| | Note: Fields, Angela | Cross examination. |
| 1:42:07 PM | Atty Kurtz KIUC - witness Seeyle | |
| | Note: Fields, Angela | Thank you Mr. Chairman. |
| 1:42:09 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Mr. Gardner questions? |
| 1:42:11 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Anyone else? |
| 1:42:13 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Staff? |
| 1:42:17 PM | Asst. GC Nguyen - witness Seeyle | |
| | Note: Fields, Angela | Cross examination. |
| 1:42:37 PM | POST HEARING DATA REQUEST | |
| | Note: Fields, Angela | Asst. GC Nguyen - witness Seeyle |
| | Note: Fields, Angela | Provide a similar schedule for gas. |
| 1:43:52 PM | Asst. GC Nguyen - witness Seeyle | |
| | Note: Fields, Angela | Cross examination continued. |
| 1:52:23 PM | POST HEARING DATA REQUEST | |
| | Note: Fields, Angela | A copy in Excel format for Schedule M. |
| | Note: Fields, Angela | Asst. GC Nguyen - witness Seeyle |
| 1:52:51 PM | POST HEARING DATA REQUEST | |
| | Note: Fields, Angela | Provide updated versions of the following exhibits of your direct testimony [click on link for exhibits.] |
| | Note: Fields, Angela | Asst. GC Nguyen - witness Seeyle |

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| 1:53:37 PM | Asst. GC Nguyen - witness Seeyle | |
| | Note: Fields, Angela | Cross examination continued. |
| 2:12:28 PM | Asst. GC Nguyen - witness Seeyle | |
| | Note: Fields, Angela | Those are all the questions. Thank you. |
| 2:12:31 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Before we start. Mr. Chandler does your [click on the link for remarks.] |
| 2:13:09 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Do you havre a lot of questions? |
| 2:13:12 PM | Vice Chairman Cicero - witness Seeyle | |
| | Note: Fields, Angela | Just one line of questioning [click on link for Vice Chairman Cicero's Cross.] |
| 2:18:56 PM | Vice Chairman Cicero - witness Seeyle | |
| | Note: Fields, Angela | I pass the witness. |
| 2:18:58 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Commissioner Mathews? |
| 2:19:01 PM | Commissioner Mathews - witness Seeyle | |
| | Note: Fields, Angela | The customer cost for KU [click on link for Commissioner Mathews' Cross.] |
| 2:20:13 PM | Commissioner Mathews - witness Seeyle | |
| | Note: Fields, Angela | Thank you. |
| 2:20:14 PM | Chairman Schmitt | |
| | Note: Fields, Angela | I have no questions. |
| 2:20:16 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Mr. Corsby? |
| 2:20:18 PM | Atty Crosby KU & LG&E - witness Seeyle | |
| | Note: Fields, Angela | Redirect examination. |
| 2:20:28 PM | Atty Crosby KU & LG&E - witness Seeyle | |
| | Note: Fields, Angela | Thank you. I have no further questions. |
| 2:20:30 PM | Atty Gardner LFUCG & Louisville Metro - witness Seeyle | |
| | Note: Fields, Angela | Can I ask one quick follow up? |
| 2:20:38 PM | Atty Gardner LFUCG & Louisville Metro - witness Seeyle | |
| | Note: Fields, Angela | Cross examination. |
| 2:21:04 PM | Atty Gardner LFUCG & Louisville Metro - witness Seeyle | |
| | Note: Fields, Angela | Thank you. |
| 2:21:05 PM | Chairman Schmitt | |
| | Note: Fields, Angela | May this witness be finally excused? |
| 2:21:08 PM | Chairman Schmitt | |
| | Note: Fields, Angela | You may step down Mr. Seeyle. You may be excused. |
| 2:21:55 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Alright at this time before we get the AG's witness. Lets get the settlement agreement colloquy done. |
| 2:22:22 PM | Atty Riggs KU and LG&E | |
| | Note: Fields, Angela | Chairman I just need a minute sorry. |
| 2:23:10 PM | Atty Riggs KU and LG&E | |
| | Note: Fields, Angela | Chairman I think there is a need to clarify [click on link for remarks.] |
| 2:25:35 PM | SETTLEMENT AGREEMENT COLLOQUY | |
| | Note: Fields, Angela | Okay. Please raise your right hand. |
| | Note: Fields, Angela | Chairman Schmitt |
| 2:26:35 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Alright please be seated. And unless somebody needs a break real quick? |
| 2:26:43 PM | Chairman Schmitt | |
| | Note: Fields, Angela | When does your client need to leave? |

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| 2:26:58 PM | Chairman Schmitt | |
| | Note: Fields, Angela | If we can take a short break until 20 til 3 then we won't break again until the end unless somebody needs to. |
| 2:27:15 PM | Session Paused | |
| 2:41:09 PM | Session Resumed | |
| 2:41:10 PM | Chairman Schmitt | |
| | Note: Fields, Angela | We are now back on the record [click on the link for remarks.] |
| 2:41:26 PM | Asst. Atty Gen. Chandler - witness Watkins | |
| | Note: Fields, Angela | The Attorney General would call Mr. Watkins to the stand. |
| 2:41:31 PM | Chairman Schmitt - witness Watkins | |
| | Note: Fields, Angela | Swearing in. |
| 2:41:40 PM | Chairman Schmitt - witness Watkins | |
| | Note: Fields, Angela | Mr, Chandler you may ask. |
| 2:41:42 PM | Asst. Atty Gen. Chandler - witness Watkins | |
| | Note: Fields, Angela | Direct Examination. |
| 2:42:40 PM | Atty Crosby KU and LG&E | |
| | Note: Fields, Angela | Mr. Chairman in the interest of time [click on the link for remarks.] |
| 2:43:00 PM | Asst. Atty Gen. Chandler | |
| | Note: Fields, Angela | That's fine as long as I get a chance for redirect. |
| 2:43:04 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Any other Attorney for a party like to cross examine Mr. Watkins? |
| 2:43:10 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Staff? |
| 2:43:10 PM | Asst. GC Nguyen PSC | |
| | Note: Fields, Angela | Yes your honour just a few. |
| 2:43:16 PM | Asst. GC Nguyen PSC - witness Watkins | |
| | Note: Fields, Angela | Cross Examination. |
| 3:14:44 PM | Asst. GC Nguyen PSC - witness Watkins | |
| | Note: Fields, Angela | THose are all of my questions. |
| 3:14:46 PM | Chairman Schmitt - witness Watkins | |
| | Note: Fields, Angela | Commissioner Cicero Questions? |
| 3:14:50 PM | Chairman Schmitt - witness Watkins | |
| | Note: Fields, Angela | Commissioner Mathews? |
| 3:14:52 PM | Chairman Schmitt - witness Watkins | |
| | Note: Fields, Angela | I have none. Mr. Crosby any redirect? |
| 3:14:56 PM | Chairman Schmitt - witness Watkins | |
| | Note: Fields, Angela | Any reason why this witness may not be excused? |
| 3:14:58 PM | Asst. Atty Gen. Chandler | |
| | Note: Fields, Angela | Do you mind if I ask a couple of questions on redirect? |
| 3:15:05 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Go ahead. |
| 3:15:08 PM | Asst. Atty Gen. Chandler - witness Watkins | |
| | Note: Fields, Angela | Redirect. |
| 3:19:52 PM | Asst. Atty Gen. Chandler - witness Watkins | |
| | Note: Fields, Angela | That's all the redirect I have Chairman. |
| 3:19:55 PM | Chairman Schmitt - witness Watkins | |
| | Note: Fields, Angela | May this witness be excused? |
| 3:20:00 PM | Chairman Schmitt - witness Watkins | |
| | Note: Fields, Angela | Thank you. You may be excused. |
| 3:20:04 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Other than your next witness and the low income witnesses does any party have any other witnesses? |
| 3:20:21 PM | Chairman Schmitt | |
| | Note: Fields, Angela | You may call your next witness? |

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| 3:20:24 PM | Atty Riggs KU and LG&E | |
| | Note: Fields, Angela | This will be our last witness Mr. Blake. |
| 3:20:44 PM | Chairmain Schmitt - witness Blake | |
| | Note: Fields, Angela | Swearing in. |
| 3:21:00 PM | Atty Riggs KU & LG&E - witness Blake | |
| | Note: Fields, Angela | Would you please state your full name? |
| 3:21:04 PM | Atty Riggs KU & LG&E - witness Blake | |
| | Note: Fields, Angela | Would you please state your full business title? |
| 3:21:13 PM | Atty Riggs KU & LG&E - witness Blake | |
| | Note: Fields, Angela | Would you please state your business address? |
| 3:21:19 PM | Atty Riggs KU & LG&E - witness Blake | |
| | Note: Fields, Angela | Mr. Blake did you cause to be prepared and filed in these cases direct testimony and rebuttal testimony? |
| 3:21:26 PM | Atty Riggs KU & LG&E - witness Blake | |
| | Note: Fields, Angela | Subject to the changes that have been reflected in the course of this case do you adopt that testimony as your testimony today? |
| 3:21:35 PM | Atty Riggs KU & LG&E - witness Blake | |
| | Note: Fields, Angela | Mr. Blake did Mr. Arbrough the treasurer for LG&E and KU file both direct testimony and rebuttal testimony in these cases? |
| 3:21:47 PM | Atty Riggs KU & LG&E - witness Blake | |
| | Note: Fields, Angela | Subject to the changes that have been reflected in this record since those testimonies have been filed. Will you adopt Mr. Arbrough's direct and rebuttal testimony today as your testimony? |
| 3:22:01 PM | Atty Riggs KU & LG&E - witness Blake | |
| | Note: Fields, Angela | Finally Mr. Blake did you cause to be prepared and filed with this Commission testimony describing whats been referred to as the General Stipulation? |
| 3:22:14 PM | Atty Riggs KU & LG&E - witness Blake | |
| | Note: Fields, Angela | And do you adopt that testimony as your testimony today? |
| 3:22:20 PM | Atty Riggs KU & LG&E - witness Blake | |
| | Note: Fields, Angela | Mr. Blake, do you have comments that you would like to make about the General Stupulation? |
| 3:25:40 PM | Atty Riggs KU & LG&E - witness Blake | |
| | Note: Fields, Angela | Mr. Blake earlier today there were a number of questions adressed to Mr. Conroy about the disposition of funds [inaudible, click on the link for remarks.] |
| 3:25:55 PM | Atty Riggs KU & LG&E - witness Blake | |
| | Note: Fields, Angela | Are you prepared if asked to answer those questions? |
| 3:26:06 PM | Atty Riggs KU & LG&E - witness Blake | |
| | Note: Fields, Angela | He's available for any questions Mr. Chairman. |
| 3:26:10 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | He can go ahead and tell us what the circumstances are. I think that might be helpful and save a lot of time. |
| 3:27:40 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | 4.2 total? |
| 3:28:44 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | So these are funds that have accumulated over perhaps several years? |
| 3:30:23 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | So can I ask a quick question? |
| 3:30:25 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | Is there some kind of MOU or other type of operating agreement that lays out how the administration of the funds are supposed to be handled or [click on link for Vice Chairman Cicero's remarks.] |

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| 3:32:19 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | So did CAC come to LG&E or KU and say we got a hard cap and we got this extra money, or did that just develop as a result of the formal conferences that were being held? |
| 3:32:54 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | Do you think that as a result of this that there will be some kind of administrative agreement or MOU that helps the administrative agencies in performing their duties for the future [click on the link for Vice Chairman Cicero's remakrs.] |
| 3:34:32 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | Is the 10% considered reasonable for administration? [Click on the link for Vice Chairman Cicero's remarks.] |
| 3:36:22 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | That's great to hear [click on link for Vice Chairman Cicero's remarks.] |
| 3:39:43 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | Well I do think that if there is not sufficient promotion of the program [click on the link for Vice Chairman Cicero's remarks.] |
| 3:40:39 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | Are you finished with your explanation? |
| 3:40:43 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | Can you name individuals in Louisville Gas and Electric and Kentucky Utilities that actually work these programs? |
| 3:41:16 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | Okay. We may try to get some information by way of a Post Hearing Data Request. [Click on the link for Chairman Schmitt's remarks.] |
| 3:43:17 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | Is that true or is it just this group here of Community Action Counsel is that the only Community Action program that participates? |
| 3:43:37 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | And this one organization administers all those? [Click on link for Chairman Schmitt's remarks.] |
| 3:44:03 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | I just didn't understand [click on link for Chairman Schmitt's remarks.] |
| 3:45:11 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | In terms of cost tho I don't know if [click on the link for Chairman Schmitt's remarks.] |
| 3:45:52 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | I know then in Jefferson County or the area served by Louisville Gas and Electric it is the Association of Community Ministries that basically handles that part of the program? |
| 3:46:25 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | Does Louisville Gas and Electric or Kentucky Utilities or its parent company pay any money to Association of Community Ministries? |
| 3:46:58 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | I'm looking at page 18 of the previous I guess agreement it says [click on the link for Chairman Schmitt's remarks.] |
| 3:47:22 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | That's case right? |
| 3:48:07 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | Then what is the seven hundred thousand dollars for that you pay to ACM? |
| 3:48:19 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | With utility bills? |

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| 3:48:22 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | How is that money distributed? Do you know? |
| 3:48:44 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | You don't know if they actually receive that in cash money correct? |
| 3:48:51 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | The reason that I ask is [click on the link for Chairman Schmitt's remarks.] |
| 3:49:26 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | The last area I wanted to ask you about was in this case and in the other cases the Municipal Housing Coalition intervened. Do they provide money or financial support to low income individuals to help pay their utility bills to your knowledge? |
| 3:50:02 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | To your knowledge they do not make any payments to Louisville Gas and Electric? |
| 3:50:07 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | Or Kentucky Utilities? |
| 3:50:12 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | But in terms of facilitating the payment or relief to low income individuals in need of support for paying their electric bill or gas bill you don't have any relationship with them? |
| 3:51:00 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | Thank you very much. I appreciate it. I don't have any other questions. |
| 3:51:30 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | Well we may not. Because we may need to open another proceeding to see if we can [click on the link for Chairman SChmitt's remarks.] |
| 3:52:50 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | Does it go on everybodies bill? |
| 3:53:01 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | Thank you. I don't have anything else. |
| 3:53:12 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | One last thing for the record. When I went back and looked at the last Duke rate case [click on link for Chairman Schmitt's remarks.] |
| 3:53:58 PM | Asst. Atty Gen. Chandler | |
| | Note: Fields, Angela | I think you are right. I forget who was representing but in the 2009 rate case I do believe that issue was raised by the Attorney General. |
| 3:54:05 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | It was [click on link for Chairman Schmitt's remarks.] |
| 3:55:02 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | And we all overlook things. Even the PSC. |
| 3:55:12 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | Okay, thank you. Anybody got cross of the witness? |
| 3:55:23 PM | Staff Atty Bellamy PSC | |
| | Note: Fields, Angela | We did have some questions. |
| 3:55:27 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | I was wondering if you could pull up the KU supplemental response to the Commission Staff's fourth request for information it was question number 2? It was the supplement that was filed on February 25, 2019. |
| 3:55:58 PM | Atty Riggs KU and LG&E | |
| | Note: Fields, Angela | I apologize Counsel what's your reference? |
| 3:56:19 PM | Atty Sturgeon KU and LG&E | |
| | Note: Fields, Angela | Who is the witness? |

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| 3:57:04 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Let me know when you are ready? |
| 3:57:07 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | If you actually go to page three there at the bottom it says [click on the link for remarks.] |
| 3:57:39 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | And if you look at the first two pages theres a distinction between the line locating cost of operating expenses and then capital expenses. |
| 3:57:49 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Are the capital expense projects identified, are those all LG&E line locations, for LG&E projects that are capitalized? |
| 3:58:01 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | So the operating expense portion is line locations for third parties? Is that correct? |
| 3:58:14 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | So looking at the KU operating expense line location expenses starting in 2015 which is on page 1 its [click on link for remarks.] |
| 3:59:07 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | That test period number. How is that projected? |
| 3:59:49 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | And do you pay the contractors on a per location basis or do you just take the average and then multiply it by the number of line location request? |
| 4:00:16 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | But you forecasted based on the projected number of line location request times some number that represents what it would cost? |
| 4:00:27 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | I would like for you to refer to question number 3 ofLG&E's response to Commission Staff's fourth request for informatiion? |
| 4:01:18 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | And I only wanted to refer to the electric [click on the link for remarks.] |
| 4:01:31 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Is that line the total electric operating expense for line location for LG&E in the years identified? |
| 4:02:00 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | So would the total electric correspond I guess roughly to the KU total line location given that KU is electric only, would that be a ? equivalent of the operating expense number for the total operating expense number in the KU response in respect to line location cost? |
| 4:02:33 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | They include the same thing. I'm not ?  the numbers are the same, I'm trying to say they would include the same expenses that would be reflected in those numbers? Is that correct? |
| 4:02:45 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | So if you look at the LG&E total electric in [click on the link for remarks.] |
| 4:03:03 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Is that amount accurate? |
| 4:03:10 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | And then the base period which is basically the calendar year 2018? Is that correct? |

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| 4:03:17 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Why did the total operating expense number for LG&E Electric increase 300% but the KU total operating expense number basically increased just as it always has? |
| 4:05:02 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | The nature of LG&E system above ground versus underground didn't necessarily change between 2017 and 2018? Is that correct? |
| 4:06:25 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Would that not ? be true for KU tho? |
| 4:06:37 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Are the rates that you are paying the contractors for underground line location effectively the same for KU and LG&E? |
| 4:06:57 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Is it the same contractor doing both? |
| 4:07:16 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | But it is the same contractor doing the line location for KU and the same contractor doing the line location for LG&E correct? |
| 4:07:27 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | And I might follow up with a Post Hearing Data Request on this. |
| 4:07:54 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | With respect to the construction in LG&E service territory. Do you know how much of the line location request starting in 2018 was the result of Google Fiber? |
| 4:08:18 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | That was kind of what I was getting at. Do you all track the extent to which the increase in line location request are affiliated with any particular entity requesting? |
| 4:08:43 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Do you know when Google Fiber started to build out of their system in the Louisville area? |
| 4:08:51 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Do you know if yall track the cost for  line location by mile or by foot? |
| 4:09:09 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | I'm just trying to figure out if there is anyway to determine how much of this line location was associated with the build out of Google Fiber? |
| 4:09:26 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | LG&E and KU don't engage in project financing correct? |
| 4:09:50 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Essentially that means you don't take out a particular loan or a particular line of credit to fund a specific capital project? |
| 4:10:00 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Do you assign any specific financing  to any particular operating or physical purpose? |
| 4:10:37 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | So essentially LG&E and KU the companies can't go back and say that the proceeds for this particular loan were used to x? |
| 4:11:38 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Generally you'll fund capital projects with short term debt whether that's commercial paper and then once it gets high enough you're going to do a bond issuance and essentially pay of that short term debt with the long term debt correct? |

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| 4:12:06 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | The general corporate purposes along with that do the companies use short term debt to finance operating expenses? |
| 4:12:48 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | You said that you use short term debt to fund general corporate purposes. What type of purposes would that be? |
| 4:13:02 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | So the difference between operating cashflow and ? cashflow, so if the operating expenses are exceeding the cash flow coming in then the operating expenses would be funded by short term debt? |
| 4:13:46 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | If you have short term debt available and your operating expenses are exceeding the cash coming in then you will use short term debt to fund operating expenses correct? |
| 4:14:06 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | And then that debt is rolled over into long term debt correct? |
| 4:14:15 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Given that would you agree that capitalization could be higher than rate base because operating expenses are financed through short term debt and rolled into long term debt? |
| 4:14:33 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | It's basically getting to the point of capitalization versus rate base and the difference between the two [click on the link for remarks.] |
| 4:16:27 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | But you would agree that with operating expenses being funded through short term debt that that capitalization number could include operating expenses that have been funded through debt? |
| 4:16:50 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | The rate base would go up if you fund operating expenses through short term debt? |
| 4:17:27 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Is there anyway to track [click on the link for remarks.] |
| 4:17:45 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Is there anyway to determine the extent to which operating expenses have been funded through capitalization? |
| 4:18:38 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | But that would be nearly impossible to go back and track that? |
| 4:18:44 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Under what circumstances would the cost bais of the companies plant be higher than the total amount of capital they have in the company? |
| 4:19:12 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | I'm just curious [click on link for remarks.] |
| 4:19:34 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | How is the amount of capital that you've invested in the companies how would the cost basis of the plant of the companies ever exceed the total amount of capital that has been invested into the companies? |
| 4:20:16 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Under what circumstance could the total value of the plant exceed the total amount of capital that you've invested into the company? |
| 4:21:35 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | I understand you offset rate base by that number. But you don't include deferred taxes in capitalization is that correct? |

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| 4:22:22 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Sorry just looking to see what else I have. |
| 4:22:39 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | I'm just looking at LG&E's response to Attorney General's First Request for information item number 84. |
| 4:23:14 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | So you were basically asked about the amount of credit card rebates [click on the link for remarks.] |
| 4:23:41 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | We were just curious what accounted for that discrepancy? |
| 4:23:49 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | No, no, no. Not the variances in years. I'm saying [click on the link for remarks.] |
| 4:23:59 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | But in the offset of the revenue requirement for credit card rebates in the stipulation for LG&E Electric it was .18 and then for LG&E Gas it was .003 which don't add up to the 2016 and 2017 numbers. |
| 4:24:57 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | And this is a request for information. The stipulation to the extent that there are any spreadsheets attached to that would it be possible to provide those in excel format? |
| 4:26:03 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | And in the request I can specify specifically so you don't have to guess. |
| 4:26:11 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | I was just going through your testimony with respect to the stipulation. |
| 4:26:34 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | It starts on page 8 but goes on to page 7 of your testimony regarding the stipulation. Other depreciation expense changes [click on link for remarks.] |
| 4:27:05 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | What are the certain plant items I guess that, that number reflects? |
| 4:28:15 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | And it is an attachment to the exhibit, and the ones with a changed rate are highlighted? |
| 4:28:21 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | How did you make a change in depreciation? |
| 4:29:40 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | I'm looking at page 11 of your testimony. [Click on link for remarks.] |
| 4:29:52 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | And the 4.25%  rate. What was that based on? |
| 4:30:01 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | I should have been more clear. What was the credit spread that this was based on and the underline treasuring rate? |
| 4:30:46 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | And this is for debt that was set to be issued in May of 2019? |
| 4:30:52 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Do you know what the current treasuring rate is? |
| 4:31:55 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | I'm kind of skipping around here so bare with me. |
| 4:32:07 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | I'm looking at page 13 and its your testimony on extending the amortization of the July 2018 storm damage regulatory asset from five years to ten years. |

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| 4:32:17 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Does that regulatory asset carry a carrying charge based on the cost of capital? |
| 4:32:38 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | What I am meaning is if you slow the amortization will that incrrease the value over time? |
| 4:33:34 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | All I was trying to get at is there is a carrying charge on that? |
| 4:33:50 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | On page 13 the ? revenues in rate base. |
| 4:33:56 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Is this item moving I guess a credit from the ECR to base rates? |
| 4:35:02 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | So the companies proposed to move the credit which would of increased the based rates and decreased the ECR charge? |
| 4:35:10 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | But this stipulation [click on link for remarks.] |
| 4:35:32 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | I just have a couple more questions. I'm almost finished. |
| 4:35:40 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Page 11 I believe its your rebuttal testimony. |
| 4:35:57 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | You talked about slippage [click on the link for remarks.] |
| 4:36:14 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | With respect to both KU and LG&E have each of the companies been involved in two forecasted test year rate cases? |
| 4:36:29 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | And those cases are 2014-00272 2018-00294 correct? |
| 4:36:41 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Was either of those cases fully litigated? |
| 4:37:14 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | I'm looking at page 13 of your rebuttal testimony and I think you disagreed with the Attorney General's witness [click on the link for remarks.] |
| 4:37:48 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | I was curious if you would be able to provide the actual slippage factor that you used to do both of those calculations? |
| 4:41:35 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | I'm just checking these. I'm almost finished. |
| 4:41:51 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Do you have any kind of numbers on the number of projects you typically have and the extent to which they typically go beyond schedule or finish early? |
| 4:42:15 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | Do you all track that type of stuff? |
| 4:42:46 PM | Staff Atty Bellamy PSC - witness Blake | |
| | Note: Fields, Angela | I think that's all the questions I have. |
| 4:42:53 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Commissioner Cicero questions? |
| 4:42:55 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | Just on the stipulation [click on the link for Vice Chairman Cicero's remarks.] |
| 4:43:42 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | But its an actual reduction not a deferral is my comment. |

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| 4:43:57 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | That's okay let me go to the questions I have. |
| 4:44:03 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | The two big ones we touched on briefly and you said that you couldn't reach an agreement so the asset lives right now are being evaluated for appropreitness? |
| 4:44:27 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | I guess since you are entering into the stipulation that those new depreciation rates will be adopted by the company? |
| 4:44:59 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | As far as the just over 8 million dollars [click on the link for Vice Chairman Cicero's remarks.] |
| 4:45:13 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | Does the company ? data of yours? |
| 4:45:19 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | Was this a situation were the company tried to change the depreciation and it was objected to? Or the ash pond life was never aligned with the assets it was serving? |
| 4:46:28 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | Well that makes it a lot more [click on the link for Vice Chairman Cicero's remarks.] |
| 4:46:35 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | Because the depreciation rates are not going to be adjusted from where they were? |
| 4:46:45 PM | Vice Chairman Cicero - witness Blake | |
| | Note: Fields, Angela | So that's good I'm happy to hear that. So I really don't have any other questions [click on link for Vice Chairman Cicero's remarks.] |
| 4:47:09 PM | Commissioner Mathews - witness Blake | |
| | Note: Fields, Angela | I don't have anything. |
| 4:47:13 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | No questions. |
| 4:47:18 PM | Chairman Schmitt - witness Blake | |
| | Note: Fields, Angela | Anything? |
| 4:47:20 PM | Atty Riggs KU and LG&E - witness Blake | |
| | Note: Fields, Angela | I have two redirect Chairman. |
| 4:47:23 PM | Atty Riggs KU and LG&E - witness Blake | |
| | Note: Fields, Angela | Do you recall the questions Staff Counsel asked you about the slip adjustments Mr. Blake? |
| 4:47:29 PM | Atty Riggs KU and LG&E - witness Blake | |
| | Note: Fields, Angela | And in connection with that you were pointing out with the slippage adjustment the company also sustains [inaudible]? Do you recall that discussion? |
| 4:47:45 PM | Atty Riggs KU and LG&E - witness Blake | |
| | Note: Fields, Angela | So the regulatory lag is not reflected in the slippage adjustment, its a separate phenomenon that the companies experience? |
| 4:48:32 PM | Atty Riggs KU and LG&E - witness Blake | |
| | Note: Fields, Angela | And another answer to Staff Counsel in connection with the questions about the slippage adjustment. You mentioned [inaudible] can you comment further on that? |
| 4:50:01 PM | Atty Riggs KU and LG&E - witness Blake | |
| | Note: Fields, Angela | Thank you. That's all the questions I have your honour. |
| 4:50:04 PM | Chairman Schmitt | |
| | Note: Fields, Angela | May this witness be excused? |
| 4:50:12 PM | Chairman Schmit | |
| | Note: Fields, Angela | Is that the case? |

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| 4:50:16 PM | Chairman Schmit | |
| | Note: Fields, Angela | Okay. Mr. Chandler do you intend to call your other witnesses? |
| 4:50:27 PM | Asst. Atty Gen. Chandler | |
| | Note: Fields, Angela | If I may, earlier I made a motion [click on the link for remarks.] |
| 4:51:09 PM | Asst. Atty Gen. Chandler | |
| | Note: Fields, Angela | The Attorney General will call Mr. Cummings. |
| 4:51:30 PM | Chairman Schmitt - witness Cummings | |
| | Note: Fields, Angela | Swearing in. |
| 4:51:44 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | May I Chairman? |
| 4:51:49 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | Do you mind to state your name and organization for the record? |
| 4:52:10 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | Do you mind to provide your address? |
| 4:52:15 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | And did you cause to be filed direct testimony in this matter? |
| 4:52:20 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | On whose behalf did you initially provide that direct testimony? |
| 4:52:30 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | Is it your understanding that the testimony is now being sponsored by the Attorney General's Office? |
| 4:52:35 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | Do you have any corrections to that testimony? |
| 4:52:45 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | And if you were asked those same questions that you were asked in discovery and testimony in this matter, will your responses be the same? |
| 4:52:54 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | And do you adopt those responses and your testimony in this matter as your testimony? |
| 4:52:59 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | The Attorney General submits Mr. Cummings for cross examination Chairman. |
| 4:53:03 PM | Witness Cummings | |
| | Note: Fields, Angela | If I may, just to give a background [click on link for remarks.] |
| 4:59:50 PM | Chairman Schmitt - witness Cummings | |
| | Note: Fields, Angela | Well let me ask you this [click on link for remarks.] |
| 5:00:22 PM | Chairman Schmitt - witness Cummings | |
| | Note: Fields, Angela | And that is money that is used to prevent disconnections? |
| 5:00:28 PM | Chairman Schmitt - witness Cummings | |
| | Note: Fields, Angela | And what else? |
| 5:01:17 PM | Chairman Schmitt - witness Cummings | |
| | Note: Fields, Angela | When I read your testimony in this case and in the previous case [clcik on the link for Chairman Schmitt's remarks.] |
| 5:04:23 PM | Chairman Schmitt - witness Cummings | |
| | Note: Fields, Angela | But somehow there is a lack of [click on link for remarks.] |
| 5:06:06 PM | Asst. Atty Gen. Chandler | |
| | Note: Fields, Angela | Chairman if I may. I have another copy of the document that Mr. Cummings is referencing. |
| 5:06:29 PM | Chairman Schmitt - witness Cummings | |
| | Note: Fields, Angela | I guess I thought that our previous witness indicated [click on link for Chairman Schmitt's remarks.] |
| 5:06:55 PM | Chairman Schmitt - witness Cummings | |
| | Note: Fields, Angela | That's a different program from the one you administrator? |

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| 5:07:20 PM | Chairman Schmitt - witness Cummings | |
| | Note: Fields, Angela | Well that's another agencies issue? In other words [click on link for Chairman Schmitt's remarks.] |
| 5:09:30 PM | Chairman Schmitt - witness Cummings | |
| | Note: Fields, Angela | Because under the HEA Program people who are eligible for that are above the level of eligibility for LIHEAP? |
| 5:11:43 PM | Chairman Schmitt - witness Cummings | |
| | Note: Fields, Angela | Who makes the ultimate decision? |
| 5:13:07 PM | Chairman Schmitt - witness Cummings | |
| | Note: Fields, Angela | Would you have any objection to providing Mr. Chandler with the Attorney General's Office with a copy of that manual? |
| 5:13:26 PM | Chairman Schmitt - witness Cummings | |
| | Note: Fields, Angela | I have no further questions. Commissioner Cicero or anybody else? |
| 5:13:31 PM | Vice Chairman Cicero - witness Cummings | |
| | Note: Fields, Angela | So I'm looking at your sheet that has all of the zip codes and the amount of residential customers in each one [click on the link for Vice Chairman Cicero's remarks.] |
| 5:14:52 PM | Vice Chairman Cicero - witness Cummings | |
| | Note: Fields, Angela | Well this is 18 and 17. [Click on link for Vice Chairman Cicero's remarks.] |
| 5:15:26 PM | Vice Chairman Cicero - witness Cummings | |
| | Note: Fields, Angela | That's just an observation [click on link for Vice Chairman Cicero's remarks.] |
| 5:18:24 PM | Vice Chairman Cicero - witness Cummings | |
| | Note: Fields, Angela | We took the first step in trying to increase funding and now maybe the next step is to make sure how the programs work and how the dollars are spent. [Click on link for Vice Chairman Cicero's remarks.] |
| 5:20:09 PM | Vice Chairman Cicero - witness Cummings | |
| | Note: Fields, Angela | Thank you. I don't have anything else. |
| 5:20:10 PM | Chairman Schmitt | |
| | Note: Fields, Angela | I have nothing. Commissioner Mathews? |
| 5:20:13 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | If there is no cross. May I have just a tad bit of redirect? |
| 5:20:17 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | Can you explain what ACM is? |
| 5:21:22 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | The grant dollars you are referring to are actually the shareholder funds in which LG&E has given to the Association of Community Ministries correct? |
| 5:21:34 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | Talking about the HEA funding [click on link for remarks.] |
| 5:21:51 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | That is nothing that ACM does at all? |
| 5:21:58 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | So obviously the companies [click on the link for remarks.] |
| 5:22:34 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | And you would agree that on a normal case that helps all customers? |
| 5:23:16 PM | Vice Chairman Cicero - witness Cummings | |
| | Note: Fields, Angela | One last clarifying question. |
| 5:23:16 PM | Asst. Atty Gen. Chandler - witness Cummings | |
| | Note: Fields, Angela | Thank you Chairman. That's all I Have. |
| 5:23:18 PM | Vice Chairman Cicero - witness Cummings | |
| | Note: Fields, Angela | On this exhibit that was handed out by the AG. It referenced the number 44,099 [click on link for remarks.] |

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| 5:23:47 PM | Vice Chairman Cicero - witness Cummings | |
| | Note: Fields, Angela | So if you look at page one it starts out with 2017 [click on link for remarks.] |
| 5:25:04 PM | Vice Chairman Cicero - witness Cummings | |
| | Note: Fields, Angela | Here is my question [click on the link for remarks.] |
| 5:25:14 PM | Vice Chairman Cicero - witness Cummings | |
| | Note: Fields, Angela | Would that be a duplication of numbers if the total assisted is not actually 4499? |
| 5:25:47 PM | Vice Chairman Cicero - witness Cummings | |
| | Note: Fields, Angela | I just wanted to make sure I understood what the chart represented. I don't have anything else. Thank you. |
| 5:25:51 PM | Chairman Schmitt - witness Cummings | |
| | Note: Fields, Angela | This witness may be excused unless you have something else? |
| 5:26:06 PM | Asst. Atty Gen. Chandler | |
| | Note: Fields, Angela | The Attorney General will call Mrs. Tibbs. |
| 5:26:34 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Swearing in. |
| 5:26:46 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | You may ask. |
| 5:26:48 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | Do you mind to state your name for the record please? |
| 5:26:54 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | And by whom are you employed? |
| 5:26:59 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | And did you cause to be filed testimony in this matter on behalf of your employer? |
| 5:27:07 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | And would you agree that given the changes today your testimony is now being sponsored on behalf of the Attorney General's Office? |
| 5:27:23 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | Did you also cause to be filed certain Data Request Responses in this matter? |
| 5:27:31 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | Do you have any corrections to your testimony or to those data request? |
| 5:27:36 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | And what are those? |
| 5:27:48 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | That would be great. If you would identify the page number and the line number and the specific corrections for the record. |
| 5:28:51 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | Yes. And we'll discuss that in a few miinutes. |
| 5:29:16 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | And can you say that number again? |
| 5:30:10 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | And those are the amounts on ?? |
| 5:30:13 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | Do you have any other corrections? |
| 5:30:17 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | And if you were asked the same questions that you were in the data request and your testimony would your answers be the same today? |
| 5:30:32 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | Including those corrections. |

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| 5:30:35 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | And do you adopt those with those given corrections as your testimony? |
| 5:30:41 PM | Asst. Atty Gen. Chandler | |
| | Note: Fields, Angela | And Chairman may I, just a little bit of direct? |
| 5:30:47 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | So Mrs. Tibbs can you tell me just a little about what you do at CAC and maybe as that relates to your experience with the HEA program? |
| 5:31:46 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | And generally do you understand how the slots are filled? |
| 5:32:06 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | Okay, can you explain that just a little bit? |
| 5:34:40 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | So lets just say there is a slopt open in Pineville, in Bell County [click on link for remarks.] |
| 5:35:14 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | Or do they send it on to CAC? |
| 5:36:24 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | So when somebody enrolls and takes a spot in Pineville [click on the link for remarks.] |
| 5:37:18 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | And your under standing of the amount that Mr. Blake was referring to [click on the link for remarks.] |
| 5:38:22 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | And the distinction was that there was more money than slots effectively? |
| 5:38:31 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | I just want to make sure the $25 that the Community Action group in Pineville billed to CAC [click on the link for remarks.] |
| 5:38:50 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | That is the amount that is under that ten percent cap, correct? |
| 5:38:54 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | That's part of the administrative fee? |
| 5:39:12 PM | Asst. Atty Gen. Chandler - witness Tibbs | |
| | Note: Fields, Angela | Chairman she is available for cross. |
| 5:39:16 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Commissioner Cicero questions? |
| 5:39:20 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Commissioner Mathews? |
| 5:39:21 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Mrs. Tibbs I noticed that the Community Action Programs throughout the state [click on the link for remarks.] |
| 5:40:09 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Do you have any idea why that would be the case? |
| 5:40:12 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Community Actions. Who makes the decisions about an intervention or about moving to upgrade a program or not? |
| 5:40:57 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | I guess the Executive Director of each of the 22 or how every many Community Action Programs there are serves on the Board of the State organization here in Franfort? Is that correct? |
| 5:41:19 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | I know in a Kentucky Power case no one intervened on time [click on the link for Chairman Schmitt's remarks.] |

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| 5:42:05 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | A charge of thirty cents is made a month on every meter [click on the link for remarks.] |
| 5:42:55 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Is that correct? |
| 5:43:28 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | The last rate case where there was a agreement [click on the link for Chairman Schmitt's remarks.] |
| 5:43:43 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | There weren't any other Community Action Agencies involved? |
| 5:43:47 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | And Community Action Kentucky wasn't involved? |
| 5:43:52 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | So your agency ended up advocating not only for the people in your four counties but for the people in the entire service area of Kentucky Utilities? |
| 5:44:57 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | I understand what you're saying. But what I am saying is [click on the link for remarks.] |
| 5:46:17 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | And those funds come from where? |
| 5:46:36 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | And what are the requirements for HEAP? |
| 5:47:24 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | And who established that criteria |
| 5:47:30 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Does your agency have documents that would show what that criteria is? |
| 5:47:42 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Would you have any objection to providing that to Mr. Chandler at the Attorney General's Office? Mr. Chandler would you have any objection to receiving that and filing it into the record? |
| 5:48:05 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Now in so far as the cost associated with the HEAP program [click on the link for Chairman Schmitt's remarks.] |
| 5:48:38 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Is that correct? |
| 5:48:44 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | If they have administrative expenses that they think are related to HEAP who do they send their bill too? To Frankfort? |
| 5:49:09 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | And then what do you do with it? |
| 5:49:20 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | So they send it to you, and then you send it to Community Action Kentucky, correct? |
| 5:49:57 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Then Community Action Kentucky would send something to Kentucky Utilities which ultimately pays who? |
| 5:51:02 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Have you seen an invoice from your own Community Action Agency that goes to Community Action Kentucky here in Frankfort? |
| 5:51:35 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | How are those cost determined? |

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| 5:52:36 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Somebody allocates staff time and puts a dollar figure on that. Who does that? |
| 5:52:48 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | And who is that? |
| 5:52:50 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Do you know if that varies from month to month or not? |
| 5:53:00 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Do you know what the percentage of the total amount of money available actually goes to cost? |
| 5:54:03 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Well I read online [click on the link for Chairman Schmitt's remarks.] |
| 5:54:12 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Have you ever seen those? |
| 5:54:15 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Can you tell me whether or not you know if legal services form apart of the expenses that go into the administration of the HEA Program? |
| 5:54:55 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | ? auditing and accounting cost? |
| 5:55:03 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | You asked someone if legal cost would be included? |
| 5:55:12 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | But I just asked you that question and you said it was not. |
| 5:55:33 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | It's your understanding that [click on the link for Chairman Schmitt's remarks.] |
| 5:55:58 PM | Vice Chairman Cicero - witness Tibbs | |
| | Note: Fields, Angela | With your understanding of what the definition of whats included in the cost they do mention. It could be allocated [click on the link for Vice Chairman Cicero's remarks.] |
| 5:56:21 PM | Vice Chairman Cicero - witness Tibbs | |
| | Note: Fields, Angela | I'm just making sure that she understands that when she says it's not included [click on link for Vice Chairman Cicero's remarks.] |
| 5:56:48 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Do you have any knowledge or information as to whether there is a contract or contractual relationship between the Community Action Program either at the state or local levels and either Louisville Gas and Electric and Kentucky Utilities [click on the link for Chairman Schmitt's remarks.] |
| 5:57:49 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | And will you provide that document to Mr. Chandler? |
| 5:57:53 PM | Chairman Schmitt - witness Tibbs | |
| | Note: Fields, Angela | Mr. Chandler we ask that when you receive it if you would file it with us? |
| 5:58:00 PM | Atty Sturgeon KU and LG&E | |
| | Note: Fields, Angela | Mr. Chairman [click on the link for remarks.] |
| 5:58:31 PM | Chairman Schmitt - Atty Sturgeon KU and LG&E | |
| | Note: Fields, Angela | So the outline to the parameters of the program [click on link for Chairman Schmitt's remarks.] |
| 5:58:48 PM | Chairman Schmitt - Atty Sturgeon KU and LG&E | |
| | Note: Fields, Angela | Is that correct? |
| 5:59:09 PM | Atty Kurtz KIUC | |
| | Note: Fields, Angela | Chairman Schmitt, this may be none of my business, but [click on link for remarks.] |

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| 5:59:50 PM | Chairman Schmitt | |
| | Note: Fields, Angela | I don't have any further question. I don't know if anyone else does or not. |
| 6:00:43 PM | Chairman Schmitt | |
| | Note: Fields, Angela | You may be excused. |
| 6:00:44 PM | Asst. Atty Gen. Chandler | |
| | Note: Fields, Angela | Does the Commission have questions for Mrs. Hinko? |
| 6:00:59 PM | Asst. Atty Gen Chandler | |
| | Note: Fields, Angela | The Attorney General will call Mrs. Hinko. |
| 6:01:10 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | Swearing in. |
| 6:01:27 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Mr. Chandler you may ask. |
| 6:01:30 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | Do you mind to state your name for the record please? |
| 6:01:35 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | And with who are you employeed? |
| 6:01:40 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | And what's your employers address? |
| 6:01:50 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | Did you cause to be filed Direct Testimony and Data Request Responses in these matters? |
| 6:01:57 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | And specifically the LG&E case correct? |
| 6:02:02 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | Do you have any corrections to those testimonies? |
| 6:02:42 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | If you were asked the same questions as in your Data Request and your testimony. Would your answers be the same today? |
| 6:04:47 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | And today do you adopt your responses and your testimony as your testimony today? |
| 6:04:55 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | Very briefly can you explain what Metro Housing Coalition is? |
| 6:05:12 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | And I assume it is your position that MHCC's affordable utility service as part of that affordable housing equation? |
| 6:06:02 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | And the Metro Housing Coalition also has a unique interest in solar correct? |
| 6:06:50 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | I'll provide Mrs. Hinko for cross examination if the Commission would like. |
| 6:06:54 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Any questions Commissioner Cicero? |
| 6:06:57 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Commissoner Mathews? |
| 6:06:59 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | Mrs. Hinko when was it when you discovered a flaw in the state criteria that lead to these changes? When was that? |
| 6:10:49 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | Can I ask a clarifying question Chairman? |

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| 6:10:51 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | Mrs. Hinko just said we. I want to make clear that she is referring AEC? Is that correct? |
| 6:10:56 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | That you're a Board Member of? |
| 6:10:58 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | We understood that, but it is good for the record. |
| 6:11:02 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | That's what I assumed that on LIHEP that once that information about the eligibility of families is deternined [click on the link for Chairman Schmitt's remarks.] |
| 6:11:36 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | Which would keep cost very low? |
| 6:12:31 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | And that's because of a program that the Public Service Commission initially approved? |
| 6:12:55 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | But it restricted the number of people who were available for those benefits? |
| 6:13:51 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | But LG&E what audits or checks your records or something? Is that what you are saying? |
| 6:14:28 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | I've read your testimony in the last two or three cases. And I wanted to ask [click on the link for Chairman Schmitt's remarks.] |
| 6:15:39 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | Have you ever read the testimony of Mr. Cummings in any of these cases? |
| 6:15:49 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | I mean his testimony is pretty comprehensive isn't it? |
| 6:15:53 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | I know in a lot of respects your positions overlap in the sense that you both for the same cause? You have the same goal correct? |
| 6:18:13 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | You have a Board of Directors correct? |
| 6:18:15 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | How many people are on your Board? |
| 6:18:20 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | Are those people identified on your website? |
| 6:19:13 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | But the remainder of your Board, are there political figures who are on your Board? Is the Mayor of Louisville on your Board? |
| 6:20:25 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | Why don't you just file that if you don't have any objection. Commission Exhibit 1. |
| 6:20:33 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | If you would and that would be exhibit 2 |
| 6:20:41 PM | Asst. Atty Gen Chandler | |
| | Note: Fields, Angela | I am happy to make them AG Exhibitis 14 and 15 if that would be better? |
| 6:20:55 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | Well I saw on your website that you have [click on the link for Chairman Schmitt's remarks.] |

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| 6:21:12 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | But I assume that you had people like solar contractors who are members of your organization? |
| 6:22:22 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | Well I wanted to speak to you because I could not understand why you were in this case? |
| 6:23:50 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | I have no further questions. |
| 6:23:52 PM | Vice Chairman Cicero - witness Hinko | |
| | Note: Fields, Angela | Just one request regarding the audit. Do you receive a copy of the audit that LG&E performs? |
| 6:24:08 PM | Vice Chairman Cicero - witness Hinko | |
| | Note: Fields, Angela | The only request that I have is could you provide to the Attorney General whatever audit was performed by LG&E or KU? |
| 6:24:30 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Send it to Mr. Chandler. |
| 6:24:42 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | I can ask for that in a Post Hearing Data request then? |
| 6:24:45 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | May I ask one question of redirect? |
| 6:24:53 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | Would you agree that at the outset that Metro Housing Coalition was interested in the new green tariff offerings by LG&E and KU? Was that of interest or curiosity for you all? The reason you intervened? |
| 6:25:19 PM | Asst. Atty Gen. Chandler - witness Hinko | |
| | Note: Fields, Angela | That's all I have Chairman. |
| 6:25:20 PM | Chairman Schmitt - witness Hinko | |
| | Note: Fields, Angela | Thank you Mrs. Hinko. I appreciate you being here and testifying. |
| 6:25:27 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Okay. Do you have anymore witnesses Mr. Chandler? |
| 6:25:38 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Are there anymore witnesses to testify? |
| 6:25:41 PM | Chairman Schmitt | |
| | Note: Fields, Angela | I will say this [click on the link for Chairman Schmitt's remarks.] |
| 6:26:16 PM | Chairman Schmitt | |
| | Note: Fields, Angela | We have until April 30th to finish. |
| 6:26:47 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Let me just make a suggestion on dates and if they are not reasonable or you need more time let us know. |
| 6:26:56 PM | Chairman Schmitt | |
| | Note: Fields, Angela | POST HEARING DATA REQUEST filed by the end of the day on Monday March 11th? |
| 6:27:10 PM | Chairman Schmitt | |
| | Note: Fields, Angela | LG&E and KU could file their responses by the end of the day on Wednesday March 20th? |
| 6:27:32 PM | Chairman Schmitt | |
| | Note: Fields, Angela | Could simultaneously Briefs be filed before the end of the day Monday April 1st? |
| 6:28:08 PM | Chairman Schmitt | |
| | Note: Fields, Angela | What about the rest of you? |
| 6:29:22 PM | Chairman Schmitt | |
| | Note: Fields, Angela | If there is a problem if you will call or file a one liner then you will get a response forthwith. |
| 6:29:35 PM | Chairman Schmitt | |
| | Note: Fields, Angela | If there is nothing further, then this hearing is hereby adjourned. |

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|---|---|
| 6:29:44 PM | Session Paused |
| 6:29:49 PM | Session Ended |

# Exhibit List Report

**2018-00294 & 2018-00295**
**06Mar2019**
**KU and LG&E**

| Name: | Description: |
|---|---|
| AG's Exhibit 07 | Adjustment of the Electric Rates, Terms, and Conditions of Kentucky Utilities Company |
| AG's Exhibit 08 | Kentucky Utilities Company: Calculation of Proposed Rate Increase for the Twelve Months Ended April 30, 2020 |
| AG's Exhibit 09 | Direct Testimony of Glenn Watkins |
| AG'S Exhibit 10 | Direct Testimony of William Seelye |
| AG'S Exhibit 11 | Vontage Engineering: About |
| AG's Exhibit 13 | Louisville Gas and Electric Comany: Response to First Request for Information of Association of Community Ministries, Inc. Dated November 13, 2018 |
| AG's Exhibit 14 | 2018 State of Metropolitan Housiing Report |
| AG's Exhibit 15 | Metropolitan Housing Coalition Board of Directors as of June 2018 |
| KU and LG&E Exhibit 01 | Kentucky Utilities and Louisville Gas and Electric Company Total Revenue Schedules. |

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---|---|---|
| AN ADJUSTMENT OF THE ELECTRIC RATES, TERMS, AND CONDITIONS OF KENTUCKY UTILITIES COMPANY | ) ) ) | CASE NO. 2003-00434 |

<u>I N D E X</u>





AG'S EXHIBIT 07

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---|---|---|
| AN ADJUSTMENT OF THE ELECTRIC RATES, TERMS, AND CONDITIONS OF KENTUCKY UTILITIES COMPANY | ) ) ) | CASE NO. 2003-00434 |

O R D E R

Kentucky Utilities Company ("KU"), a wholly owned subsidiary of LG&E Energy LLC ("LG&E Energy"),[1] is an electric utility that generates, transmits, distributes, and sells electricity to approximately 478,000 consumers in all or portions of 77 counties in Kentucky.[2]

BACKGROUND

On November 24, 2003, KU filed a letter giving notice of its intent to file an application for approval of an increase in its electric rates to produce additional annual revenues of $58,254,344, an increase of 8.54 percent. On December 29, 2003, KU filed its application which included new rates to be effective January 31, 2004 and proposals to revise, add, and delete several tariffs applicable to its electric service. To determine the reasonableness of the request, the Commission suspended the proposed

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[1] LG&E Energy is a Kentucky limited liability company and is an indirect subsidiary of E.ON AG, a German multi-national energy corporation.

[2] Operating under the name of Old Dominion Power Company, KU generates, transmits, distributes, and sells electricity to approximately 29,600 consumers in 5 counties in southwestern Virginia. KU also sells wholesale electric energy to 12 municipalities.

rates for 5 months from their effective date, pursuant to KRS 278.190(2), up to and including June 30, 2004.

KU's last increase in rates was authorized in March 1983 in Case No. 8624.[3] KU was required to reduce its rates as part of a rate complaint, Case No. 1998-00474,[4] in January 2000.

The following parties requested and were granted full intervention: the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"); the Division of Energy ("KDOE") of the Environmental and Public Protection Cabinet; the Lexington-Fayette Urban County Government ("LFUCG"); the Kentucky Industrial Utility Customers, Inc. ("KIUC"); North American Stainless, L. P. ("NAS"); The Kroger Company ("Kroger"); the Kentucky Association for Community Action, Inc. ("KACA"); and the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. ("CAC").

On January 14, 2004, the Commission issued a procedural schedule to investigate KU's rate application. The schedule provided for discovery, intervenor testimony, rebuttal testimony by KU, a public hearing, and an opportunity for the parties to file post-hearing briefs. On March 23, 2004, the AG, KDOE, KIUC, NAS, Kroger, KACA, and CAC filed their testimony. Also on March 23, 2004, the Commission granted KU's motion to consolidate into this case that portion of Case No. 2003-00396,

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[3] Case No. 8624, General Adjustment of Electric Rates of Kentucky Utilities Company.

[4] Case No. 1998-00474, The Application of Kentucky Utilities Company for Approval of an Alternative Method of Regulation of Its Rates and Service.

relating to a new KU tariff for Non-Conforming Load ("NCL") customers.[5] On March 31, 2004, the Commission granted a joint motion by KU, the AG, the LFUCG, and KIUC to consolidate Case No. 2003-00335, an investigation of the Earnings Sharing Mechanism ("ESM") for KU, into this proceeding.[6] KU filed its rebuttal testimony on April 26, 2004.

On April 28, 2004, an informal conference was held with all parties to discuss procedural matters and the possible resolution of pending issues. Additional conferences were held on April 29, 2004 and May 3, 2004. The public hearing was convened on May 4, 2004,[7] at which time the parties indicated that significant progress had been made toward resolving many of the issues and they requested the hearing be delayed to allow additional discussions.[8] This request was granted and, on May 5, 2004, the parties announced a tentative agreement on two documents that resolved many of the issues. One document, titled "Settlement Agreement" ("ESM Settlement"), provided for the orderly discontinuance of the ESM. The other document, titled "Partial Settlement Agreement, Stipulation and Recommendation" ("Partial Settlement and Stipulation"), addressed all the remaining issues, including the NCL tariff, and resolved many but not all of the issues raised in KU's rate case.

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[5] Case No. 2003-00396, Tariff Filing of Kentucky Utilities Company and Louisville Gas and Electric Company for Non-Conforming Load Customers.

[6] Case No. 2003-00334, An Investigation Pursuant to KRS 278.260 of the Earnings Sharing Mechanism Tariff of Kentucky Utilities Company.

[7] For administrative efficiency, the public hearing for this case was held simultaneously with the hearing for the rate case filed by the Louisville Gas and Electric Company ("LG&E"). See Case No. 2003-00433, An Adjustment of the Gas and Electric Rates, Terms, and Conditions of Louisville Gas and Electric Company.

[8] Transcript of Evidence ("T.E."), Volume I, May 4, 2004, at 36-39 and 57-60.

Because the Partial Settlement and Stipulation did not resolve the issue of the appropriate revenue increase and depreciation rates for KU's electric operations, the hearing proceeded in the afternoon of May 5, 2004 with testimony being presented by KU and the AG. The hearing on those issues concluded on May 6, 2004. The parties subsequently finalized the ESM Settlement and the Partial Settlement and Stipulation and, on May 12, 2004, they filed the final versions of both documents.[9] During that hearing, the KDOE, KIUC, NAS, Kroger, KACA, and CAC withdrew their respective prefiled testimonies and responses to data requests on those testimonies. A hearing was then held on that date to receive testimony on the reasonableness of both documents.

On June 4, 2004, KU and the AG timely filed briefs in accordance with the procedural schedule. All information requested at the public hearing has been filed and the case now stands submitted for a decision.

ESM SETTLEMENT

KU previously submitted its calendar year 2003 ESM filing pursuant to its ESM tariff and it was docketed as Case No. 2004-00070.[10] In that filing, KU calculated its

[9] The ESM Settlement is attached hereto as Appendix A and the Partial Settlement and Stipulation is attached hereto as Appendix B. Both documents are incorporated into this Order as if fully set forth herein.

[10] Case No. 2004-00070, Kentucky Utilities Company's Annual Earnings Sharing Mechanism Filing for Calendar Year 2003.

2003 ESM billing factor to be 2.367 percent for April 1, 2004 through April 30, 2004, and 2.330 percent for May 1, 2004 through March 31, 2005.[11]

Under the terms of the ESM Settlement, the parties recommend that an Order be issued in Case No. 2004-00070 approving KU's 2003 ESM billing factors as filed and authorizing KU to bill them through March 31, 2005. KU would then collect and retain all this revenue. No later than May 2005, KU is to perform a final balancing adjustment to reconcile any over- or under-collection of the 2003 ESM revenues as billed from April 2004 through March 2005. Effective July 1, 2004, the ESM will be discontinued and KU will waive its rights to make any billings or seek any collections under its ESM tariff for its operations during the first 6 months of 2004.

The Commission has reviewed the ESM Settlement and finds that it constitutes a reasonable resolution of the issues related to the continuation of KU's ESM. When the Commission offered the ESM to KU in 2000, the intent was that this alternative form of regulation would provide sufficient incentives to KU to improve its performance while reducing the business risks inherent in over- and under-earnings. The management

[11] Under the provisions of its ESM tariff, KU is required to file a determination of a balancing adjustment to the current ESM billing factor, reflecting a true-up for any over- or under-collections experienced with the previous ESM billing factor. The revision in the 2003 ESM billing factor reflects the balancing adjustment for the 2002 ESM billing factor.

audit performed for the Commission concluded,[12] and KU confirmed in its own testimony, that the ESM has not incented KU to operate any differently than it would have without an ESM. In light of these results, the termination of the ESM as currently configured is reasonable. Therefore, the Commission will approve the ESM Settlement in its entirety. An Order confirming this will be issued in Case No. 2004-00070 in the near future.

The Commission notes that the ESM Settlement provides that nothing therein will bar a party from seeking, or the Commission from reinstating, an ESM which is designed to accomplish reasonable and valid regulatory objectives. While the Commission is now approving the termination of the current ESM because it did not achieve its intended purpose, we will take this opportunity to reaffirm our support for alternative rate-making mechanisms. KU is encouraged to continue considering alternative regulation, and, if it decides to propose one in the future, it should do so after seeking input from its customer representatives.

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[12] The Barrington-Wellesley Group, Inc. ("BWG") performed the ESM management audit and issued its final report on August 31, 2003. BWG determined that the ESM was an effective alternative to traditional cost of service regulation, although it did recommend some modifications to the current structure. The BWG report stated "However, it is the LG&E/KU management's position that the ESM program did not change management behavior. Management contends that LG&E and KU already had a strong continuous improvement program and that the ESM reinforced this behavior and added a regulatory mechanism for dealing with the ebb and flow of earnings over time." BWG Report at IV-1.

PARTIAL SETTLEMENT AND STIPULATION

Unanimous Provisions

The Partial Settlement and Stipulation reflects a unanimous resolution of a substantial number of the issues raised, including the revenue allocations, the rate design, and KU's proposed changes in its terms and conditions of service. The major provisions of the Partial Settlement and Stipulation for KU that have been unanimously agreed to are as follows:

- KU will establish a pilot time-of-day program for no more than 100 commercial customers with a monthly demand between 250 kW and 2,000 kW.[13]
- Future Commission Orders approving cost recovery of KU's environmental projects pursuant to KRS 278.183 will be based upon an 11.00 percent return on common equity until that return is modified by the Commission.
- All costs associated with KU's 1994 environmental compliance plan will be removed from KU's monthly environmental surcharge filings and will be recovered in KU's base rates.
- All miscellaneous charges applicable to electric operations should be approved as proposed by KU except that the Disconnect-Reconnect Charge should be $20.00 and KU's After-Hours Reconnect Charge will be withdrawn.
- The monthly KU residential customer charge should be $5.00 per month; KU's Rate GS primary should be $10.00 per month; KU's Rate GS secondary should be $10.00 per month; and all other customer charges should be implemented as proposed by KU.
- KU Rate GS will be available to electric customers with connected loads up to 500 kW.
- KU's expenditure of $1 million per year for nitrogen oxide incurred pursuant to its contract with Owensboro Municipal Utilities will be recovered through KU's environmental cost recovery filings pursuant to

[13] This reflects a stipulation agreement between KU and Kroger dated May 4, 2004 and attached to the Partial Settlement and Stipulation as Exhibit 2.

KRS 278.183. The recovery of these costs will begin in April 2005 based upon the February 2005 expense month for KU.

- KU will offer a Curtailable Service Rider ("CSR1") to current customers who meet the eligibility requirements set forth in KU's proposed CSR1, subject to specific terms and conditions.

- New customers not currently served under an existing curtailable service rider will be eligible to take curtailable service under a new curtailable service rider tariff ("CSR2") as proposed by KU, except such customers will be able to buy through a request for curtailment only after having been on the CSR2 service for 3 years with no failure to curtail when requested.

- The NCL service tariff should be renamed "large industrial-time of day" ("LI-TOD"), and the LI-TOD should be the same as the NCL tariff proposed in Case No. 2003-00396, subject to changes outlined in the Partial Settlement and Stipulation.

- Unless the Commission has already modified or terminated the Value Delivery Team ("VDT") surcredit in a subsequent rate case, 6 months prior to the expiration of the 60-month period in which the VDT surcredits are in operation, KU will file with the Commission a plan for the future rate-making treatment of the VDT surcredits, shareholder savings, amortization of VDT costs, and all other VDT-related issues. The VDT surcredit tariff will remain in effect following the 60th month until the Commission enters an Order on the future rate-making treatment.

- In conjunction with the AG, KACA, and CAC, KU will file with the Commission plans for program administration of a year-round Home Energy Assistance ("HEA") program based solely upon a 10-cent per residential meter per month charge for a period of 3 years. The HEA programs will be operated by existing social service providers with experience in operating low-income energy assistance programs, and the providers will be entitled to recover actual operating expenses up to 10 percent of total HEA funds collected. KU will be entitled to recover its one-time information technology implementation costs through its Demand-Side Management mechanism. The HEA programs to be filed will commence on October 1, 2004. The Commission's approval of the Partial Settlement and Stipulation will constitute approval of the HEA parameters as proposed, subject to further review by the Commission of additional programmatic details.

- KU will not seek approval of a prepaid metering program within the next 5 years, and any such program proposed thereafter will be subject to prior Commission approval.

Non-unanimous Provisions

The Partial Settlement and Stipulation contains additional provisions that relate to issues in the rate case that were agreed to by all parties except the AG. Consequently, the Commission cannot accept these non-unanimous provisions as resolutions of the issues covered. The non-unanimous provisions which were agreed to by KU and all intervenors except the AG are as follows:

- Effective July 1, 2004, KU's revenues should be increased by $46,100,000.

- The electric rates as set forth in Exhibit 1 to the Partial Settlement and Stipulation are the fair, just, and reasonable rates for KU and those rates should be approved by the Commission for service rendered on and after July 1, 2004.

- KU's depreciation rates should remain the same as approved in the Order of December 3, 2001 in Case No. 2001-00140,[14] until the approval by the Commission of new depreciation rates for KU. KU must seek approval by filings made in its next general rate case or June 30, 2007, whichever occurs earlier. The new depreciation filings are to be based on plant in service as of a date no earlier than 1 year prior to such filing. From and after the effective date hereof, KU will maintain its books and records so that net salvage amounts may be identified.

ANALYSIS OF THE PARTIAL SETTLEMENT AND STIPULATION

In its application, KU proposed an annual increase in its electric revenues of $58,254,344. The AG proposed an annual increase in KU's electric revenues of $2,635,000. In the Partial Settlement and Stipulation, KU and all the intervenors except

[14] Case No. 2001-00140, Application of Kentucky Utilities Company for an Order Approving Revised Depreciation Rates.

the AG agree that an annual increase in electric revenues of $46,100,000 is reasonable. Since all parties have not reached a unanimous settlement on KU's electric revenues, the Commission must consider all the record evidence on this issue, including the issue of depreciation rates, and render a decision. This decision will be based on a determination, for KU's electric operations, of its capital, rate base, operating revenues, and operating expenses as would normally be done in a rate case.

The provisions of the Partial Settlement and Stipulation that have been agreed to by all parties cover issues other than the level of KU's rates and its depreciation rates. With respect to these unanimous provisions, the Commission may accept them only after conducting an independent analysis to determine whether they are reasonable and in the public interest. The Commission will make its determination of the reasonableness of these unanimous provisions after it addresses the appropriate rate level for KU.

## TEST PERIOD

KU proposes the 12-month period ending September 30, 2003 as the test period for determining the reasonableness of its proposed electric rates. The AG also utilized this 12-month period. The Commission finds it is reasonable to utilize the 12-month period ending September 30, 2003 as the test period in this proceeding. In utilizing a historic test period, the Commission has given full consideration to appropriate known and measurable changes.

## RATE BASE

### Jurisdictional Rate Base Ratio

KU's application proposed a test-year-end Kentucky jurisdictional rate base of $1,549,420,616.[15] The AG did not calculate a test-year-end Kentucky jurisdictional rate base. The test-year-end Kentucky jurisdictional rate base is divided by KU's test-year-end total company rate base to derive a Kentucky jurisdictional rate base ratio ("jurisdictional ratio"). This jurisdictional ratio is then applied to KU's total company capitalization to determine KU's Kentucky jurisdictional capitalization. The jurisdictional ratio uses the test-year-end rate base before recognizing rate-making adjustments applicable to the either Kentucky jurisdictional or other jurisdictional operations.[16] KU and the AG used an allocation ratio of 87.97 percent.[17]

The Commission has reviewed the calculation of the test-year-end jurisdictional rate base and agrees with the calculation, except for the treatment of accumulated deferred income taxes ("ADIT") associated with Statement of Financial Accounting Standards ("SFAS 109") No. 109. The balance for ADIT used in the determination of rate base reflects the account balances for four accounts in the Uniform System of

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[15] Rives Direct Testimony, Rives Exhibit 3.

[16] KU's other jurisdictional operations reflect the Old Dominion Power Company operations in Virginia and the wholesale municipal energy sales subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC").

[17] Rives Direct Testimony, Rives Exhibit 3.

Accounts ("USoA"): Account Nos. 190, 281, 282, and 283.[18] Account No. 190 normally is a debit balance, while the remaining three accounts normally are credit balances. The balances in these accounts are netted together to determine the amount to be included in the rate base calculations. If the net ADIT amount is a net credit balance, it is shown in the rate base calculations as a positive deduction, while a net debit balance is shown as a negative deduction.

When KU calculated its test-year-end rate base, it reported the total net credit balance resulting from Account Nos. 190, 282, and 283 as ADIT.[19] The subaccounts making up the balances for these three accounts included SFAS 109 ADIT subaccounts.[20]

KU then reported the net balance of Account Nos. 182.3 and 254[21] as its SFAS 109 ADIT. The SFAS 109 ADIT amounts from Account Nos. 190, 282, and 283 have a

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[18] Account No. 190, Accumulated Deferred Income Taxes; Account No. 281, Accumulated Deferred Income Taxes – Accelerated Amortization Property; Account No. 282, Accumulated Deferred Income Taxes – Other Property; and Account No. 283, Accumulated Deferred Income Taxes – Other. The Commission notes that KU's financial statements do not show a balance for Account No. 281.

[19] Consistent with previous Commission decisions, KU also excluded ADIT associated with "below the line" items from the ADIT balance included in the rate base calculation. See Response to the Commission Staff's Second Data Request dated February 3, 2004, Item 15(f)(1) through 15(f)(5).

[20] Response to the Commission Staff's First Data Request dated December 19, 2003, Item 13(a)(b), pages 3 and 4 of 9.

[21] Account No. 182.3, Other Regulatory Assets and Account No. 254, Other Regulatory Liabilities. The subaccount balances used in the calculation are identified as SFAS 109 taxes. For Account No. 182.3, KU used the subaccount balances for 182301 through 182304. For Account No. 254, KU used the subaccount balances for 254001 through 254004. See Response to the Commission Staff's First Data Request dated December 19, 2003, Item 13(a)(b), pages 2 and 4 of 9.

net debit balance, while the SFAS 109 amounts from Account Nos. 182.3 and 254 have a net credit balance. The erroneous inclusion of the balances from Account Nos. 182.3 and 254 has the effect of partially offsetting the SFAS 109 ADIT recorded in Account Nos. 190, 282, and 283. This results in the deductions section of the rate base being overstated and the total rate base being understated. The correct presentation of the ADIT balances is the separation of the SFAS 109 ADIT from the regular ADIT.

The Commission believes the ADIT and SFAS 109 ADIT included in the rate base calculations should reflect only the balances as recorded in Account Nos. 190, 282, and 283. The calculation of KU's test-year-end Kentucky jurisdictional and total company rate bases and the jurisdictional ratio are shown in Appendix D. Therefore, the Commission has determined that KU's jurisdictional ratio is 87.14 percent.

Pro Forma Jurisdictional Rate Base

KU calculated a pro forma Kentucky jurisdictional rate base of $1,396,102,637.[22] The AG did not calculate a pro forma rate base, but proposed that KU's total company rate base be reduced by $7,089,556.[23] KU's calculations reflected the approach utilized by the Commission in previous rate cases to determine the pro forma rate base, but did not recognize certain adjustments normally included therein.

While KU removed the utility plant, construction work in progress, and accumulated depreciation associated with its Post-1994 environmental compliance plan ("Post-1994 Plan"), it should have removed the ADIT associated with the Post-1994

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[22] Response to the Commission Staff's Third Data Request dated March 1, 2004, Item 38.

[23] Majoros Direct Testimony at 6-7.

Plan. Excluding the Post-1994 Plan ADIT is consistent with the Commission's treatment of this item in Case No. 1998-00474.[24] KU should have included in its balance for accumulated depreciation its proposed increase in depreciation expense, an adjustment the Commission has consistently recognized.[25] Finally, KU should have determined its cash working capital allowance for total company purposes utilizing the 1/8th formula approach.[26]

The Commission has determined KU's pro forma Kentucky jurisdictional rate base for rate-making purposes by beginning with the test-year-end Kentucky jurisdictional rate base utilized to determine the jurisdictional ratio, and then incorporating the adjustments discussed previously in this Order. The adjustment to accumulated depreciation reflects the increase in test-year depreciation expense discussed later in this Order. The cash working capital allowance has been adjusted to reflect the accepted pro forma adjustments to operation and maintenance expenses as discussed later in this Order.[27]

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[24] Case No. 1998-00474, final Order dated January 7, 2000, at 56-58 and Appendix B, and rehearing Order dated June 1, 2000, at 2-4.

[25] See Case No. 2000-00080, The Application of Louisville Gas and Electric Company to Adjust Its Gas Rates and to Increase Its Charges for disconnecting Service, Reconnecting Service and Returned Checks, final Order dated September 27, 2000, at 18-20.

[26] Response to the Commission Staff's Second Data Request dated February 3, 2004, Item 15(f)(6).

[27] The adjustments made to determine the pro forma electric rate base are listed in Appendix D.

Based upon the previous findings, we have determined KU's pro forma Kentucky jurisdictional rate base for rate-making purposes as of September 30, 2003 to be as follows:

| | |
|---|---|
| Total Utility Plant in Service | $2,898,076,555 |
| Add: | |
| Materials & Supplies | 57,926,039 |
| Prepayments | 2,935,464 |
| Emission Allowances | 59,742 |
| Cash Working Capital Allowance | 49,853,452 |
| Subtotal | $ 110,774,697 |
| Deduct: | |
| Accumulated Depreciation | 1,374,772,984 |
| Customer Advances | 1,455,980 |
| Accumulated Deferred Income Taxes | 244,469,347 |
| SFAS 109 Accumulated Deferred Income Taxes | (17,891,956) |
| Investment Tax Credit (prior law) | 5,453,260 |
| Subtotal | $1,608,259,615 |
| Pro Forma Electric Rate Base | $1,400,591,637 |

Reproduction Cost Rate Base

KU presented a total company reproduction cost rate base of $3,160,720,995, and a Kentucky jurisdictional reproduction cost rate base of $2,752,873,919.[28] The costs were determined principally by indexing the surviving plant and equity using the Handy-Whitman Index of Public Utility Construction Costs and the Consumer Price Index.[29] The Commission has given consideration to the proposed reproduction cost rate base, but finds that using KU's historic cost for rate base is appropriate and consistent with precedents for KU and other utilities in Kentucky.

[28] Rives Direct Testimony, Rives Exhibit 4.

[29] Rives Direct Testimony at 24.

CAPITALIZATION

KU proposed an adjusted Kentucky jurisdictional capitalization of $1,318,124,983.[30] Included in its capitalization were adjustments for the removal of undistributed subsidiary earnings, the investment in Electric Energy, Inc., the removal of other investments, the removal of reimbursed capital invested to repair the combustion turbines at the E. W. Brown Generating Station, the retirement of the Green River Units 1 and 2, the removal of KU's Post-1994 environmental compliance plan investments, and to reverse KU's minimum pension liability adjustment to Other Comprehensive Income. KU allocated the removal of undistributed subsidiary earnings and the minimum pension liability adjustments to common equity only, while it allocated all the other proposed adjustments on a pro rata basis to all components of capitalization.

The AG proposed an adjusted Kentucky jurisdictional capitalization of $1,307,662,608.[31] The AG agreed with all of KU's adjustments to capitalization except the adjustment for the minimum pension liability. Both KU and the AG determined the Kentucky jurisdictional capitalization by multiplying KU's total company capitalization by the jurisdictional ratio described above. This is consistent with the approach used by the Commission in previous KU rate cases.

Minimum Pension Liability

KU adopted SFAS No. 130, *Reporting Comprehensive Income*, on January 1, 1998. SFAS No. 130 requires a company to report a measure of all changes in equity, not just resulting from transactions and economic events currently reflected in the

[30] Rives Direct Testimony, Rives Exhibit 2.

[31] Majoros Revenue Requirements Direct Testimony, Exhibit MJM-3.

determination of net income. The changes that are not currently reflected in net income are called Other Comprehensive Income items. Other Comprehensive Income items include foreign currency translation changes, unrealized holding gains and losses on available-for-sale securities, mark-to-mark gains and losses on cash flow hedges, and minimum pension liability. For each of these items, the liability is fully recognized on the balance sheet but not yet on the income statement, because the financial impact that unrealized changes in value may eventually cause have not occurred and have not been included in the income statement under generally accepted accounting principles.[32] A minimum pension liability occurs when, as of a measurement date,[33] the discounted benefits previously earned by participants in the pension plan exceed the market value of the pension trust assets, thus representing an unfunded pension benefit earned by plan participants to date.

For calendar year 2002, due to the below-average performance of the stock market and low interest rates, KU determined it had a total company minimum pension liability of $10,462,375.[34] KU recorded the $10,462,375 as a component of its Other Comprehensive Income and reduced its equity accordingly. KU argued that it would be an unfair regulatory policy to reduce common equity today for a loss not yet recorded on the income statement, and a loss that may or may not actually be incurred.[35] In its

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[32] Response to the Commission Staff's Second Data Request dated February 3, 2004, Item 15(c)(3), page 8 of 16.

[33] The measurement date is normally the last day of a calendar year.

[34] Rives Direct Testimony, Rives Exhibit 2.

[35] Rives Direct Testimony at 21.

application, KU requested that it be permitted to reverse the entry for the minimum pension liability and record a regulatory asset to effect the reversal. The minimum pension liability is recalculated every year and, consequently, the regulatory asset would be revised and adjusted annually. Because of this feature, KU contended that the regulatory asset would not have to be amortized.

The AG opposed the proposed adjustment citing three reasons. First, the AG contended that the equity adjustment had actually been made and was an actual known and measurable adjustment to capitalization. Because of this fact, the AG believed that reversing the write-down was not consistent with previous Commission decisions. Second, the AG did not believe the creation of the regulatory asset as proposed by KU was consistent with or allowed by SFAS No. 71. The AG believes that regulatory assets established under SFAS No. 71 are recovered through amortization of the asset to the income statement, while the proposed regulatory asset for the minimum pension liability would be extinguished through balance sheet accounting. Lastly, the AG expressed concern that the establishment of the regulatory asset for the minimum pension liability would result in a presumption that the underlying costs are recoverable from ratepayers in the future and any prudence review of those costs in the future would be precluded.[36]

KU disagreed with the AG's arguments, noting that the write-down is not a permanent adjustment to its equity balance since the minimum pension liability will change with each measurement date. KU argued that the AG's reliance on the Commission's decision in Case No. 1998-00474 had no bearing on how the reversal of the write-down for the minimum pension liability should be treated. As to establishing a

[36] Majoros Revenue Requirements Direct Testimony at 4-6.

regulatory asset under SFAS No. 71, KU stated that FERC has issued an accounting decision permitting the establishment of the minimum pension liability regulatory asset for utilities with cost based regulated rates.[37] KU dismissed the AG's concern that the creation of the regulatory asset would preclude a prudence review of pension costs in the future, noting that KU had not asserted such a claim and that the AG's witness had agreed that the FERC decision letter had eliminated the prudence concern.[38]

The Commission has not previously addressed this issue. The accounting treatment for the minimum pension liability is in effect a means of disclosing a contingency, since there is no corresponding change in the company's current pension expense recognized in the income statement. The minimum pension liability required by SFAS No. 130 and the proposed regulatory asset are unique, in that the balance is determined periodically and the recorded liability and proposed asset are adjusted accordingly. In the event the market value of the pension trust assets exceed the discounted benefits previously earned by participants in the pension plan, there would be no minimum pension liability and no corresponding adjustment to the company's equity.

The Commission finds KU's adjustments to be reasonable. The write-down of KU's equity due to the minimum pension liability is not a permanent event, with the

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[37] Rives Rebuttal Testimony at 8. In a request dated October 31, 2003, the Edison Electric Institute filed a request with FERC seeking an accounting ruling supporting the creation of a regulatory asset for those utilities required to recognize a minimum pension liability as part of the determination of Other Comprehensive Income. On March 29, 2004, FERC's Deputy Executive Director and Chief Accountant issued a decision in FERC Docket No. AI04-2-000 allowing for the creation of the regulatory asset for accounting purposes. See Rives Rebuttal Testimony, SBR Rebuttal Exhibit 1.

[38] Joint Post-Hearing Brief of LG&E and KU at 27.

adjustment recalculated at the measurement date of the pension plan. Consequently, this adjustment to equity is not the same as the adjustment cited by the AG from Case No. 1998-00474. The accounting decision issued by FERC addresses the AG's concerns regarding the legitimacy of creating the regulatory asset, and that the regulatory asset will not be amortized and recognized as a current operating expense.[39] Lastly, the Commission stresses that establishing this regulatory asset creates no presumption that the underlying pension costs are either reasonable or recoverable from ratepayers in the future.

Based upon these findings, KU's proposal is accepted and the equity in its total company capitalization is increased by $10,462,375.

SFAS No. 143 – Asset Retirement Obligation ("ARO") Adjustment

KU adopted SFAS No. 143, *Accounting for Asset Retirement Obligations*, on January 1, 2003. Under SFAS No. 143, if a utility determines it has a legally enforceable ARO, the utility must measure and record the liability for the ARO on its books. The liability must be recorded at fair market value in the period that the liability is incurred. A corresponding and equivalent ARO asset is also recorded on the utility's books to recognize the cost of removal as an integral part of the cost of the associated tangible asset. Utilities are also required to recognize the cumulative effect impact on their financial statements resulting from the adoption of SFAS No. 143. The cumulative effect impact represents the ARO asset depreciation and ARO liability accretion that would have been recorded had the asset and liability been recorded when the original

[39] The Commission notes that the FERC accounting decision was issued after the AG had filed his direct testimony in this case.

asset was placed into service. On April 9, 2003, FERC issued Order No. 631,[40] which generally adopted the requirements of SFAS No. 143.

In Case No. 2003-00427,[41] KU sought approval of an accounting adjustment to its ESM for calendar year 2003 to reflect its adoption of SFAS No. 143 in 2003. KU and KIUC, the only intervenor in that case, filed a stipulation that resolved all issues raised therein. Among other things, the stipulation provided that, "The ARO assets, related ARO asset accumulated depreciation, ARO liabilities, and remaining regulatory assets associated with the adoption of SFAS No. 143 will be excluded from rate base."[42]

Now, KU has proposed to remove the cumulative effect of the accounting change resulting from the adoption of SFAS No. 143[43] and to remove the ARO assets from the determination of its pro forma rate base.[44] However, KU did not propose any adjustment to its Kentucky jurisdictional capitalization corresponding with the rate base adjustment for the ARO asset. In order to be consistent with KU's efforts to remove the impact of the adoption of SFAS No. 143, it is necessary to exclude the ARO assets from KU's Kentucky jurisdictional capitalization. Such an adjustment is also consistent with

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[40] FERC Order No. 631 is the final rule in *Accounting, Financial Reporting, and Rate Filing Requirements for Asset Retirement Obligations*, Docket No. RM02-7-000.

[41] Case No. 2003-00427, Application of Kentucky Utilities Company for an Order Approving an Accounting Adjustment to be Included in Earnings Sharing Mechanism Calculations for 2003.

[42] Case No. 2003-00427, final Order dated December 23, 2003 at 3.

[43] Rives Direct Testimony, Rives Exhibit 1, Schedule 1.25.

[44] Response to the Commission Staff's Third Data Request dated March 1, 2004, Item 38, page 1 of 2, line 6. The adjustment to the pro forma Kentucky jurisdictional rate base was $7,408,501.

previous decisions by the Commission when items are removed from the calculation of rate base. Therefore, the Commission has reduced KU's Kentucky jurisdictional capitalization, on a pro rata basis, by $7,408,501.

Based on the findings herein, the Commission has determined that KU's test-year-end Kentucky jurisdictional capitalization should be $1,297,055,596. The calculation of the jurisdictional capitalization is shown in Appendix E.

## REVENUES AND EXPENSES

For the test year, KU reported actual net operating income from Kentucky jurisdictional operations of $86,167,531.[45] KU proposed a series of adjustments to revenues and expenses to reflect more current and anticipated operating conditions, resulting in an adjusted net operating income from Kentucky jurisdictional operations of $60,956,866.[46] The AG also proposed numerous revenue and expense adjustments, resulting in net operating income from Kentucky jurisdictional operations of $84,669,000.[47] The Commission finds that 21 of the adjustments, proposed in KU's application and accepted by the AG, are reasonable and will be accepted. During the proceeding, KU identified and corrected errors in several other adjustments originally proposed in its application. The Commission finds that three of these other adjustments, as corrected by KU and accepted by the AG, are reasonable and they will also be accepted. All of these 24 adjustments are set forth in detail in Appendix F, which is attached hereto.

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[45] Rives Direct Testimony, Rives Exhibit 1, page 1 of 3, line 1.

[46] Id., page 3 of 3, line 42.

[47] Majoros Accounting Direct Testimony, Exhibit MJM-2.

The Commission makes the following modifications to the remaining proposed adjustments:

Year-End Customer Adjustment

KU proposed to annualize its test-year revenues based on the number of customers served at test-year-end. Its adjustment was based on a comparison of the number of customers at year end to the 12-month average for the test year for each customer class. It proposed a corresponding electric expense adjustment, based on an operating ratio of 60.28 percent of the revenue adjustment, to reflect the related increase in variable operating expenses. KU's proposed adjustment increased revenues by $251,167 and expenses by $151,410.

Although the Commission strives for consistency on these issues, we recognize that we have accepted different methodologies to calculate customer growth adjustments in prior rate cases.[48] In some of those cases, adjustments were accepted based on a 12-month average, as KU has proposed here, and in other cases adjustments were accepted based on a 13-month average. The accepted adjustments may have been based on proposals by the utilities or the intervenors, or derived by the Commission from the record.

This record here includes KU's original calculation based on a 12-month average, as well as a revision based on a 13-month average provided in response to

[48] See Case No. 1990-00158, Adjustment of Gas and Electric Rates of Louisville Gas and Electric Company, final Order dated December 21, 1990 at 40; Case No. 1998-00455, Application of Grayson Rural Electric Cooperative Corporation for an Adjustment of Rates, final Order dated July 8, 1999, at 4; and Case No. 2000-00373, The Application of Jackson Energy Cooperative Corporation for an Adjustment of Rates, final Order dated May 21, 2001, at 11-12.

discovery.[49] The Commission finds that using a 13-month average to calculate the customer growth adjustment is more appropriate than the 12-month average proposed by KU. A 13-month average, which includes the last month immediately prior to the first month of a test year, better recognizes the number, or balance, of an item as of the beginning of the test year. This approach is used to derive average balances in other areas, such as materials and supplies, prepayments, and fuel inventories.

For these reasons, the Commission will accept the adjustment based on a 13-month average, as filed in KU's data response. The result is an increase in electric revenues of $556,927 and an increase in operating expenses of $335,731. These amounts will be recognized in determining KU's revenue requirements.

Depreciation Expense

KU proposed to increase its jurisdictional depreciation expense $2,091,278 over its test-year actual level. This increase was based on its plant balances as of September 30, 2003, and the application of new depreciation rates as proposed in this proceeding. KU's new depreciation study was based on utility plant in service as of December 31, 2002 and was developed utilizing the Straight Line Method, the Broad Group Procedure, and the Average Remaining Life Technique.[50] KU's current depreciation rates were approved in Case No. 2001-00140 based on a settlement, and the depreciation study filed in that case was based on plant in service as of December 31, 1999.

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[49] Response to the Commission Staff's Third Data Request dated March 1, 2004, Item 25.

[50] Robinson Direct Testimony at 1 and 6.

The AG opposed KU's proposed increase, citing several problems with the new depreciation rates as well as some of the net salvage values included in those rates. The AG argued that the net salvage incorporated into KU's proposed depreciation rates was not reflective of the actual net salvage experienced by KU, included future inflation in the estimates of future net salvage expense, and included retirement costs that KU likely would never incur and had no legal obligation to incur.[51] The AG contended that KU's depreciation proposal is not consistent with FERC Order No. 631, which requires separate accounting for the cost of removal collected.[52] Lastly, the AG stated that the service lives used for several transmission and distribution plant accounts were incorrect.[53]

The AG recalculated the proposed depreciation rates by correcting the incorrect service lives and excluding the net salvage component. In lieu of retaining the net salvage component in depreciation rates, the AG proposed an annual net salvage allowance of zero for KU, since it had been experiencing positive net salvage during its actual 5-year average experience. The AG contended that the net salvage allowance is consistent with the requirements of FERC Order No. 631. Based on his recalculation, the AG proposed to reduce KU's test-year depreciation expense by $23,126,000.[54] The AG also suggested that $235,100,000 in overstated depreciation reserve should be

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[51] AG's Post-Hearing Brief at 7-12.

[52] Majoros Depreciation Direct Testimony at 28-29 of 51.

[53] Id. at 46-48 of 51.

[54] Majoros Accounting Direct Testimony, Exhibit MJM-7.

returned to ratepayers over a 10-year period;[55] but he did not include this amount in his proposed depreciation adjustment.

KU disagreed with the AG's criticisms of the proposed depreciation rates. Concerning the treatment of net salvage, KU argued that the AG's approach would have the effect of deferring removal costs to the end of the life of the asset. This deferral would result in intergenerational inequities because the customers who use the asset today are not paying the cost of removal today. Rather, those who are customers at the end of the asset life would have to pay the cost of removal.[56] Concerning the AG's claim that separating the net salvage component from depreciation rates is required by FERC Order No. 631, KU noted that this claim is not supported by the language in the FERC Order.[57] KU also stated that the AG's proposed net salvage allowance was rarely accepted by regulatory agencies and that the AG's citations to previous Commission decisions in electric cooperative cases did not disclose the entire decision.[58] Lastly, KU stated that the AG's selection of the longest available service lives for certain transmission and distribution assets reflected a "results-oriented" approach to determining depreciation rates.[59]

Based on a comprehensive review of both depreciation studies, the Commission has concerns about each of them. For KU's study, the Commission has concerns about

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[55] AG's Post-Hearing Brief at 15.

[56] Joint Post-Hearing Brief of LG&E and KU at 43.

[57] Id. at 47.

[58] Id. at 43.

[59] Id. at 47-48.

the inclusion of an inflation adjustment for the removal costs. Depreciation methods inherently recognize inflationary effects, since the depreciation rates are based upon comparisons of the original cost of the asset to the current cost of removal. This recognition assumes that future inflation rates will be similar to historical inflation rates. If it can be adequately demonstrated that future inflation rates will be different from the historical inflation rates, an inflation adjustment would be reasonable. However, to properly reflect this change in inflation rates, the effects of inflation currently incorporated in the accumulated depreciation would need to be removed. In response to a data request, KU provided a revision of its proposed depreciation rates that did not include adjustments based upon future estimates of inflation or other judgmental factors.[60] After reviewing these rates, the Commission believes there are still problems related to the inflation adjustment that was contained in KU's initial depreciation study. Therefore, the Commission finds that KU's depreciation study should be rejected.

Concerning the AG's study, except for its recognition of KU's double counting of inflation, the Commission finds little justification for the AG's position and cannot accept his proposals as reasonable. The AG proposes that net salvage be based on a 5-year average. KU contends that the 5-year average is not appropriate because of intercompany transfers between LG&E and KU.[61] The Commission notes that the major reason for basing depreciation rates on an analysis of historical records is the expectation that the future is likely to follow trends that have occurred in the past.

[60] Response to the Commission Staff's Second Data Request dated February 3, 2004, Item 24(b), corrected in Robinson Rebuttal Testimony at 53 and Rebuttal Exhibit EMR-7.

[61] Robinson Rebuttal Testimony at 16.

Therefore, it is not reasonable to use a 5-year average that contains unrepresentative data, but rather it would be more reasonable to use a longer time period in which such anomalies are likely to be averaged out.

The AG's claim that KU likely would never incur, or had no legal obligation to incur, the included retirement costs is irrelevant. The real question is whether it is reasonable to capitalize the cost of removal in order to recover those costs over the life of the investment. Capitalizing the cost of removal is a common practice and it has been accepted by this Commission for a number of years. The AG has not presented sufficient evidence in this case to persuade us to change this practice.

The AG has also suggested that $235,100,000[62] of alleged over-stated depreciation reserve be amortized back to ratepayers over 10 years. What the AG seems to have not recognized is that when the remaining life technique is utilized, one of the early steps in the process of calculating remaining life rates is to calculate a theoretical reserve. The amount of deviation, whether positive or negative, of the actual reserves from the calculated theoretical reserves is then spread over the remaining life of the investment. Amortizing the deviation from the theoretical reserve over the remaining life of the investment is reasonable, and is normally incorporated in the depreciation rates. The performance of depreciation studies on a regular basis, including the determination of the current deviation from the theoretical depreciation reserve, is a reasonable alternative to an amortization over a fixed period of years.

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[62] The AG did not provide a schedule showing the determination of the $235,100,000 but instead references approximately 20 pages of detailed accounting printouts as the source of the figure. See Majoros ARO and SFAS 143 Direct Testimony at 21.

The AG's extension of certain transmission and distribution asset service lives appears to be arbitrary rather than based on objective data. Depreciation estimates are just that - estimates. There are zones of reasonableness within which reasonable people will disagree. However, it is not reasonable to always select the service life that produces the lowest depreciation rates. Therefore, the Commission finds that the depreciation study submitted by the AG should also be rejected.

The Commission is especially concerned by the AG's interpretation of the provisions of FERC Order No. 631. As discussed above, FERC Order No. 631 generally adopted the provisions of SFAS No. 143. The AG's proposal to establish a net salvage allowance relates to non-ARO assets, those assets for which KU does not have a legal retirement obligation. Concerning the removal costs associated with these non-ARO assets, FERC Order No. 631 states:

> 37. The purpose of this rule is to establish uniform accounting requirements for the recognition of liabilities for legal obligations associated with the retirement of tangible long-lived assets. <u>The accounting for removal costs that do not qualify as legal retirement obligations falls outside the scope of this rule.</u> The Commission is aware that there is an ongoing discussion in the accounting community as to whether the cost of removal should be considered as a component of depreciation. <u>However, this issue is beyond the scope of this rule and we are not convinced that there is a need to fundamentally change accounting concepts at this time.</u>
> 38. Instead we will require jurisdictional entities to <u>maintain separate subsidiary records for cost of removal for non-legal retirement obligations</u> that are included as specific identifiable allowances recorded in accumulated deprecation in order to separately identify such information to facilitate external reporting and for regulatory analysis, and rate setting purposes. (emphasis added)

The language in FERC Order No. 631 clearly does not require the separation of the net salvage component from depreciation rates or the creation of a net salvage allowance as advocated by the AG. The requirement that separate subsidiary records be maintained is significantly different from requiring separation from depreciation rates.

Based on our findings to reject both of the depreciation studies submitted in this record, the Commission has normalized KU's test-year depreciation expense by applying the current depreciation rates to the utility plant in service as of September 30, 2003. This results in an increase to KU's jurisdictional depreciation expense of $412,065.[63] The Commission further recognizes KU's willingness to file a new depreciation study by the earlier of its next general rate case or June 30, 2007, based on plant in service as of a date no earlier than one year prior to the filing. This proposal is reasonable and will be accepted by the Commission.

Labor and Labor-Related Costs

KU proposed an increase in its jurisdictional labor and labor-related costs of $1,002,076. The proposed adjustment reflected the annualization of wages and salaries for the test year, the associated impact on payroll taxes, and an increase in the 401(k) company match.[64] When preparing the adjustment, KU assumed that Social Security and Medicare taxes would apply to 100 percent of the wage increase. It subsequently determined that at the end of year 2003, 99.06 percent of the wages did

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[63] Response to the Commission Staff's Second Data Request dated February 3, 2004, Item 16(a), page 3 of 7. For total company operations, the normalized depreciation expense increase was $472,016. Applying the jurisdictional allocation factor of 87.299 percent results in a Kentucky jurisdictional increase of $412,065.

[64] Rives Direct Testimony, Rives Exhibit 1, Schedule 1.12.

not exceed the Social Security wage limit, and it revised the increase proposed for the payroll taxes.[65]

The Commission believes that the labor adjustment should reflect the impact of the Social Security wage limit. The approach utilized by KU to determine the impact of this wage limit is reasonable. Based on this revised payroll tax adjustment, the Commission finds that KU's jurisdictional labor and labor-related costs should be increased by $1,001,546.[66]

Pension and Post-Retirement Expenses

KU proposed to increase its test-year jurisdictional expense for pensions and post-retirement expenses by $3,014,859. KU explained that this adjustment was necessary to reflect the 2003 known and measurable changes in the expenses as determined by its actuary.

The AG opposed this adjustment on the basis that KU was locking into base rates a very high level of pension and post-retirement expense that would very probably decline in the next few years. The AG argued that low interest rates and changes in the pension and post-retirement plan asset values contributed to the high level of expense KU was seeking to recover in this case. The AG contended that interest rates should begin to increase over the next decade and that the value of the pension and post-retirement plan asset values would probably increase too. The AG noted that most

[65] Response to the Commission Staff's Second Data Request dated February 3, 2004, Item 16(d)(3).

[66] The increase of $1,001,546 reflects an increase in wages of $1,024,366, plus a payroll tax increase of $77,767, plus an increase in the 401(k) company match of $25,404. These components total $1,127,537. Applying the jurisdictional allocation factor of 88.826 percent results in the Kentucky jurisdictional increase of $1,001,546.

companies do not fully revalue their pension assets each year, but rather use a "smoothing" technique when determining the plan asset values. The AG claimed that the rejection of KU's proposed adjustment would be consistent with the Commission's treatment of this expense in Case No. 2000-00080.[67]

KU disagreed with the AG's position and asserted that the assumptions underlying the AG's testimony were incorrect and not supported. KU noted that the assumption that low interest rates have contributed to the rise in the pension and post-retirement expense is not necessarily correct. Depending on the plan demographics, a lower interest rate may not always cause increases in the interest cost component. KU stated that its external auditor does not permit it or the other LG&E Energy companies to use the "smoothing" technique, but instead requires the use of the fair market value methodology. KU argued that the AG's unsupported speculation does not eliminate the fact that the proposed increase in pension and post-retirement expense is a known and measurable adjustment that should be adopted.[68]

The Commission has in previous cases recognized the results of current actuarial studies in determining the reasonable level of pension and post-retirement expenses to include for rate-making purposes.[69] Here, KU has provided substantial

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[67] Majoros Accounting Direct Testimony at 10-16.

[68] Scott Rebuttal Testimony at 11-14.

[69] See Case No. 2000-00373, May 21, 2001 Order at 13-14 and Case No. 2001-00244, Adjustment of Rates of Fleming-Mason Energy Cooperative Corporation, final Order dated August 7, 2002 at 15-16.

evidence to support its adjustment and we find it persuasive. The Commission also notes that KU's pension and post-retirement plans are currently underfunded.[70]

The Commission is not persuaded by the AG's arguments. The determination of pension and post-retirement benefit obligations and expenses is a very complex calculation, yet the AG isolates and comments on only two of many factors that are considered in those calculations. The AG has offered very little tangible evidence in support of his assumptions. While citing the Commission's decision in Case No. 2000-00080 as support for his proposed disallowance of KU's adjustment, the AG has not explained how the circumstances described in that decision are applicable to KU's current situation.[71] Therefore, the Commission finds that KU's proposal to increase its jurisdictional pension and post-retirement expense is reasonable and should be approved.

The Commission does have concerns about the underfunded status of KU's pension and post-retirement plans. KU should develop and implement a plan that eliminates the underfunding within a reasonable period of time. This plan should be filed with the Commission within one year from the date of this Order. In addition, KU should file progress reports describing the progress made in eliminating the underfunding of its pension and post-retirement plans. The progress reports should be

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[70] Post-Hearing Data Responses to Information Requested by the Commission Staff and the AG during Hearing held May 4-6, 2004, Item 9.

[71] In Case No. 2000-00080, LG&E had proposed an adjustment to pension expense based on a 5-year average of historical pension costs. The AG's adjustment had been based on an actuarial estimate rather than a full actuarial report for calendar year 2000. After noting problems with both approaches, the Commission rejected both adjustments and left pension expense at the test-year level. See Case No. 2000-00080, September 27, 2000 Order at 33-35.

filed every two years, and will be due with the filing of KU's annual financial report. The first progress report should be filed by March 31, 2007.

Storm Damage Expense

KU proposed to normalize its storm damage expense by using a 4-year historic average adjusted for inflation. KU noted that it only had 4 years of historical data available for this adjustment, and that the February 2003 ice storm expenses were not included in the calculation of the proposed adjustment. KU stated that this was the same methodology utilized by the Commission in Case No. 1990-00158. The normalization resulted in a jurisdictional decrease of $473,014 over the test-year actual expense.

While the Commission would prefer the use of a 10-year historic average, that data is not available and we will agree with the methodology used by KU. However, the inflation factor was not determined in a manner consistent with the approach used by the Commission in previous cases. The inflation factor previously used by the Commission is based upon the Consumer Price Index – All Urban Consumers ("CPI-U").[72] To determine the inflation factor for a particular year, the Commission divides the CPI-U for the base year by the CPI-U for the particular year.[73] The Commission has recalculated the storm damage expense adjustment using the inflation factor approach

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[72] KU provided the CPI-U for the 4-year period in its response to the Commission Staff's Second Data Request dated February 3, 2004, Item 16(f).

[73] In this case, the base year is 2003. The calculation of the inflation factor for 2000 would take the CPI-U for 2003 divided by the CPI-U for 2000, in this example, 184.0 divided by 172.2. This results in an inflation factor for 2000 of 1.0685.

previously utilized and determined that KU's jurisdictional storm damage expense should be decreased by $474,209.

Rate Case Expense

When KU filed its rate case, it estimated that the total cost of the case would be $1,057,368. KU requested the recovery of its rate case expenses over a 3-year period, noting that this approach was consistent with previous Commission decisions. Based on the estimated rate case expenses, KU included a rate case expense of $352,456. Throughout this proceeding, KU has been filing updated rate case expense information. KU's latest update of actual rate case expense shows a total expense of $1,190,654.[74]

Consistent with previous decisions, the Commission believes that only the actual, reasonable rate case expenses incurred in presenting this case should be recovered over a 3-year period. However, a review of KU's invoices for legal services reveals that the descriptions of services provided have been redacted for several line items on the basis that the information was protected by the attorney-client privilege.[75] KU later provided an affidavit of its counsel to affirm that the redacted legal costs were associated with this rate case.[76] The Commission recognizes and appreciates KU's right to assert its privilege to not disclose the nature of certain legal work performed by

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[74] KU Updates of the Responses to the Commission Staff's First Data Request dated December 19, 2003, Items 43, 44, and 57, filed May 28, 2004. KU has provided supporting documentation for all rate case expenses reported throughout this proceeding. The last update reported expenses of $1,190,710, but the Commission determined there was an error in the math on the schedule of expenses.

[75] Response to the Commission Staff's Second Data Request dated February 3, 2004, Item 1, pages 8, 14, 17-18, and 21-25 of 83.

[76] Response to the Commission Staff's Third Data Request dated March 1, 2004, Item 3(c).

its attorneys. However, when a utility seeks to recover an expenditure in its rates, the Commission is obligated to review the nature of that expenditure to verify that it is just and reasonable. In this instance, we are unable to determine from the evidence of record the nature of certain legal services performed and whether those services were related to this rate case. Therefore, the Commission finds that $18,929 should be disallowed from the latest reported actual rate case expense. The Commission has calculated that the first year of a 3-year amortization of the actual rate case expenses is $390,575 and jurisdictional operating expenses have been increased by this amount.

Injuries and Damages

KU proposed to adjust its test-year expense for injuries and damages based on normalizing the actual expenses for a 5-year period, adjusted for inflation. KU used the same methodology that it proposed for adjusting its storm damage expense, except that it excluded its test-year expenses and based the adjustment on the past 5 years rather than 4 years. KU determined its jurisdictional injuries and damages expense needed to be increased by $261,138. KU subsequently stated that a 10-year historical period would result in a better representation of normal expenses, and it recalculated the adjustment for injuries and damages using the same methodology as it did for storm damage expense, but with a 10-year period. The recalculation produced an increase in expense of $1,218,999.[77]

The Commission finds it reasonable to calculate this adjustment using the same methodology used to determine the storm damage expense adjustment. Like storm damages, the injuries and damages expense can fluctuate significantly from year to

[77] Scott Rebuttal Testimony at 6-7 and VLS Rebuttal Exhibit 2, page 2 of 2.

year. The 10-year historic average, adjusted for inflation, should produce a more reasonable ongoing level of expense. The recalculated adjustment in KU's rebuttal testimony used the same inflation factors as KU used in its storm damage expense adjustment. As discussed previously, the inflation factors were not determined in a manner consistent with previous Commission decisions. The Commission has calculated the 10-year historic average for injuries and damages, adjusted for inflation. Based upon this calculation, the Commission finds that KU's jurisdictional injuries and damages expense should be increased by $1,238,006.

Information Technology Staff Reduction

In October 2003, LG&E Energy Services, Inc. reduced its Information Technology staff by 27 employees. KU proposed a jurisdictional operating expense reduction of $601,682, to reflect the savings from this staff reduction, offset by the first year of a 3-year amortization of the costs to achieve the reduction. KU determined the savings from the reduction based on payroll expense, payroll tax, and the 401(k) plan match.[78]

The Commission notes that KU did not recognize savings from the Team Incentive Awards ("TIA") program in its calculation of this adjustment.[79] The Commission finds that these savings should be included in the calculation of the

[78] Rives Direct Testimony, Rives Exhibit 1, Schedule 1.26.

[79] KU indicated that the TIA savings resulting from this staffing reduction would be $77,514 on a total company basis. See Response to the Commission Staff's Third Data Request dated March 1, 2004, Item 21.

adjustment. Consequently, KU's jurisdictional operating expenses should be reduced by $670,534.[80]

Nitrogen Oxide ("NOx") Expense

Under the terms of its current power contract with Owensboro Municipal Utilities ("OMU"), KU is obligated to pay OMU an increase in demand charges for KU's portion of OMU's environmental compliance with NOx regulations beginning July 1, 2004. KU proposed a jurisdictional expense increase of $1,959,879, which reflects its estimate of the increases in demand charges that will begin on July 1, 2004.

The increase in the purchased power demand costs is associated with OMU's debt service on its NOx compliance facilities. The payment of this additional debt service is recognized in the current contract between KU and OMU. The debt service dates are fixed and will not change, and KU will be billed the debt service in July 2004 once the project is declared commercially operational.[81] The interest rate on the debt is a variable rate. KU's actual purchased power demand costs from OMU could fluctuate monthly depending on the percentage of OMU's capacity that KU uses and the interest rate on the debt.[82]

While the Commission agrees that KU will have to pay increased demand charges to OMU due to the debt service on OMU's NOx compliance facilities, the

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[80] The adjustment was recalculated using the format shown in Rives Exhibit 1, Schedule 1.26 and increasing line 7 by the TIA expense savings of $77,514. The 88.826 percent jurisdictional factor was applied to the net cost reduction to arrive at the $670,534.

[81] Response to the Commission Staff's Second Data Request dated February 3, 2004, Item 16(I)(1) and Attachment to the Response, page 1 of 3.

[82] T.E., Volume II, May 5, 2004, at 156-157.

amount of that payment is not sufficiently measurable. The payments to OMU could vary from the amounts KU has estimated due to different levels of capacity used by KU and fluctuations in the variable interest rate charged for the NOx facilities debt. In addition, KU is not expected to begin incurring this expense until 9 months after the end of its test year in this case. The Commission generally has not recognized adjustments occurring that far beyond the end of the test year. Based upon these factors, the Commission finds that KU's estimate of its increased OMU demand charge is not sufficiently measurable to permit inclusion for rate-making purposes. Therefore, KU's proposed adjustment is rejected.

February 2003 Ice Storm Expenses

Between February 14-16, 2003, KU's distribution system was impacted by a significant ice storm. KU incurred $15,540,679 in jurisdictional operating and maintenance expenses due to the storm, and received an insurance reimbursement for $8,944,009 during the test year. KU proposed to defer and to amortize the unreimbursed balance of the ice storm expenses over a 5-year period, contending this approach was consistent with the Commission's treatment of 1974 tornado damages for LG&E.[83] KU's proposal would net the first year's amortization expense of $1,319,334 against the unreimbursed balance of $6,596,670, resulting in a reduction in test-year jurisdictional operating expenses of $5,277,336.

The unreimbursed ice storm expenses were recorded as expenses during 2003 and, as such, were included in the calculation of KU's earnings under its calendar year

[83] Rives Direct Testimony, Rives Exhibit 1, Schedule 1.31 and Scott Direct Testimony at 14.

2003 ESM.[84] For calendar year 2003, KU experienced an earnings deficit of $24,157,776.[85] Under the provisions of KU's ESM, 40 percent of this deficit, or $16,232,669, was recovered through an ESM factor charged on ratepayers bills beginning in April 2004.[86] While acknowledging that the unreimbursed ice storm expenses were included in the ESM calculations for 2003, KU argued that its proposed adjustment in the rate case was an attempt to normalize this type of expense in base rates. KU excluded the unreimbursed ice storm expenses from its storm damage expense adjustment to avoid skewing the results for the storm damage expense calculation.[87]

Given the nature and significance of the event, the Commission believes that KU's proposal to defer and amortize over 5 years the February 2003 ice storm is reasonable. However, we do not agree on the amount to be deferred. While KU has focused its arguments on establishing a reasonable level of expense to be included for rate-making purposes, it has ignored the fact that a portion of the expenses it proposes to defer are already being recovered from ratepayers through its ESM. As the terms of the ESM Settlement, discussed previously in this Order, provide that the calendar year 2003 ESM factor is to be accepted as filed, the Commission will modify the amount of unreimbursed ice storm expenses recovered through base rates.

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[84] T.E., Volume II, May 5, 2004, at 158.

[85] See Case No. 2004-00070, Form 1, line 4.

[86] Forty percent of the 2003 earnings deficit is $9,663,110. The total amount collected through the ESM factor from ratepayers reflects 40 percent of the earnings deficit grossed up for income taxes.

[87] T.E., Volume II, May 5, 2004, at 159-160.

The Commission has reduced the unreimbursed ice storm expenses by 40 percent, leaving $3,958,002 eligible for deferral and amortization. The first year of a 5-year amortization of this amount equals $791,600. The adjusted first-year amortization will then be netted against the test-year total unreimbursed ice storm expense to determine the adjustment to jurisdictional operating expenses. Based on these calculations, the Commission finds that KU's jurisdictional operating expenses should be reduced by $5,805,070.

Retirements at Green River and Pineville

KU proposed to reduce its jurisdictional operating and maintenance expenses by $705,035 to reflect the retirement of its Green River Units 1 and 2. KU incurred these expenses during the test year, but since KU planned to retire the units in early 2004, it removed the expenses for rate-making purposes. During the processing of this case, it was discovered that KU had paid property taxes on these units and the jurisdictional amount of the property taxes was $153.[88] KU noted that due to FERC accounting for the retirement of Green River Units 1 and 2, the net book asset value associated with the generating units would not be reduced; consequently, KU's property taxes may not actually reduce.[89]

Regardless of how the retirement has been accounted for by KU, the Commission believes that if the asset is not providing service to ratepayers and has been retired, no costs associated with the retired asset should be recovered from

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[88] Post-Hearing Data Responses to Information Requested by the Commission Staff and the AG during Hearing held May 4-6, 2004, Item 8.

[89] Id.

ratepayers. Therefore, the Commission finds that KU's adjustment to remove jurisdictional expenses resulting from the retirement of Green River Units 1 and 2 should be increased by $153 to a total adjustment of $705,188.

In December 2002, KU retired the Pineville Unit 3 generating unit. KU acknowledged that there were jurisdictional operating and maintenance expenses and property taxes associated with Pineville Unit 3 in its test-year operating expenses.[90] KU stated that it was an oversight that these expenses had not been removed from the test year and agreed such an adjustment should be made.[91] However, KU raised the same concern about the property taxes associated with Pineville Unit 3 as it did for the Green River Units 1 and 2.[92]

The Commission believes the operating and maintenance expenses and property taxes associated with the retired Pineville Unit 3 should be excluded for rate-making purposes, as was done for the Green River Units 1 and 2 retirements. Therefore, the Commission finds that jurisdictional operating expenses should be reduced by $22,963.

Miscellaneous Expenses

During the test year, KU recorded charitable contributions of $16,694 in accounts other than Account No. 426. KU agreed that the charitable contributions that had been recorded in error in accounts other than Account No. 426 should be removed for rate-

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[90] Response to KIUC's Second Data Request dated March 1, 2004, Items 6 and 8.

[91] T.E., Volume II, May 5, 2004, at 153-154.

[92] Post-Hearing Data Responses to Information Requested by the Commission Staff and the AG during Hearing held May 4-6, 2004, Item 7.

making purposes.[93] The Commission agrees that the charitable contributions should be excluded for rate-making purposes and has reduced jurisdictional operating expenses by $16,694.

During the test year, KU incurred jurisdictional expenses of $51,989 for employee gifts, award banquets, and other social events. KU argued that the expenses were reasonable and should be charged to ratepayers because they reward employees in connection with KU's safety programs and provided incentives to motivate and reward employees.[94]

The Commission believes that the expenses for employee gifts, award banquets, and social events should be excluded for rate-making purposes. In previous cases,[95] the Commission has not included these types of costs when determining rates, and KU has not provided adequate justification to support a different treatment. In addition, the Commission notes that emphasis on safety and incentives to encourage employee performance are incorporated into KU's TIA program. KU did agree that there was some overlap between the TIA program and the purpose for these expenses.[96]

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[93] Response to the Commission Staff's Third Data Request dated March 1, 2004, Item 35.

[94] Id., Item 39.

[95] See Case No. 1990-00041, An Adjustment of Gas and Electric Rates of The Union Light, Heat and Power Company, final Order dated October 2,1990 at 28-29; Case No. 1997-00066, An Adjustment of General Rates of Delta Natural Gas Company, Inc., final Order dated May 1, 1998 at 16-17; and Case No. 2001-00244, August 7, 2002 Order at 27-28.

[96] T.E., Volume II, May 5, 2004, at 176.

Therefore, the Commission will reduce KU's jurisdictional operating expenses by $51,989.

The Commission supports KU's efforts to reinforce the need for safety among their employees and encourages KU to develop appropriate safety programs. In future rate case, the Commission will reconsider the treatment of safety-related awards to the extent that KU can provide adequate documentation to show that these awards and other activities are integral components of a formal safety program.

During the test year, KU was a member of the Edison Electric Institute ("EEI") and allocated dues of $147,837 to its Kentucky jurisdiction. During the proceeding, KU was questioned about the activities of EEI funded by the membership dues. KU acknowledged that a portion of the EEI dues was associated with legislative advocacy and public relations and that it should be excluded for rate-making purposes. KU proposed that 31.55 percent of its EEI dues, or $46,643, be excluded.[97]

The Commission has reviewed the description of the various activities funded by the EEI dues,[98] and finds that the portion of the dues associated with legislative advocacy, regulatory advocacy, and public relations should be excluded for rate-making purposes. The description of regulatory advocacy appears to be a form of lobbying activity, which the Commission has not included for rate-making purposes in previous

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[97] Post-Hearing Data Responses to Information Requested by the Commission Staff and the AG during Hearing held May 4-6, 2004, Item 11.

[98] Response to the Commission Staff's Third Data Request dated March 1, 2004, Item 40.

cases. These three categories account for 45.35 percent of the EEI dues.[99] Applying the 45.35 percent exclusion to the test-year jurisdictional EEI dues results in a reduction of $67,044.[100]

Based on these conclusions, the Commission has reduced jurisdictional miscellaneous expenses by $135,727.

Kentucky Income Tax Rate

KU determined that its jurisdictional federal and Kentucky income tax expense would be reduced by $16,152,919, based upon its proposed adjustments to jurisdictional revenues and expenses. KU's calculation reflected the use of the statutory federal income tax rate of 35 percent and the statutory Kentucky income tax rate of 8.25 percent.

The AG proposed that LG&E's effective Kentucky income tax rate for tax year 2002 of 7.87 percent should be used in all of KU's income tax and income tax-related calculations. The AG assumed that LG&E's effective tax rate would apply to KU, since both LG&E and KU pay the same Kentucky taxes.[101] The AG did not file any testimony in the KU case explaining his reasons for using the Kentucky effective income tax rate.

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[99] Post-Hearing Data Responses to Information Requested by the Commission Staff and the AG during Hearing held May 4-6, 2004, Item 11, page 2 of 3.

[100] Jurisdictional EEI dues of $147,837 times 45.35 percent equals $67,044.

[101] Response to the Commission Staff's First Data Request to the AG dated April 6, 2004, Item 4. KU's effective income tax rate for 2002 was 7.64 percent excluding credits and 7.35 percent including credits; See Response to the Commission Staff's Second Data Request dated February 3, 2004, Item 15(e)(2).

However, the AG has advocated for consistency in the rate-making treatment of adjustments in this case and the LG&E case.[102]

KU opposed the use of the Kentucky effective income tax rate, noting that the Commission has always used the statutory tax rate and that consistent treatment should be afforded to KU. KU argued that the effective tax rate reflects the impacts of credits and apportionment adjustments from out-of-state activities, which could change in the future. KU stated that the use of the effective tax rate would ignore the fact that it pays taxes in Virginia and Tennessee. If the effective tax rate is to be used, KU reasoned that the Virginia tax should be excluded in the determination of the effective tax rate, which in this case would be 7.98 percent.[103]

As stated previously, the AG filed no testimony to support the use of the effective Kentucky income tax rate, but apparently has relied on the testimony he filed in the LG&E rate case, Case No. 2003-00433. The Commission takes administrative notice of its reasons for rejecting the AG's position in that case, and affirms those reasons in this proceeding. Consistent with our expressed concern in Case No. 2003-00433 on this issue, the proper treatment of taxes paid in Virginia and Tennessee would have to be addressed if the effective Kentucky income tax rate is to be utilized. Therefore, the Commission finds that the statutory Kentucky income tax rate should be utilized for all income tax and income tax-related adjustments in this rate case. In KU's next rate case, it should address in detail the use of the effective tax rate for rate-making purposes.

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[102] AG's Post-Hearing Brief at 26.

[103] Rives Rebuttal Testimony at 9-10.

Based upon these findings and the Commission's determination of the jurisdictional revenue and expense adjustments, the Commission has reduced KU's electric income tax expense $16,622,465.

Interest Synchronization

KU proposed to reduce its jurisdictional interest expense by $1,618,028, which resulted in an increase to jurisdictional income tax expense of $653,076.[104] KU stated that it followed the methodology used by the Commission in Case No. 2000-00080. KU multiplied its proposed adjusted jurisdictional capitalization by its proposed weighted average cost of debt to determine its normalized jurisdictional interest expense. The normalized interest expense was then compared to the test-year actual interest expense per KU's books.

The Commission has recalculated the interest synchronization adjustment, reflecting the debt components of KU's jurisdictional capitalization, the corresponding interest cost rates found reasonable in this Order, and the statutory Kentucky income tax rate. The Commission has determined that KU's jurisdictional interest expense should increase $759,017, resulting in a reduction in income taxes of $306,358.

Pro Forma Net Operating Income Summary

After consideration of all pro forma adjustments and applicable income taxes, the adjusted net operating income for KU's jurisdictional operations is as follows:

| | |
|---|---|
| Operating Revenues | $710,376,288 |
| Operating Expenses | 649,144,765 |
| Adjusted Electric Net Operating Income | $ 61,231,523 |

[104] Rives Direct Testimony, Rives Exhibit 1, Schedule 1.35.

## RATE OF RETURN

### Capital Structure

KU proposed an adjusted test-year-end jurisdictional capital structure containing 36.70 percent long-term debt, 5.90 percent short-term debt, 2.95 percent accounts receivable securitization, 2.39 percent preferred stock, and 52.06 percent common equity.[105] As discussed previously in this Order, KU has allocated several adjustments to its capitalization on a pro rata basis or to common equity only as it determined appropriate.[106] During the proceeding, KU stated it had considered the Commission's policy of recognizing the impact on capital cost and capital structure of significant post-test-year issues of debt or equity. KU has updated its capital structure to reflect post-test-year changes, with the last update reflecting financial information as of March 31, 2004.[107] Using this latest financial information, KU determined its capital structure as 41.95 percent long-term debt, 2.49 percent short-term debt, 2.26 percent preferred stock, and 53.30 percent common equity. This updated capital structure did not reflect an adjustment for KU's minimum pension liability as of December 31, 2003. In March

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[105] Rives Direct Testimony, Rives Exhibit 2.

[106] KU allocated adjustments for the removal of the investment in Electric Energy, Inc., the removal of other investments, the removal of reimbursed capital invested to repair combustion turbines at the E. W. Brown Generating Station, the retirement of the Green River Units 1 and 2, and the removal of its Post-1994 environmental compliance plan investments on a pro rata basis to all components of capitalization. The proposed adjustments for the minimum pension liability to Other Comprehensive Income and the removal of undistributed subsidiary earnings were allocated to common equity only.

[107] Response to the Commission Staff's Third Data Request dated March 1, 2004, Item 12. KU's update that reflected financial information as of March 31, 2004 was filed with the Commission on April 29, 2004.

2004, KU applied the accounting decision announced by FERC concerning the creation of a regulatory asset to reverse the impact of the minimum pension liability.

The AG proposed an adjusted test-year-end jurisdictional capital structure for KU containing 36.99 percent long-term debt, 5.95 percent short-term debt, 2.97 percent accounts receivable securitization, 2.41 percent preferred stock, and 51.67 percent common equity.[108] The only difference from KU's proposal was that the AG rejected KU's treatment of the minimum pension liability. The AG did not oppose KU updating its the capital structure, but the AG did state that the capital structure ratios could be updated beyond the test year only if the changes were minor so that any change in the company's financial risk would also be minor. Changes beyond the test year that affected the financial risk should not be allowed, according to the AG.[109]

In December 2000, the Commission approved KU's 3-year pilot accounts receivable securization program in Case No. 2000-00490.[110] At the end of the pilot period, KU decided not to seek a continuation of the program, and consistent with the decision in Case No. 2000-00490, the accounts receivable securization program was terminated on January 16, 2004. KU replaced the funding provided by the accounts

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[108] Majoros Accounting Direct Testimony, Exhibit MJM-3.

[109] Weaver Testimony at 77-78.

[110] Case No. 2000-00490, Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for an Order Approving the Transfer of Certain Financial Assets, final Order dated December 13, 2000.

receivable securization program with a mix of short-term and long-term debt from Fidelia, Inc. ("Fidelia").[111]

As correctly noted by KU, the Commission in previous cases has recognized the impact on the capital structure of significant post-test-year issues of debt or equity in order to determine the appropriate capital structure. Consequently, the Commission finds it is reasonable to recognize the termination of the accounts receivable securization program and the issuance of debt from Fidelia in the determination of the capital structure.

However, we do not agree with KU's proposal to simply use the updated capital structure as of March 31, 2004. Unlike its debt, KU did not issue any new shares of common stock. The March 31, 2004 financial information reflects the current level of net income from operations in Retained Earnings. As discussed previously in this Order, the Commission has recognized the adjustment to test-year-end common equity for the minimum pension liability. That minimum pension liability reflected the determination made at December 31, 2002. The application of the FERC accounting decision and creation of the regulatory asset reflected in the March 31, 2004 financial information reflect a minimum pension liability determined as of December 31, 2003. If the Commission were to use the capital structure based on the March 31, 2004 financial information, there would be a mismatch related to the minimum pension liability. The Commission's decision to allow the reversal of the December 31, 2002 minimum

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[111] Fidelia is owned by E.ON North America Inc. and E.ON US Holding GmbH, which are subsidiaries of E.ON. See Response to the Commission Staff's First Data Request dated December 19, 2003, Item 2.

pension liability to common equity is the appropriate means of handling this issue, and it should be recognized in the capital structure.

As shown in Appendix E, the Commission finds KU's jurisdictional capital structure is as follows:

| | Percent |
|---|---|
| Long-Term Debt | 43.65 |
| Short-Term Debt | 2.41 |
| Preferred Stock | 2.36 |
| Common Equity | 51.58 |
| Total Jurisdictional Capital Structure | 100.00 |

Cost of Debt and Preferred Stock

KU proposed a cost of long-term debt of 3.12 percent, short-term debt of 1.06 percent, accounts receivable securization of 1.39 percent, and preferred stock of 5.68 percent.[112] As noted previously, KU filed updated financial information as of March 31, 2004 that included updated cost rates. Based on this updated information, KU's cost of long-term debt is 3.28 percent, short-term debt is 0.98 percent, and preferred stock is 5.64 percent.[113]

The AG used KU's costs of debt and preferred stock as filed in its application. The AG agreed that if interest rates or other capital cost rates change, such changes should be used to determine of the rate of return so that KU will have a reasonable opportunity to earn its allowed rate of return.[114]

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[112] Rives Direct Testimony, Rives Exhibit 2.

[113] Updated Monthly Response to the Commission Staff's First Data Request dated December 19, 2003, Item 43, filed April 29, 2004.

[114] Weaver Testimony at 77.

The Commission finds it appropriate to recognize the cost rates for debt and preferred stock as of March 31, 2004 when determining the overall cost of capital for KU's jurisdictional operations. Updates to KU's debt and preferred stock cost rates constitute known and measurable adjustment and using these updates, rather than the test-year-end cost rates, is more representative of the period in which the rates established in this Order will be in effect. These cost rates will be applied to the jurisdictional capital structure determined herein. Therefore, the Commission finds the cost of long-term debt to be 3.28 percent, short-term debt to be 0.98 percent, and preferred stock to be 5.64 percent.

Return on Equity

KU estimated its required return on equity ("ROE") using four methods: the capital asset pricing model ("CAPM"), the discounted cash flow method ("DCF"), two risk premium analyses, and a comparable earning approach.[115] The CAPM analysis includes an adjustment of 60 basis points in order to recognize a size premium for some of the low- and mid-capitalization companies in the comparison group. KU explained that it employed multiple methods in determining its cost of equity because of potential measurement errors in the models as a result of industry changes, such as merger activity and price volatility.

Based on the results of the four methods, KU recommends an ROE range for its jurisdictional operations of 10.75 to 11.25 percent.[116] KU recommends awarding the

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[115] Rosenberg Direct Testimony at 2.

[116] Id. at 4.

upper end of the range, 11.25 percent, in order to recognize its efficient operations and the current uncertain business climate for utilities.[117]

KU employed a proxy group in its analysis, consisting of electric utility companies similar in risk to its electric operations. KU proposed the use of proxy companies because, as a subsidiary of LG&E Energy, it is not publicly traded. The companies were selected from the Electric Utility category of *The Value Line Investment Survey.* The selected companies had to have overall senior bond ratings of Aa/A from Moody's Investor Service and AA/A from Standard & Poor's ("S&P") rating service and could not be currently involved in major merger activity. Companies were also excluded if they had significant unregulated operations, if they did not pay a dividend, or if they expected to cut their dividend.

As part of its analysis, KU provided a discussion of the role that ROE plays in how the financial community regards a utility company. KU states that accounting scandals, federal and state investigations, and other fallout from the collapse of Enron have shaken investor confidence in the energy industry. The result is more intense scrutiny of companies and a scarcity of financing at a time when many energy companies need to refinance billions of dollars of debt. At the time of its application, KU stated that S&P had reported 41 utility issuer credit rating downgrades, as compared to only eight upgrades during 2003. Moody's had downgraded roughly a third of the utilities it follows, as compared to the 10 percent annual average downgrades it has issued over the past 19 years. KU argued that these actions indicate less tolerance for financial weakness in a utility and that they have increased the cost of financing to

[117] Id.

weaker companies. In support of its argument, KU provided several citations from S&P publications that described the authorized returns for the regulated electric industry as insufficient and discussed the importance of profit potential and earning power in both credit protection and a company's ability to withstand business adversity.[118]

The AG criticized KU's ROE estimates on several grounds. The AG disagreed with several of the methodologies and inputs used by KU and with KU's small cap adjustment in the CAPM model. Two points which the AG identified as "fatal errors" were: (1) KU should not have used the Consumer Price Index ("CPI") when working with the Gross Domestic Product ("GDP") data; and (2) KU should have multiplied projected GDP growth and projected inflation growth instead of adding.[119] The AG argues that the small cap adjustment is already in the market prices of the mid- and low-capitalization companies used in the analysis and he concludes that KU's flawed analysis overstates its required cost of equity.

The AG estimated KU's required ROE using three methods: the CAPM, the bond-yield-plus-risk premium approach, and two versions of the DCF model.[120] Based on the results of these methods, the AG determined an ROE range of 9.75 to 10.25 percent, recommending that the Commission award 10.00 percent, the mid-point of the range.[121] During the hearing, the AG's witness stated that he would change his

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[118] Id. at 5-7.

[119] Weaver Testimony at 8.

[120] Id. at 32.

[121] Id. at 75.

recommendation from 10.00 percent to 10.25 percent if KU's ESM is eliminated as proposed in the settlement of this issue.[122]

The AG employed a proxy group in his analysis, consisting of utility companies classified as electric utilities by *Value Line*. The AG eliminated companies with a Financial Strength Rating below B, that *Value Line* did not recommend to investors, that had recently sold or purchased major assets, divested the majority of their generation plant, were involved in merger activity, or had a short operating history. The AG excluded Hawaiian Electric because it is not interconnected and also excluded any companies with a heavy reliance on hydro, nuclear or purchased power. Finally, the AG did not include any companies whose electric revenues as a percentage of total revenues were too dissimilar to that of KU.

The AG supported his analysis with a discussion of the economic conditions that would affect the ROE he recommended. He reviewed the GDP, inflation rates, interest rates and leading economic indicators. The AG believes that the GDP growth rate is within a range ideal for investment growth, that inflation is expected to continue to be low, and that interest rates are expected to be stable yet gradually increasing over the next 4 years. The AG concluded that the cost of equity for electric utilities would slowly increase over the near-term future. In fact, he made an adjustment in his DCF model to increase the results by 95 basis points to recognize an expected increase in interest rates.

On rebuttal, KU questioned the AG's recommended range since it differed by 50 to 100 basis points from the range recommended by this same witness in the ESM

[122] T.E., Volume III, May 6, 2004, at 177-179.

case, which was consolidated into this rate case. In his ESM testimony, the AG recommended a range of 10.25 to 11.25 percent, just 3 months prior to filing rate case testimony in which he recommends 9.75 to 10.25 percent.[123] In response to questions about how KU's risk had changed since the ESM case, the AG responded that the risk had changed very little.[124] To further demonstrate that the AG's recommendation is too low, KU compared the AG's recommendation to the 11.00 percent average electric ROE awarded nationally by utility regulatory commissions in 2003.[125]

In rebutting the AG's recommendation, KU states that the AG's analysis employs misstated and misapplied approaches. KU identifies calculations that it considers incorrectly performed and, when corrected, produce a higher result. KU also addresses the two "fatal errors" that the AG identified in KU's analysis. KU defended its use of inputs, reiterating that: (1) its use of the CPI as a measure of inflation was appropriate; and (2) the AG's contention that it had added rather than multiplied in the GDP calculation was, in fact, incorrect.[126]

The Commission finds merit in both KU's and the AG's recommended ranges for ROE and their critiques of each other's analyses. The Commission takes note of several sources of agreement between KU and the AG. As KU points out in its rebuttal testimony, the AG's recommended range in the consolidated ESM case overlaps

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[123] Rosenberg Rebuttal Testimony at 4.

[124] Response of the Attorney General to Requests for Information from KU, dated April 6, 2004, Item 27.

[125] Rosenberg Rebuttal Testimony at 2.

[126] Id. at 15-16.

substantially with KU's recommended range. The Commission also takes note of the AG's upward revision to his recommendation due to the agreement to discontinue the ESM mechanism. KU recommended the top of its range in order to recognize its efficient management and the uncertain business environment. While the Commission is prohibited from using an ROE award to either reward or punish a utility's management,[127] the Commission again takes note that the AG supported, in part, the need to increase the ROE award in recognition of the uncertain business climate when he increased some of his results by 95 basis points to allow for likely increases in interest rates in the near future. Finally, the Commission notes that KU has compared the returns on equity recommended by the intervenors to recent returns on equity allowed by regulators in other jurisdictions. KU states that an April 5, 2004 edition of *Major Rate Case Decisions* of Regulatory Research Associates reports an average allowed return for electric utilities in other jurisdictions of 11 percent in the first quarter of 2004.[128] The Commission takes notice that this same publication subsequently reported in May 2004 that the allowed returns on equity for electric utilities in other jurisdictions ranged from 9.50 percent to 11.22 percent.[129] While we agree with KU when it says that ROE awards granted by other commissions should not dictate this Commission's decision, those decisions do, however, indicate that the recommendations from both parties are well within the general level of recent allowed

[127] South Central Bell Telephone Company v. Utility Regulatory Commission, Ky., 637 S.W. 2d 649 (1982).

[128] Rosenberg Rebuttal Testimony at 2.

[129] Regulatory Research Associates, Inc., Regulatory Focus, May 26 and May 28, 2004.

returns. Therefore, after weighing all the evidence of record, the Commission finds that KU's required ROE falls within a range of 10.00 percent to 11.00 percent with a midpoint of 10.50 percent.

Rate of Return Summary

Applying the rates of 3.28 percent for long-term debt, 0.98 percent for short-term debt, 5.64 percent for preferred stock, and 10.50 percent for common equity to the capital structure produces an overall cost of capital of 7.00 percent. The cost of capital produces a rate of return on KU's jurisdictional rate base of 6.48 percent.

REVENUE REQUIREMENTS

The Commission has determined that, based upon a jurisdictional capitalization of $1,297,055,596 and an overall cost of capital of 7.00 percent, the net operating income that could be justified by the record for KU's jurisdictional operations is $90,793,892. Based on the adjustments found reasonable herein, KU's pro forma jurisdictional net operating income for the test year would be $61,231,523 and KU would need additional annual operating income of $29,562,369. After the provision for uncollectible accounts, the PSC Assessment, and state and federal income taxes, KU would have a revenue deficiency of $49,775,329. The calculation of this overall revenue deficiency is as follows:

| | |
|---|---|
| Net Operating Income Found Reasonable | $ 90,793,892 |
| Pro Forma Net Operating Income | 61,231,523 |
| Net Operating Income Deficiency | 29,562,369 |
| Gross Up Revenue Factor[130] | .5939161 |
| Overall Revenue Deficiency | $ 49,775,329 |

However, as discussed above, KU is a signatory to the Partial Settlement and Stipulation. Thus, KU has indicated its willingness to accept an increase in annual jurisdictional revenues of $46,100,000. In determining the overall reasonableness of this alternative proposed increase by KU, the Commission has devoted a significant portion of this Order to evaluating KU's and the AG's proposed adjustments to capital, rate base, operating revenues, and operating expenses in light of our normal rate-making treatment.

The Commission has found that KU's required ROE falls within a range of 10.00 percent to 11.00 percent. Applying the findings herein on the reasonable costs of debt and preferred stock, and this range of return on common equity, to KU's jurisdictional capitalization would result in the following range of revenue increases:

| | |
|---|---|
| Revenue Increase – 10.00 percent ROE | $44,097,178 |
| Revenue Increase – KU Alternative Proposal | $46,100,000 |
| Revenue Increase – Justifiable by Record | $49,775,329 |
| Revenue Increase – 11.00 percent ROE | $55,235,088 |

Based on the findings and conclusions herein, the Commission finds that the earnings resulting from the adoption of KU's alternative proposal for its jurisdictional operations will fall within a range reasonable for both KU and its ratepayers. The $46,100,000

[130] Rives Direct Testimony, Rives Exhibit 1, Schedule 1.37. The gross up revenue factor recognizes the impact the overall revenue deficiency will have on the provision for uncollectible accounts, the PSC Assessment, Kentucky income taxes, and federal income taxes.

revenue increase that KU is willing to accept will result in fair, just, and reasonable rates for KU. Therefore, the Commission will accept KU's alternative proposal that its jurisdictional revenues be increased by $46,100,000.

FINDINGS ON PARTIAL SETTLEMENT AND STIPULATION

Based upon a review of all aspects of the unanimous provisions in the Partial Settlement and Stipulation, an examination of the record, and being otherwise sufficiently advised, the Commission finds that the unanimous provisions are in the public interest and should be approved. These provisions include, but are not limited to, the VDT surcredit, a new HEA program, the dismissal of two specified court appeals, and the phase-out of the Pay As You Go program. The Commission's approval of the unanimous provisions is based solely on their reasonableness in toto and does not constitute precedent on any issue except as specifically provided for therein. Although we are approving all of the unanimous provisions, we have some concerns that need to be addressed at this time regarding certain aspects of those provisions.

New HEA Program

The Commission's approval of the unanimous provisions in the Partial Settlement and Stipulation includes the approval of the parameters of a new HEA program for KU. The HEA program will be funded by a 10-cent per residential meter per month charge for a period of 3 years. The charge will be set forth as a separate line item on each residential customer's bill.

The Commission certainly recognizes that low income households frequently have difficulties paying their utility bills. Consequently, financial assistance programs that subsidize the utility bills of those households are much needed. However, when these types of programs are funded through mandatory charges on residential utility bills, the common perception is that these charges are forced charitable contributions and they generate sincere objections from many ratepayers. While it will never be possible to eliminate every objection, ratepayers will certainly have a higher degree of acceptance of the funding for these programs if they can be assured that the funds collected will be fully accounted for and spent in the most efficient manner.

It is for this reason that the Commission has always urged the utility that will be the beneficiary to be a financial contributor to the assistance program. When an affected utility is at least partially funding an assistance program, the utility has a greater incentive to monitor the program expenditures and is in a better position to assure its ratepayers that the funds are being spent in the most efficient manner. Consequently, the Commission is disappointed that KU has chosen not to be a financial contributor to the HEA program which it has agreed to implement. We urge KU to reconsider this decision, but we recognize that we have no authority to require KU to fund such a program.

In any event, there is a real need for KU to actively monitor the implementation, operation, and expenditures of the HEA program. The Commission expects KU to fulfill this role so it can provide its ratepayers with the assurances they demand and deserve regarding the efficient expenditure of the HEA funds.

The Partial Settlement and Stipulation did not address when the 10-cent per residential meter per month charge would begin. The Commission does not believe it would be reasonable for this charge to begin on the same effective date as the rates contained in the Partial Settlement and Stipulation, primarily because the programmatic details of the HEA program have not been submitted to the Commission for approval as agreed to by the parties. The Commission finds that the HEA program 10-cent per residential meter per month charge should not be collected from ratepayers until the Commission has approved the programmatic details. The Partial Settlement and Stipulation envisions the HEA program to have a commencement date of October 1, 2004. The Commission believes it will need 60 days to review the programmatic details. Therefore, the Commission expects that the programmatic details for the new HEA program would be submitted for approval no later than August 1, 2004.

In addition, prior Commission Orders outlined several concerns about previous HEA programs in the Orders in Case No. 2001-00323.[131] The Commission continues to have those same concerns, and expects the proponents of this new HEA to address those concerns when the programmatic details are submitted to the Commission for its review and approval.

## OTHER ISSUES

### Curtailable Service

On June 17, 2004, KU filed a letter, which the Commission will treat as a motion, regarding a potential problem related to proposed changes to its curtailable service tariff. Those changes, as set forth in the unanimous provisions of the Partial Settlement and Stipulation shorten the notice of interruption, increase the maximum number of hours of interruption, and increase the potential frequency of interruptions. KU believes

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[131] Case No. 2001-00323, Joint Application of Louisville Gas and Electric Company, Metro Human Needs Alliance, People Organized and Working for Energy Reform, Kentucky Association for Community Action, and Jefferson County Government for the Establishment of a Home Energy Assistance Program, final Order dated December 27, 2001; rehearing Order dated January 29, 2002.

that due to these changes some customers may, for operational reasons, want to switch from curtailable service to firm service. Consequently, KU is requesting authority to waive the 3-year notice required for a customer to terminate service under the tariff. This authority will permit KU to give the seven customers currently on this tariff the option to terminate service immediately, rather than be required to continue taking curtailable service for an additional 3 years.

Based on the significance of the changes in the terms and conditions of curtailable service, the Commission finds that KU's request to waive the 3-year notice of termination is reasonable. However, it is impractical for KU and a curtailable customer to switch rate schedules either immediately or on the effective date of the revised curtailable service tariff. Therefore, KU will be authorized to contact curtailable customers immediately upon issuance of this Order and inform them that they have a one-time opportunity to waive the 3-year notice of termination. Those customers will have until July 31, 2004 to notify KU if they elect to terminate curtailable service and switch to a firm service tariff.

Midwest Independent Transmission System Operator, Inc. ("MISO") Exit Fee

KU is currently a member of the Midwest Independent Transmission System Operator, Inc. ("MISO"), a regional transmission organization. In Case No. 2003-00266,[132] KU has requested authority to exit MISO and recover any exit fee from ratepayers. In this rate case, KU and the AG have addressed how the exit fee should be accounted for and what rate-making treatment is appropriate in the event the

[132] Case No. 2003-00266, Investigation Into the Membership of Louisville Gas and Electric Company and Kentucky Utilities Company in the Midwest Independent Transmission System Operator, Inc.

Commission authorizes KU to exit MISO. However, since the Commission has not yet decided whether KU should exit MISO, issues related to the accounting and rate-making treatment for an exit fee are premature. These issues will be addressed, if necessary in Case No. 2003-00266.

The "Global Settlement"

On October 31, 2001, LG&E, KU, the AG, and KIUC filed a unanimous settlement agreement that was intended to operate as a full and complete resolution of five cases then pending before the Commission.[133] This settlement agreement, referred to as the "Global Settlement," was approved by Commission Order on December 3, 2001. Several of the provisions of the Global Settlement directly affected adjustments proposed by KU in this rate case.

Article 1.0 of the Global Settlement provided that KU would perform a new depreciation study no later than calendar year 2004 based upon utility plant in service as of December 31, 2003 and when completed the new study would be filed with the Commission. KU did perform a new depreciation study which was filed in this rate case, but it was based on utility plant in service as of December 31, 2002. KU contended that this depreciation study was in compliance with the Global Settlement, arguing that, "the

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[133] The five cases were Case No. 2001-00054, The Annual Earnings Sharing Mechanism Filing of Louisville Gas and Electric Company; Case No. 2001-00055, The Annual Earnings Sharing Mechanism Filing of Kentucky Utilities Company; Case No. 2001-00140, Application of Kentucky Utilities Company for an Order Approving Revised Depreciation Rates; Case No. 2001-00141, Application of Louisville Gas and Electric Company for an Order Approving Revised Depreciation Rates; and Case No. 2001-00169, Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for an Order Approving Proposed Deferred Debits and Declaring the Amortization of the Deferred Debits to be Included in Earnings Sharing Mechanism Calculations.

defining limit on the previous commitment was the timing of another study (e.g., 'no later than calendar year 2004')," and that it "did not believe the plant-in-service date was intended to be the defining limit ...."[134]

Article 2.0 of the Global Settlement addressed issues related to the KU's VDT workforce reduction and authorized KU to establish a regulatory asset which would include the expenses incurred to achieve the savings associated with the VDT workforce reduction. At the time the Global Settlement was approved, the regulatory asset was to be established based on estimated expenses. Later, the regulatory asset was to be adjusted to reflect actual VDT-related expenses as of December 31, 2001. However, for rate-making purposes, the actual expenses could not exceed the preliminary estimated expenses. During this case, KU disclosed that it had increased the balance in the VDT regulatory asset by $1,169,056 for expenses incurred after December 31, 2001.[135] KU contended that recording these additional expenses as part of the regulatory asset was consistent with the recording of the estimated expenses permitted when the Commission approved the Global Settlement. KU argued that it was in compliance with the terms of the Global Settlement because these additional expenses did not cause the regulatory asset balance to exceed the settlement amount of the expenses. KU stated that while it did record the additional expenses as part of the regulatory asset, it did not make an adjustment to the net savings returned to

[134] Response to the Commission Staff's Third Data Request dated March 1, 2004, Item 23.

[135] KU recorded these additional expenses in the regulatory asset account between December 2002 and July 2003. See Response to the Commission Staff's Third Data Request dated March 1, 2004, Item 17(b)(1).

ratepayers through the VDT surcredit.[136] KU did include adjustments in this rate case to revise the VDT amortization expense to correspond with the regulatory asset as it was recorded on December 31, 2001.

The Commission is concerned by KU's interpretation of provisions of the Global Settlement as reflected in this rate case. Contrary to KU's interpretation of the Global Settlement provision concerning the timing of the next depreciation study, it is clear that the calendar year 2004 deadline for filing and the utilization of utility plant in service as of December 31, 2003 are both controlling dates. Concerning the VDT regulatory asset, the Global Settlement did not contain any provisions that authorized KU to continue to increase the balance of the regulatory asset established on December 31, 2001. The fact that the additional expenses did not exceed the originally estimated expenses does not justify KU's accounting.

The Commission notes that, in Case No. 2002-00072,[137] KU previously misinterpreted provisions of the Global Settlement. In that case the Commission found that the Global Settlement did not authorize KU to adjust its monthly capitalization to retroactively reflect the VDT workforce reduction, and KU was required to recalculate its ESM annual filing for calendar year 2001.

The Commission will not require KU to submit a new depreciation study in compliance with the dates established in the Global Settlement since we are accepting KU's proposal to prepare a new depreciation study no later than June 30, 2007. In

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[136] Response to the Commission Staff's Fourth Data Request dated April 14, 2004, Item 3.

[137] Case No. 2001-00072, Kentucky Utilities Company's Annual Earnings Sharing Mechanism Filing for Calendar Year 2001.

addition, we will not require KU to remove the post-2001 additions to its VDT regulatory asset since the amortization expenses that were included for rate-making purposes were consistent with the provisions of the Global Settlement and the regulatory asset is not included in rate base. Consequently, ratepayers have not been harmed by KU's actions.

The Commission is concerned, however, that on three separate occasions KU has incorrectly interpreted and deviated from significant provisions of the Global Settlement. The unanimous provisions of the Partial Settlement and Stipulation approved herein are significantly more encompassing and complex than the provisions contained in the Global Settlement. The Commission cautions KU that, absent prior Commission approval, there should be no deviations from either the unanimous provisions of that document of KU's timetable for filing a new depreciation study.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by KU in its application are denied.

2. The ESM Settlement, attached hereto as Appendix B, is approved in its entirety and KU's ESM is terminated except for continued collections for 2003 operations.

3. The unanimous provisions in the Partial Settlement and Stipulation, attached hereto as Appendix C, are approved in its entirety.

4. The rates and charges in KU's Exhibit 1, set forth in Appendix A hereto, are the fair, just, and reasonable rates for KU to charge for electric service, and these rates are approved for service rendered on and after July 1, 2004.

5. KU shall, within 20 days of the date of this Order, file its revised tariff sheets setting out the rates and tariff changes approved herein.

6. Within one year from the date of this Order, KU shall file with the Commission a plan developed and implemented that eliminates the underfunding of its pension and post-retirement plans. KU shall also file progress reports on its progress to eliminate the underfunding of the pension and post-retirement plans as described within this Order.

7. KU shall submit for Commission approval the programmatic details associated with its HEA program no later than August 1, 2004.

8. KU shall not bill its residential customers 10 cents per meter per month for the HEA until authorized to do so upon Commission approval of the HEA programmatic details.

9. KU's request for a one-time waiver through July 31, 2004 of the 3-year customer notice to terminate curtailable service is granted.

Done at Frankfort, Kentucky, this 30th day of June, 2004.

By the Commission

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2003-00434 DATED June 30, 2004

The following rates and charges are prescribed for the customers in the area served by Kentucky Utilities Company, consistent with KU Exhibit 1. 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.

SCHEDULE RS
RESIDENTIAL SERVICE

| | |
|---|---|
| Customer Charge per Month: | $5.00 |
| Energy Charge per kWh: | $ .04404 |

SCHEDULE A.E.S.
ALL ELECTRIC SCHOOL

| | |
|---|---|
| Energy Charge per kWh: | $ .04227 |

SCHEDULE GS
GENERAL SERVICE RATE

| | |
|---|---|
| Customer Charge per Month: | $10.00 |
| Energy Charge per kWh: | $ .05327 |

SCHEDULE LP
LARGE POWER SERVICE PRIMARY VOLTAGE

| | |
|---|---|
| Customer Charge per Month: | $75.00 |
| Demand Charge per kW: | $ 6.26 |
| Energy Charge per kWh: | $ .02200 |

## SCHEDULE LP
## LARGE POWER SERVICE SECONDARY VOLTAGE

| | |
|---|---|
| Customer Charge per Month: | $75.00 |
| Demand Charge per kW: | $ 6.65 |
| Energy Charge per kWh: | $ .02200 |

## SCHEDULE LP
## LARGE POWER SERVICE TRANSMISSION VOLTAGE

| | |
|---|---|
| Customer Charge per Month: | $75.00 |
| Demand Charge per kW: | $ 5.92 |
| Energy Charge per kWh: | $ .02200 |

## SCHEDULE LCI-TOD
## LARGE COMMERCIAL/INDUSTRIAL TIME-OF-DAY RATE PRIMARY VOLTAGE

| | |
|---|---|
| Customer Charge per Month: | $120.00 |
| Demand Charge per kW: | |
| On-Peak Demand | $ 4.58 |
| Off-Peak Demand | $ .73 |
| Energy Charge per kWh: | $ .02200 |

## SCHEDULE LCI-TOD
## LARGE COMMERCIAL/INDUSTRIAL TIME-OF-DAY RATE TRANSMISSION VOLTAGE

| | |
|---|---|
| Customer Charge per Month: | $120.00 |
| Demand Charge per kW: | |
| On-Peak Demand | $ 4.39 |
| Off-Peak Demand | $ .73 |
| Energy Charge per kWh: | $ .02200 |

## SCHEDULE MP
## COAL MINING POWER SERVICE PRIMARY VOLTAGE

| | |
|---|---|
| Customer Charge per Month: | $75.00 |
| Demand Charge per kW: | $ 4.69 |
| Energy Charge per kWh: | $ .02400 |

## SCHEDULE MP
## COAL MINING POWER SERVICE TRANSMISSION VOLTAGE

| | |
|---|---|
| Customer Charge per Month: | $75.00 |
| Demand Charge per kW: | $ 4.57 |
| Energy Charge per kWh: | $ .02400 |

## SCHEDULE LMP-TOD
## LARGE MINE POWER TIME-OF-DAY RATE PRIMARY VOLTAGE

| | |
|---|---|
| Customer Charge per Month: | $120.00 |
| Demand Charge per kW: | |
| On-Peak Demand | $ 5.39 |
| Off-Peak Demand | $ .73 |
| Energy Charge per kWh: | $ .02000 |

## SCHEDULE LMP-TOD
## LARGE MINE POWER TIME-OF-DAY RATE TRANSMISSION VOLTAGE

| | |
|---|---|
| Customer Charge per Month: | $120.00 |
| Demand Charge per kW: | |
| On-Peak Demand | $ 4.85 |
| Off-Peak Demand | $ .73 |
| Energy Charge per kWh: | $ .02000 |

## SCHEDULE LI-TOD
## LARGE INDUSTRIAL TIME-OF-DAY RATE PRIMARY VOLTAGE

| | |
|---|---|
| Customer Charge per Month: | $120.00 |
| Demand Charge: | |
| Standard Load Charge per KVA | |
| On-Peak | $ 4.58 |
| Off-Peak | $ .73 |
| Fluctuating Load Charge per KVA | |
| On-Peak | $ 2.29 |
| Off-Peak | $ .37 |
| Energy Charge per kWh: | $ .0220 |

## SCHEDULE LI-TOD
## LARGE INDUSTRIAL TIME-OF-DAY RATE TRANSMISSION VOLTAGE

| | |
|---|---|
| Customer Charge per Month: | $120.00 |
| Demand Charge: | |
| Standard Load Charge per KVA | |
| On-Peak | $ 4.39 |
| Off-Peak | $ .73 |
| Fluctuating Load Charge per KVA | |
| On-Peak | $ 2.20 |
| Off-Peak | $ .37 |
| Energy Charge per kWh: | $ .0220 |

## SCHEDULE VFD
## VOLUNTEER FIRE DEPARTMENT

| | |
|---|---|
| Customer Charge per Month: | $ 5.00 |
| Energy Charge per kWh: | $ .04404 |

## SCHEDULE ST. LT.
## STREET LIGHTING SERVICE

Rate per Light per Month: (Lumens Approximate)

| | Standard | Ornamental |
|---|---|---|
| Incandescent System: | | |
| 1,000 Lumens | $ 2.26 | $ 2.91 |
| 2,500 Lumens | $ 2.75 | $ 3.55 |
| 4,000 Lumens | $ 3.94 | $ 4.88 |

| | | |
|---|---|---|
| 6,000 Lumens | $ 5.24 | $ 6.29 |
| Mercury Vapor: | | |
| 7,000 Lumens | $ 6.63 | $ 8.89 |
| 10,000 Lumens | $ 7.64 | $ 9.65 |
| 20,000 Lumens | $ 8.98 | $ 10.59 |
| High Pressure Sodium: | | |
| 4,000 Lumens | $ 5.00 | $ 7.62 |
| 5,800 Lumens | $ 5.43 | $ 8.04 |
| 9,500 Lumens | $ 6.11 | $ 8.92 |
| 22,000 Lumens | $ 9.02 | $ 11.81 |
| 50,000 Lumens | $ 14.55 | $ 17.34 |

## SCHEDULE DEC. ST. LT.
## STREET LIGHTING SERVICE

Rate per Light per Month: (Lumens Approximate)

| | |
|---|---|
| Decorative Street Lighting Service: | |
| Acorn with Decorative Pole | |
| 4,000 Lumens | $10.40 |
| 5,800 Lumens | $10.94 |
| 9,500 Lumens | $11.61 |
| Acorn with Historic Pole | |
| 4,000 Lumens | $16.32 |
| 5,800 Lumens | $16.85 |
| 9,500 Lumens | $17.53 |
| Colonial | |
| 4,000 Lumens | $ 6.86 |
| 5,800 Lumens | $ 7.30 |
| 9,500 Lumens | $ 7.90 |
| Coach | |
| 5,800 Lumens | $25.07 |
| 9,500 Lumens | $25.73 |
| Contemporary | |
| 5,800 Lumens | $12.60 |
| 9,500 Lumens | $15.01 |
| 22,500 Lumens | $17.40 |
| 50,000 Lumens | $22.53 |
| Gran Ville | |
| 16,000 Lumens | $38.28 |
| Gran Ville Accessories: | |
| Single Crossarm Bracket | $16.28 |
| Twin Crossarm Bracket | $18.12 |
| 24 Inch Banner Arm | $ 2.82 |

| | |
|---|---|
| 18 Inch Banner Arm | $ 2.60 |
| Flagpole Holder | $ 1.20 |
| Post-Mounted Receptacle | $16.90 |
| Base-Mounted Receptacle | $16.31 |
| Additional Receptacles | $ 2.31 |
| Planter | $ 3.91 |
| 24 Inch Clamp on banner arm | $ 3.90 |

## SCHEDULE P.O. LT.
## PRIVATE OUTDOOR LIGHTING SERVICE

| | |
|---|---|
| Standard (Served Overhead) | |
| Mercury Vapor | |
| 7,000 Lumens | $ 7.61 |
| 20,000 Lumens | $ 8.98 |
| High Pressure Sodium | |
| 5,800 Lumens | $ 4.33 |
| 9,500 Lumens | $ 4.94 |
| 22,500 Lumens | $ 9.02 |
| 50,000 Lumens | $14.55 |
| Directional (Served Overhead) | |
| High Pressure Sodium | |
| 9,500 Lumens | $ 5.98 |
| 22,500 Lumens | $ 8.47 |
| 50,000 Lumens | $12.90 |
| Metal Halide Commercial and Industrial Lighting | |
| Directional Fixture | |
| 12,000 Lumens | $ 8.83 |
| 32,000 Lumens | $12.24 |
| 107,800 Lumens | $25.28 |
| Directional Fixture with Wood Pole | |
| 12,000 Lumens | $10.79 |
| 32,000 Lumens | $14.21 |
| 107,800 Lumens | $28.01 |
| Directional Fixture with Metal Pole | |
| 12,000 Lumens | $17.20 |
| 32,000 Lumens | $20.61 |
| 107,800 Lumens | $33.65 |
| Contemporary Fixture Only | |
| 12,000 Lumens | $ 9.92 |
| 32,000 Lumens | $13.78 |
| 107,800 Lumens | $27.82 |

| | |
|---|---|
| Contemporary Fixture with Metal Pole | |
| 12,000 Lumens | $18.30 |
| 32,000 Lumens | $22.14 |
| 107,800 Lumens | $36.19 |
| Decorative HPS (Served Underground) | |
| Acorn with Decorative Pole | |
| 4,000 Lumens | $10.40 |
| 5,800 Lumens | $10.94 |
| 9,500 Lumens | $11.62 |
| Acorn with Historic Pole | |
| 4,000 Lumens | $16.32 |
| 5,800 Lumens | $16.85 |
| 9,500 Lumens | $17.54 |
| Colonial | |
| 4,000 Lumens | $ 6.86 |
| 5,800 Lumens | $ 7.30 |
| 9,500 Lumens | $ 7.90 |
| Coach | |
| 5,800 Lumens | $25.07 |
| 9,500 Lumens | $25.73 |
| Contemporary | |
| 5,800 Lumens | $12.60 |
| 9,500 Lumens | $15.01 |
| 22,500 Lumens | $17.40 |
| 50,000 Lumens | $22.53 |
| Gran Ville | |
| 16,000 Lumens | $38.28 |

## RATE CSR 1
## CURTAILABLE SERVICE RIDER 1

| | Transmission | Primary |
|---|---|---|
| Demand Credit per kW per Month | $ 3.10 | $ 3.20 |
| Non-compliance Charge Per kW Per Month | $ 16.00 | $ 16.00 |

## RATE CSR 2
## CURTAILABLE SERVICE RIDER 2

| | Transmission | Primary |
|---|---|---|
| Demand Credit per kW per Month | $ 4.09 | $ 4.19 |
| Non-compliance Charge Per kW Per Month | $ 16.00 | $ 16.00 |

## RATE CSR 3
## CURTAILABLE SERVICE RIDER 3

| | Transmission | Primary |
|---|---|---|
| Demand Credit per kW per Month | $ 3.10 | $ 3.20 |
| Non-compliance Charge Per kW Per Month | $ 16.00 | $ 16.00 |

## EXPERIMENTAL LOAD REDUCTION INCENTIVE RIDER

Rate: Up to $0.30 per kWh

## EXPERIMENTAL SMALL TIME-OF-DAY SERVICE RATE

| | |
|---|---|
| Customer Charge per Month: | $90.00 |
| Demand Charge: | |
| Secondary Service per kW per Month | $ 6.65 |
| Primary Service per kW per Month | $ 6.26 |
| Transmission Service per kW per Month | $ 5.92 |
| Energy Charge: | |
| On-Peak Energy per kWh | $ .02800 |
| Off-Peak Energy per kWh | $ .01500 |

## STANDARD RIDER FOR EXCESS FACILITIES

| | |
|---|---|
| Charge for distribution facilities | |
| Carrying Charge | .93% |
| Operating Expenses | .56% |

## STANDARD RIDER FOR REDUNDANT CAPACITY CHARGE

Capacity Reservation Charge Per kW Per Month

| | |
|---|---|
| Secondary Distribution | $ .80 |
| Primary Distribution | $ .63 |

## RETURNED CHECK CHARGE

| | |
|---|---|
| Rate: | $ 9.00 |

## METER TEST CHARGE

| | |
|---|---|
| Rate: | $ 31.40 |

## DISCONNECT AND RECONNECT SERVICE CHARGE

| | |
|---|---|
| Rate: | $ 20.00 |

## SPECIAL CONTRACT
## WESTVACO

Demand Charge Per kW Per Month:

| | |
|---|---|
| Non-Interruptible Demand | $ 3.98 |
| Interruptible Demand | $ 1.95 |

| | |
|---|---|
| Energy Charge Per kWh: | $ .02200 |

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2003-00434 DATED June 30, 2004

ESM SETTLEMENT AGREEMENT

Dated May 12, 2004

# SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this 12th day of May 2004, by and between Louisville Gas and Electric Company ("LG&E"); Kentucky Utilities Company ("KU") (LG&E and KU are hereafter collectively referenced as "the Utilities"); Commonwealth of Kentucky, ex. rel. Gregory Stumbo, Attorney General, by and through the Office of Rate Intervention ("AG"); Kentucky Industrial Utility Customers, Inc. ("KIUC") and the interests of its participating members as represented by and **through** the KIUC; Commonwealth of Kentucky, Environmental and Public Protection Cabinet, Division of Energy ("KDOE"); the United States Department of Defense ("DOD); The Kroger Company ("Kroger"); Kentucky Association for Community Action, Inc. ("KACA"); Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. ("CAC"); Metro Human Needs Alliance ("MHNA"); People Organized and Working for Energy Reform ("POWER'); Lexington-Fayette Urban County Government ("LFUCG); and North American Stainless, L.P. ("NAS") in the proceedings involving LG&E and KU which are the subject of this Settlement Agreement, *as* set forth below.

**WITNESSETR:**

**WHEREAS,** LG&E filed on December 29, 2003 with the Kentucky Public Service Commission ("Commission") its Application for Authority to Adjust Rates, *In Re the Matter of: An Adjustment of the Gas and Electric Rates. Terms and Conditions of Louisville* Gar *and Electric Comuanv,* and the Commission has established Case No. 2003-00433 to review LG&E's base rate application;

**WHEREAS,** KU filed on December 29, 2003 with the Commission its Application for Authority to Adjust Rates, *In Re the Matter of: An Adjustment of the Electric Rates, Terms and Conditions of Kentucky Utilities Comuanv,* and the Commission has established Case No. 2003-00434 to review KU's base rate application;

**WHEREAS,** the AG, KIUC, KDOE and Kroger have been granted intervention by the Commission in both of the forgoing proceedings; MHNA, POWER, DOD and KACA have been granted intervention by the Commission in Case No. 2003-00433 only; and LFUCG, NAS and CAC have been granted intervention by the Commission in Case No. 2003-00434 only;

**WHEREAS,** on March 31, 2004, the Commission granted consolidation of Case No. 2003-00433 with the case captioned *In Re the Matter of An Investigation Pursuant to KRS 278.260 of the Earnings Sharing Mechanism Tariff of Louisville Gas and Electric Company,* Case No. 2003-00335;

**WHEREAS,** on March 31, 2004, the Commission granted consolidation of Case No. 2003-00434 with the case entitled *In Re the Matter of: An Investigation Pursuant to KRS 278.260 of the Earnings Sharing Mechanism Tariff of Kentucky Utilities Company,* Case No. 2003-00334;

**WHEREAS,** the AG and KIUC have been granted intervention by the Commission in both Case Nos. 2003-00334 and 2003-00335; and LFUCG has been granted intervention by the Commission in Case No. 2003-00334 only;

**WHEREAS,** LG&E's current Earnings Sharing Mechanism tariff was effective on January 2, 2003 pursuant to the Commission's Orders of December 20, 2002 and January 14, 2003 in Case No 2002-00473 (LG&E); and KU's current ESM tariff was effective on January 2, 2003 pursuant to the Commission's Orders of December 20,2002 and January 14,2003 in Case No. 2002-00472 (collectively the "ESM tariffs");

**WHEREAS,** on March 1, 2004 LG&E filed its Annual Earnings Sharing Mechanism Filing for Calendar Year 2003 in Case No. 2004-00069;

**WHEREAS,** on March 1,2004 KU filed its Annual Earnings Sharing Mechanism Filing for Calendar Year 2003 in Case No. 2004-00070;

**WHEREAS,** a prehearing conference, attended in person or by teleconference by representatives of the AG, KIUC, KDOE, DOD, Kroger, KACA, CAC, MHNA, POWER, LFUCG, NAS, the Commission Staff and the Utilities, took place on April 28, 2004 at the offices of the Commission during which a number of procedural and substantive issues were discussed, including potential settlement of certain issues pending before the Commission in Case Nos. 2003-00433 and 2003-00434, Case Nos. 2003-00334 and 2003-00335 (the "ESM renewal proceedings"), and Case Nos. 2004-00069 and 2004-00070 (the "2003 ESM proceedings"); and

**WHEREAS,** the signatories hereto desire to settle certain issues pending before the Commission in the rate proceedings, the ESM renewal proceedings and the 2003 ESM proceedings.

**NOW, THEREFORE,** for and in consideration of the premises and conditions set forth herein, the parties hereby agree as follows:

**ARTICLE I.** **Earnings Sharing Mechanism ("ESM") Recoverv and Discontinuation**

**SECTION 1.1** Effective July 1,2004, the Earnings Sharing Mechanism, except as set forth in Sections 1.2 through 1.4 below, shall be discontinued,

**SECTION 1.2** LG&E has filed with the Commission, in Case No. 2004-0069, the results for the 2003 ESM Reporting Period and the corresponding ESM billing factor pursuant to its ESM tariff. Beginning April 1, 2004, LG&E began billing its 2003 ESM factor in customer bills. The parties recommend the Commission issue an order in Case No.

2004-0069 approving the 2003 ESM factor as filed and authorizing LG&E to continue billing its ESM factor through March 31, 2005 and collect and retain all the revenues derived from the billing of 2003 ESM factor. Specifically, for the period of April 1, 2004 through April 30, 2004, LG&E should be allowed to bill, collect and retain amounts permitted under its ESM tariff with an ESM factor of 2.282%. And, specifically, for the period of May 1, 2004 through March 31, 2005, LG&E should be allowed to bill, collect and retain amounts permitted under its ESM tariff with an ESM factor of 2.360%.

**SECTION 1.3** KU has filed with the Commission, in Case No. 2004-0070, the results for the 2003 ESM Reporting Period and the corresponding ESM billing factor pursuant to its ESM tariff. Beginning April 1, 2004, KU began billing its 2003 ESM factor in customer bills. The parties recommend the Commission issue an order in Case No. 2004-0070 approving the 2003 ESM factor as filed and authorizing KU to continue billing its ESM factor through March 31, 2005 and collect and retain all the revenues derived from the billing of 2003 ESM factor. Specifically, for the period of April 1, 2004 through April 30, 2004, KU should be allowed to bill, collect and retain amounts permitted under its ESM tariff with an ESM factor of 2.367%. And, specifically, for the period of May 1, 2004 through March 31, 2005, KU should be allowed to bill, collect and retain amounts permitted under its ESM tariff with an ESM factor of 2.330%.

**SECTION 1.4** No later than May 2005, the Utilities shall perform a final balancing adjustment to reconcile any over- or under-collection of the ESM revenues for the current ESM billing period, April 2004 through March 2005.

**SECTION 1.5** The Utilities agree to waive their rights to make any billing or seek any collection under their respective ESM tariffs for the six-month period ending June 30, 2004, excluding the operation of the ESM mechanism as provided in Sections 1.2 through 1.4 above.

**ARTICLE II.** **Approval of Settlement Agreement**

**SECTION 2.1** Following the execution of this Settlement Agreement, the signatories shall cause the Settlement Agreement to be filed with the Commission with a request to the Commission for consideration and approval of this Settlement Agreement by May ____, 2004.

**SECTION 2.2** The signatories to this Settlement Agreement shall act in good faith and use their best efforts to recommend to the Commission that this Settlement Agreement be accepted and approved.

**SECTION 2.3** If the Commission issues a final order which accepts and approves this Settlement Agreement in its entirety, then the parties hereto hereby waive any and all claims or demands, asserted or unasserted, directly arising out of or in connection with the application or operation of the Utilities' respective ESMs in Case Nos. 2004-0069, 2004-070, 2003-00334 and 2003-00335, and all such claims or demands shall be deemed settled under or compromised, released and discharged by this Settlement Agreement.

**SECTION 2.4** 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 hereto from further consideration by the Commission and none of the parties shall be bound by any of the provisions herein; and (b) neither the teims of this Settlement Agreement nor any matters raised during the settlement negotiations shall be binding on any of the signatories to this Settlement Agreement or be construed against any of the signatories.

**SECTION 2.5** Should the Settlement Agreement be voided or vacated for any reason after the Commission has approved the Settlement. Agreement and thereafter any implementation of the terms of the Settlement Agreement has been made, then the parties shall be returned to the *status quo* existing at the time immediately prior to the execution of this agreement.

**ARTICLE III.** **Additional Provisions**

**SECTION 3.1** This Settlement Agreement shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

**SECTION 3.2** This Settlement Agreement shall inure to the benefit of and be binding upon the parties hereto, their heirs, successors and assigns.

**SECTION 3.3** This Settlement Agreement constitutes the complete agreement and understanding among the parties hereto, 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 this Settlement Agreement.

**SECTION 3.4** For the purpose of this Settlement Agreement only, the terms are based upon the independent analysis of the parties to reflect a just and reasonable resolution of the issues herein and are the product of compromise and negotiation. 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 LG&E or KU are unknown and this Settlement Agreement shall be implemented as written.

**SECTION 3.5** 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 3.6** The provisions of this Settlement Agreement shall not bar a party from seeking, or the Commission from reinstating, an ESM at some future time, in order to accomplish reasonable and valid regulatory objectives.

**SECTION 3.7** Making this Settlement Agreement shall not be deemed in any respect to constitute an admission by any party hereto that any computation, formula, allegation, assertion or contention made by any other party in these proceedings is true or valid.

**SECTION 3.8** The signatories hereto warrant that they have informed, advised, and consulted with the respective parties hereto in regard to the contents and significance of this agreement and based upon the foregoing are authorized to execute this Settlement Agreement on behalf of the parties hereto.

**SECTION 3.9** This Settlement Agreement is subject to the acceptance of and approval by the Public Service Commission.

**SECTION 3.10** 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.

**SECTION 3.11** This Settlement Agreement may be executed in multiple counterparts.

**IN WITNESS WHEREOF,** *the* parties hereto have hereunto affixed their signatures.

Louisville Gas and Electric Company
and Kentucky Utilities Company

HAVE READ **AND** AGREED:

By:____________________
Kendrick R. Riggs, Counsel

-and-

By:____________________
Dorothy E. O'Brien, Counsel

Commonwealth of Kentucky, ex. rel. Gregory Stumbo, Attorney General, by and through the Office of Rate Intervention

HAVE READ AND AGREED:

By: ______________________________
Elizabeth E. Blackford, Counsel

Kentucky Industrial Utility Customers, Inc.

HAVE READ AND AGREED:

By: ______________________________
David F. Boehm, Counsel
Michael L. Kurtz, Counsel

Commonwealth of Kentucky,
Environmental and Public Protection Cabinet,
Division of Energy

HAVE READ AND AGREED:

By:______________________________
Iris Skidmore, Counsel

United States Department of Defense

HAVE SEEN AND AGREED:

By: Peter A. Wyatt,

for, David A. McCormick, Counsel

The Kroger Company

HAVE READ AND AGREED:

By: ______________________
David C. Brown, Counsel

Kentucky Association for Community
Action, Inc.

HAVE READ AND AGREED:

By: ______________________________
Joe F. Childers, Counsel

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

HAVE READ AND AGREED:

By: ______________________
Joe F. Childers, Counsel

Metro Human Needs Alliance

HAVE READ AND AGREED:

By: ______________________________
Lisa Kilkelly, Counsel

People Organized and Working for Energy Reform

HAVE READ AND AGREED:

Ey: ______________________________

Lisa Kilkelly, Counsel

Lexington-Fayette Urban County Government

HAVE READ AND AGREED:

By: ______________________________
David J. Barberie, Counsel

North American Stainless, L.P.

HAVE READ AND AGREED:

By:______________________________
Richard S. Taylor, Counsel

By:______________________________
Nathaniel K. Adams, General Counsel

By:______________________________
Kimberly McCann, Counsel

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2003-00434 DATED June 30, 2004

PARTIAL SETTLEMENT AND STIPULATION

Dated May 12, 2004

## PARTIAL SETTLEMENT AGREEMENT, STIPULATION AND RECOMMENDATION

This Partial Settlement Agreement, Stipulation and Recommendation ("Settlement Agreement") is entered into this 12th day of May 2004, by and between Louisville Gas and Electric Company ("LG&E"); Kentucky Utilities Company ("KU") (LG&E and KU are hereafter collectively referenced as "the Utilities"); Commonwealth of Kentucky, ex. rel. Gregory Stumbo, Attorney General, by and through the Office of Rate Intervention ("AG); Kentucky Industrial Utility Customers, Inc. ("KIUC") and the interests of its participating members as represented by and through the KIUC; Commonwealth of Kentucky, Environmental and Public Protection Cabinet, Division of Energy ("KDOE"); the United States Department of Defense ("DOD"); The Kroger Co.("Kroger"); Kentucky Association for Community Action, Inc. ("KACA"); Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. ("CAC"); Metro Human Needs Alliance ("MHNA"); People Organized and Working for Energy Reform ("POWER); Lexington-Fayette Urban County Government ("LFUCG"); and North American Stainless, L.P. ("NAS") in the proceedings involving LG&E and KU which are the subject of this Settlement Agreement, as set forth below.

**W I T N E S S E T H:**

**WHEREAS,** LG&E **filed** on December 29, 2003 with the Kentucky Public Service Commission ("Commission") its Application for Authority to Adjust Rates, ***In Re the Matter of An Adjustment of the Gas and Electric Rates, Terms and Conditions of Louisville Gas and Electric Company,*** and the Commission has established Case No. 2003-00433 to review LG&E's base rate application;

**WHEREAS,** KU filed on December **29,** 2003 with the Commission its Application for Authority to Adjust Rates, ***In Re the Matter of: An Adjustment of the Electric Rates, Terms and Conditions of Kentucky Utilities Company,*** and the Commission has established Case No. 2003-

00434 to review KU's base rate application (Case Nos. 2003-00433 and 2003-00434 are hereafter collectively referenced as the "rate proceedings");

**WHEREAS,** the AG, KIUC, KDOE, KACA and Kroger have been granted intervention by the Commission in both of the rate proceedings; MHNA, POWER and DOD have been granted intervention by the Commission in Case No. 2003-00433 only; and LFUCG, NAS and CAC have been granted intervention by the Commission in Case No. 2003-00434 only;

**WHEREAS,** on March 31, 2004, the Commission granted consolidation of Case Nos. 2003-00433 and 2003-00434 with the case captioned *In the Matter of: Tariff Filing of Kentucky Utilities Company and Louisville Gas and Electric Company for Non-Conforming Load Customers,* Case No. 2003-00396 (which case had previously been consolidated with *In the Matter oft North American Stainless v. Kentucky Utilities Company,* Case No. 2003-00376).

**WHEREAS,** a prehearing conference, attended in person or by teleconference by representatives of the AG, KIUC, KDOE, DOD, Kroger, KACA, CAC, MHNA, POWER, LFUCG, NAS, the Commission Staff and the Utilities, took place on April 28, 2004 at the offices of the Commission during which a number of procedural and substantive issues were discussed, including potential settlement of certain issues pending before the Commission in the rate proceedings;

**WHEREAS,** on May 4, 2004, the hearing in the rate proceedings began and was adjourned for the purpose of exploring the possibility of settlement of the rate proceedings or stipulation of issues therein, which discussions were attended in person by representatives of the AG, KIUC, KDOE, DOD, Kroger, KACA, CAC, MHNA, POWER, LFIJCG, NAS, the Commission Staff and the Utilities;

**WHEREAS,** all of the signatories hereto desire to settle all the issues pending before the Commission in the rate proceedings, except for the AG, who is unwilling to settle the issue of the revenue requirements of LG&E's electric operations and KU's operations;

**WHEREAS,** it is understood by all signatories 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 does not represent agreement on any specific theory supporting the appropriateness of any proposed or recommended adjustments to the Utilities' rates, terms and conditions;

**WHEREAS,** it is understood by all signatories hereto that, insofar as this Settlement Agreement does not recite the agreement of the AG to settle the issue of the revenue requirements of the LG&E electric operations and the KU operations, it is a stipulation among the signatories hereto other than the AG as to the foregoing revenue requirement issues, pursuant to 807 KAR 5:001, Section 4(6);

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

**WHEREAS,** all of the signatories, 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;

**WHEREAS,** the adoption of this Settlement Agreement will reduce the length of the hearing, simplify the briefing, and eliminate the possibility of, and any need for, rehearing on the issues stipulated and agreed to; and

WHEREAS, it is the position of the parties hereto that this Settlement Agreement is supported by sufficient and adequate data and information, and should be approved by the Commission.

**NOW, THEREFORE,** for and in consideration of the premises and conditions set forth herein, the parties hereby stipulate and agree as follows:

**ARTICLE I. Revenue Requirement.**

Section 1.1. The signatories hereto, except the AG, stipulate that the following annual increases in 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 signatories and for all customers of LG&E (electric) and KU:

Section 1.1.1. LG&E Electric Operations: $43,400,000;

Section 1.1.2. KU Operations: $46,100,000.

The signatories hereto, including the AG, agree that any annual increase in revenues for LG&E electric operations and for KU operations will be effective July 1, 2004.

Section 1.2. The signatories hereto, including the AG, agree that, effective July 1, 2004, the annual increases in revenues for LG&E gas operations of $11,900,000, for purposes of determining the rates of LG&E gas operations in the rate proceedings, are fair, just and reasonable for the signatories and for all gas customers of LG&E.

**ARTICLE II. Allocation of Revenue.**

Section 2.1. The signatories hereto, including the AG, agree that the allocation of the annual revenue increase for LG&E electric operations, LG&E gas operations and for KU operations, as set forth on the allocation schedule designated Exhibit 1 hereto, in the rate proceedings is fair, just and reasonable for the signatories and for all customers of LG&E and KU. Notwithstanding the foregoing sentence, it is understood that the AG has only agreed that the percentages of the rate classes applicable to each LG&E electric operations rate class and each KU operations rate class on Exhibit 1 hereto are fair, just and reasonable and the AG has made no agreement of any other information relating to such LG&E electric operations or KU operations. All signatories hereto, including the AG, agree that the revenue increase to electric special contract customers set forth on Exhibi! 1 hereto shall be allocated such that each special contract customer shall have the same percentage increase in rates.

Section 2.2. The signatories hereto, except the AG, agree that, effective July 1. 2004, the Utilities shall implement the electric rates set forth on Exhibit 1, attached hereto, which rates the signatories hereto, except the AG, stipulate are fair, just and reasonable and should be approved by the Commission. All signatories hereto, including the AG, agree that. effective July 1, **2004,** the Utilities shall implement the **gas** rates set forth on Exhibit 1, attached hereto, which rates the signatories hereto agree are fair, just and reasonable and should be approved by the Commission.

Section2.3. The signatories hereto, including the AG, agree that the Utilities shall establish a pilot time-of-day program for commercial customers with a monthly demand between 250 kW and 2,000 kW. The rates, terms and conditions of said program shall be as set forth in the Stipulation, dated May 4, 2004, between the Utilities and Kroger and filed in the rate proceedings. A copy of said Stipulation is attached hereto as Exhibit 2 and is incorporated by reference as though fully set forth herein. The forms of tariff designed to implement the Stipulation and the Settlement Agreement are attached hereto as Exhibit 2-A (LG&E) and Exhibit 2-B (KU).

**ARTICLE III. Treatment of Certain Specific Issues.**

Section 3.1. The signatories hereto, including the AG, agree that, after the date hereof, orders approving cost recovery of LG&E's and KU's environmental projects pursuant to KRS 278.183 shall be based upon an 11.0% return on common equity until directed by order of the Commission that a different rate of return shall be utilized.

Section 3.2. The signatories hereto, including the AG, agree that all of LG&E's gas purification and gas storage loss expenses shall be recovered as part of its Gas Supply Clause mechanism.

Section 3.3. The signatories hereto, except the AG, agree that the depreciation rates of the Utilities shall remain the same as approved in the orders of December 3, 2001, in Case Nos. 2001-140 and 2001-141, until the approval by the Commission of new depreciation rates for the Utilities, for which the

Utilities shall seek approval by filings made in their next general rate cases or June 30, 2007, whichever occurs earlier. The Utilities' depreciation filings shall be based on plant in service as of a date no earlier than one (1) year prior to such filing. From and after the effective date hereof, the Utilities shall maintain their books and records so that net salvage amounts may be identified.

Section 3.4. The signatories hereto, including the AG, agree that all costs associated with KU's 1994 environmental compliance plan (the "1994 Plan") approved in Case No. 93-465 and LG&E's 1995 environmental compliance plan (the "1995 Plan") approved in Case No. 94-332 shall be recovered in the Utilities' base rates, taking into account the Utilities' overall rate of return, and will be removed from the Utilities' monthly environmental surcharge filings, all in accordance with the details of such recovery set forth on Exhibit 3 hereto.

Section 3.5. The signatories hereto, including the AG, agree that, unless the Commission has already modified or terminated the Value Delivery Team ("VDT") surcredits in a subsequent rate case, six (6) months prior to the expiration of the sixty (60) month period in which the VDT surcredits are in operation, the Utilities shall file with the Commission a plan for the future ratemaking treatment of the VDT surcredits, the shareholder savings, the amortization of VDT costs and all other VDT-related issues. The VDT surcredit tariffs shall remain in effect following the expiration of the sixtieth ($60^{th}$) month until the Commission enters an order on the future ratemaking treatment of all VDT-related issues.

Section *3.6.* The signatories hereto, including the AG, agree that LG&E shall establish a real time pricing ("RTP") pilot program for LG&E's electric customers. The tam of the program shall be three (3) years. In each year, up to fifty (50) customers under Rate R and up to fifty (50) customers under Rate GS shall qualify for the program. During the second year of the program, LG&E shall propose to the Commission detailed plans, terms and conditions for the inclusion of customers under Rate LP in the program, such inclusion to take place during the second year of the program. Rate LP customers shall be eligible for participation in the program during the second and third years of the program in accordance with the Commission's approval of LG&E's proposal for inclusion of Rate LP customers. The customer-specific costs shall be recovered through a facilities charge incorporated into the applicable customer charges during the first six *(6)* months of the RTP pilot program. After six (6) months, the Utilities shall evaluate the level of participation in the pilot program and consider modifymg the treatment of such customer-specific charges to encourage participation in the RTP pilot program. The non customer-specific costs of modifying LG&E's customer billing system to bill customers under the RTP pilot program will be recovered pursuant to the RTP pilot program through a charge per kWh billed to customers taking service under Rates R, GS and LP in the same manner as the Demand-Side

Management ("DSM) Cost Recovery Component of LG&E's DSM Cost Recovery Mechanism. After the end of the three year term, LG&E will evaluate the performance of the RTP pilot program for the following purposes, including, but not limited to: (i) to determine the impact of the pilot program on its affected customers; (ii) to determine the amount of revenue loss from the pilot program, if any; (iii) to evaluate customer acceptance of the real time pricing program and (iv) to evaluate the potential for implementing the RTP program as either a permanent demand-side management program or as a standard rate schedule. LG&E shall file a report with the Commission describing its findings within six months after the first three years of implementation of the RTP pilot program. The RTP pilot program shall remain in effect until the program is modified or terminated by order of the Commission.

Section 3.7. The signatories hereto, including the AG, agree that the notice period for an Operational Flow Order pursuant to LG&E's Rate FT shall be twenty-four (24) hours.

Section 3.8. The signatories hereto, including the AG, agree that the miscellaneous charges of the Utilities shall be approved as proposed by the Utilities in the rate proceedings, except as follows: (i) the Disconnect-Reconnect Charge for LG&E electric customers, LG&E gas customers and KU electric customers shall be $20.00; and (ii) the KU After-Hours Reconnect Charge shall be withdrawn.

Section 3.9. The signatories hereto, including the AG, agree that the following monthly customer charges shall be implemented: (i) LG&E electric residential customers, $5.00 per month; (ii) LG&E gas residential customers, $8.50 per month; (iii) KU residential customers, $5.00 per month; (iv) LG&E GS electric single phase, $10.00 per month; (v) LG&E GS electric three phase, $15.00 per month; (vi) KU GS primary, $10.00 per month; and (vii) KU GS secondary, $10.00 per month. All other customer charges shall be implemented as proposed by the Utilities in their Applications filed on December 29,2003 in the rate proceedings.

Section 3.10. The signatories hereto, including the AG, agree that, for both LG&E and KU, Rate GS shall be available to electric customers with connected loads up to 500 kW.

Section 3.11. The signatories hereto, including the AG, agree that LG&E shall withdraw its Standard Riders for Summer Air Conditioning Service for its gas operations, and that customers served thereunder shall take service under otherwise applicable rate schedules.

Section 3.12. The signatories hereto, including the AG, agree that LG&E shall not bill an additional customer charge to Rate GS customers formerly taking service under the Rider for Electric Space Heating Service under Rate GS.

Section 3.13. The signatories hereto, including the AG, agree that LG&E shall eliminate the seasonal rate structure for Rate RS and shall implement a non-seasonally differentiated rate structure for Rate RS. Nothing contained in this Section shall preclude the Utilities from making a future proposal for a seasonal rate structure.

Section 3.14. The signatories hereto, including the AG, agree that, in conjunction with the AG, KACA, CAC, MHNA, and POWER, the Utilities will file plans for program administration with the Commission for year-round Home Energy Assistance ("HEA") programs in both of their respective service territories based solely upon a ten-cent per residential meter per month charge (the "HEA charge") for a period of three years. The HEA charge will be collected in the same manner as the DSM Cost Recovery Component of the Utilities' DSM Cost Recovery mechanism. The HEA programs shall be operated by existing social service providers ("Providers") with experience operating low-income energy assistance programs, who shall be entitled to recover actual operating expenses not to exceed ten percent (10%) of total HEA funds collected.

The signatories hereto, including the AG, agree that each HEA program will be subject to an outside independent annual audit conducted by an independent certified public accountant, in accordance with the Providers' existing audit requirements. Each audit shall include a detailed accounting of all expenses associated with administration of the program, which shall be filed annually with the Commission.

The signatories hereto, including the AG, further agree that KU shall be permitted recovery of its one-time information technology implementation costs through its DSM mechanism.

Section 3.15. The signatories hereto, including the AG, agree that the HEA programs to be filed shall have a commencement date of October 1,2004. Approval of this Settlement Agreement by the Commission shall constitute approval of the HEA parameters as proposed herein, subject to further review by the Commission of additional programmatic details. No money shall be distributed to the Providers pursuant to the HEA programs, or allocated pursuant to such programs, until such time as the Commission has issued final approval of the programmatic details.

Section 3.16. Within ninety days of the conclusion of the second year of the program, the Providers shall file with the Commission comprehensive program assessments to insure that the programs are meeting their respective established goals. Based upon those filings, and public hearings, if any, relating thereto, the Commission will then determine whether the HEA programs shall continue beyond three years and, if so, whether any modifications should be made to those programs.

Section 3.17. The signatories hereto, including the AG, who are parties to the respective Franklin Circuit Court actions hereby agree that upon approval of this Settlement Agreement by the Commission, they will jointly move the Franklin Circuit Court for the entry of an order dismissing the pending HEA and Pay As You Go ("PAYG") appeals, Civil Action Nos. 02-CI-00991 and 03-CI-00634, respectively.

Section 3.18. The signatories hereto, including the AG, agree that LG&E will phase out its PAYG program by limiting the program to existing customers and by removing those meters from existing customers as requested. as meters fail, or as customers move off the system. However, LG&E reserves the right to completely terminate the program upon sixty days advance notice to the Commission. LG&E and KU further agree that they will not seek approval of new prepaid metering programs for a period of at least five years from the date hereof, and that, after five years, approval by the Commission will be a necessary prerequisite to operating any new prepaid metering program.

Section 3.19. The signatories hereto, including the AG, agree that OMU NOx expenditures of $1 million per year incurred by KU pursuant to its contract with Owensboro Municipal Utility shall be recovered in KU's Environmental Cost Recovery filings pursuant to KRS 278.183. Recovery of the foregoing costs shall begin in April 2005 based upon the February 2005 expense month for KU.

Section 3.20. The signatories hereto, including the AG, agree that LG&E and KU shall offer a Curtailable Service Rider ("CSR1") to current customers who meet the eligibility requirements set forth in the proposed CSR1 tariff on such terms and conditions as specified in the proposed tariff subject to the following terms and conditions: (1) the customers shall be subject to curtailment for 250 hours annually; (2) the amount of the credit shall be $3.20 per kW for primary voltage customers and $3.10 per kW for transmission voltage customers; (3) the customers shall be entitled to 20 minutes notice of curtailment; (4) current customers shall have the option of buying through the curtailment at the market rate as determined by LG&E/KU; *(5)* in the event a customer elects to buy through a curtailment, the customer shall be required to purchase all of the demand to be curtailed on an hourly basis: and *(6)* this curtailable service rider is available only to those customers who are covered by an existing curtailable service rider as of the execution of this Settlement Agreement.

Section 3.21. The signatories hereto, including the AG, agree that new customers not currently served by an existing CSR will be eligible to take curtailable service under a new CSR tariff (CSR2) as originally filed by the Companies in the rate proceedings, except such customers will be able to buy through a request for curtailment only after having been on the CSR2 service for three years with no failure to curtail when requested.

Section 3.22. The signatories hereto, including the AG, agree that NAS's electric arc furnace operations shall receive electric service pursuant to the LI-TOD tariff, effective April 1, 2004, except as otherwise noted and which shall provide that the LI-TOD tariff shall be the same as the Non-Conforming Load Service Tariff ("NCLS") as proposed in Case No. 2003-00396 with the following changes:

(1) non-conforming load service shall be changed throughout to read large industrial-time of day (LI-TOD);

(2) the rates to be applied shall be the same rates applicable to customers on the LCI-TOD tariff;

(3) the demand charge shall he calculated by multiplying the rate established above by demand measured as Peak Demand (KVA) measured in 15 minute intervals plus the difference between Peak Demand measured in 5 minute intervals less Peak Demand measured in 15 minute intervals (if a positive number) multiplied by 0.5 times the rate, expressed as DC = [D15 +(D5-D15)0.5]R.

(4) Under the section of the tariff entitled System Contingencies and Industry System Performance Criteria the following additions are agreed:

a. The third sentence thereof shall be amended to limit the number of interruptions per month to no more than twenty with no carry-over from month to month. Within sixty days of the end of the applicable hilling period, upon request, information and documentation necessary for customer to verify that interruptions were caused by system contingencies as defined herein will be made available to customer;

b. Customers under the LI-TOD tariff may contract to curtail service upon notification by Company on the same terms and conditions as exist under the Curtailable Service Rider for LCI-TOD customers except requests for curtailment by the Companies shall not exceed 200 hours in the first year the Customer contracts for service, effective April 1, 2004, and 100 hours in each continuously succeeding year. Requests for curtailment shall he limited to on-peak periods specified in the LCI-TOD tariff.

c. All other provisions of the curtailable service rider as proposed in this Settlement Agreement for customers on the LCI-TOD tariff shall apply except that Customer may not buy through a request for curtailment by virtue of the unusual nature of the load of the Large Industrial class of customers.

d. System contingencies shall be defined in the tariff as:

In order to facilitate Company compliance with system contingencies and with NERC/ECAR System Performance Criteria, Customer will permit the Company to install electronic equipment and associated real time metering to permit Company interruption up to 95% of the Customer's load under this tariff when the LG&E Energy LLC System ("LEC System") experiences an unplanned outage or de-rate of LEC System-owned or purchased generation, or when Automatic Reserve Sharing is invoked within the ECAR or an ISO/RTO. LEC System as used herein shall consist of Company and Louisville Gas and Electric Company. Such equipment will electronically notify customer five (5) minutes before the electronically initiated interruption that will begin immediately thereafter and last no longer than ten (10) minutes. The interruptions will not be accumulated and credited against the annual curtailment hours under this contract.

(5) Customers covered by the LI-TOD tariff as of April 1, 2004 shall have the option to contract for additional service for a period of not less

than five (5) years under the terms of the tariff by signing a contrzct for additional service by March 1, 2005 which commits service to begin, or to pay, demand charges as agreed in such contract no later than July 1, 2006 before the tariff is extended to other customers. If the option given to current customers herein is not exercised by the dates specified the option expires.

*(6)* The difference. if any, between the invoiced charges for electric service for the NAS electric arc furnace operations for the months of April, May, and June, 2004 actually paid by NAS and those charges ultimately billed as approved by the Commission shall be refunded to NAS as a billing credit going forward.

Section 3.23. The signatories hereto, including the AG, agree that, except as modified in this Settlement Agreement, the proposals of the Utilities in the rate proceedings shall be approved as filed.

**ARTICLE IV. Miscellaneous Provisions.**

Section 4.1. The signatories hereto, including the AG, agree that making this Settlement Agreement shall not be deemed in any respect to constitute an admission by any party hereto that any computation, formula, allegation, assertion or contention made by any other party in these proceedings is true or valid.

Section 4.2. The signatories hereto, including the AG, 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.

Section4.3. The signatories hereto, including the AG, agree that, following the execution of this Settlement Agreement, the signatories shall cause the Settlement Agreement to be filed with the Commission by May 11, 2004, together with a request to the Commission for consideration and approval of this Settlement Agreement.

Section 4.4. The signatories hereto, other than the Utilities and the AG, stipulate that they will withdraw the direct testimony of their witnesses in the rate proceedings. The signatories hereto, other than the AG, stipulate that they will not otherwise contest the Utilities' proposals in the rate proceedings regarding the subject matter of the Stipulation, and that they will refrain from cross-examination of the Utilities' witnesses during ihe rate proceedings, except insofar as such cross-examination is in support of the Stipulation.

Section 4.5. The signatories hereto, including the AG, agree that this Settlement Agreement is subject to the acceptance of and approval by the Public Service Commission. The signatones hereto, including the AG, further 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 4.6. The signatories hereto, including the AG, agree that, 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 hereto from further consideration by the Commission and none of the parties shall be bound by any of the provisions herein. provided that no party 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 signatones to this Settlement Agreement or be construed against any of the signatories.

Section 4.7. The signatories hereto, including the AG, agree that, should the Settlement Agreement be voided or vacated for any reason after the Commission has approved the Settlement Agreement, then the parties shall be returned to the ***status*** *quo* existing at the time immediately prior to the execution of this agreement.

Section **4.8.** The signatories hereto, including the AG, agree that this Settlement Agreement shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

Section4.9. The signatories hereto, including the AG, agree that this Settlement Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns.

Section 4.10. The signatories hereto, including the AG, agree that this Settlement Agreement constitutes the complete agreement and understanding among the parties hereto, 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 this Settlement Agreement.

Section 4.11. The signatories hereto, including the AG, agree that, for the purpose of this 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 4.12. The signatories hereto, including the AG, 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 4.13. The signatories hereto, including the AG, warrant that they have informed, advised, and consulted with the respective parties hereto 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 the parties hereto.

Section 4.14. The signatories hereto, including the AG, 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 **4.15.** The signatories hereto, including the AG, agree that this Settlement Agreement may be executed in multiple counterparts.

**IN WITNESS WHEREOF,** the parties hereto have hereunto affixed their signatures.

Louisville Gas and Electric Company
and Kentucky Utilities Company

HAVE SEEN AND AGREED:

By: Kendrick R. Riggs
Kendrick R. Riggs, Counsel

-and-

By: ______________________
Dorothy E. O'Brien. Counsel

Commonwealth of Kentucky, ex. rel. Gregory Stumbo, Attorney General, by and through the Office of Rate Intervention

HAVE SEEN AND AGREED:

By: ______________________

Elizabeth E. Blackford, Counsel

Kentucky Industrial Utility Customers, Inc.

HAVE SEEN AND AGREED:

By: ______________________

David F. Roehm, Counsel
Michael L. Kurtz, Counsel

Commonwealth of Kentucky,
Environmental and Public Protection Cabinet,
Division of Energy

HAVE SEEN AND AGREED:

By:______________________________
Iris Skidmore, Counsel

United States Department of Defense

HAVE SEEN AND AGREED:

By: Peter E. Nyre

for David A. McCormick, Counsel

The Kroger Co.

HAVE SEEN AND AGREED:

By:______________________________
David C. Brown, Counsel

Kentucky Association for Community Action, Inc.

**HAVE** SEEN AND AGREED:

By:____________________________

Joe F. Childers, Counsel

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

HAVE SEEN AND AGREED:

By: ______________________________
Joe F. Childers, Counsel

Metro Human Needs Alliance

HAVE SEEN AND AGREED:

By: ____________________
Lisa Kilkelly, Counsel

People Organized and Working for Energy Reform

HAVE SEEN AND AGREED:

By: Lisa Kilkelly

Lisa Kilkelly, Counsel

Lexington-Fayette Urban County Government

HAVE SEEN AND AGREED:

By. David J Barberie

David J. Barberie, Counsel

North American Stainless. L.P.

HAVE SEEN AND AGREED:

By: ______________________
Richard S. Taylor, Counsel

By: ______________________
Nathaniel K. Adams, Counsel

By: ______________________
Kimberly S. McCann, Counsel

Kentucky Utilities Company
Summary of Proposed Electric Rate Increase by Rate Class
For the 12 months Ended September 30, 2002

| | Adjusted Billings at Current Rates | Proposed Increase In Revenue Aa Filed | Percentage Increase | Settlement Increase | Percentage Increase | Increase as Percentage of Total |
|---|---|---|---|---|---|---|
| Residential | $ 252,910,745 | $ 24,185,323 | 9.56% | $ 20,193,976 | 7.98% | 43.763% |
| General Service | 66,269,093 | 5,792,730 | 8.74% | $ 4,933,172 | 7.44% | 10.691% |
| All Electric School Service Rate AES | 3,955,546 | | 0.00% | 294,587 | 7.45% | 0.638% |
| Combined Lighting & Power Service | 226,957,349 | 18,885,564 | 8.32% | 16,908,062 | 7.45% | 36.642% |
| Comm./Industrial Time-of-Day | 84,135,770 | 6,725,688 | 7.99% | 2,048,936 | 2.44% | 4.440% |
| Coal Mining Power Service | 8,542,207 | 725.107 | 8.49% | 638,188 | 7.47% | 1.383% |
| Large Mine Power Time-of-Day | 6,043,407 | 513.353 | 8.49% | 453,462 | 7.50% | 0.983% |
| Special Contract | 14,551,478 | (202,024) | -1.19% | (261.052) | -1.79% | -0.566% |
| Private Outdoor Lighting | 13,396,416 | 1,179,334 | 8.80% | 934,463 | 6.98% | 2.025% |
| TOTAL ULTIMATE CONSUMERS | 676,762,012 | 57,805,075 | 8.54% | 46,143,794 | 6.82% | 100.00% |
| Miscellaneous Service Revenue | 999,716 | 1,003,763 | | 408.443 | | |
| Rent from Electric Property | 1,957,235 | (556.373) | | (556,373) | | |
| TOTAL JURISDICTIONAL | 679,718,963 | 58,252,465 | 8.57% | 45,995,864 | 6.77% | |

KU Exhibit 1
Page 1 of 33

Kentucky Utilities Company
Summary of Proposed Increase
Based on Sales for the 12 Months Ended September 30.2003

| | Adjusted Billings at Current Rates | Increase | Percentage Increase |
|---|---|---|---|
| Residential Rate RS | $ 121,233,915 | $ 6,943,465 | |
| Full Electric Residential Service Rate FERS | 131,265,061 | 13.122.981 | |
| Comb. Off-Peak Water Heating Rate CWH - RS | 226.880 | 66.404 | |
| Comb. Off-Peak Water Heating Rate CWH - FERS | 184,889 | 61.127 | |
| Total Residential | 252.910,745 | 20.193.976 | 7.98% |
| General Service Rate GS - Secondary | 63,054,553 | 4,464,741 | |
| General Service Rate GS - Primary | 2,543,978 | 233.163 | |
| Comb. Off-Peak Water Heating Rate CWH - GS | 2.434 | 798 | |
| Electric Space Healing Rider - Rate 33 | 668.126 | 234,469 | |
| Total General Service | 66,269,093 | 4,933,172 | 7.44% |
| All Electric School Service Rate AES | 3,955,546 | 294,587 | 7.45% |
| Combined Lighting 8 Power Service Rate LP - Secondary | 155,582,998 | 12,488,035 | |
| Combined Lighting 8 Power Service Rate LP - Primary | 35,121,687 | 1.919.971 | |
| Combined Lighting 8 Power Service Rate LP - Transmission | 805.361 | 44,566 | |
| Water Pumping Service Rate M | 723,351 | 45,644 | |
| High Load Factor Rate HLF Primary | 22,475,293 | 1,496,550 | |
| High Load Factor Rate HLF Secondary | 12,248,660 | 913.296 | |
| Total Combined Lighting & Power Service | 228,957,349 | 16,908,062 | 7.45% |
| Large Comm./Industrial Time-of-Day Rate LCI-TOD Primary | 65,546,566 | 1,621,297 | |
| Large Comm./Industrial Time-of-Day Rate LCI-TOD Transmission | 18,589,204 | 427.638 | |
| Total Comm/Industrial Time-of-Day | 84,135,770 | 2,048,936 | 2.44% |
| Coal Mining Power Service Rate MP Transmission | 3,748,239 | 285.069 | |
| Coal Mining Power Service Rate MP Primary | 4,793,968 | 353.120 | |
| Total Coal Mining Power Service | 8,542,207 | 638.188 | 7.47% |
| Large Mine Power Time-of-Day Rate LMP-TOD Primary | 1,944,714 | 148.303 | |
| Large Mine Power Time-of-Day Rate LMP-TOD Transmission | 4 098.693 | 305,159 | |
| Total Large Mine Power Time-of-Day | 6,043 407 | 453,462 | 7.50% |
| Special Contract | 14,551,478 | (261,052) | -1.79% |
| Street Lighting Service Rate St. Lt. | 5,402,425 | 376,225 | |
| Decorative Street Lighting Service Rate Dec. St. Lt. | 807,559 | 56,815 | |
| Private Outdoor Lighting Service Rate P.O. Lt. | 6,293,269 | 438.616 | |
| Customer Outdoor Lighting Service Rate C. O. Lt. | 693,164 | 60.807 | |
| Total Private Outdoor Lighting | 13,396,416 | 934.463 | 6.98% |
| TOTAL ULTIMATE CONSUMERS | $ 676,762,012 | $ 46,143,794 | 6.82% |
| Miscellaneous Service Revenue | 999.716 | 408.443 | |
| Rent from Electric Property | 1,957,235 | (556.373) | |
| TOTAL JURISDICTIONAL | 679,718,963 | 45,995,864 | 6.77% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBEF 30.2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| RS - Rate Codes 010,050 | | | | | | |
| Customer Charges '(a) | 2,708,953 | | $ 2.82 | $ 7,639,247 | $ 5.00 | $ 13,544,765 |
| First 100 KWH | | 260,463,182 | $ 0.05017 | 13,067,438 | $ 0.04404 | 11,470,799 |
| Next 300 KWH | | 718,054,152 | $ 0.04572 | 32,829,436 | $ 0.04404 | 31,623,105 |
| Next 600 KWH | | 913,350,525 | $ 0.04172 | 38,104,984 | $ 0.04404 | 40,223,957 |
| Excess KWH | | 752,270,308 | $ 0.04172 | 31,384,717 | $ 0.04404 | 33,129,984 |
| Sub-Total | | 2,644,138,167 | | $ 115,386,575 | | $ 116,447,845 |
| Total Calculated at Base Rates | | | | $ 123,025,822 | | $ 129.992.610 |
| Correction Factor | | | | 0.999957 | | 0.999957 |
| Total After Application of Correction Factor | | | | $ 123,031,152 | | $ 129,998,242 |
| Fuel Clause Billings - proforma for rollin | | | | 1,946,159 | | 1,946,159 |
| Merger Surcredit | | | | (2,974,607) | | (2,974,607) |
| Value Delivery Surcredit | | | | (367,155) | | (367,155) |
| VDT Amortization & Surcredit Adjustment | | | | 15,547 | | 15,547 |
| Adjustment to Reflect Year-End Customers | | | | (417,181) | | (440.805) |
| Total Rate RS | | | | $ 121,233,915 | | $ 128,177,380 |
| Proposed Increase | | | | | | 6,943,465 |
| Percentage Increase | | | | | | 5.73% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| CWH -Rate Code 120, RS | | | | | | |
| Customer Charges '(a) | 51,243 | | $ 1.03 | $ 52,780 | | $ |
| First 100 KWH | | 4,042,164 | $ 0.02665 | 107,724 | $ 0.04404 | 178,017 |
| Next 300 KWH | | 2,852,289 | $ 0.02665 | 76,013 | $ 0.04404 | 125,615 |
| Next 600 KWH | | 193,230 | $ 0.02665 | 5,150 | $ 0.04404 | 8,510 |
| Excess KWH | | 0 | $ 0.02665 | | $ 0.04404 | |
| Subtotal | | 7,087,683 | | $ 188,887 | | $ 312,142 |
| Total Calculated at Base Rates | | | | $ 241,667 | | $ 312,142 |
| Correction Factor | | | | 0.999750 | | 0.999750 |
| Total After Application of Correction Factor | | | | $ 241,727 | | $ 312,220 |
| Fuel Clause Billings- proforma for rollin | | | | 5,535 | | 5,535 |
| Merger Surcredit | | | | (5,712) | | (5,712) |
| Value Delivery Surcredit | | | | (679) | | (679) |
| VDT Amortization & Surcredit Adjustment | | | | 29 | | 29' |
| Adjustment to Reflect Year-End Customers | | | | (14,020) | | (18,108) |
| Total Rate CWH / RS | | | | $ 226,880 | | $ 293,284 |
| Proposed Increase | | | | | | 66,404 |
| Percentage Increase | | | | | | 29.27% |

KENTUCKY UTILITIES COMPANY
CALCULATIONOF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| FERS - Rate Codes 020,060,080 | | | | | | |
| Customer Charges "(a) | 1,983,477 | | $ 3.85 | $ 7,636,386 | $ 5.00 | $ 9,917,385 |
| First 1,000 KWH | | 1,686,402,755 | $ 0.04229 | 71,317,973 | $ 0.04404 | 74,269,177 |
| Excess KWH | | 1,358,217,822 | $ 0.03836 | 52,101,236 | $ 0.04404 | 59,815,913 |
| Sub-Total | | 3,044,620,577 | | $ 123,419,208 | | $ 134,085,090 |
| Total Calculated at Base Rates | | | | $ 131,055,595 | | $ 144,002,475 |
| Correction Factor | | | | 0.999917 | | 0.999917 |
| Total After Application of Correction Factor | | | | $ 131,066,473 | | $ 144,014,428 |
| Fuel Clause Billings- proforma for rollin | | | | 1,905,058 | | 1,905,058 |
| Merger Surcredit | | | | (3,110,470) | | (3,110,470) |
| Value Delivery Surcredit | | | | (383,963) | | (383,963) |
| VDT Amortization & Surcredit Adjustment | | | | 16,258 | | 16,258' |
| Adjustment to Reflect Year-End Customers | | | | 1,771,704 | | 1,946,729 |
| Total Rate FERS | | | | $ 131,285,061 | | $ 144,386,041 |
| Proposed Increase | | | | | | 13.1 22,981 |
| Percentage Increase | | | | | | 10.00% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| CWH -Rate Codes 122 FERS | | | | | | |
| Customer Charges "(a) | 36,730 | | $ 1.03 | $ 37.832 | $ - | $ - |
| First 1,000 KWH | | 5,846,032 | $ 0.02665 | 155,797 | $ 0.04404 | 257,459 |
| Excess KWH | | 0 | $ 0.02665 | | $ 0.04404 | |
| Sub-Total | | 5,846,032 | | $ 155,797 | | $ 257,459 |
| Total Calculated at Base Rates | | | | $ 193.629 | | $ 257,459 |
| Correction Factor | | | | 0.999892 | | 0.999892 |
| Total After Application of Correction Factor | | | | $ 193,650 | | $ 257,487 |
| Fuel Clause Billings - proforma for rollin | | | | 4,573 | | 4,573 |
| Merger Surcredit | | | | (4,584) | | (4,584) |
| Value Delivery Surcredit | | | | (550) | | (550) |
| VDT Amortization & Surcredit Adjustment | | | | 23 | | 23 |
| Adjustment to Reflect Year-End Customers | | | | (8,223) | | (10,934) |
| Total Rate CWH / FERS | | | | $ 104,009 | | $ 246,016 |
| Proposed increase | | | | | | 61,127 |
| Percentage Increase | | | | | | 33.06% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| **GSS** - Rate Codes 110, 113, 150, 153, 710 | | | | | | |
| Customer Charges '(a) | 822,782 | | $ 4.11 | $ 3,381,634 | $ 10.00 | $ 8,227,820 |
| First 500 KWH | | 250,675,964 | $ 0.06443 | 16,151,052 | $ 0.05327 | 13,353,509 |
| Next 1,500 KWH | | 340,305,160 | $ 0.05332 | 18,145,071 | $ 0.05327 | 18,128,056 |
| Excess KWH | | 514,894,841 | $ 0.04870 | 25,075,379 | $ 0.05327 | 27,428,448 |
| Sub-Total | | 1,105,875,966 | | $ 59,371,502 | | $ 58,910,013 |
| Total Calculated at Bare Rates | | | | $ 62,753,136 | | $ 67,137,833 |
| Correction Factor | | | | 0.994771 | | 0.994771 |
| Total After Application of Correction Factor | | | | $ 63,083,006 | | $ 67,490,751 |
| Fuel Clause Billings - proforma for rollin | | | | 831,532 | | 831,532 |
| Merger Surcredit | | | | (1,498,838) | | (1,498,838) |
| Value Delivery Surcredit | | | | (184,691) | | (184,691) |
| VDT Amortization & Surcredit Adjustment | | | | 7,821 | | 7,821 |
| Adjustment to Reflect Year-End Customers | | | | 815,724 | | 872,720 |
| Total Rate **GS** Secondary | | | | $ 63,054,553 | | $ 67,519,294 |
| Proposed Increase | | | | | | 4,464,741 |
| Percentage Increase | | | | | | 7.08% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| **GSP - Rate Codes 111, 151** | | | | | | |
| Customer Charges "(a) | 1,127 | | $ 4.11 | $ 4,632 | $ 10.00 | $ 11,270 |
| First 500 KWH | | 461,154 | $ 0.06443 | 29,712 | $ 0.05327 | 24,566 |
| Next 1,500 KWH | | 1,168,955 | $ 0.05332 | 62,329 | $ 0.05327 | 62,270 |
| Excess KWH | | 50,497,087 | $ 0.04870 | 2,459,208 | $ 0.05327 | 2,689,980 |
| Sub-Total | | 52,127,196 | | $ 2,551,249 | | $ 2,776,816 |
| Primary Service Discounts | | | | (142,440) | | (155,381) |
| Minimum Billings | | | | 156,810 | | 171,057 |
| Total Calculated at Base Rates | | | | $ 2,570,251 | | $ 2,803,762 |
| Correction Factor | | | | 1.001490 | | 1.001490 |
| Total After Application of Correction Factor | | | | $ 2,566,427 | | $ 2,799,590 |
| Fuel Clause Billings - proforma for rollin | | | | 45,451 | | 45,451 |
| Merger Surcredit | | | | (61,024) | | (61,024) |
| Value Delivery Surcredit | | | | (7,181) | | (7,181) |
| VDT Amortization & Surcredit Adjustment | | | | 304 | | 304 |
| Adjustment to Reflect Year-End Customers | | | | - | | |
| Total Rate GS Primary | | | | $ **2,543,978** | | $ 2,777,141 |
| Proposed Increase | | | | | | **233,163** |
| Percentage Increase | | | | | | 9.17% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| CWH - Rate Codes 126 GS | | | | | | |
| Customer Charges '(a) | 901 | | $ 1.03 | $ 928 | | $ |
| First 500 KWH | | 68,163 | $ 0.02665 | 1,817 | $ 0.05327 | 3,631 |
| Next 1,500KWH | | 342 | $ 0.02665 | 9 | $ 0.05327 | 18 |
| Excess KWH | | 0 | $ 0.02665 | | $ 0.05327 | |
| Sub-Total | | 66,505 | | $ 1,826 | | $ 3,649 |
| Total Calculated at Base Rates | | | | $ 2,754 | | $ 3,649 |
| Correction Factor | | | | 1.000019 | | 1.000019 |
| Total After Application of Correction Factor | | | | $ 2,754 | | $ 3,649 |
| Fuel Clause Billings - proforma for rollin | | | | 51 | | 51 |
| Merger Surcredit | | | | (64) | | (64) |
| Value Delivery Surcredit | | | | (7) | | (7) |
| VDT Amortization & Surcredit Adjustment | | | | 0 | | 0 |
| Adjustment to Reflect Year-End Customers | | | | (299) | | (396) |
| Total Rate CWH / GS | | | | $ 2,434 | | $ 3,233 |
| Proposed Increase | | | | | | 798 |
| Percentage Increase | | | | | | 32.79% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| 33 - Rate Code 330 GS | | | | | | |
| Customer Charges *(a) | 11,530 | | $ - | $ | $ - | $ |
| First 500 KWH | | 3,040,894 | $ 0.03926 | 119,385 | $ 0.05327 | 161,988 |
| Next 1,500KWH | | 4,522,308 | $ 0.03926 | 177,546 | $ 0.05327 | 240,903 |
| Excess KWH | | 9,709,702 | $ 0.03926 | 381,203 | $ 0.05327 | 517,236 |
| Sub-Total | | 17,272,904 | | $ 678,134 | | $ 920,128 |
| Minimum Billings | | | | 23,562 | | 23,562 |
| Total Calculated at Base Rates | | | | $ 701,696 | | $ 943,690 |
| Correction Factor | | | | 1.002812 | | 1.002812 |
| Total After Application of Correction Factor | | | | $ 699,728 | | $ 941,043 |
| Fuel Clause Billings - proforma for rollin | | | | 6,006 | | 6,006 |
| Merger Surcredit | | | | (15,915) | | (15,915) |
| Value Delivery Surcredit | | | | (1,924) | | (1,924) |
| VDT Amortization & Surcredit Adjustment | | | | 81 | | 81 |
| Adjustment to Reflect Year-End Customers | | | | (19,849) | | (26,694) |
| Total Rate 33 | | | | $ 668,128 | | $ 902,598 |
| Proposed Increase | | | | | | 234,469 |
| Percentage Increase | | | | | | 35.09% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills / KW | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| LPS/AES -Rate Coda 220 | | | | | | |
| Number of Customers | 3.474 | | | | | |
| Demand | 367,906 | | $ - | $ | $ - | $ |
| First 500,000 KWH | | 100,707,601 | $ 0.03936 | 3,963,851 | $ 0.04227 | 4,256,910 |
| Next 1,500,000 KWH | | 0 | $ 0.03936 | | $ 0.04227 | |
| Excess KWH | | 0 | $ 0.03936 | | $ 0.04227 | |
| Sub-Total | | 100,707,601 | | $ 3,963,851 | | $ 4,256,910 |
| Minimum Billings | | | | 6,022 | | 6,022 |
| Total Calculated at Base Rates | | | | $ 3.969.873 | | 5 4,262,932 |
| Correction Factor | | | | 0.994813 | | 0.994813 |
| Total After Application of Correction Factor | | | | $ 3,990,570 | | $ 4,285,158 |
| Fuel Clause Billings - proforma for rollin | | | | 70,235 | | 70,235 |
| Merger Surcredit | | | | (94,157) | | (94,157) |
| Value Delivery Surcredit | | | | (11,594) | | (11,594) |
| VDT Amortization & Surcredit Adjustment | | | | 491 | | 491 |
| Adjustment to Reflect Year-End Customers | | | | | | |
| Total Rate AES | | | | $ 3,955,546 | | $ 4,250,133 |
| Proposed Increase | | | | | | 294,587 |
| Percentage Increase | | | | | | 7.45% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills / KW | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| **LPS-Rate Codes 562,568** | | | | | | |
| Number of Customers | 154,715 | | | | $ 75.00 | $ 11,603,625 |
| Demand | 10,678,854 | | $ 4.11 | $ 43,890,092 | $ 6.65 | 71,014,382 |
| Minimum Annual Charges | | | | 136,444 | | 220,767 |
| First 500,000 KWH | | 3,874,329,937 | $ 0.02872 | 111,270,756 | $ 0.02200 | 85,235,259 |
| Next 1,500,000 KWH | | 61,080,231 | $ 0.02633 | 1,608,242 | $ 0.02200 | 1,343,765 |
| Excess KWH | | 0 | $ 0.02504 | | $ 0.02200 | |
| Sub-Total | | 3,935,410,168 | | $ 112,878,998 | | $ 86,579,024 |
| Total Calculated at Base Rates | | | | $ 156,905,534 | | $ 169,417,797 |
| Correction Factor | | | | 0.998130 | | 0.998130 |
| Total After Application of Correction Factor | | | | $ 157,199,484 | | $ 169,735,188 |
| Fuel Clause Billings - proforma for rollin | | | | 3,170,805 | | 3,170,805 |
| Merger Surcredit | | | | (3,748,979) | | (3,748,979) |
| Value Delivery Surcredit | | | | (460,016) | | (460,016) |
| VDT Amortization & Surcredit Adjustment | | | | 19,479 | | 19,479 |
| Adjustment to Reflect Year-End Customers | | | | (597,774) | | (645,443) |
| Total Rate LP Secondary | | | | **$ 155,582,998** | | **$ 168,071,034** |
| Proposed Increase | | | | | | **12,488,035** |
| Percentage Increase | | | | | | 8.03% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003

| (1) | (2) Bills/ KW | (3) Total KWH | (4) Present Rates | (5) Calculated Revenue @ Present Rates (see Exhibit 9) | (6) Settlement Rates | (7) Calculated Revenue @ Proposed Rates |
|---|---|---|---|---|---|---|
| **LPP - Rate Codes 561,566** | | | | | | |
| Number of Customers | 3,656 | | | | $ 75.00 | $ 274,200 |
| Demand | 2,381,439 | | $ 3.13 | $ 7,453,905 | $ 6.26 | 14,907,810 |
| CSR Credits | 43,289 | | $ (3.20) | (138,526) | $ (3.20) | (138,526) |
| CSR Penalties | | | | 2,411 | | 2,411 |
| First 500,000 KWH | | 639,927,383 | $ 0.02872 | 18,378,714 | $ 0.02200 | 14,078,402 |
| Next 1,500,000 KWH | | 331,775,188 | $ 0.02633 | 8,735,641 | $ 0.02200 | 7,299,054 |
| Excess KWH | | 26,286,146 | $ 0.02504 | 658,205 | $ 0.02200 | 578,295 |
| Sub-Total | | 997,988,716 | | $ 27,772,560 | | $ 21,955,752 |
| Total Calculated at Base Rates | | | | $ 35,090,351 | | $ 37,001,647 |
| Correction Factor | | | | 0.998820 | | 0.998820 |
| Total After Application of Correction Factor | | | | $ 35,131,814 | | $ 37,045,369 |
| Fuel Clause Billings - proforma for rollin | | | | 814,739 | | 814,739 |
| Merger Surcredit | | | | (843,553) | | (843,553) |
| Value Delivery Surcredit | | | | (103,491) | | (103,491) |
| VDT Amortization & Surcredit Adjustment | | | | 4,382 | | 4,382 |
| Adjustment to Reflect Year-End Customers | | | | 117,795 | | 124,211 |
| Total Rate LP Primary | | | | $ 35,121,687 | | $ 37,041,656 |
| Proposed Increase | | | | | | 1,919,971 |
| Percentage Increase | | | | | | 5.47% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills / KW | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| LPT - Rate Codes 560,567 | | | | | | |
| Number of Customers | 27 | | | | $ 75.00 | $ 2,025 |
| Demand | 36.408 | | $ 2.97 | $ 108.133 | $ 5.92 | 215,538 |
| Minimum Annual Charges | | | | 1,522 | | 3,034 |
| First 500,000 KWH | | 6,109,950 | $ 0.02872 | 175,478 | $ 0.02200 | 134,419 |
| Next 1.500.000 KWH | | 9,366,902 | $ 0.02633 | 246,631 | $ 0.02200 | 206,072 |
| Excess KWH | | 0 | $ 0.02504 | | $ 0.02200 | |
| Sub-Total | | 15,476,852 | | $ 422,108 | | $ 340,491 |
| Total Calculated at Base Rates | | | | $ 531,763 | | $ 561.087 |
| Correction Factor | | | | 0.993946 | | 0.993946 |
| Total Afler Application of Correction Factor | | | | $ 535,002 | | $ 564,505 |
| Fuel Clause Billings - proforma for rollin | | | | 11,436 | | 11,436 |
| Merger Surcredit | | | | (12,742)' | | (12,742) |
| Value Delivery Surcredit | | | | (1,567) | | (1,567) |
| VDT Amortization & Surcredit Adjustment | | | | 66' | | 66 |
| Adjustment to Reflect Year-End Customers | | | | 273,166 | | 288,230 |
| Total Rate LP Transmission | | | | $ 805,361 | | $ 849,927 |
| Proposed Increase | | | | | | 44,566 |
| Percentage Increase | | | | | | 5.53% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills / KW | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| LCIP - Rate Code 563 | | | | | | |
| Number of Customers | 315 | | | | $ 120.00 | $ 37.800 |
| On-Peak Demand | 4,068,204 | | $ 4.14 | $ 16,842,364 | $ 4.58 | 18,632,374 |
| Off-Peak Demand | 3,969,563 | | $ 0.73 | $ 2,897,781 | $ 0.73 | 2,897,781 |
| CSR Credits | 64.834 | | $ (3.20) | $ (207,469) | $ (3.20) | (207,469) |
| Penalties | | | | 21,553 | | 21,553 |
| Energy | | 2,080374,735 | $ 0.02210 | 45,987,332 | $ 0.02200 | 45,779,244 |
| Total Calculated at Base Rates | | | | $ 65,541,561 | | $ 67,161,283 |
| Correction Factor | | | | 0.999029 | | 0.999029 |
| Total After Application of Correction Factor | | | | $ 65,605,294 | | $ 67,226,592 |
| Fuel Clause Billings - proforma for rollin | | | | 1,698,726 | | 1,698,726 |
| Merger Surcredit | | | | (1,573,353) | | (1,573,353) |
| Value Delivery Surcredit | | | | (192,241) | | (192,241) |
| VDT Amortization & Surcredit Adjustment | | | | 8,140 | | 8,140 |
| Adjustment to Reflect Year-End Customers | | | | | | |
| Total Rate LCI Primary | | | | $ 65,546,566 | | $ 67,167,863 |
| Proposed Increase | | | | | | 1,621,297 |
| Percentage increase | | | | | | 2.47% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
EASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills / KW | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| **LCIT - Rate Code 564** | | | | | | |
| Number of Customers | 48 | | | | $ 120.00 | $ 5,760 |
| On-Peak Demand | 1,099,952 | | $ 3.95 | $ 4,344,810 | $ 4.39 | 4,828,789 |
| Off-Peak Demand | 1,092,494 | | $ 0.73 | 797.521 | $ 0.73 | 797,521 |
| CSR Credits | 122.014 | | $ (3.10) | (378,243) | $ (3.10) | (378,243) |
| Penalties | | | | 76,807 | | 76,807 |
| Energy | | 621,047,926 | $ 0.02210 | 13,725,159 | $ 0.02200 | 13,663,054 |
| Total Calculated at Base Rates | | | | $ 18,566,054 | | $ 18,993,688 |
| Correction Factor | | | | 0.999990 | | 0.999990 |
| Total After Application of Correction Factor | | | | $ 18,566,238 | | $ 18,993,876 |
| Fuel Clause Billings - proforma for rollin | | | | 526,690 | | 526,690 |
| Merger Surcredit | | | | (450,942) | | (450,942) |
| Value Delivery Surcredit | | | | (55,117) | | (55,117) |
| VDT Amortization & Surcredit Adjustment | | | | 2,334 | | 2,334 |
| Adjustment to Reflect Year-End Customers | | | | | | |
| Total Rate LCI Transmission | | | | $ 18,589,204 | | $ 19,016,842 |
| Proposed Increase | | | | | | 427,630 |
| Percentage Increase | | | | | | 2.30% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills / KW | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| HLFP - Rate Code 571 | | | | | | |
| Number of Customers | 529 | | | | $ 75.00 | $ 39,675 |
| Demand | 1,345,913 | | $ 4.79 | $ 6,446,922 | $ 6.26 | 8,425,414 |
| Energy | | 723,323,088 | $ 0.02270 | 16,419,434 | $ 0.02200 | 15,913.108 |
| Minimum Billings | | | | 38,375 | | 50,151 |
| Total Calculated at Base Rates | | | | $ 22,904,731 | | $ 24,428,349 |
| Correction Factor | | | | 0.994328 | | 0.994328 |
| Total After Application of Correction Factor | | | | $ 23,035,385 | | $ 24,567,694 |
| Fuel Clause Billings - proforma for rollin | | | | 591,757 | | 591,757 |
| Merger Surcredit | | | | (550,321) | | (550,321) |
| Value Delivery Surcredit | | | | (66,795) | | (66,795) |
| VDT Amortization & Surcredit Adjustment | | | | 2,828 | | 2,828 |
| Adjustment to Reflect Year-End Customers | | | | (537,561) | | (573,319) |
| Total Rate HLF Primary | | | | $ 22,475,293 | | $ 23,971,843 |
| Proposed Increase | | | | | | 1,496,550 |
| Percentage Increase | | | | | | 6.66% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills / KW | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| HLFS - Rate Code 572 | | | | | | |
| Number of Customers | 494 | | | | $ 75.00 | $ 37,050 |
| Demand | 705,460 | | $ 5.13 | $ 3,619,007 | $ 6.65 | 4,691,306 |
| Energy | | 370,430,550 | $ 0.02270 | 8,408,773 | $ 0.02200 | 8,149,472 |
| Minimum Billings | | | | 203,871 | | 264,277 |
| Total Calculated at Base Rates | | | | $ 12,231,651 | | 5 13,142,105 |
| Correction Factor | | | | 0.996888 | | 0.996888 |
| Total After Application of Correction Factor | | | | $ 12,269,841 | | $ 13,183,137 |
| Fuel Clause Billings - proforma for rollin | | | | 305,857 | | 305,857 |
| Merger Surcredit | | | | (292,805) | | (292,805) |
| Value Delivery Surcredit | | | | (35,747) | | (35,747) |
| VDT Amortization & Surcredit Adjustment | | | | 1,514, | | 1,514 |
| Adjustment to Reflect Year-End Customers | | | | | | - |
| Total Rate HLF Secondary | | | | 5 12,248,660 | | $ 13,161,955 |
| Proposed Increase | | | | | | 913.296 |
| Percentage Increase | | | | | | 7.46% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30.2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills / KW | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| Rate M - Rate Code 650 | | | | | | |
| Customer Charges '(a) | 1,151 | | $ 10.27 | $ 11,821 | $ 75.00 | $ 86,325 |
| Demand Charges | 46,351.6 | | $ - | $ | $ 6.65 | $ 308,238 |
| First 10,000 KWH | | 6.1 36,374 | $ 0.04631 | 284.175 | $ 0.02200 | 135,000 |
| Excess KWH | | 10,959,266 | $ 0.03917 | 429,274 | $ 0.02200 | 241,104 |
| Sub-Total | | 17,095,640 | | $ 713,450 | | $ 376,104 |
| Total Calculated at Base Rates | | | | $ 725,271 | | $ 770,667 |
| Correction Factor | | | | 0.994581 | | 0.994581 |
| Total After Application of correction Factor | | | | $ 729,223 | | $ 774,866 |
| Fuel Clause Billings - proforma for rollin | | | | 13,459 | | 13,459 |
| Merger Surcredit | | | | (17,302) | | (17,302) |
| Value Delivery Surcredit | | | | (2,118) | | (2,118) |
| VDT Amortization & Surcredit Adjustment | | | | 90' | | 90 |
| Adjustment to Reflect Year-End Customers | | | | | | |
| Total Rate M Water Pumping | | | | $ 723,351 | | $ 768,995 |
| Proposed Increase | | | | | | 45,644 |
| Percentage Increase | | | | | | 6.31% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
EASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills / KW | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| **MPT - Rate Codes 680,687** | | | | | | |
| Number of Customers | 183 | | | | $ 75.00 | $ 13,725 |
| Demand | 335,459 | | $ 2.67 | $ 895.675 | $ 4.57 | 1,533,046 |
| First 500,000 KWH | | 55,158,510 | $ 0.02881 | 1,589.117 | $ 0.02400 | 1,323,804 |
| Excess KWH | | 59,532,090 | $ 0.02540 | 1,512,115 | $ 0.02400 | 1,428,770 |
| Sub-Total | | 114,690,600 | | $ 3,101,232 | | $ 2,752.574 |
| Total Calculated at Base Rates | | | | $ 3,996,906 | | $ 4,299,346 |
| Correction Factor | | | | 0.988697 | | 0.988697 |
| Total After Application of Correction Factor | | | | $ 4,042,601 | | $ 4,348,498 |
| Fuel Clause Billings - proforma for rollin | | | | 87.711 | | 87,711 |
| Merger Surcredit | | | | (95,856) | | (95,656) |
| Value Delivery Surcredit | | | | (11,653) | | (11,653) |
| VDT Amortization & Surcredit Adjustment | | | | 493 | | 493 |
| Adjustment to Reflect Year-End Customers | | | | (275,257) | | (296,085) |
| Total Rate MP Transmission | | | | $ 3,746,239 | | $ 4,033,308 |
| Proposed Increase | | | | | | 285,069 |
| Percentage Increase | | | | | | 7.61 % |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30.2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills / KW | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| MPP - Rate Codes 681,686 | | | | | | |
| Number of Customers | 261 | | | | $ 75.00 | $ 19,575 |
| Demand | 473.781 | | $ 3.01 | $ 1,428,082 | $ 4.69 | 2,222,034 |
| First 500,000 KWH | | 89,036,933 | $ 0.02881 | 2,565,154 | $ 0.02400 | 2,136,886 |
| Excess KWH | | 38,740,167 | $ 0.02540 | 984,000 | $ 0.02400 | 929,764 |
| Sub-Total | | 127,777,100 | | $ 3,549,154 | | $ 3,086,650 |
| Minimum Annual Charges | | | | 64,223 | | 100,068 |
| Total Calculated at Base Rates | | | | $ 5,039,459 | | $ 5,408,328 |
| Correction Factor | | | | 0.996149 | | 0.996149 |
| Total After Application of Correction Factor | | | | $ 5,058,939 | | $ 5,429,234 |
| Fuel Clause Billings - proforma for rollin | | | | 103.480 | | 103,480 |
| Merger Surcredit | | | | (119,812) | | (119.8121 |
| Value Delivery Surcredit | | | | (14,613) | | (14,813) |
| VDT Amortization & Surcredit Adjustment | | | | 619' | | 619 |
| Adjustment to Reflect Year-End Customers | | | | (234,645) | | (251,820) |
| Total Rate MP Primary | | | | $ 4,793,968 | | $ 5,147,088 |
| Proposed Increase | | | | | | 353,120 |
| Percentage Increase | | | | | | 7.37% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30.2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills / KW | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement 'Rates | Calculated Revenue @ Proposed Rates |
| LMPP - Rate Code 683 | | | | | | |
| Number of Customers | 25 | | | | $ 120.00 | $ 3,000 |
| On-Peak Demand | 160,687 | | $ 4.14 | $ 665,243 | $ 5.39 | 866,102 |
| Off-Peak Demand | 160,665 | | $ 0.73 | 117,266 | $ 0.73 | 117,286 |
| Energy | | 56,287,872 | $ 0.02094 | 1,178,668 | $ 0.02000 | 1,125,757 |
| Minimum Annual Billings | | | | (8,760) | | (11,405) |
| Total Calculated at Base Rates | | | | $ 1,952,437 | | $ 2,100,740 |
| Correction Factor | | | | 1.000000 | | 1.000000 |
| Total After Application of Correction Factor | | | | $ 1,952,437 | | $ 2,100,740 |
| Fuel Clause Billings - proforma for rollin | | | | 43.817 | | 43,817 |
| Merger Surcredit | | | | (46,196) | | (46,196) |
| Value Delivery Surcredit | | | | (5,581) | | (5,581) |
| VDT Amortization & Surcredit Adjustment | | | | 236 | | 236 |
| Adjustment to Reflect Year-End Customers | | | | | | |
| Total Rate LMP Primary | | | | $ 1,944,714 | | $ 2,093,017 |
| Proposed Increase | | | | | | 148,303 |
| Percentage Increase | | | | | | 7.63% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills / KW | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| LMPT - Rate Code 664 | | | | | | |
| Number of Customers | 82 | | | | $ 120.00 | $ 9,840 |
| On-Peak Demand | 400,744 | | $ 3.80 | $ 1,522,827 | $ 4.85 | 1,943,608 |
| Off-Peak Demand | 381,990 | | $ 0.73 | 278,853 | $ 0.73 | 278,853 |
| Energy | | 135,342,000 | $ 0.02094 | 2,834,061 | $ 0.02000 | 2,706,840 |
| Minimum Annual Billings | | | | 197,968 | | 252,670 |
| Total Calculated at Base Rates | | | | $ 4,833,710 | | $ 5,191,811 |
| Correction Factor | | | | 1.002250 | | 1.002250 |
| Total Afler Application of Correction Factor | | | | $ 4,822,860 | | $ 5,180,158 |
| Fuel Clause Billings - proforma for rollin | | | | 106,921 | | 106,921 |
| Merger Surcredit | | | | (114,208) | | (114,208) |
| Value Delivery Surcredit | | | | (13,680) | | (13,680) |
| VDT Amortization & Surcredit Adjustment | | | | 579' | | 579 |
| Adjustment to Reflect Year-End Customers | | | | (703,778) | | (755,917) |
| Total Rate LMP Transmission | | | | $ 4,098,693 | | $ 4,403,852 |
| Proposed Increase | | | | | | 305,159 |
| Percentage Increase | | | | | | 7.45% |
| Total LMP | | | | $ 6,043,407 | | $ 6,496,869 |
| Proposed Increase | | | | | | 453.462 |
| Percentage Increase | | | | | | 7.50% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills / KW | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| Special Contract - Rate Code 720 | | | | | | |
| Non-Interruptible Demand | 408,840 | | $ 3.89 | $ 1,590,387 | $ 3.98 | $ 1,627,182 |
| Interruptible Demand | | | $ 1.86 | | $ 1.95 | |
| Energy | | 256,027,222 | $ 0.02148 | 5,499,465 | $ 0.02200 | 5,632,599 |
| Total Calculated at Base Rates | | | | $ 7,089,852 | | $ 7,259,781 |
| Correction Factor | | | | 1.000241 | | 1.000241 |
| Total After Application of Correction Factor | | | | $ 7,088,146 | | $ 7,258,034 |
| Fuel Clause Billings - proforma for rollin | | | | 206.387 | | 206.387 |
| Merger Surcredit | | | | (170,246) | | (170,246) |
| Value Delivery Surcredit | | | | (20,695) | | (20,695) |
| VDT Amortization & Surcredit Adjustment | | | | 876 | | 876 |
| Adjustment to Reflect Year-End Customers | | | | | | |
| Total WestVaCo Special Contract | | | | $ 7,104,468 | | $ 7,274,357 |
| Proposed Increase | | | | | | 169,889 |
| Percentage increase | | | | | | 2.39% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills / KVA KW | Total KWH | Present Rates | Calculated Revenue @ Present NCL Rate (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| Special Contract Billing Code 723,724,725,726 | | | | | | |
| Non-Interruptible/On-Peak Deme | 962,182 | | $ 5.58 | $ 5,368,976 | $ 4.39 | $ 4,223,979 |
| Interruptible/Off-Peak Demand | 987,308 | | $ 1.03 | $ 1,016,927 | $ 0.73 | $ 720,735 |
| CSR Credit | 887,629 | | $ (3.10) | $ (2,751,649) | $ (3.10) | $ (2,751,649) |
| Energy | | 224,499,600 | $ 0.01750 | 3,928,743 | 5 0.02200 | 4,938,991 |
| Total Calculated at Base Rates | | | | $ 7,562,997 | | $ 7,132,056 |
| Correction Factor | | | | 1.000000 | | 1.000000 |
| Total After Application of Correction Factor | | | | $ 7,562,997 | | $ 7,132,057 |
| Fuel Clause Billings - proforma for rollin | | | | 200,577 | | 200,577 |
| Merger Surcredit | | | | (283,568) | | (283,568) |
| Value Delivery Surcredit | | | | (34,456) | | (34,456) |
| VDT Amortization & Surcredit Adjustment | | | | 1,459 | | 1,459 |
| Adjustment to Reflect Year-End Customers | | | | | | |
| Total NAS Special Contract | | | | $ 7,447,010 | | $ 7,016,069 |
| Proposed increase | | | | | | (430,941) |
| Percentage Increase | | | | | | -5.79% |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | Bills / KW | Total KWH | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| **FWP - Rate Code 740 *(c)** | | | | | | |
| Energy | | 0 | $ 0.03598 | | $ 0.03598 | |
| Total Calculated at Base Rates | | | | | | |
| Correction Factor | | | | | | |
| Total After Application of Correction Factor | | | | | | |
| **INCREASE IN BASE RATES REVENUE** | | | | | | |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| Street Lighting | KWH | Total Lights | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| **Incandescent Street Lighting (1)** | | | | | | |
| I-1000-std | 42.730 | 1.203 | $ 2.11 | $ 2,538 | $ 2.26 | $ 2,719 |
| I-2500-std | 1,293,398 | 18,532 | $ 2.57 | 47,627 | $ 2.75 | 50,963 |
| I-4000-std | 768.860 | 7,034 | $ 3.68 | 25,885 | $ 3.94 | 27,714 |
| I-6000-std | 12,762 | 84 | $ 4.89 | 411 | $ 5.24 | 440 |
| I-10000-std | 0 | 0 | $ 6.57 | | $ 7.03 | |
| I-1000-orn | 0 | 0 | $ 2.72 | | $ 2.91 | |
| I-2500-orn | 6,432 | 96 | $ 3.32 | 319 | $ 3.55 | 341 |
| I-4000-orn | 58,859 | 540 | $ 4.56 | 2,462 | $ 4.88 | 2,635 |
| I-6000-orn | 7,152 | 48 | $ 5.07 | 282 | $ 6.29 | 302 |
| I-10000-orn | 0 | 0 | $ 8.07 | | $ 8.64 | |
| **Mercury Vapor Street Lighting** | | | | | | |
| MV-3500-std | 0 | 0 | $ 5.36 | | $ 6.60 | |
| MV-7000-std | 1,199,867 | 17,126 | $ 6.19 | 106,010 | $ 6.63 | 113,545 |
| MV-10000-std | 1,220,047 | 12,442 | $ 7.14 | 88.836 | $ 7.64 | 95,057 |
| MV-20000-std | 3,216,852 | 20,879 | $ 8.39 | 175,175 | $ 8.98 | 187,493 |
| MV-3500-orn | 0 | 0 | $ 7.60 | | $ 8.14 | |
| MV-7000-orn | 102,988 | 1,492 | $ 8.30 | 12,384 | $ 8.89 | 13,264 |
| MV-10000-orn | 674,672 | 6,882 | $ 9.01 | 62,007 | $ 9.65 | 66,411 |
| MV-20000-orn | 2,851,854 | 18,790 | $ 9.89 | 185,833 | $ 10.59 | 198,986 |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| Street Lighting -continued | KWH | Total Lights | Present Rates | Calculated Revenue @ Present Rates | Settlement Rates | Calculated Revenue @ Proposed Rates |
| High Pressure Sodium Street Lighting | | | | (see Exhibit 9) | | |
| HPS-4000-std | 1,706,461 | 84.016 | $ 4.68 | 393,195 | $ 5.00 | 420.080 |
| HPS-5800-std | 2,821,602 | 97,770 | $ 5.08 | 496.672 | $ 5.43 | 530.891 |
| HPS-9500-std | 8,471,266 | 211,989 | $ 5.72 | 1,212,577 | $ 6.11 | 1,295,253 |
| HPS-22000-std | 4,975,937 | 60,024 | $ 8.44 | 506,603 | $ 9.02 | 541,416 |
| HPS-50000-std | 1,435,313 | 8,864 | $ 13.62 | 120,728 | $ 14.55 | 128,971 |
| HPS-4000-orn | 953,042 | 47,651 | $ 7.13 | 339,752 | $ 7.62 | 363,101 |
| HPS-5800-orn | 2,927,333 | 105,857 | $ 7.53 | 797,103 | $ 8.04 | 851,090 |
| HPS-9500-orn | 1,092,981 | 27,793 | $ 8.35 | 232,072 | $ 8.92 | 247,914 |
| HPS-22000-orn | 3,822,835 | 47,250 | $ 11.06 | 522,585 | $ 11.81 | 558,023 |
| HPS-50000-orn | 827,689 | 5,095 | $ 16.23 | 82,692 | $ 17.34 | 88.347 |
| Sub-Total | 40,490,932 | 801,457 | | $ 5,413,746 | | $ 5,784,957 |
| Partial Month billings | | | | 86,450 | | 92,378 |
| Total Calculated at Base Rates | | | | $ 5,500,195 | | $ 5,877,334 |
| Correction Factor | | | | 1.000190 | | 1.000190 |
| Total After Application of Correction Factor | | | | $ 5,499,149 | | $ 5,876,216 |
| Fuel Clause Billings - proforma for rollin | | | | 30,519 | | 30,519 |
| Merger Surcredit | | | | (129,056) | | (129,056) |
| Value Delivery Surcredit | | | | (15,744) | | (15,744) |
| Adjustment to Reflect Year-End Customers | | | | 16.889 | | 18.047 |
| VDT Amortization & Surcredit Adjustment | | | | 667 | | 667 |
| Total Rate St. Lt. | | | | $ 5,402,425 | | $ 5,780,650 |
| Proposed increase | | | | | | 378,225 |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | KWH | Total Lights | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| **Street Lighting**-- Decorative | | | | | | |
| HPS-A-4000-Dec | 0 | 0 | $ 9.74 | $ | $ 10.40 | $ |
| HPS-A-5800-Dec | 1,992 | 72 | $ 10.24 | 737 | $ 10.94 | 788 |
| HPS-A-9500-Dec | 48,347 | 1,231 | $ 10.87 | 13,381 | $ 11.61 | 14,292 |
| HPS-A-4000-His | 29,279 | 1,464 | $ 15.28 | 22,370 | $ 16.32 | 23,892 |
| HPS-A-5800-His | 11,621 | 420 | $ 15.77 | 6.623 | $ 16.85 | 7,077 |
| HPS-A-9500-His | 144,939 | 3,677 | $ 16.41 | 60,340 | $ 17.53 | 64,458 |
| HPS-4000 col | 130,976 | 6,556 | $ 6.42 | 42,090 | $ 6.86 | 44,974 |
| HPS-5800 col | 174,991 | 6,208 | $ 6.83 | 42.401 | $ 7.30 | 45,318 |
| HPS-9500 col | 371,159 | 9,455 | $ 7.40 | 69,967 | $ 7.90 | 74,695 |
| HPS-5800 coa | 0 | 0 | | | | |
| HPS-9500 coa | 0 | 0 | | | | |
| HPS-5800 con | 634,990 | 22,944 | $ 11.80 | 270,739 | $ 12.60 | 289.094 |
| HPS-9500 con | 173,631 | 4,452 | $ 14.05 | 62,551 | $ 15.01 | 66.825 |
| HPS-22000 con | 268,604 | 3,329 | $ 16.29 | 54,229 | $ 17.40 | 57,925 |
| HPS-50000 can | 157,439 | 939 | $ 21.09 | 19,804 | $ 22.53 | 21,156 |
| HPS-16000 Granville | 3,611 | 63 | $ 44.60 | 2,810 | $ 47.64 | 3,001 |
| HPS-16000 Granville A | 83.872 | 1,666 | $ 35.84 | 59,709' | $ 38.28 | 63,774 |
| HPS-16000 Granville B | 12,666 | 256 | $ 58.78 | 15,048 | $ 62.79 | 16,074 |
| HPS-16000 Granville C | 19,859 | 399 | $ 39.50 | 15,761 | $ 42.19 | 16,834 |
| HPS-16000 Granville D | 2,103 | 45 | $ 41.12 | 1,850 | $ 44.92 | 2,021 |
| HPS-16000 Granville E | 649 | 13 | $ 42.24 | 549 | $ 46.14 | 600 |
| HPS-16000 Granville F | 3,500 | 70 | $ 56.94 | 3,986 | $ 62.21 | 4,355 |
| HPS-16000 Granville G | 6,093 | 122 | $ 55.32 | 6,749 | $ 59.09 | 7,209 |
| HPS-16000 Granville H | 0 | 0 | $ 40.70 | | $ 44.48 | |
| HPS-16000 Granville I | 1,296 | 26 | $ 36.96 | 961 | $ 40.38 | 1,050 |
| HPS-16000 Granville A1 | 8,946 | 179 | $ 51.66 | 9,247 | $ 55.18 | 9,877 |
| HPS-16000 Granville B1 | 0 | 0 | $ 74.60 | | $ 79.69 | |
| HPS-16000 Granville E I | 649 | 13 | $ 58.06 | 755 | $ 63.43 | 825 |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER ), 2003

| (1) | ) | (: | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | KWH | Total Lights | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| Street Lighting -- Decorative - continued | | | | | | |
| HPS-16000 Granville A2 | 7,930 | 160 | $ 51.66 | 8,266 | $ 55.18 | 8.829 |
| HPS-16000 Granville 83 | 2,101 | 42 | $ 52.78 | 2,217 | $ 56.38 | 2.368 |
| HPS-16000 Granville G I | 1,190 | 24 | $ 55.32 | 1,328 | $ 59.09 | 1,418 |
| HPS-16000 Granville 82 | 11,773 | 236 | $ 53.92 | 12,725 | $ 58.91 | 13,903 |
| Sub-Total | 2,314,206 | 64,061 | | $ 807,191 | | $ 862.631 |
| Partial Month billings | | | | 6,975 | | 7,454 |
| Total Calculated at Base Rates | | | | $ 814,165 | | $ 870.085 |
| Correction Factor | | | | 0.999016 | | 0.999016 |
| Total After Application of Correction Factor | | | 141,960 | $ 814,967 | | $ 870,942 |
| Fuel Clause Billings - proforma for rollin | | | | | | |
| Merger Surcredit | | | | 1,736 | | 1,736 |
| Value Delivery Surcredit | | | | (19,076) | | (19,076) |
| Adjustment to Reflect Year-End Customers | | | | (2,409) | | (2.409) |
| VDT Amortization & Surcredit Adjustment | | | | 12,240' | | 13.081 |
| | | | | 102 | | 102 |
| Total Rate Dec St. Lt. | | | | $ 807,559 | | $ 864,374 |
| Proposed Increase | | | | | | 56,815 |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | KWH | Total Lights | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| **Private Outdoor Lighting** | | | | | | |
| **Standard (Served Overhead)** | | | | | | |
| MV-7000-OB | 2,542,058 | 36,524 | $ 7.12 | $ 260,051 | $ 7.61 | $ 277,948 |
| MV-20000-Cobr | 1,214,151 | 8,012 | $ 8.41 | 67,381 | $ 8.98 | 11,948 |
| HPS-5800-OB | 70,769 | 2,534 | $ 4.05 | 10,263 | $ 4.33 | 10,972 |
| HPS-9500-OB | 13,810,099 | 350.344 | $ 4.62 | 1,618,589 | $ 4.94 | 1,730,699 |
| HPS-22000-Cobr | 1,268,099 | 15,631 | $ 8.44 | 131,926 | $ 9.02 | 140,992 |
| HPS-50000-Cobr | 4,403,511 | 27,021 | $ 13.62 | 368,026 | $ 14.55 | 393,156 |
| **Directional (Served Overhead)** | | | | | | |
| HPS-9500 | 4,431,410 | 112,584 | $ 5.60 | 630,470 | $ 5.98 | 673,252 |
| HPS-22000 | 5,191,668 | 64,058 | $ 7.93 | 507,980 | $ 8.47 | 542,571 |
| HPS-50000 | 13,251,698 | 81,371 | $ 12.08 | 982,962 | $ 12.90 | 1,049,686 |
| **Decorative (Served Underground)** | | | | | | |
| HPS-4000 coa decr | '478 | 24 | $ 9.74 | 234 | $ 10.40 | 250 |
| HPS-5800 coa decr | 3,464 | 120 | $ 10.24 | 1,229 | $ 10.94 | 1,313 |
| HPS-9500 coa decr | 76,594 | 1,961 | $ 10.88 | 21,336 | $ 11.62 | 22,787 |
| HPS-4000 coa hist | 19,923 | 996 | $ 15.28 | 15.219 | $ 16.32 | 16,255 |
| HPS-5800 coa hist | 11,318 | 410 | $ 15.77 | 6,466 | $ 16.85 | 6,909 |
| HPS-9500 coa hist | 222,699 | 5,706 | $ 16.42 | 93,693 | $ 17.54 | 100,083 |
| HPS-5800 coa | 0 | 0 | $ 23.47 | | $ 25.07 | |
| HPS-9500 coa | 64,116 | 1,644 | $ 24.09 | 39,604 | $ 25.73 | 42,300 |
| HPS-4000 col | 12,719 | 636 | $ 6.42 | 4,083 | $ 6.86 | 4,363 |
| HPS-5800 col | 35,199 | 1,272 | $ 6.83 | 8,688 | $ 7.30 | 9,286 |
| HPS-9500 col | 509,423 | 13,046 | $ 7.40 | 96,540 | $ 7.90 | 103,063 |
| HPS-5800 con | 16,935 | 612 | $ 11.80 | 7,222 | $ 12.60 | 7.711 |
| HPS-9500 con | 90,992 | 2,341 | $ 14.05 | 32,891 | $ 15.01 | 35,138 |
| HPS-22000 con | 546,476 | 6,756 | $ 16.29 | 110,055 | $ 17.40 | 117,554 |
| HPS-50000 con | 1,624,326 | 10,033 | $ 21.09 | 211,596 | $ 22.53 | 226,043 |

KENTUCKY UTILITIES COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBEI 30,2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | KWH | Total Lights | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| Private Outdoor Lighting - continued | | | | | | |
| Metal Halide Directional | | | | | | |
| MH-12000 | 209,687 | 3,026 | $ 8.27 | 25,025 | $ 8.83 | 26,720 |
| MH-12000-WP | 47,049 | 679 | $ 10.10 | 6,858 | $ 10.79 | 7.326 |
| MH-12000-MP | 3,328 | 48 | $ 16.10 | 773 | $ 17.20 | 826 |
| MH-32000 | 3,174,956 | 21,013 | $ 11.46 | 240,809 | $ 12.24 | 257,199 |
| MH-32000-WP | 759,074 | 5,025 | $ 13.30 | 66,833 | $ 14.21 | 71,405 |
| MH-32000-MP | 162,468 | 1,085 | $ 19.29 | 20,930 | $ 20.81 | 22,362 |
| MH-107800 | 5,180,248 | 14,272 | $ 23.67 | 337,818 | $ 25.28 | 360,796 |
| MH-107800-WP | 1,426,641 | 3,899 | $ 26.22 | 102,232 | $ 28.01 | 109,211 |
| MH-107800-MP | 290,486 | 806 | $ 31.50 | 25,389 | $ 33.65 | 27,122 |
| Metal Halide Contemporary | | | | | | |
| MH-12000-con | 36,536 | 528 | $ 9.29 | 4,905 | $ 9.92 | 5,238 |
| MH-12000-con-MP | 121,818 | 1,764 | $ 17.13 | 30,217 | $ 18.30 | 32,281 |
| MH-32000-con | 306,662 | 2,035 | $ 12.90 | 26,252 | $ 13.78 | 28,042 |
| MH-32000-con-MP | 665,690 | 4,424 | $ 20.73 | 91,710 | $ 22.14 | 97,947 |
| MH-107800-con | 314,967 | 869 | $ 26.04 | 22,629 | $ 27.82 | 24,176 |
| MH-107800-con-MP | 694,079 | 1,925 | $ 33.88 | 65,219 | $ 36.19 | 69,666 |
| Sub-Total | 62,811,814 | 805,034 | | $ 6,294,099 | | $ 6,724,596 |
| Partial Month billings | | | | 49,671 | | 53,069 |
| Total Calculated at Base Rates | | | | $ 6,343,770 | | $ 6,777,664 |
| Correction Factor | | | | 1.000377 | | 1.000377 |
| Total Afler Application of Correction Factor | | | | $ 6,341,376 | | $ 6,775,107 |
| Fuel Clause Billings- proforma for rollin | | | | 48,198 | | 48,198 |
| Merger Surcredit | | | | (149,592) | | (149,592) |
| Value Delivery Surcredit | | | | (18,946) | | (18,946) |
| VDT Amortization & Surcredit Adjustment | | | | 802 | | 802 |
| Adjustment to Reflect Year-End Customers | | | | 71,430 | | 76,316 |
| Total Rate P.O. Lt. | | | | $ 6,293,269 | | $ 6,731,885 |
| Proposed Increase | | | | | | 438,616 |

KENTUCKY UTILITIES COMPANY
ATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED )N SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| | KWH | Total Lights | Present Rates | Calculated Revenue @ Present Rates (see Exhibit 9) | Settlement Rates | Calculated Revenue @ Proposed Rates |
| Customer Outdoor Lighting | | | | | | |
| Inc-2500 (move to St. Lt) (1) | 9,660 | 144 | $ 5.12 | $ 737 | $ 7.61 | $ 1,096 |
| MV-3500 (move to St. Lt) (1) | 20,097 | 478 | $ 6.25 | 2,988 | $ 7.61 | 3,638 |
| MV-7000 (move to St. Lt.) (1) | 8,411,057 | 120.910 | $ 7.14 | 863,297 | $ 7.61 | 920,125 |
| Special Lighting | 950,602 | 6,274 | $ 6.16 | 38.648 | $ 6.58 | 41,283 |
| Speclai Lighting | 359,447 | 2,218 | $ 8.21 | 18,210 | $ 8.77 | 19,452 |
| Subtotal | 9,750,863 | 130,024 | | $ 923.880 | | $ 985,593 |
| Partial month billings | | | | 5,701 | | 6,082 |
| Total Calculated at Base Rates | | | | $ 929,581 | | $ 991,675 |
| Correction Factor | | | | 1.000087 | | 1.000087 |
| Total After Application of Correction Factor | | | | $ 929,500 | | $ 991,589 |
| Fuel Clause Billings - proforma for rollin | | | | 7,246 | | 7,246 |
| Merger Surcredit | | | | (21,779) | | (21,779) |
| Value Delivery Surcredit | | | | (2,723) | | (2,723) |
| VDT Amortization & Surcredit Adjustment | | | | 115 | | 115 |
| Adjustment to Reflect Year-End Customers | | | | (19,194) | | (20,476) |
| Total Rate C.O. Lt. | | | | 5 893,164 | | 5 953,970 |
| Proposed Increase | | | | | | 60.807 |

Louisville Gas and Electric Company
Summary of Settlement Electric Rate Increase by Rate Class
For the 12 months Ended September 30,2002

| | Adjusted Billings at Current Rates | Proposed Increase In Revenue As Filed | Percentage Increase | Increase Per Settlement | Percentage increase | Percentage of Total |
|---|---|---|---|---|---|---|
| **Residential** | $ 220,310,529 | $ 26,430,885 | 12.00% | $ 18,708,395 | 8.49% | 43.148% |
| General Service | 83,504,883 | 8,978,115 | 10.75% | 6,483,208 | 7.76% | 14.952% |
| Large Commercial Rate LC | 132,177,625 | 13,708,637 | 10.37% | 10,242,386 | 7.75% | 23.622% |
| Industrial Power Rate LP | 100,837,138 | 10,100,134 | 10.02% | 5,625,092 | 5.58% | 12.973% |
| Special Contracts | 28,070,944 | 3,028,038 | 10.79% | 1,422,016 | 5.07% | 3.280% |
| Street Lighting | 11,678,144 | 1,386,185 | 11.87% | 877,787 | 7.52% | 2.024% |
| TOTAL ULTIMATE CONSUMERS | $ 576,579,264 | $ 63,631,994 | 11.04% | $ 43,358,883 | 7.52% | 100.00% |
| Increase in Miscellaneous Charges | 848,569 | 133,331 | | 45,302 | | |
| TOTAL INCREASE IN REVENUE | $ 577,427,833 | $ 63 | 11.04% | $ 43,404,185 | 7.52% | |

LOUISVILLE GAS AND ELECTRIC COMPANY
SUMMARY OF SETTLEMENT ELECTRIC RATE INCREASE BY RATE CLASS
BASED ON ADJUSTED SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003
REVISED TO INCLUDE JANUARY 2004 ECR BASE RATES ROLLIN

| Rate Class | | Calculated Test Period Billings as Modified to Reflect Janaury 2004 ECR Rollin Rates | | Settlement Increase in Revenue | Percentage Increase |
|---|---|---|---|---|---|
| Residential Rate R | $ | 219,577,320 | | | |
| Residential Water Heating | | 733,209.04 | | | |
| Total Residential | | 220,310,529 | $ | 18,708,395 | 8.49% |
| General Service Rate GS | | 83,495,405 | | | |
| Commercial Water Heating | | 9,479 | | | |
| Total General Service | | 83,504,883 | | 6,483,208 | 7.76% |
| Large Commercial Rate LC | | | | | |
| Primary | | 6,577,911 | | | |
| Secondary | | 100,311,410 | | | |
| Primary | | 10,683,797 | | | |
| Secondary | | 14,604,508 | | | |
| Total Rate LCTOD | | 132,177,625 | | 10,242,386 | 7.75% |
| Industrial Power Rate LP | | | | | |
| Primary | | 4,567,163 | | | |
| Secondary | | 25,929,168 | | | |
| Transmission | | 11,530,567 | | | |
| Primary | | 56,811,559 | | | |
| Secondary | | 1,998,682 | | | |
| Total Rate LPTOD | | 100,837,138 | | 5,625,092 | 5.58% |
| Special Contracts | | | | | |
| Special Contracts | | 6,890,944 | | | |
| Special Contracts | | | | | |
| Special Contracts | | 4,895,550 | | | |
| Special Contracts | | 6,624,286 | | | |
| Special Contracts | | 7,845,834 | | | |
| Special Contracts | | 1,814,330 | | | |
| Total Special Contracts | | 28,070,944 | | 1,422,016 | 5.07% |
| Public Street Lighting Rate PSL | | 4,910,190 | | | |
| Street Lighting Energy Rate SLE | | 142,487 | | | |
| Outdoor Lighting Rate OL | | 6,066,969 | | | |
| Traffic Lighting Rate TLE | | 558,499 | | | |
| | | 11,678,144 | | 877,787 | 7.52% |
| Total Ultimate Consumers | $ | 576,579,264 | $ | 43,358,883 | 7.52% |
| Increase in Miscellaneous Charges | $ | 715,238 | $ | 45,302 | 6.33% |
| Total Increase In Revenue | $ | 577,294,502 | $ | 43,404,185 | 7.52% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
EASED ON SALES FOR THE **12** MONTHS ENDED SEPTEMBER 30,2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR **ROLLIN** APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | | Jan. 2004 ECR Roll-In Rates | Calculated Revenue **at Present** Rates | **Settlement** Rates **with ECR Rollin** | Calculated Revenue **at Settlement** Rates |
|---|---|---|---|---|---|---|
| **RESIDENTIAL RATE R** | | | | | | |
| Customer Charges | 4,037,207 | | $ 3.40 | $ 13,726,504 | $ 5.00 | $ 20,166,035 |
| Energy Charges | | kWh's | | | | |
| First 600 kWh - Summer Season | | 704,635,241 | $ 0.06149 | 43,328,021 | $ 0.05867 | 41,481,877 |
| Over 600 kWh - Summer Season | | 876,768,392 | $ 0.06319 | 55,402,995 | $ 0.05867 | 51,615,355 |
| First 600 kWh - Winter Season | | 1,267,566,536 | $ 0.05669 | 72,992,260 | $ 0.05867 | 75,799,160 |
| Over 600 kWh - Winter Season | | 973,572,745 | $ 0.04370 | 42,545,129 | $ 0.05687 | 57,314,227 |
| Total Energy | | | | 214,268,405 | | 226,210,619 |
| Total Rate R @ base rates | | 3,842,544,916 | | $ 227,994,909 | | $ 246,396,654 |
| **RESIDENTIAL PREPAID METERING RPP** | | | | | | |
| Facilities Charges | 5,462 | | $ 2.05 | $ 11.197 | $ 2.05 | $ 11,197 |
| Customer Charges | 5,462 | | $ 3.40 | 16.571 | $ 5.00 | 27.310 |
| Energy Charges | | kWh's 5,164,866 | $ 0.05661 | 293,416 | $ 0.05667 | 304,056 |
| Total Prepaid Metering RPP @ base rates | | | | $ 323.184 | | $ 342,563 |
| Subtotal @ base rates before application of correction factor | | | | $ 228,318,093 | | $ 246,739,217 |
| Correction Factor - | | | 1.002361 | - - | 1.002361 | |
| Subtotal @ base rates after application of Correction factor | | 3,847,709,782 | | $ 227,780,293 | | $ 246,158,026 |
| Fuel Adjustment Clause. proforma for rollin | | | | (1,499,234) | | (1,499,234) |
| Merger Surcredit | | | | | | |
| Value Delivery Surcredit | | | | (6,469,016) | | (6,469,016) |
| VDT Amortization & Surcredit Adjustment | | | | (1,464,356) | | (1,484,358) |
| Adjustment to Reflect Year-End Customers | | 21,505,743 | | 17,356 | | 17,356 |
| | | | | 1,232,279 | | 1,336,006 |
| **TOTAL RESIDENTIAL RATES R 8 RPP** | | | | I 219,577,320 | | I 238,058,781 |
| **PROPOSED INCREASE** | | | | | | $ 18,481,461 |
| Percentage Increase | | | | | | 6.42% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | | Jan. 2004 ECR Roll-In Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|---|
| WATER HEATING RATE WH | | | | | | |
| **Residential** Water **Heating** | | | | | | |
| Customer Charges | 73.228 | | $ 0.97 | $ 71,031 | $ - | $ |
| Energy Charges | | kWh's | | | | |
| Summer Season | | 4,808,217 | $ 0.04132 | 198.678 | $ 0.05887 | 283.060 |
| Winter Season | | 12,388,791 | $ 0.04132 | 511.905 | $ 0.05887 | 729.328 |
| | | 17,197,008 | | | | |
| Total Residential Water Heating @ base rates | | 17,197,008 | | $ 781.612 | | $ 1,012,388 |
| **Commercial Water** Heating | | | | | | |
| Customer Charges | 1.501 | | $ 0.97 | $ 1,456 | $ - | $ |
| Energy Charges | | kWh's | | | | |
| Summer Season | | 67.741 | $ 0.04132 | 2,799 | $ 0.07086 | 4.800 |
| Winter Season | | 141.564 | $ 0.04132 | 5.849 | $ 0.06313 | 8.937 |
| | | 209,305 | | | | |
| Total Commercial Water Heating @ base rates | | 209,305 | | $ 10.104 | | $ 13,737 |
| **Subtotal** @ base rates before application of correction factor | | | | 791,716 | | $ 1,026,125 |
| Correction Factor - | | | 1.003426 | | 1.003426 | |
| **Subtotal @ base** rates **after** application of correction factor | | 17,408,313 | | 789,012 | | 1,022,621 |
| Fuel Adjustment Clause - proforma for rollin | | | | (10.373) | | (10,373) |
| Merger Surcredit | | | | (21.169) | | (21.169) |
| Value Delivery Surcredit | | | | (4,846) | | (4,846) |
| VDT Amortization & Surcredit Adjustment | | | | 57 | | 57 |
| Adjustment to Reflect Year-End Customers | | (229,190) | | (9,993) | | (13,095) |
| TOTAL WATER HEATING RATE WH | | | | 742.688 | | 973,185 |
| PROPOSED INCREASE | | | | | | $ 230,507 |
| Percentage Increase | | | | | | 31.04% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | | Jan. 2004 ECR Roll-In Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|---|
| **GENERAL SERVICE RATE GS** | | | | | | |
| Customer Charges - Sungle Phase | 329,431 | | $ 4.02 | $ 1,324,313 | $ 10.00 | $ 3,294,310 |
| Customer Charges - Three Phase | 156,788 | | $ 8.05 | 1,262,143 | $ 15.00 | 2,351,820 |
| Energy Charges | | kWh's | | | | |
| Summer Season | | 505,580,412 | $ 0.06865 | 34,708,095 | $ 0.070 8 | 35,825,428 |
| Winter Season | | 799,975,176 | $ 0.06092 | 48,734,488 | $ 0.063 3 | 50,502,433 |
| Total Energy | | | | 83,442,583 | | 86,327,861 |
| Primary Service Discounts | | | | (27,354) | | (29,245) |
| Total Rate GS @ base rates | | 1,305,555,588 | | $ 86,001,685 | | $ 91,944,746 |
| **SPACE HEATING RIDER TO RATE GS** | | | | | | |
| Customer Charges | 9,221 | | $ 2.33 | $ 21,485 | $ | $ - |
| Energy Charges | | kWh's | | | | |
| Summer Season | | | $ - | - | $ 0.07086 | - |
| Winter Season | | 29,731,262 | $ 0.04372 | 1,299,851 | $ 0.06313 | 1,876,935 |
| Total Space Heating Rider @ base rates | | 29,731,262 | | $ 1,321,336 | | $ 1,876,935 |
| **Subtotal @ base rates before application of correction factor** | | | | $ 87,323,020 | | $ 93,821,681 |
| Correction Factor - | | | 0.999589 | | 0.999589 | |
| **Subtotal @ base rates after application of correction factor** | | 1,335,286,850 | | $ 87,358,902 | | $ 93,860,233 |
| Fuel Adjustment Clause - proforma for rollin | | | | (621,080) | | (621,080) |
| Merger Surcredit | | | | | | |
| Value Delivery Surcredit | | | | (2,417,927) | | (2,417,927) |
| VDT Amortization & Surcredit Adjustment | | | | (551,407) | | (551,407) |
| Adjustment to Reflect Year-End Customers | | (4,415,970) | | 6,447 | | 6,447 |
| | | | | (279,531) | | (301,226) |
| **TOTAL GENERAL SERVICE RATE GS & SH RIDER** | | | | $ 83,495,405 | | $ 89,975,041 |
| **PROPOSED INCREASE** | | | | | | $ 6,479,636 |
| Percentage Increase | | | | | | 7.76% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | | Jan. 2004 ECR Roll-in Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|---|
| **LARGE COMMERCIAL RATE LC - PRIMARY VOLTAGE** | | | | | | |
| Customer Charges | 531 | | $ 17.70 | 5 9,399 | $ 65.00 | 5 34,515 |
| Demand Charges | | kW-Months | | | | |
| Summer Season | | 127,056 | $ 8.44 | 1,072,353 | $ 12.32 | 1,565,330 |
| Winter Season | | 214.932 | $ 5.64 | 1,212,216 | $ 9.52 | 2,046,153 |
| | | 341.968 | | | | |
| | | kWh's | | | | |
| Energy Charges | | 154,967,220 | 5 0.02959 | 4,565,480 | $ 0.02349 | 3,640,180 |
| Subtotal @ base rates before application of correction factor | | | | I 6,879,448 | | I 7286.178 |
| Correction Factor - | | | 0.999428 | | 0.999426 | |
| Subtotal @ base rates after application of correction factor | | | | I 6,883,383 | | I 7290,346 |
| Fuel Adjustment Clause - proforma for rollin | | | | (72,627) | | (72,627) |
| Merger Surcredit | | | | (190,189) | | (190,189) |
| Value Delivery Surcredit | | | | (43.162) | | (43.162) |
| VDT Amortization & Surcredit Adjustment | | | | 505 | | 505 |
| Adjustment to Reflect Year-End Customers | | #REF! | | | | |
| TOTAL LARGE COMMERCIAL RATE LC PRIMARY | | | | $ 6,577,911 | | I 6,984,873 |
| **PROPOSED INCREASE** | | | | | | $ 406.962 |
| Percentage Increase | | | | | | 6.19% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | | Jan. 2004 ECR **Roll-in** Rates | | Calculated Revenue **at Present** Rates | | Settlement Rates with ECR **Rollin** | | Calculated Revenue at **Settlement** Rates |
|---|---|---|---|---|---|---|---|---|---|
| LARGE COMMERCIAL RATE LC .SECONDARY VOLTAGE | | | | | | | | | |
| Customer Charges | 30,959 | | $ | 17.70 | $ | 547,974 | 5 | 65.00 | 5 | 2,012,335 |
| Demand Charges | | *kW-Months* | | | | | | | | |
| Summer Season | | 1,823,049 | $ | 10.32 | | 18,813,866 | $ | 14.20 | | 25,887,296 |
| Winter Season | | 3,242,275 | $ | 7.26 | | 23,538,917 | 5 | 11.14 | | 36.1 18,944 |
| | | 5,065,324 | | | | | | | | |
| | | *kWh's* | | | | | | | | |
| Energy Charges | | 2,059,176,673 | $ | 0.02959 | | 60,931,038 | 5 | 0.02349 | | 48,370,060 |
| Subtotal @ **base** rates before application of correction factoi | | | | | **$** | **103,831,794** | | | **$** | **112,388,634** |
| Correction Factor - | | | | 0.999428 | | | | 0.999428 | | |
| Subtotal @ base rates after application of correction factor | | | | | **$** | **103,891,193** | | | **$** | **112,452,929** |
| Fuel Adjustment Clause. pmforma for rollin | | | | | | (1,002,645) | | | | (1,002,645) |
| **Merger Surcredit** | | | | | | (2,866,140) | | | | (2,866,140) |
| **Value** Delivery Surcredit | | | | | | (651,470) | | | | (651,470) |
| VDT Amortization 6 Surcredit Adjustment | | | | | | 7,617 | | | | 7,617 |
| Adjustment to Reflect Year-End Customers | | 19,155,120 | | | | 932.854 | | | | 1,013,228 |
| TOTAL LARGE COMMERCIAL RATE LC SECONDARY | | | | | **$** | **100,311,410** | | | **$** | **108,953,519** |
| PROPOSED **INCREASE** | | | | | | | | | **$** | **8,642,109** |
| Percentage Increase | | | | | | | | | | 8.62% |
| **Total Large Commercial Rate** LC | | | | | **$** | **108,889,321** | | | **$** | **115,938,392** |
| PROPOSED INCREASE | | | | | | | | | $ | 9,049,072 |
| Percentage Increase | | | | | | | | | | 8.47% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | Jan. 2004 ECR Roll-In Rater | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rater |
|---|---|---|---|---|---|
| **LARGE COMMERCIAL RATE LCTOD - PRIMARY VOLTAGE** | | | | | |
| Customer Charges | 123 | $ 19.76 | $ 2,433 | $ 90.00 | $ 11,070 |
| | *kW-Months* | | | | |
| Basic Demand Charges | 520,367 | $ 1.98 | 1,030,327 | $ 2.17 | 1,129,196 |
| Peak Demand Charges | *kW-Months* | | | | |
| Summer Peak | 194,877 | $ 6.63 | 1,292,035 | $ 10.15 | 1,978,002 |
| Winter Peak | 322.246 | $ 3.54 | 1,140,756 | $ 7.35 | 2,368,523 |
| | 517,125 | | | | |
| | *kWh's* | | | | |
| Energy Charges | 261,433,800 | $ 0.02963 | 7,746,263 | $ 0.02349 | 6,141,060 |
| Subtotal @ base rates before application of correction factor | | | $ 11,211,636 | | $ 11,627,871 |
| Correction Factor - | | 1.002249 | | 1.002249 | |
| Subtotal @ base rates after application of correction factor | | | I 11,166,675 | | $ 11,601,776 |
| Fuel Adjustment Clause - proforma for rollin | | | (125,669) | | (125.669) |
| Merger Surcredit | | | | | |
| Value Delivery Surcredit | | | (306,135) | | (306.135) |
| VDT Amortization 8 Surcredit Adjustment | | | (69,688) | | (69,688) |
| Adjustment to Reflect Year-End Customers | | | 615 | | 815 |
| TOTAL LARGE COMMERCIAL RATE LCTOD PRIMARY | | | $ 10,663,797 | | I 11,098,899 |
| **PROPOSED INCREASE** | | | | | $ 415,102 |
| Percentage Increase | | | | | 3.89% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30.2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR **ROLLIN** APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | | Billing Determinants | Jan. 2004 ECR Roll-In Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|---|
| LARGE COMMERCIAL RATE LCTOD .SECONDARY VOLTAGE | | | | | | |
| Customer Charges | 604 | | $ 19.76 | $ 11,947 | 5 90.00 | 5 54,360 |
| | | kW-Months | | | | |
| **Basic** Demand Charges | | 671.385 | $ 3.68 | 2,470,697 | $ 3.22 | 2,161,860 |
| Peak Demand Charges | | kW-Months | | | | |
| Summer **Peak** | | 232,987 | $ 6.63 | 1,544,704 | $ 10.98 | 2,558,197 |
| Winter Peak | | 433,763 | $ 3.54 | 1,535,521 | 5 7.92 | 3,435,403 |
| | | 666,750 | | | | |
| | | kWh's | | | | |
| Energy Charges | | 308,993,871 | $ 0.02963 | 9,155,488 | $ 0.02349 | 7,258,266 |
| **Subtotal @ base rates** before application of correction factor | | | | $ 14,718,357 | | I 15,468,086 |
| Correction Factor - | | | 1.002249 | | 1.002249 | |
| Subtotal @ base rates after application of correction factor | | | | I 14,685,327 | | $ 15,433,373 |
| Fuel Adjustment Clause. proforma for rollin . | | | | (153,023) | | (153,023) |
| Merger Surcredit | | | | | | |
| Value Delivery Surcredit | | | | (403,395) | | (403,395) |
| VDT Amortization & Surcredit Adjustment | | | | (91.549) | | (91,549) |
| Adjustment to Reflect Year-End Customers | | 12,359,754 | | 1.070 | | 1,070 |
| | | | | 568.077 | | 596,243 |
| TOTAL LARGE COMMERCIAL RATE LCTOD SECONDARY | | | | $ 14,604,508 | | I 15,382,720 |
| PROPOSED INCREASE | | | | | | $ 778.212 |
| **Percentage Increase** | | | | | | 5.33% |
| TOTAL LARGE COMMERCIAL RATE LCTOO | | | | $ 25,288,305 | | I 26,481,619 |
| PROPOSEDINCREASE | | | | | | $ 1,193,314 |
| Percentage Increase | | | | | | 4.72% |
| TOTAL LARGE COMMERCIAL (LC and LC-TOD) | | | | $ 132,177,625 | | $ 142,420,011 |
| PROPOSEDINCREASE | | | | | | $ 10,242,388 |
| Percentage **Increase** | | | | | | 7.75% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | Jan. 2004 ECR Roll-In Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|
| INDUSTRIAL POWER RATE LP - TRANSMISSION VOLTAGE | | | | | |
| Customer Charges | | 5 43.78 | $ | $ 90.00 | 5 |
| Demand Charges | kW-Months | | | | |
| Summer Season | | $ 7.59 | | $ 11.35 | |
| Winter Season | | $ 5.00 | | $ 8.76 | |
| | kWh's | | | | |
| Energy Charger | | $ 0.02542 | | $ 0.02000 | |
| Power Factor Provision | kW-Months | | | | |
| Summer Season | | 5 7.59 | | $ 11.35 | |
| Winter Season | | $ 5.00 | | $ 8.76 | |
| Subtotal @ base rates before application of correction factor | | | $ - | | $ |
| Correction Factor. | | | | | |
| Subtotal @ base rates after application of correction factor | | | $ | | $ |
| Fuel Adjustment Clause. proforma forrollin | | | | | |
| Merger Surcredit | | | | | |
| Value Delivery Surcredit | | | | | |
| VDT Amortization & Surcredit Adjustment | | | | | |
| Adjustment to Reflect Year-End Customers | | | | | |
| TOTAL INDUSTRIAL POWER RATE LP PRIMARY | | | | | $ - |
| PROPOSED INCREASE | | | | | $ - |
| Percentage Increase | | | | | |

Note: Currently no customers are served under this rate

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | Jan. 2004 ECR **Roll-in** Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR **Rollin** | Calculated **Revenue** at Settlement Rates |
|---|---|---|---|---|---|
| INDUSTRIAL POWER RATE LP - PRIMARY VOLTAGE | | | | | |
| Customer Charges | 494 | $ 43.78 | $ 21,627 | $ 90.00 | $ 44,460 |
| Demand Charger | *kW-Months* | | | | |
| Summer Season | 95,177 | $ 8.78 | 835,654 | $ 12.55 | 1,194,471 |
| winter **Season** | 181,277 | $ 6.17 | 1,118,479 | $ 9.96 | 1,805,519 |
| | 276,454 | | | | |
| Energy Charges | *kWh's* 111,622,714 | $ 0.02542 | 2,837,449 | $ 0.02000 | 2,232,454 |
| Power Factor Provision | *kW-Months* | | | | |
| Summer Season | (806) | $ 8.78 | (7,077) | $ 12.55 | (10,115) |
| Winter Season | (3,501) | $ 6.17 | (21,601) | $ 9.96 | (34.870) |
| | (4,307) | | | | |
| Subtotal @ base rates before application of correction factor | | | $ 4,784,532 | | $ 5,231,919 |
| Correction Factor - | | 0.999681 | | 0.999681 | |
| Subtotal @ base rates **after** application of correction factor | | | $ 4,706,080 | | $ 5,233,590 |
| **Fuel** Adjustment Clause - proforma for rollin | | | (58.665) | | (58.665) |
| **Merger** Surcredit | | | | | |
| **Value Delivery** Surcredit | | | (130,757) | | (130,757) |
| VDT Amortization & Surcredit Adjustment | | | (29,824) | | (29,824) |
| Adjustment to Reflect Year-End Customers | | | 349 | | 349 |
| TOTAL INDUSTRIAL POWER RATE LP PRIMARY | | | $ 4,567,163 | | $ 5,014,693 |
| PROPOSED INCREASE | | | | | $ 447,530 |
| **Percentage Increase** | | | | | 9.80% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | | Jan. 2004 ECR Roll-In Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|---|
| INDUSTRIAL POWER RATE LP -SECONDARY VOLTAGE | | | | | | |
| Customer Charges | 4,225 | | $ 43.76 | $ 184,971 | 5 90.00 | $ 380.250 |
| Demand Charges | | kW-Months | | | | |
| Summer Season | | 485.652 | $ 10.69 | 5,300,656 | $ 14.35 | 7.115.476 |
| Winter Season | | 927,407 | $ 8.11 | 7,521,271 | $ 11.76 | 10,906,306 |
| | | 1,423,259 | | | | |
| | | kWh's | | | | |
| Energy Charges | | 553,636,275 | $ 0.02542 | 14,078,518 | $ 0.02000 | 11,076,726 |
| Power Factor Provision | | kW-Months | | | | |
| Summer Season | | (4,581) | $ 10.69 | (48,971) | $ 14.35 | (65,737) |
| Winter Season | | (10,121) | $ 6.11 | (82,061) | $ 11.76 | (119,023) |
| | | (14,702) | | | | |
| Subtotal @ **base rates** before application of correction factor | | | | $ 26,954,365 | | I 29,293,998 |
| Correction Factor - | | | 0.999661 | | 0.999681 | |
| Subtotal @ base rates after application of correction factor | | | | $ 26,962,971 | | $ 29,303,351 |
| Fuel Adjustment Clause - proforma for rollin | | | | 1277.626) | | (277.626) |
| Merger Surcredit | | | | (738,856) | | (736.656) |
| Value Delivery Surcredit | | | | (167.175) | | (167,175) |
| M T Amortization & Surcredit Adjustment | | | | 1,965 | | 1,955 |
| Adjustment to Reflect Year-End Customers | | 3,146,798 | | 147.900 | | 161,327 |
| TOTAL INDUSTRIAL POWER RATE LP SECONDARY | | | | $ 25,929,168 | | $ 28,282,975 |
| **PROPOSED INCREASE** | | | | | | I 2,353,807 |
| Percentage increase | | | | | | 9.08% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON ES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003
PRESENT ΞS REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN API TO TEST PERIOD LING DETERMINANTS

| | Billing Determinants | Jan. 2004 ECR Roll-In Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|
| **INDUSTRIAL POWER RATE LPTOD .TRANSMISSIONVOLTAGE** | | | | | |
| Customer Charges | 73 | $ 45.81 | $ 3.344 | $ 120.00 | $ 8.760 |
| | kW-Months | | | | |
| Basic Demand Charges | 696.768 | $ 2.10 | 1,463,255 | $ 2.33 | 1,623,516 |
| Peak Demand Charges | kW-Months | | | | |
| Summer Peak | 234.813 | $ 5.50 | 1,291,472 | $ 9.02 | 2,116,013 |
| Winter Peak | 454,878 | $ 2.92 | 1,328,244 | $ 6.43 | 2,924,866 |
| | 689,691 | | | | |
| | kWh's | | | | |
| Energy Charges | 376,359,726 | $ 0.02542 | 9,567,064 | $ 0.02000 | 7,527,195 |
| Power Factor Provision | kW-Months | | | | |
| Basic Demand | (25.159) | $ 2.10 | (52,834) | $ 2.33 | (58.620) |
| Summer Peak | (7,762) | $ 5.50 | (42,691) | $ 9.02 | (70.013) |
| Winter Peak | (ℂ1215) | $ 2.92 | (50.268) | $ 6.43 | (110,692) |
| | kW-Months | | | | |
| Interruptible Service Rider | 411,322 | $ (3.30) | (1,357,363) | 5 (3.10) | (1,275,098) |
| Subtotal @ base rates before application of correction factor | | | $ 12,150,223 | | $ . 12,687,925 |
| Correction Factor - | | 1.000343 | | 1.000343 | |
| Subtotal @ base rates after application of correction factor | | | I 12,146,053 | | $ 12,083,570 |
| Fuel Adjustment Clause - proforma for rollin | | | | | |
| Merger Surcredit | | | (213,291) | | (213,291) |
| Value Delivery Surcredit | | | (328.889) | | (328.889) |
| VDT Amortization & Surcredit Adjustment | | | (74,173) | | (74.173) |
| Adjustment lo Reflect Year-End Customers | | | 867 | | 867 |
| **TOTAL INDUSTRIAL POWER RATE LPTOD TRANSMISSION** | | | $ 11,530,567 | | $ 12,068,084 |
| **PROPOSED INCREASE** | | | | | $ 537,517 |
| percentage Increase | | | | | 4.66% |
| **TOTAL INDUSTRIAL POWER RATE LPTOD TRANSMISSION (without Interruptible Credit)** | | | I 12,887,929 | | $ 13,343,182 |
| **PROPOSED INCREASE** (without Interruptible Credit) | | | | | $ 455.253 |
| percentage increase | | | | | 3.53% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | Jan. 2004 ECR Roll-in Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|
| INDUSTRIAL POWER RATE LPTOD - PRIMARY VOLTAGE | | | | | |
| Customer Charges | 540 | $ 45.61 | $ 24.737 | $ 120.00 | $ 64,800 |
| | kW-Months | | | | |
| Basic Demand Charges | 2,963,564 | $ 3.29 | 9,750,126 | $ 3.52 | 10,431,745 |
| Peak Demand Charges | kW-Months | | | | |
| Summer Peak | 996.472 | $ 5.50 | 5,480,596 | $ 9.03 | 8,998,142 |
| Winter Peak | 1,952,825 | $ 2.92 | 5,702,249 | $ 6.44 | 12,576,193 |
| | 2,949,297 | | | | |
| | kWh's | | | | |
| Energy Charges | 1,597,360,760 | $ 0.02542 | 40,604,911 | $ 0.02000 | 31,947,215 |
| Power Factor Provision | kW-Months | | | | |
| Basic Demand | (103,903) | $ 3.29 | (341,840) | $ 3.52 | (365,737) |
| Summer Peak | (41,348) | $ 5.50 | (227.4121 | $ 9.03 | (373,369) |
| Winter Peak | (58,2311 | $ 2.92 | (170.035) | $ 6.44 | (375.008) |
| | kW-Months | | | | |
| Interruptible Service Rider | 344.897 | $ (3.30) | (1,138,160) | $ (3.20) | (1,103,670) |
| Subtotal @ bare rates before application of correction factoi | | | $ 59,685,172 | | I 61,800,311 |
| Correction Factor - | | 1.000342 | | 1.000342 | |
| Subtotal @ base rates after application of correction factor | | | $ 59,664,762 | | $ 61,779,178 |
| Fuel Adjustment Clause - proforma for rollin | | | (864,770) | | (864,770) |
| Merger Surcredit | | | | | |
| Value Delivery Surcredit | | | (1,626,347) | | (1,626,347) |
| VOT Amortization 8 Surcredit Adjustment | | | (366.371) | | (366,371) |
| Adjustment to Reflect Year-End Customers | | | 4.284 | | 4.284 |
| TOTAL INDUSTRIAL POWER RATE LPTOD PRIMARY | | | I 56.81 1,559 | | I 58,925,974 |
| PROPOSED INCREASE | | | | | $ 2,444,446 |
| Percentage Increase | | | | | 3.72% |
| TOTAL INDUSTRIAL POWER RATE LPTOD PRIMARY (without Interruptible Credit) | | | $ 57,949,719 | | $ 60,029,644 |
| PROPOSED INCREASE (without Interruptible Credit) | | | | | $ 2,079,926 |
| Percentage Increase | | | | | 3.59% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | Jan. 2004 ECR Roll-In Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|
| INDUSTRIAL POWER RATE LPTOD -SECONDARY VOLTAGE | | | | | |
| Customer Charges | 151 | $ 45.81 | $ 6,917 | $ 120.00 | $ 18,120 |
| | kW-Months | | | | |
| Basic Demand Charges | 114,966 | $ 5.25 | 603.572 | $ 4.62 | 531.143 |
| Peak Demand Charges | kW-Months | | | | |
| Summer Peak | 31.727 | $ 5.50 | 174,499 | $ 9.73 | 308.704 |
| Winter Peak | 80,068 | $ 2.92 | 233,799 | $ 7.14 | 571.666 |
| | 111.795 | | | | |
| | kWh's | | | | |
| Energy Charges | 42,810,915 | $ 0.02542 | 1,088253 | $ 0.02000 | 856,218 |
| Power Factor Provision | kW-Months | | | | |
| Basic Demand | (1,951) | $ 5.25 | (10.243) | $ 4.82 | (9,014) |
| Summer Peak | (533) | $ 5.50 | (2,932) | $ 9.73 | (5,186) |
| Winter Peak | (1.404) | $ 2.92 | (4.100) | $ 7.14 | (10.025) |
| Subtotal @ base rates before application of correction factor | | | $ 2,089,765 | | I 2,281,846 |
| Correction Factor - | | 1.000343 | | 1.000343 | |
| Subtotal @ base rates after application of correction factor | | | I 2,089,048 | | $ 2,260,870 |
| Fuel Adjustment Clause - proforma lor rollin | | | (21,506) | | (21,506) |
| Merger Surcredit | | | | | |
| Value Delivery Surcredit | | | (56.520) | | (56.520) |
| VOT Amortization & Surcredit Adjustment | | | (12.486) | | (12,486) |
| Adjustment to Reflect Year-End Customers | | | 146 | | 146 |
| TOTAL INDUSTRIAL POWER RATE LPTOD SECONDARY | | | $ 1,998,882 | | $ 2,170,504 |
| PROPOSED INCREASE | | | | | I 171,822 |
| Percentage Increase | | | | | 8.80% |
| TOTAL INDUSTRIAL POWER RATE LESS INTERRUPTIBLE CREDIT | | | $ 103,332,661 | | I 108,840,999 |
| PROPOSED INCREASE | | | | | $ 5,508,337 |
| Percentage Increase | | | | | 5.33% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | Jan. 2004 ECR Roll-In Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|
| SPECIAL CONTRACT | | | | | |
| Demand Charger | *kW-Months* | | | | |
| Summer Season | 154.000 | $ 6.43 | 1,298,220 | $ 11.94 | 1,838,760 |
| winter Season | 216.450 | $ 6.24 | 1,350,648 | 5 9.75 | 2,110,388 |
| | 370.450 | | | | |
| | *kWh's* | | | | |
| Energy Charges | 195,880,000 | $ 0.02437 | 4,773,596 | $ 0.02000 | 3,917,600 |
| PowerFactor Provision | *kW-Months* | | | | |
| Summer Season | (11.539) | $ 8.43 | (97.275) | $ 11.94 | (137.778) |
| Winter Season | (16,4501 | $ 6.24 | (102.649) | $ 9.75 | (160,389) |
| | (27.969) | | | | |
| Subtotal @ base rates before application of correction factor | | | $ 7,222,539 | | $ 7,568,580 |
| Correction Factor - | | 1.000000 | | 1.000000 | |
| Subtotal @ base rates after application of correction factor | | | $ 7,222,538 | | $ 7,568,580 |
| Fuel Adjustment Clause. proforma for rollin | | | (66.299) | | (86.299) |
| Merger Surcredit | | | (199.899) | | (199,899) |
| Value Delivery Surcredit | | | (45,934) | | (45.934) |
| VDT Amortization& Surcredit Adjustment | | | 537 | | 537 |
| TOTAL SPECIAL CONTRACT | | | I 6,890,944 | | I 7,236,985 |
| PROPOSED INCREASE | | | | | $ 346,041 |
| Percentage Increase | | | | | 5.02% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SAI ES FOR THE 12 MONTHS ENDED ! EPTEMBEF 30, 2003
**PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS**

| | Billing Determinants | Jan. 2004 ECR Roll-In Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|
| SPECIAL CONTRACT | | | | | |
| Demand Charges | *kW-Months* 221.864 | $ 11.01 | 2,442,723 | $ 11.15 | 2,473,784 |
| Energy Charges | *kWh's* 145,699,200 | $ 0.01852 | 2,898,349 | $ 0.02000 | 2,913,984 |
| Subtotal @ base rater before application of correction factor | | | 5,141,072 | | $ 5,387,768 |
| Correction Factor- | | 1.000000 | | 1.000000 | |
| Subtotal @ base rates after application of correction factor | | | 5,141,072 | | $ 5,387,788 |
| Fuel Adjustment Clause. proforma for rollin | | | (75.153) | | (75.153) |
| Merger Surcredit | | | (139,387) | | (139,387) |
| Value Delivery Surcredit | | | (31,349) | | (31,349) |
| VDT Amortization 8 Surcredit Adjustment | | | 367 | | 367 |
| TOTAL SPECIAL CONTRACT | | | $ 4,895,550 | | $ 5,142,246 |
| PROPOSED INCREASE | | | | | $ 248.896 |
| Percentage Increase | | | | | 5.04% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30.2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | Jan. 2004 ECR **Roll-in** Rates | Calculated **Revenue** at Present Rates | Settlement **Rates** with ECR **Rollin** | Calculated **Revenue** at Settlement Rates |
|---|---|---|---|---|---|
| SPECIAL CONTRACT | | | | | |
| Customer Charger | 12 | $ 74.29 | $ 891 | 5 120.00 | $ 1,440 |
| **Basic** Demand Charges | *kW-Months* 402,555 | $ 5.93 | 2,387,151 | $ 6.30 | 2,536,097 |
| Peak Demand Charges | *kW-Months* | | | | |
| Summer Peak | 137,065 | $ 8.19 | 1,122,562 | $ 7.65 | 1,048,547 |
| Winter Peak | 238,810 | $ 3.81 | 909.866 | $ 3.27 | 780.909 |
| | 375,875 | | | | |
| Energy Charges | *kWh's* 155,404,800 | 5 0.01751 | 2,721,138 | $ 0.02000 | 3,108,096 |
| Power Factor Provision | *kW-Months* | | | | |
| Basic Demand | (16.663) | $ 5.93 | (110.671) | 5 6.30 | (117,576) |
| Summer Peak | (6,720) | $ 8.19 | (55.036) | 5 7.65 | (51.407) |
| Winter Peak | (10,724) | 5 3.61 | (40.860) | 5 3.27 | (35,068) |
| interruptible Service Rider | *kW-Months* | $ | | $ (3.30) | |
| Subtotal @ **base rates** before application of correction factor | | | $ 6,935,043 | | $ 7271.037 |
| Correction Factor- | | 1.000000 | | 1.000000 | |
| Subtotal @ base rates after application of correction factor | | | $ 6,935,043 | | $ 7,271,037 |
| Fuel Adjustment Clause. proforma for rollin | | | (76.751) | | (76.751) |
| **Merger** Surcredit | | | (191,055) | | (191.055) |
| **Value** Delivery Surcredit | | | (43.460) | | (43.460) |
| VDT Amortization & Surcredit Adjustment | | | 508 | | 508 |
| TOTAL SPECIAL CONTRACT | | | $ 6,624,286 | | $ 6,960,280 |
| **PROPOSED INCREASE** | | | | | $ 335.994 |
| **Percentage** Increase | | | | | 5.07% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | Jan. 2004 ECR Roll-In Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|
| **SPECIAL CONTRACT** | | | | | |
| Customer Charger | 12 | $ 74.29 | $ 891 | $ 74.29 | $ 891 |
| | kW-Months | | | | |
| Basic Demand Charges | 624,000 | $ 4.36 | 2,720,640 | $ 4.62 | 2,882,880 |
| **Peak Demand Charges** | kW-Months | | | | |
| Summer Peak | 180,000 | $ 8.19 | 1,474,200 | $ 7.65 | 1,377,000 |
| Winter Peak | 360,000 | $ 3.81 | 1,371,600 | $ 3.27 | 1,177,200 |
| | 540,000 | | | | |
| | kWh's | | | | |
| **Energy Charges** | 199,644,549 | $ 0.01751 | 3,495,776 | $ 0.02000 | 3,992,891 |
| Paer Factor Provision | kW-Months | | | | |
| Basic Demand | (49,504) | $ 4.36 | (215,837) | $ 4.62 | (228.708) |
| Summer Peak | (14,040) | $ 8.19 | (114.988) | $ 7.65 | (107.408) |
| Winter Peak | (28,800) | $ 3.81 | (109,7281 | 5 3.27 | (94,176) |
| | kW-Months | | | | |
| Interruptible Service Rider | 120.000 | $ (3.30) | (396,000) | $ (3.10) | (372.000) |
| Station House Credit | | | (1,200) | | (1,200) |
| **Subtotal @ base rates** before application of correction factor | | | $ 8,225,354 | | $ 8,627,312 |
| Correction Factor. | | 1.000078 | | 1.000078 | |
| **Subtotal @ base rates after** application of correction factor | | | $ 8,224,717 | | $ 8,626,703 |
| **Fuel Adjustment** Clause - **proforma** for rollin | | | (102,665) | | (102,665) |
| Merger Surcredit | | | | | |
| **Value Delivery Surcredit** | | | (225,529) | | (225.529) |
| VDT **Amortization** & Surcredit **Adjustment** | | | (51.289) | | (51,289) |
| **TOTAL SPECIAL CONTRACT** | | | 600 | | 600 |
| | | | $ 7,845,834 | | $ 8,247,820 |
| **PROPOSED INCREASE** | | | | | $ 401,986 |
| Percentage increase | | | | | 5.12% |
| **TOTAL SPECIAL CONTRACT (without Interruptible Credit)** | | | 8 241 034 | | $ 8,619,820 |
| **PROPOSED INCREASE** | | | | | $ 377,986 |
| Percentage increase | | | | | 4.59% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | Jan. 2004 ECR Roll-In Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|
| SPECIAL CONTRACT | | | | | |
| | kW-Months | | | | |
| Demand Charges | 104,943 | 5 7.53 | 790.221 | $ 8.33 | 874,175 |
| | kWh's | | | | |
| Energy Charges | 56.404.800 | 5 0.01975 | 1,115,772 | $ 0.01088 | 1,123,117 |
| **Subtotal @ base rates** before application of correction factor | | | $ 1,905,993 | | $ 1,997,292 |
| Correction Factor - | | 1.000000 | | 1.000000 | |
| Subtotal @ base rates after application of correction factor | | | $ 1,905,993 | | $ 1,997,292 |
| Fuel Adjustment Clause. proforma for rollin | | | (28.377) | | (28,377) |
| Merger Surcredit | | | | | |
| Value Delivery Surcredit | | | (51.718) | | (51.718) |
| VDT Amortization 6 Surcredit Adjustment | | | (11,705) | | (11.705) |
| | | | 137 | | 137 |
| TOTAL SPECIAL CONTRACT | | | $ 1,814,330 | | $ 1.905,829 |
| PROPOSED INCREASE | | | | | $ 91,299 |
| Percentage Increase | | | | | 5.03% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | Jan. 2004 ECR Roll-In Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|
| **STREET LIGHTING ENERGY RATE SLE** | | | | | |
| Energy Charges | kWh's 3,992,315 | $ 0.03788 | 151,229 | $ 0.04059 | 162,048 |
| **Subtotal @ base rates** before application of correction factor | | | $ 151,229 | | $ 162,048 |
| Correction Factor - | | 1.001986 | | 1.001986 | |
| **Subtotal @ base rates** after application of correction factor | | | $ 150,929 | | $ 161,727 |
| Fuel Adjustment Clause - proforma for rollin | | | (2,325) | | (2,325) |
| Merger Surcredit | | | | | |
| Value Delivery Surcredit | | | (4,081) | | (4,081) |
| VDT Amortization & Surcredit Adjustment | | | (887) | | (887) |
| Adjustment to Reflect Year-End Customers | (31,939) | | 10 | | 10 |
| | | | (1,159) | | (1,247) |
| **TOTAL STREET LIGHTING ENERGY RATE SLE** | | | $ 142,487 | | $ 153,197 |
| **PROPOSED INCREASE** | | | | | $ 10,711 |
| Percentage Increase | | | | | 7.52% |
| **TRAFFIC LIGHTING ENERGY RATE TLE** | | | | | |
| Customer Charges | 10,370 | $2.54 | $ 26,340 | $ 2.80 | $ 29,036 |
| Energy Charges | kWh's 11,472,338 | $ 0.04777 | 548,034 | $ 0.05114 | 586,695 |
| **Subtotal @ base rates** before application of correction factor | | | $ 574,373 | | $ 615,731 |
| Correction Factor - | | 0.993299 | | 0.993299 | |
| **Subtotal @ base rates** after application of correction factor | | | $ 578,248 | | $ 619,885 |
| Fuel Adjustment Clause - proforma for rollin | | | (6,274) | | (6,274) |
| Merger Surcredit | | | | | |
| Value Delivery Surcredit | | | (15,832) | | (15,832) |
| VDT Amortization & Surcredit Adjustment | | | (3,492) | | (3,492) |
| Adjustment to Reflect Year-End Customers | 119,502 | | 41 | | 41 |
| | | | 5,808 | | 6,245 |
| **TOTAL TRAFFIC LIGHTING ENERGY RATE TLE** | | | $ 558,499 | | $ 600,573 |
| **PROPOSED INCREASE** | | | | | $ 42,075 |
| Percentage Increase | | | | | 7.53% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | Jan. 2004 ECR Roll-In Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|
| **PUBLIC STREET LIGHTING RATE PSL** | | | | | |
| | *Lights* | | | | |
| **OVERHEAD SERVICE** | | | | | |
| **Mercury Vapor - Installed** prior to January 1, 1991 | | | | | |
| 100 Wall | 564 | $6.08 | $ 3,429 | $ 6.52 | $ 3.677 |
| 175 Wall | 35.831 | $7.08 | 253,083 | $ 7.59 | 271.957 |
| 250 Wall | 58.512 | $8.03 | 469,851 | $ 8.81 | 503.788 |
| 400 **Wall** | 85.032 | $9.56 | 812.906 | $ 10.25 | 871.578 |
| 400 Walt (metal pole) | | $13.90 | | $ 14.90 | |
| 1000 Wan | 168 | $17.64 | 2.964 | $ 18.92 | 3.179 |
| **Mercury Vapor- Installed after** December 31. 1990 | | | | | |
| 100 wan | | | | | |
| 175 Wall | 24 | $ 8.81 | 211 | $ 9.45 | 227 |
| 250 Wall | 631 | $ 9.86 | 6.222 | $ 10.57 | 8,670 |
| 400 Wall | 204 | $ 11.60 | 2,407 | $ 12.85 | 2.581 |
| 400 Wall (metal pole) | | | | | |
| 1000 Wan | 96 | $ 21.24 | 2.039 | $ 22.78 | 2.187 |
| **Sodium Vapor - Installed** prior to January 1.1991 | | | | | |
| 100 wan | 216 | $7.27 | 1,570 | $ 7.80 | 1.885 |
| 150 Watt | 23,400 | $8.89 | 203,346 | $ 9.32 | 218,088 |
| 250 **Walt** | 26.448 | $10.37 | 274,268 | $ 11.12 | 294.102 |
| 400 Wall | 54,105 | $10.72 | 580,008 | $ 11.49 | 621.666 |
| 1000wan | | | | | |
| **Sodium Vapor - Installed after** December31,1990 | | | | | |
| 100 **Watt** | 4,290 | $ 7.27 | 31,188 | $ 7.80 | 33,462 |
| 150 Wall | 6.347 | $ 6.69 | 55.155 | $ 9.32 | 59,154 |
| 250 Wall | 840 | $ 10.37 | 8,711 | $ 11.12 | 9,341 |
| 400 wan | 22.793 | $ 10.72 | 244.341 | $ 11.49 | 261,892 |
| 1000 **Watt** | 24 | $ 24.37 | 585 | $ 28.13 | 627 |

LG&E Electric Exhibit 1

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | | Jan. 2004 ECR Roll-In Rates | Calculated Revenue at Present Rater | | Settlement Rates with ECR Rollln | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|---|---|
| **PUBLIC STREET LIGHTING RATE PSL** (continued) | | | | | | | |
| | *Lights* | | | | | | |
| **UNDERGROUND SERVICE** | | | | | | | |
| **Mercury** Vapor- Installedprior to January1, 1991 | | | | | | | |
| 100 Watt **Top** Mounted | 1,200 | $ | 9.98 | 11.952 | $ | 10.68 | 12,816 |
| 175 Watt **Top** Mounted | 12.888 | $ | 10.86 | 139.984 | $ | 11.65 | 150.145 |
| 175 Watt | 1,236 | $ | 14.77 | 18.256 | $ | 15.84 | 19,578 |
| 250 Wan | 12,120 | $ | 15.78 | 191,011 | $ | 16.90 | 204.828 |
| 400 Wan | 8.364 | $ | 18.49 | 154,650 | $ | 19.83 | 165.858 |
| 400 Wan **(metal pole)** | 4.452 | 5 | 18.49 | 82.317 | $ | 19.83 | 88.283 |
| **Mercury** Vapor - Installed **after** December 31. 1990 | | | | | | | |
| 100 Wan **Top** Mounted | | $ | 12.30 | | 5 | 13.19 | |
| 175 **Watt Top** Mounted | 444 | $ | 13.32 | 5.914 | $ | 14.28 | 6,340 |
| 175 Watt | | 5 | 21.04 | | $ | 22.56 | |
| 250 **Watt** | 300 | $ | 22.08 | 8.624 | $ | 23.68 | 7.104 |
| 400 Wall | | $ | 24.02 | | $ | 25.76 | |
| 400 Watt **(metal pole)** | | $ | 24.02 | | $ | 25.76 | |
| **Sodium** Vapor - **Installed** prior to January 1, 1991 | | | | | | | |
| 70 Walt **Top** Mounted | | | | | $ | | |
| 100 Watt **Top Mounted** | 23.244 | 5 | 10.94 | 254.289 | $ | 11.73 | 272.652 |
| 150 **Watt Top** Mounted | | | | | $ | | |
| 150 wan | | | | | | | |
| 250 Wall | 2,340 | 5 | 18.96 | 44,366 | $ | 20.33 | 47.572 |
| 250 Wall (metal **pale)** | 6,744 | $ | 20.06 | 135,285 | $ | 21.51 | 145,063 |
| 400 Watt | 1.344 | $ | 20.06 | 26,981 | 5 | 21.51 | 28,909 |
| 400 Wan (metal **pole)** | 7.404 | $ | 21.42 | 158.594 | $ | 22.97 | 170,070 |
| 1000 Watt | 2.160 | 5 | 21.42 | 46.267 | $ | 22.97 | 49.615 |
| **Sodlum Vapor.** installed **after December** 31, 1990 | | | | | | | |
| 70 Watt **Top** Mounted | 2,316 | $ | 10.55 | 24.434 | $ | 11.31 | 26,194 |
| 100 Watt **Top** Mounted | 58.564 | $ | 10.94 | 640,690 | $ | 11.73 | 688,956 |
| 150 Watt **Top** Mounted | 4.124 | $ | 16.18 | 66.726 | $ | 17.35 | 71,551 |
| 150 watt | 1.125 | $ | 18.96 | 21,330 | $ | 20.33 | 22,871 |
| 250 Watt | 444 | $ | 20.06 | 8,907 | $ | 21.51 | 9,550 |
| 250 Watt (metal **pale)** | | 5 | 20.06 | | $ | 21.51 | |
| 400 Watt | 2,936 | $ | 21.42 | 62,889 | $ | 22.97 | 67.440 |
| 400 Wan **(metal** pole) | 12 | $ | 21.42 | 257 | 5 | 22.97 | 276 |
| 1000 Watt | 24 | $ | 49.85 | 1,196 | $ | 53.45 | 1,283 |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003
PRESENT RATES REVISEDTO INCLUDEJANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | Jan. 2004 ECR Rail-in Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|
| PUBLIC STREET UGHTING RATE PSL (continued) | | | | | |
| DECORATIVE UGHTING FIXTURES | | | | | |
| installed after December 31, 1990 | Lights | | | | |
| Acorn w/decorative baskets | | | | | |
| 70 Watt Sodium Vapor | 132 | $ 14.57 | 1.923 | 5 15.62 | 2,062 |
| 100 Watt Sodium Vapor | 1,044 | $ 15.15 | 15.817 | $ 16.25 | 16,965 |
| 8-Sided Coach | | | | | |
| 70 Watt Sodium Vapor | 432 | I 14.76 | 6,316 | $ 15.83 | 6.839 |
| 100 Watt Sodium Vapor | | 5 15.33 | | I 16.44 | |
| Poles | Poles | | | | |
| 10ft Smooth | 569 | 5 8.73 | 4.970 | $ 9.36 | 5,328 |
| 10ft Fluted | 702 | $ 10.42 | 7.312 | $ 11.17 | 7.838 |
| Bases | Bases | | | | |
| Old Town/Manchester | 115 | $ 2.80 | 322 | $ 3.00 | 345 |
| Cheaspeak/Franklin | 233 | 5 3.00 | 700 | $ 3.22 | 751 |
| Jefferson/Winchester | 710 | 5 3.03 | 2.151 | 5 3.25 | 2.307 |
| Norfolk/Essex | 142 | $ 3.19 | 453 | I 3.42 | 486 |
| Subtotal @ base rates before applicationof Correctionfacto | | | $ 5,095,104 | | $ 5,463,137 |
| Correction Factor - | | 0.997825 | | 0.997825 | |
| Subtotal @ base rates after application of correction factor | | | $ 5,106,893 | | $ 5,415,640 |
| Fuel Adjustment Clause - proforma for rollin | | | (28.056) | | (28.056) |
| Merger Surcredit | | | (140.918) | | (140.918) |
| Value Delivery Surcredit | | | (31.091) | | (31,091) |
| VDT Amortization& Surcredit Adjustment | | | 364 | | 364 |
| Adjustment to Reflect Year-End Customers | 24 | | 2,999 | | 3,225 |
| TOTAL PUBLIC STREET LIGHTING RATE PSL | | | $ 4,910,190 | | $ 5,279,170 |
| PROPOSEDINCREASE | | | | | $ 368,901 |
| Percentage increase | | | | | 7.51% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC PATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | Jan. 2004 ECR Roll-In Rates | Calculated Revenue at Present Rates | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|
| OUTDOOR LIGHTING SERVICE RATE OL | | | | | |
| OVERHEAD SERVICE | *Lights* | | | | |
| Mercury Vapor - Installed prior to January 1, 1991 | | | | | |
| 100 Wall | 728 | $ 6.78 | $ 4,936 | $ 7.27 | $ 5.293 |
| 175 Wan | 39.923 | $ 7.63 | 304,612 | $ 8.18 | 326,570 |
| 250 Wall | 19.562 | $ 8.63 | 168,820 | $ 9.25 | 180,949 |
| 400 Wall | 21.141 | $ 10.44 | 220.712 | $ 11.19 | 236,568 |
| 1000 Watt | 4,443 | $ 18.93 | 84.106 | $ 20.30 | 90,193 |
| Sodium Vapor. Installed prior lo January 1, 1991 | | | | | |
| 100 wan | 2,836 | $ 7.53 | 21,355 | $ 8.07 | 22.887 |
| 150 wan | 7,820 | $ 9.82 | 75,228 | $ 10.32 | 80,702 |
| 250 Watt | 4.927 | $ 11.32 | 55,774 | $ 12.14 | 59,814 |
| 400 Wan | 50.448 | $ 11.89 | 599,627 | $ 12.75 | 643.212 |
| 1000 Watt | | | | | |
| | *Poles* | | | | |
| Pole Charges | 56.430 | $ 1.66 | 93.674 | $ 1.78 | 100,445 |
| UNDERGROUND SERVICE | *Lights* | | | | |
| Mercury Vapor. Installed prior lo January 1, 1991 | | | | | |
| 100 Wall Top Mounted | 516 | $ 11.84 | 6,109 | $ 12.70 | 6,553 |
| 175 Watt Top Mounted | 6,781 | $ 12.57 | 85,237 | $ 13.48 | 91,408 |
| Sodium Vapor. Installed prior to January 1, 1991 | | | | | |
| 70 Wall Top Mounted | | $ 10.55 | | $ 11.31 | |
| 100 Watt Top Mounted | 15.235 | $ 13.93 | 212.224 | $ 14.94 | 227,611 |
| 150 Watt Top Mounted | | | | | |
| 150 Wan | | $ 18.98 | | $ 20.35 | |
| 250 Watt | 384 | $ 21.72 | 8,340 | $ 23.29 | 8.943 |
| 400 Watt | 509 | $ 23.85 | 12,140 | $ 25.57 | 13.015 |
| 1000 Wall | | | | | |

LG&E Electric Exhibit 1

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003
PRESENT RATES REVISED TO INCLUDE JANUARY 2004 ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | | Jan. 2004 ECR Roll-In Rates | Calculated Revenue at Present Rates | | Settlement Rates with ECR Rollin | Calculated Revenue at Settlement Rates |
|---|---|---|---|---|---|---|---|
| **OUTDOOR LIGHTING SERVICE RATE OL (continued)** | | | | | | | |
| **OVERHEAD SERVICE** | | | | | | | |
| **Mercury Vapor- Installed after December** 31. 1990 | | | | | | | |
| 100 watt | 1.127 | 5 | 8.99 | 10,132 | $ | 9.64 | 10.664 |
| 175 Watt | 733 | $ | 10.04 | 7,359 | 5 | 10.77 | 7,894 |
| 250 Watt | 2,232 | $ | 11.98 | 28,739 | 5 | 12.85 | 28,681 |
| 400 Walt | 4,756 | $ | 21.50 | 102,254 | $ | 23.05 | 109,626 |
| 1000 watt | | | | | | | |
| **Sodium Vapor** - Installed **after December** 31. 1990 | | | | | | | |
| 100 watt | 23,025 | 5 | 7.53 | 173.378 | 5 | 8.07 | 185,612 |
| 150 wan | 19,460 | $ | 9.62 | 187.205 | 5 | 10.32 | 200.827 |
| 250 Watt | 4,986 | $ | 11.32 | 55.442 | $ | 12.14 | 60,530 |
| 400 Wall | 107.923 | $ | 11.89 | 1,283,204 | $ | 12.75 | 1,376,018 |
| 1000 watt | 154 | 5 | 28.16 | 4,337 | $ | 30.20 | 4,651 |
| | *Poles* | | | | | | |
| Pole Charges | 46.247 | $ | 1.66 | 76,770 | $ | 1.78 | 62,320 |
| **UNDERGROUND SERVICE** | | | | | | | |
| **Mercury Vapor. Installed after** December 31.1990 | | | | | | | |
| 100 Wan Top **Mounted** | | $ | 12.57 | | $ | 13.48 | |
| 175 Wall **Top Mounted** | 2.600 | $ | 13.51 | 35.126 | 5 | 14.49 | 37,874 |
| **Sodium Vapor. Installed after December** 31. 1990 | | | | | | | |
| 70 Watt **Top Mounted** | 14,991 | 5 | 10.55 | 158.155 | $ | 11.31 | 189.546 |
| 100 Watt **Top Mounted** | 95.063 | $ | 13.93 | 1,324,228 | $ | 14.94 | 1,420,241 |
| 150 Walt **Top Mounted** | 9.267 | $ | 18.89 | 156,520 | $ | 18.11 | 167,825 |
| 150 Watt | 5.145 | $ | 18.98 | 97.652 | $ | 20.35 | 104,701 |
| 250 wan | 5.605 | $ | 21.72 | 121,741 | 5 | 23.29 | 130,540 |
| 400 Watt | 16,237 | $ | 23.85 | 387.252 | $ | 25.57 | 415.180 |
| 1000 watt | 286 | 5 | 53.63 | 15.338 | $ | 57.51 | 16,448 |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT ELECTRIC RATE INCREASE
BASED ON SALES FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003
PRESENT **RATES** REVISED TO INCLUDE JANUARY **2004** ECR ROLLIN APPLIED TO TEST PERIOD BILLING DETERMINANTS

| | Billing Determinants | | Jan. 2004 ECR Roll-In Rates | | Calculated Revenue at Present Rates | | Settlement Rates with ECR Rollin | | Calculated Revenue at Settlement Rater |
|---|---|---|---|---|---|---|---|---|---|
| **OUTDOOR LIGHTING SERVICE RATE OL (continued)** | | | | | | | | | |
| **DECORATIVE LIGHTING FIXTURES** | | | | | | | | | |
| Installed after December 31.1990 | *Lights* | | | | | | | | |
| **Acorn w/decorative baskets** | | | | | | | | | |
| 70 Watt Sodium Vapor | 243 | $ | 14.95 | | 3.633 | I | 16.03 | | 3,895 |
| 100 Watt Sodium Vapor | 1.668 | $ | 15.64 | | 26.088 | $ | 16.77 | | 27,972 |
| **8-Sided Coach** | | | | | | | | | |
| 70 Watt Sodium Vapor | 869 | $ | 15.12 | | 13.442 | I | 16.21 | | 14.411 |
| 100 Watt Sodium Vapor | 336 | $ | 15.61 | | 5.312 | $ | 16.95 | | 5,695 |
| **Poles** | *Poles* | | | | | | | | |
| 10ft Smooth | 1.392 | $ | 6.73 | | 12.152 | $ | 9.36 | | 13,029 |
| 10ft Fluted | 1.716 | I | 10.42 | | 17.880 | $ | 11.17 | | 19,167 |
| **Bases** | *Bases* | | | | | | | | |
| Old Town/Manchester | 297 | I | 2.80 | | 832 | S | 3.00 | | 892 |
| Cheaspeak/Franklin | 603 | $ | 3.00 | | 1,809 | $ | 3.22 | | 1,942 |
| Jefferson/Winchester | 1,836 | I | 3.03 | | 5,562 | $ | 3.25 | | 5,968 |
| Norfolk/Essex | 367 | I | 3.19 | | 1,171 | $ | 3.42 | | 1,256 |
| Subtotal @ bass rates before application of correction factor | | | | $ | 6,264,808 | | | $ | 6,717,769 |
| Correction Factor. | | | 0.996100 | | | | 0.996100 | | |
| Subtotal @ bass **rates** after application **of** correction factor | | | | $ | 8,289,337 | | | $ | 6,744,072 |
| Fuel Adjustment Clause - proforma for rollin | | | | | (29,131) | | | | (29,131) |
| Merger Surcredit | | | | | (172,037) | | | | (172,037) |
| Value Delivery Surcredit | | | | | (38,768) | | | | (38,766) |
| VDT Amortization & Surcredit Adjustment | | | | | 453 | | | | 453 |
| Adjustment to Reflect Year-End **Customers** | 115 | | | | 17.114 | | | | 18,401 |
| **TOTAL OUTDOOR LIGHTING RATE OL** | | | | $ | 6,066,969 | | | $ | 6,522,990 |
| **PROPOSED INCREASE** | | | | | | | | $ | 456,021 |
| Percentage Increase | | | | | | | | | 7.52% |

**Louisville** Gas and Electric Company
Summary of Settlement Gas Rate increase by Rate Class
Based on Adjusted Sales and Transportation
For the 12 months Ended September 30,2003

| | Adjusted Billings at Current Rates | Proposed increase In Revenue As Filed | Percentage Increase | increase Per Proposed Settlement | Percentage increase | Percentage of Total |
|---|---|---|---|---|---|---|
| Residential Gas Service Rate RGS | $ 226,193,722 | $ 17,187,887 | 7.60% | $ 9,782,051 | 4.32% | 83.01% |
| Firm Commercial Gas Service Rate CGS | 103,596,812 | 1,593,870 | 1.54% | 1,774,266 | 1.71% | 15.06% |
| Firm Industrial Gas Service Rate IGS | 11,973,655 | 198.751 | 1.66% | 218,727 | 1.83% | 1.86% |
| As Available Gas Service Rate AAGS | 3,005,383 | 6 | 0.00% | 8.553 | 0.28% | 0.07% |
| Firm Transportation Service Rate FT | 3,939,208 | | 0.00% | | 0.00% | 0.00% |
| Pooling Service Rate PS-FT | 60,600 | | 0.00% | | 0.00% | 0.00% |
| Special Contracts | 1,681,970 | | 0.00% | | 0.00% | 0.00% |
| Off-System Sales | - | - | | - | | |
| Total Sales and Transportation | 350,451,351 | 18,980,514 | 5.42% | 11,783,597 | 3.36% | 100.00% |
| Forfeited Discounts | 1,264,157 | | | | | |
| Reconnection Charges | 49,349 | 12,006 | | 4,002 | | |
| Meter Test Charge | | 31,464 | | 31,464 | | |
| Third Trip inspection Charges | 3,105 | 80.730 | | 80.730 | | |
| Other Miscellaneous Revenues | 591,441 | | | | | |
| Total Revenue | $ 352,359,402 | $ 19,104,714 | 5.42% | $ 11,899,793 | 3.38% | |

LOUISVILLE GAS AND ELECTRIC COMPANY
SUMMARY OF SETTLEMENT GAS RATE INCREASE BY RATE *CLASS*
BASED ON ADJUSTED SALES AND TRANSPORTATION
FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| REVENUE | Booked Revenue Adjusted to As Billed Basis | Elimination of Gas Supply Cost Recovery (GSC) Revenues (See Exhibit 7) | Elimination of Demand-Side Management (DSM) Revenues | Temperature Normalization Adjustment (See Exhibit 8) | Year-End Customers Adjustment (See Exhibit 9) | Adjustment to Reflect Rate Switching and Plant Closings (See Exhibit 10) | VDT Amortization & Surcredit Adjustment | GSC @ Current Nov03-Jan04 Charges | Adjusted Billings at Current Rates | Proposed Increase in Revenue | Percentage Increase |
| Residential Gas Service Rate RGS | $ 189,080,204 $ | (133,698,514) $ | (1,034,237) $ | 19,079 $ | 114,237 | $ | 149,202 $ | 171,563,752 $ | 226,193,722 $ | 9,782,051 | 4.32% |
| Firm Commercial Gas Service Rate CGS | 86,731,073 | (65,436,260) | (455,264) | 88,427 | (113,425) | 8,682 | 68,382 | 82,727,197 | 103,596,812 | 1,774,266 | 1.71% |
| Firm Industrial Gas Service Rate IGS | 9,878,763 | (7,988,579) | - | (36,404) | 18,710 | | 7,518 | 10,093,647 | 11,873,655 | 218,727 | 1.83% |
| As Available Gas Service Rate AAGS | 3,079,249 | (2,757,374) | (4,883) | (3,938) | (988) | (83,851) | 2,451 | 2,754,718 | 3,005,383 | 8,553 | 0.28% |
| Firm Transportation Service Rate FT | 5,308,129 | (1,499,335) | (21,375) | (30,424) | (75,115) | 13,838 | 2,953 | 242,537 | 3,939,208 | - | 0.00% |
| Pooling Service Rate PS-FT | 60,600 | | | | | | | | 60,600 | - | 0.00% |
| Special Contracts | 1,708,443 | | | (27,762) | - | | 1,290 | | 1,681,970 | - | 0.00% |
| Off-System Sales | 10,242,833 | (10,242,833) | | | | | | | | | |
| Total Sales and Transportation | $ 306,087,293 $ | (221,822,898) $ | (1,515,759) $ | (13,022) $ | (56,581) $ | (41,331) $ | 231,796 $ | 267,381,851 $ | 350,451,351 $ | 11,783,597 | 3.36% |
| Forfeited Discounts | 1,264,157 | | | | | | | | 1,264,157 | | |
| Reconnection Charges | 49,349 | | | | | | | | 48,349 | 4,002 | |
| Meter Test Charge | - | | | | | | | | - | 31,484 | |
| Third Trip Inspection Charges | 3,105 | | | | | | | | 3,105 | 80,730 | |
| Other Miscellaneous Revenues | 591,441 | | | | | | | | 591,441 | | |
| Total Revenue | $ 307,995,344 | | | | | | | | $ 352,359,402 $ | 11,899,793 | 3.38% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT GAS RATE INCREASE
BASED ON SALES AND TRANSPORTATION
FOR THE 12 MONTHS ENDED SEPTEMBER 30.2003

| | Billing Determinants | Present Rates | Calculated Revenue at Present Rates | Settlement Rates | Calculated Revenue at Proposed Rates |
|---|---|---|---|---|---|
| **Residential** Gas **Service** Rate RGS | Customer Months | Per customer | | Per Customer | |
| Customer Charges: | 3,332,464 | $7.00 | 23,327,246 | $8.50 | 28,325,944 |
| | MCF | Per Mcf | | Per Mcf | |
| Distribution Cost Component: | 24,301,485.5 | $1,3457 | 32,702,509 | $1.5470 | 37,594,390 |
| | | | 56,029,757 | | 65,920,342 |
| **Residential Gas Service** Rate RGS **Summer A/C Rider** | | | | | |
| | MCF | Per Mcf | | Per Mcf | |
| Distribution Coot Component: | 94.0 | $0.8457 | 79 | $1.5470 | 145 |
| Subtotal | 24,301,579.5 | | $ 56,029,837 | | $ 65,920,487 |
| Correction Factor | | 0.99938 | | 0.99936 | |
| Subtotal **Rate** RGS after Application of Correction Factor | 24,301,579.5 | | $ 56,065,875 | | $ 65,962,888 |
| Value Delivery Surcredit | | | (795,671) | | (795,671) |
| VDT Amortization 8 Surcredit Adjustment | | | 149,202 | | 149,202 |
| Temperature Normalization Adjustment | (671,526.1) | $1.3457 | (903,673) | $1.5470 | (1,038,851) |
| Adjustment to Reflect Year-End Customers | 48,936.3 | | 114,237 | | 134,453 |
| GSC at Current (Nov03-Jan04) Charges. GSCC | 23,678,989.7 | $ 7,2454 | 171,563,752 | $ 7.2454 | $ 171,563,752 |
| **Total Residential Gas Service** Rate RGS | 23,678,989.7 | | $ 226,193,723 | | $ 235,975,773 |
| Proposed **Increase** in Revenue | | | | | $9,782,051 |
| | | | | | 4.32% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT GAS RATE INCREASE
BASED ON SALES AND TRANSPORTATION
FOR THE 12 MONTHS ENDED SEPTEMBER 30,2003

| | Billing Determinants | Present Rates | Calculated Revenue at Present Rates | Settlement Rates | Calculated RY at Proposed Rates |
|---|---|---|---|---|---|
| Firm Commercial Gas Service Rate CGS | Customer Months | Per Customer | | Per Customer | |
| Customer Charges (Meters < 5000 cf/hr) | 281,590 | $16.50 | 4,646,235 | $16.50 | 4,646,235 |
| Customer Charges (Meters >= 5000 cf/hr) | 11,489 | $117.00 | 1,344,213 | $117.00 | 1,344,213 |
| | 293,079 | | | | |
| | MCF | Per Mcf | | Per Mcf | |
| Distribution Cost Component: | | | | | |
| On Peak Mcf | 10,842,797.2 | $1.3457 | 14,591,152 | $1.4968 | 16,229,499 |
| Off Peak Mcf | 877,844.1 | $0.8457 | 742,393 | $0 9968 | 876,035 |
| | 11,720,641.3 | | 21,323,993 | | 23,094,962 |
| Gas Transportation Service/Standby Rider to Rate CGS | Customer Months | Per customer | | Per Customer | |
| Administrative Charges: | 24 | $90.00 | 2,160 | $90.00 | 2,160 |
| | MCF | Pet Mcf | | Per Mcf | |
| Distribution Cost Component: | | | | | |
| On Peak M d | 88,084.0 | $1.3457 | 118.535 | $1,4968 | 131,644 |
| Off Peak Mcf | 17,767.4 | $0.8457 | 15,026 | $0.9968 | 17,711 |
| | 105,851.1 | | 135,721 | | 151,715 |
| Firm Commercial Gas Service Rate CGS Summer A/C Rider | MCF | Per Mcf | | Per Mcf | |
| Distribution Cast Component: | 40,2540 | $0.8457 | 34,043 | $1.4966 | 60.252 |
| **Subtotal** | 11,866,746.7 | 1 | 21,493,156 | $ | 23,308,949 |
| Correction Factor | | 0.99129 | | 0.99129 | |
| Subtotal Rate CGS after Application of Correction Factor | 11,866,746.7 | | $21,682,647 | | 123.511,114 |
| Value Delivery Surcredit | | | | | |
| VDT Amortization & Surcredit Adjustment | | | (364,672) | | (364.672) |
| Temperature Normalization Adjustment | | | 68.382 | | 88.382 |
| Adjustment to Reflect Year-End Customers | (306,160.2) | $1,3457 | (412.0001 | $1.4966 | (456,261) |
| | (81,647.3) | | (113,4251 | | (122,932) |
| Adjustment for Rate Switching & Plant Closings: Customer Chgs. | 12 | $117.00 | 1,404 | $117.00 | 1.404 |
| Distribution Chgs. -On-Peak | 4,407.5 | $1.3457 | 5,931 | $1.4968 | 8,597 |
| Distribution Chgs. - Off-Peak | 1,592.0 | $0.6457 | 1,346 | $0.9968 | 1,567 |
| GSC at Current (Nov03-Jan04) Charges - GSCC | 11,402,368.1 | $ 7.2454 | 82,614,718 | | 82,614,718 |
| GSC at Current Charges - PipelineSupplier Demand Component | 102,570.6 | 1 1.0966 | 112,479 | | 112,479 |
| Total Commercial Gar Service Rate CGS | 11,504,938.7 | | $103,596,811 | | $105,311,071 |
| Proposed Increase In Revenue | | | | | $1,774,266 |
| | | | | | 1.71% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT GAS RATE INCREASE
BASED ON SALES AND TRANSPORTATION
FOR THE 12 MONTHS ENDED SEPTEMBER 30.2003

| | Billing Determinants | Present Rates | Calculated Revenue at Present Rates | Settlement Rates | Calculated Revenue at Proposed Rates |
|---|---|---|---|---|---|
| **Firm Industrial Gas Service Rate IGS** | *Customer Months* | *Per Customer* | | *Per Customer* | |
| Customer Charges (Meters < 5000 cf/hr) | 1,463 | $16.50 | 24,140 | $16.50 | 24,140 |
| Customer Charges (Meters >= 5000 cf/hr) | 1,245 | $1 17.00 | 145,665 | $117.00 | 145.665 |
| | *MCF* | *Per Mcf* | | *Per Mcf* | |
| Distribution Cost Component: | | | | | |
| On Peak Mcf | 1,002,298.3 | $1.3457 | 1,346,793 | $1.4966 | 1,500,240 |
| Off Peak M d | 401,064.1 | $0.6457 | 339,160 | $0.9966 | 399,761 |
| | 1,403,362.4 | | 1,657,777 | | 2,069,825 |
| **Gas Transportation Service/Standby Rider lo Rate IGS** | *Customer Months* | *Per Customer* | | *Per Customer* | |
| Administrative Charges: | 25 | $90.00 | 2,250 | $90.00 | 2.250 |
| | *MCF* | *Per Mcf* | | *Per Mcf* | |
| Distribution Cod Componenl: | | | | | |
| On Peak Mcf | 7,600.3 | $1,3457 | 10,226 | $1.4966 | 11.376 |
| Off Peak Mcf | 11,340.7 | $0.8457 | 9,591 | $0.9966 | 11,304 |
| | 16,941.0 | | 22.069 | | 24.931 |
| Subtotal | 1.422,303.4 | | $ 1,879,846 | | $ 2,094,756 |
| Correction Factor | | 0.97367 | | 0.97367 | |
| Subtotal Rate IGS after Application of Correction Factor | 1,422,303.4 | | $ 1,930,275 | | $ 2,150,950 |
| Value Delivery Surcredit | | | | | |
| VDT Amortization & Surcredit Adjustment | | | (40,091) | | (40,091) |
| Rate Switching / Plant Closings Adjustment | | | 7,516 | | 7.516 |
| Customer Chgs | | $117.00 | | $117.00 | |
| On Peak Md | | $1.3457 | | $1.4968 | |
| Off Peak M d | | $0.8457 | | $0.9968 | |
| Temperature Normalization Adjustment | (27,0520) | $1.3457 | (36,404) | $1.4966 | (40,491) |
| Adjustment lo Reflect Year-End Customers | 13.764 | | 16.710 | | 20,650 |
| GSC at Current (Nov03-Jan04) Charges - GSCC | 1,390,271.1 | $ 7 2454 | 10,073,070 | | 10,073,070 |
| GSC at Current Charges - Pipeline Supplier Demand Component | 18,764.3 | $ 1.0966 | 20,577 | | 20.577 |
| **Total Industrial Gas Service Rate IGS** | 1,409,035.4 | | $ 11,973,655 | | $ 12,192,382 |
| **Proposed Increase In Revenue** | | | | | $218.727 |
| | | | | | 1.83% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT GAS RATE INCREASE
BASED ON SALES AND TRANSPORTATION
FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003

| | | Billing Determinants | Present Rates | Calculated Revenue at Present Rates | Settlement Rates | Calculated Revenue at Proposed Rates |
|---|---|---|---|---|---|---|
| **As Available Gas Service Rate AAGS** | | | | | | |
| ***Customers Currently Taking*** | | | | | | |
| ***Service Under Rate G-6 and G-6/TS*** | | *Customer Months* | *Per Customer* | | *Per Customer* | |
| Customer Charges: | G-6 | 181 | $150.00 | 27,150 | $150.00 | 27,150 |
| Administrative Charges: | G-6/TS | 36 | $90.00 | 3,240 | $90.00 | 3,240 |
| | | 217 | | 30,390 | | 30,390 |
| Distribution Cost Component: | | *MCF* | *Per Mcf* | | *Per Mcf* | |
| | G-6 | 212,614.6 | $0.6855 | 145,747 | $0.5252 | 111,665 |
| | G-6/TS | 58,991.2 | $0.6855 | 40,438 | $0.5252 | 30,982 |
| Subtotal | | 271,605.8 | | 216,576 | | 173,037 |
| ***Customers Currently Taking*** | | | | | | |
| ***Service Under Rate G-7*** | *Minimum Bills* | *Customer Months* | *Per Minimum* | | *Per Customer* | |
| Minimum Bills | 13 | 144 | $500.00 | 6,500 | $150.00 | 21,600 |
| Distribution Cost Component | | *MCF* 249,255.8 | *Per Mcf* $0.4300 | 107,180 | *Per Mcf* $0.5252 | 130,909 |
| Subtotal | | 249,255.8 | | 113,680 | | 152,509 |
| **Subtotal Rate AAGS** | | 520,861 6 | | $ 330,256 | | $ 325,547 |
| Correction Factor | | | 1.000583 | | 1.000583 | |
| **Total Rate AAGS after Application of Correction Factor** | | 520,861.6 | | $ 330,063 | | $ 325,357 |
| Value Delivery Surcredit - G6 | | | | (6,580) | | (6,580) |
| VDT Amortization & Surcredit Adjustment - G6 | | | | 1,234 | | 1,234 |
| Value Delivery Surcredit - G7 | | | | (6,492) | | (6,492) |
| VDT Amortization & Surcredit Adjustment - G7 | | | | 1,217 | | 1,217 |
| Temperature Normalization Adjustment - G6 | | (2,467.9) | $0.6855 | (1,692) | $0.5252 | (1,296) |
| Temperature Normalization Adjustment - G7 | | (5,226.3) | $0.4300 | (2,247) | $0.5252 | (2,745) |
| Adjustment to Reflect Year-End Customers - G6 | | (1,240.3) | | (988) | | (790) |
| Adjustment to Reflect Year-End Customers - G7 | | - | | | | |
| Adjustment for G6 Rate Switching & Plant Closings: | Customer Chgs. | (36) | $150.00 | (5,400) | $150.00 | (5,400) |
| | Administrative Chgs. | (24) | $90.00 | (2,160) | 69000 | (2,160) |
| | Distribution Chgs. | (82,116.8) | $0.6855 | (56,291) | $0.5252 | (43,128) |
| GSC at Current (Nov03-Jan04) Charges - GSCC | | 371,355.1 | $ 7.2454 | 2,690,616 | | 2,690616 |
| GSC at Current Charges - Pipeline Supplier Demand Component | | 58,455.2 | $ 1.0966 | 64,102 | | 64,102 |
| **Total As Available Gas Service Rate AAGS** | | 429,810.2 | | $ 3,005,383 | | $ 3,013,936 |
| **Proposed Increase in Revenue** | | | | | | $8,553 |
| | | | | | | 0.28% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT GAS RATE INCREASE
BASED ON SALES AND TRANSPORTATION
FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003

| | Billing Determinants | Present Rates | Calculated Revenue at Present Rates | Settlement Rates | Calculated Revenue at Proposed Rates |
|---|---|---|---|---|---|
| **Firm Transportation Service (Non-Standby) Rate FT** | | | | | |
| | *Customer Months* | *Per Customer* | | *Per Customer* | |
| Administrative Charges: | 894 | $90.00 | 80,460 | $90.00 | 80,460 |
| | *MCF* | *Per Mcf* | | *Per Mcf* | |
| Distribution Cost Component | 8,392,666.4 | $0.4300 | 3,608,847 | $0.4300 | 3,608,847 |
| Utilization Charge for Daily Imbalances (UCDI): | | | | | |
| Daily Storage Charge: | *930,330.8* | $0.1200 | 111,640 | | 111,640 |
| Subtotal Rate FT | 8,392,666.4 | | $ 3,800,946 | | $ 3,800,946 |
| Correction Factor | | 0.99994 | | | |
| **Total Rate FT** after Application of Correction Factor | 8,392,666.4 | | $ 3,801,164 | | * 3,801,164 |
| Value Delivery Surcredit | | | (15,746) | | (15,746) |
| VDT Amortization & Surcredit Adjustment | | | 2,953 | | 2,953 |
| Adjustment for G6 Rate Switching & Plant Closings: Administrative Chgs. | 12 | $90.00 | 1,080 | | 1,080 |
| Distribution Chgs. | 29,670.5 | $0.4300 | 12,758 | | 12,758 |
| Temperature Normalization Adjustment | (70,753.1) | $0.4300 | (30,424) | | (30,424) |
| Adjustment to Reflect Year-End Customers | (167,555.0) | | (75,115) | | (75,115) |
| UCDI Charge - Daily Demand Charge (current Nov03-Jan04) | 930,330.8 | $ 0.2607 | 242,537 | | 242,537 |
| **Total Firm Transportation (Non-Standby) Rate FT** | 8,154,358.3 | | **$ 3,939,208** | | **$ 3,939,208** |
| **Proposed Increase in Revenue** | | | | | **$ -** |
| | | | | | **0.00%** |
| **Pooling Service Rate PS-FT** | | | | | |
| | *Customer Months* | *Per Customer* | | | |
| Pooling Charges: | 808 | $75.00 | $60,600 | | $60,600 |
| Correction Factor | | 1.00000 | | | |
| **Total Pooling Service Rate PS-FT** | | | **$60,600** | | **$60,600** |
| **Proposed Increase in Revenue** | | | | | **$0** |
| | | | | | **0.00%** |

LOUISVILLE GAS AND ELECTRIC COMPANY
ı̣ ION OI SETTLEMENT GAS RATE INCREASE
BASED ON SALES AND TRANSPORTATION
FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2003

| | Billing Determinants | Present Rates | Calculated Revenue at Present Rates | Settlement Rates | Calculated Revenue at Proposed Rates |
|---|---|---|---|---|---|
| **Special Contract** | *Customer Months* | *Per Customer* | | *Per Customer* | |
| Customer Charges: | 12 | $180.00 | 2,160 | $180.00 | 2,160 |
| Administrative Charges: | 12 | $90.00 | 1,080 | $90.00 | 1,080 |
| | *MCF* | *Per Mcf* | | *Per Mcf* | |
| Distribution Cost Component | 1,107,542.5 | $0.1049 | 116,181 | $0.1049 | 116,181 |
| Demand Charges | 112,956.9 | $2.7500 | 310,631 | $2.7500 | 310,631 |
| Subtotal | | | $ 430,053 | | $ 430,053 |
| Correction Factor | | 0.99994 | | 0.99994 | |
| Subtotal After Application of Correction Factor | | | 430,078 | | 430,078 |
| VDT Amortization & Surcredit Adjustment | | | 329 | | 329 |
| Value Delivery Surcredit | | | (1,754) | | (1,754) |
| Temperature Normalization Adjustment | (36,490.3) | $0.1049 | (3,828) | $0.1049 | (3,828) |
| **Total Special Contract** | 1,071,052.2 | | $ 424,825 | | $ 424,825 |
| **Proposed Increase In Revenue** | | | | | $ - |
| | | | | | 0.00% |

| | Billing Determinants | Present Rates | Calculated Revenue at Present Rates | Settlement Rates | Calculated Revenue at Proposed Rates |
|---|---|---|---|---|---|
| **Special Contract** | *Customer Months* | *Per Customer* | | *Per Customer* | |
| Customer Charges: | 12 | $180.00 | 2,160 | $180.00 | 2,160 |
| Administrative Charges: | 12 | $90.00 | 1,080 | $90.00 | 1,080 |
| | *MCF* | *Per Mcf* | | *Per Mcf* | |
| Distribution Cost Component | 1,324,780.6 | $0.1049 | 138,971 | $0.1049 | 138,971 |
| Demand Charges | 71,028.5 | $2.7500 | 195,328 | $2.7500 | 195,328 |
| Subtotal | | | $ 337,539 | | $ 337,539 |
| Correction Factor | | 1.00000 | | 1.00000 | |
| Subtotal After Application of Correction Factor | | | $ 337,539 | | $ 337,539 |
| VDT Amortization & Surcredit Adjustment | | | 263 | | 263 |
| Value Delivery Surcredit | | | (1,402) | | (1,402) |
| Temperature Adjustment | (10,561.7) | $0.1049 | (1,108) | $0.1049 | (1,108) |
| **Total Special Contract** | 1,314,228.9 | | $ 335,292 | | $ 335,292 |
| **Proposed Increase In Revenue** | | | | | $ - |
| | | | | | 0.00% |

LOUISVILLE GAS AND ELECTRIC COMPANY
CALCULATION OF SETTLEMENT GAS RATE INCREASE
BASED ON SALES AND TRANSPORTATION
FOR THE 12 MONTHS ENDED SEPTEMBER 30

| | Billing Determinants | Present Rates | Calculated Revenue at Present Rates | Settlement Rates | Calculated Revenue at Proposed Rates |
|---|---|---|---|---|---|
| **Special Contract** | Customer Months | Per Customer | | Per Customer | |
| Customer Charges: | 24 | $180.00 | 4.320 | $180.00 | 4.320 |
| Administrative Charges: | 24 | $90.00 | 2.160 | $90.00 | 2,160 |
| | MCF | Per M d | | Per Mcf | |
| Distribution Cost Component | 2,941,326.6 | $0 3200 | 941.225 | $0.3200 | 041.225 |
| Subtotal | | I | 947.705 | $ | 947.705 |
| Correction Factor | | 1.00000 | | 1.00000 | |
| Subtotal After Application of Correction Factor | | $ | 947.704 | I | 947,704 |
| VDT Amortization & Surcredit Adjustment | | | 698 | | 698 |
| Value Delivery Surcredit | | | (3,723) | | (3,723) |
| Temperature Adjustment | (71,333.1) | $0.3200 | (22,827) | $0.3200 | (22,627) |
| **Total Special Contract** | 2,869,993.5 | $ | 921,853 | $ I | 921.853 |
| **Proposed Increase in Revenue** | | | | | 0.00% |
| **Reserved Balancing Service Rate RBS** | MCF | Per Mcf | | Per Mcf | |
| Monthly Balancing Charge: | | $ 3.65 | $0 | I 3.85 | $0 |
| Monthly Demand Charge: | | I 7.93 | $0 | I 7.93 | $0 |
| | | | $0 | | $0 |
| Correction Factor | | | | 0 | |
| Total after Application of Correction Factor | | | $0 | | $0 |
| Proposed Increase in Revenue | | | | | $0 |
| | | | | | 0.00% |

COMMONWEALTH OFKENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAY 0 4 2004

PUBLIC SERVICE

In the Matter of:

| | | |
|---|---|---|
| AN ADJUSTMENT OF THE GAS AND ELECTRIC RATES, TERMS AND CONDITIONS OF LOUISVILLE GAS AND ELECTRIC COMPANY | ) ) ) ) | CASE NO: 2003-00433 |

In the Matter of:

| | | |
|---|---|---|
| AN ADJUSTMENT OF THE ELECTRIC RATES, TERMS AND CONDITIONS OF KENTUCKY UTILITIES COMPANY | ) ) ) | CASE NO: 2003-00434 |

## STIPULATION

WHEREAS, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively "Companies") filed applications to make general adjustments to the Companies' rates, terms and conditions on December 29,2003 in Case Nos. 2003-00433 and 2003-00434;

WHEREAS, The Kroger Co. was granted full intervention by the Kentucky Public Service Commission ("Commission") on January 22, 2004;

WHEREAS, the Companies and The Kroger Co. (the "parties") wish to facilitate the disposition of these two proceedings through the submission of a joint stipulation on revenue requirement and rate design issues; and,

NOW THEREFORE, pursuant to 807 KAR 5:001 Section 4(6) the parties stipulate as follows:

The Companies will request authority from the Commission to offer experimental time-ofday rate schedules for commercial customers whose maximum monthly demands were greater than 250 KW and less than 2,000 KW during the calendar year 2003 on a revenue-neutral basis. The experimental time-ofday rate schedules will be available to 100 accounts currently served under Rate LC by LG&E, and to 100 accounts currently served under Rate LP by KU.

2 After three years, the Companies will evaluate the performance of the experimental time-of-day rate schedules for the following purposes: (i) to determine the amount of load shifted from the on-peak period to the off-peak period, (ii) to determine the amount of revenue loss from the experimental time-of-day rate schedules, (iii) to evaluate customer acceptance of the experimental time-ofday rate schedules, and (iv) to evaluate the potential for implementing the experimental time-of-day rate schedules as either a permanent demand-side management program or as a standard rate schedule. The Companies shall file a report with the Commission describing their findings within six months after the first three years of implementation of the experimental time-of-day rate schedules. The experimental time-ofday rate schedules shall remain in effect until the rate schedules are terminated by order of the commission.

3. Any customer-specific costs of offering the experimental time-ofday rate schedules, including but not limited to the additional cost of the metering equipment, meter reading, and customer-specific billing costs, shall be recovered through a monthly facilities charge billed to the participants of the experimental time-of-day rate schedules. The monthly facilities charge shall be $15.00 per customer per month.

4. The experimental time-ofday rate schedule for customers served under LG&E's Rate LC shall include energy charges corresponding to $0.0300 per kWh during the designated

on-peak period and $0.0140 per kWh during the designated off-peak period. These charges are based on an energy charge filed by LG&E of $0.0240/kWh. Should the Commission approve an energy charge in this proceeding for Rate LC that differs from the one filed by LG&E, the on-peak and off-peak energy charges shall be adjusted pro-rata to reflect the energy charge established by the Commission. During the summer billing months of June through September, the designated on-peak period shall be: weekdays, from 10 AM to 9 P.M. Eastern Standard Time (EST) during the four monthly billing periods of June through September. During the winter billing months of October through May, the designated on-peak period shall be: weekdays, from 8 A.M. to 10 P.M Eastern Standard Time (EST) during the eight monthly billing periods of October through May. The designated off-peak period shall be all hours not included during the summer and winter peak periods. The demand and customer charges shall be the Same as approved by the Commission for Rate. LC.

5. The experimental time-of-day rate schedule for customers served under KU's Schedule LP shall include energy charges corresponding to $0.0280 per kWh during the designated on-peak period and $0.0150 per kWh during the designated off-peak period. These charges are based on an energy charge filed by KU of $0.0220/kWh. Should the Commission approve an energy charge for Schedule LP in this proceeding that differs from the one filed by KU, the on-peak and off-peak energy charges shall be adjusted pro-rata to reflect the energy charge established by the Commission. During the summer billing months of June through September, the designated on-peak period shall be: weekdays, from 10 A.M. to 9 P.M. Eastern Standard Time (EST) during the four monthly billing periods of June through September. During the winter billing months of October through May, the designated on-peak period shall be: weekdays, from 8 A.M. to 10 P M Eastern Standard Time (EST) during the eight monthly

billing periods of October through May. The designated off-peak period shall be all hours not included during the summer and winter peak periods. The demand and customer charges shall be the same as approved by the Commission for Schedule LP.

6. The non-customer specific costs of modifying LG&E's customer billing system to bill customers under the experimental time-of-day rate schedule will be recovered through a charge per kWh billed to customers taking service under Rate LC determined in the same manner as the DSM Cost Recovery Component of LG&E's Demand-Side Management Cost Recovery Mechanism. The cost of modifying LG&E's customer billing system is estimated to be a total of $87,150, or $29,050 annually for three years. The charge would be $0.00001/kWh.

7. The non-customer specific costs of modifying KU's customer billing system to bill customers under the experimental time-of-day rate schedule will be recovered through a charge per kWh billed to customers taking service under Rate LP determined in the same manner as the DSM Cost Recovery Component of KU's Demand-Side Management Cost Recovery Mechanism. The cost of modifying KU's customer billing system is estimated to be a total of $87,150, or $29,050 annually for three years. The charge would be $0.00001/kWh.

8. LG&E will collect any revenue from lost sales from the experimental time-of-day rate schedule through a charge billed to customers taking service under Rate LC determined in the same manner as the DSM Revenue From Lost Sales Component of LG&E's Demand-Side Management Cost Recovery Mechanism. The Revenue From Lost Sales will be determined annually by comparing billings of customers taking service under the experimental time-of-day rate schedule to billings computed under Rate LC for twelve-month periods.

9. KU will collect any revenue from lost sales from the experimental time-of-day rate schedule through a charge billed to customers taking service under Rate LP determined in

the same manner as the DSM Revenue From Lost Sales Component of KU's Demand-Side Management Cost Recovery Mechanism. The Revenue From Lost Sales will be determined annually by comparing billings of customers taking service under the experimental time-of-day rate schedule to billings computed under Rate LP for twelve-month periods.

10. The experimental time-of-day rate schedules will become effective fourteen weeks after the dates of the Commission's Orders in the above-captioned proceedings.

11. The Kroger Co. shall withdraw the direct testimony submitted by Kevin C. Higgins on behalf of The Kroger Co. in Case Nos. 2003-00433 and 2003-00434 and shall not otherwise contest the Companies' proposals in Case Nos. 2003-00433 and 2003-00434 regarding the application of the Merger Surcredits, the shareholder components of the Merger Surcredits, the VDT Surcredits, the shareholder components of the VDT Surcredits, the Companies' proposed revenue increase, or the Companies' proposed allocation of the rate increase.

The parties submit the foregoing stipulation is a fair, just and reasonable resolution of the issues identified herein and request the Commission to determine the resolution of the issues herein based upon the stipulation.

Dated: May 4,2004

Respectfully submitted,

Kendrick R. Riggs
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COUNSEL FOR LOUISVILLE GAS AND ELECTRIC *COMPANY* AND KENTUCKY UTILITIES *COMPANY*

- and -

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COUNSEL FOR THE KROGER COMPANY

STANDARD RATE SCHEDULE STOD

Small Time of Day Rate

N

## APPLICABLE

In all territory served.

## AVAILABILITY OF SERVICE

Available to commercial customers whose average maximum monthly demands are greater than 250 KW and less than 2,000KW.

a) STOD shall be available as an optional pilot program for three years effective 14 weeks following the Final Order in PSC Case No 2003-00433 for existing customers on Rate LC, Original Sheet No 15, PSC of Kentucky Electric No 6.

b) As an optional pilot program, STOD is restricted to 100 customers. The Company will notify all eligible customers of STOD and accept applications on a first-come-first-served basis with the beginning of business 6 weeks following the Final Order in PSC Case No 2003-00433.

c) For each year or partial year of the pilot program, programming costs plus lost revenues will be recovered from customers served under Rate LC by a program cost recovery mechanism.

d) No customers will be accepted for STOD following the end of the second year of the pilot program.

e) The Company will file a report on STOD with the Commission within six months of the end of the third year of the pilot program. Such report will detail findings and recommendations.

f) STOD shall remain in effect until terminated by order of the Commission.

## RATE

Customer Charge: $80.00 per month

Plus a Demand Charge:

Winter Rate applies to the eight consecutive billing months October through May

| | |
|---|---|
| Secondary Service - | $11.14 per KW per month |
| Primary Service - | $ 9.52 per KW per month |

Summer Rate applies to the four consecutive billing months June through September

| | |
|---|---|
| Secondary Service - | $14.20 per KW per month |
| Primary Service - | $12.32 per KW per month |

Plus an Energy Charge of:

| | |
|---|---|
| On-Peak Energy - | $0.02936 per KWH |
| Off-Peak Energy - | $0.01370 per KWH |

Where the On-Peak Energy is defined for bills rendered during a billing period as the metered consumption from:

a) 10 A.M. to 9 P.M., Eastern Standard Time, on weekdays for the four consecutive billing months of June through September or

b) 8 A.M. to 10 P.M., Eastern Standard Time, on weekdays for the eight consecutive billing months from October through May.

All other metered consumption shall be defined as Off-Peak Energy.

## DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the highest average load in kilowatts recorded during any 15-minute interval in the monthly billing period: but not less than 50% of the maximum demand similarly determined for any of the four billing periods of June through September within the 11 preceding months; nor less than 25 kilowatts (10 kilowatts to any customer served under this rate schedule on March 1, 1964).

STANDARD RATE SCHEDULE STOD

Small Time of Day Rate

N

## PROGRAM COST RECOVERY MECHANISM

The monthly billing amount computed under Rate LC shall be adjusted by the Program Cost Recovery Factor which shall be calculated per KWH in accordance with the following formula:

Program Cost Recovery Factor = (PC + LR) / LPKWH

Where:

a) PC is the cost of programming the billing system and will be no more than $29,050 for each of the three years of the pilot program.
b) LR is the lost revenues of the pilot program calculated by subtracting the revenues that would have been billed under Rate LC from the revenues realized by actual billings under STOD. LR will be calculated for the first program year and applied in the second program or recovery year. That procedure will repeat for each year or partial year the pilot is in effect.
c) LPKWH is the expected KWH energy sales for the LC rate in the recovery year.
d) The Company will file any change in the Program Cost Recovery Factor with supporting calculations ten days prior to application.

## ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

| | |
|---|---|
| Fuel Adjustment Clause | Sheet No. 70 |
| Demand Side Management Cost Recovery Mechanism | Sheet No. 71 |
| Environmental Cost Recovery Surcharge | Sheet No. 72 |
| Merger Surcredit Rider | Sheet No. 73 |
| Earnings Sharing Mechanism | Sheet No. 74 |
| Value Delivery Surcredit Rider | Sheet No. 75 |
| Franchise Fee Rider | Sheet No. 76 |
| School Tax | Sheet No. 77 |

## MINIMUM CHARGE

The bill shall in no event be less than the Customer Charge plus the Demand Charge computed upon the billing demand for the month.

## LATE PAYMENT CHARGE

The bill will be rendered at the above net charges (including net minimum bills when applicable) plus an amount equivalent to 1% thereof, which amount will be deducted provided bill is paid within 15 days from date

## EXIT AND EMERGENCY LIGHTING

Where governmental code or regulation requires a separate circuit for exit or emergency lighting, the demand and consumption of such separate circuit may be combined for billing with those of the principal light and power circuit or circuits

## TERM OF CONTRACT

For a fixed term of not less than one year and for such time thereafter until terminated by either party giving 30 days written notice to the other of the desire to terminate. A customer exiting the pilot program will not be allowed to return to it until the Commission has issued a decision on the STOD program report.

STANDARD RATE SCHEDULE STOD

Small Time of Day Rate

**TERMS AND CONDITIONS**

Service will be furnished under Company's Terms and Conditions applicable hereto N

ELECTRIC RATE SCHEDULE STOD

Small Time-of-Day Service

## APPLICABLE

In all territory sewed by the Company.

## AVAILABILITY OF SERVICE

Available to commercial customers whose average maximum monthly demands are greater than 250 KW and less than 2,000KW.

a) STOD shall be available as an optional pilot program for three years effective 14 weeks following the Final Order in PSC Case No 2003-00434 for existing customers on Rate LP, Original Sheet No 20, PSC No 13.

b) As an optional pilot program, STOD is restricted to 100 customers. The Company will notify all eligible customers of STOD and accept applications on a first-come-first-served basis with the beginning of business 6 weeks following the Final Order in PSC Case No 2003-00434.

c) For each year or partial year of the pilot program, programming costs plus lost revenues will be recovered from customers served under Rate LP by a program cost recovery mechanism.

d) No customers will be accepted for STOD following the end of the second year of the pilot program.

e) The Company will file a report on STOD with the Commission within six months of the end of the third year of the pilot program. Such report will detail findings and recommendations

f) STOD shall remain in effect until terminated by order of the Commission.

## RATE

Customer Charge: $90.00 per month

Plus a Demand Charge:

| | |
|---|---|
| Secondary Service - | $6.65 per KW per month |
| Primary Service - | $6.26 per KW per month |
| Transmission Service - | $5.92 per KW per month |

Plus an Energy Charge of:

| | |
|---|---|
| On-Peak Energy - | $0.02800 per KWH |
| Off-Peak Energy - | $0.01500 per KWH |

Where the On-Peak Energy is defined for bills rendered during a billing period as the metered consumption from:

a) 10 A.M. to 9 P.M., Eastern Standard Time, on weekdays for the four consecutive billing months of June through September or

b) 8 A.M. to 10 P.M., Eastern Standard Time, on weekdays for the eight consecutive billing months from October through May.

All other metered consumption shall be defined as Off-Peak Energy.

## DETERMINATION OF MAXIMUM LOAD

The load will be measured and will be the average KW demand delivered to the customer during the 15-minute period of maximum use during the month.

The company reserves the right to place a KVA meter and base the billing demand on the measured KVA. The charge will be computed based on the measured KVA times 90 percent of the applicable KW charge.

ELECTRIC RATE SCHEDULE STOD

Small Time-of-Day Service

In lieu of placing a KVA meter, the Company may adjust the measured maximum load for billing purposes when power factor is less than 90 percent in accordance with the following formula: (BASED ON POWER FACTOR MEASURED AT TIME OF MAXIMUM LOAD).

$$\text{Adjusted Maximum KW Load for Billing Purposes} = \frac{\text{Maximum Load Measured} \times 90\%}{\text{Power Factor (in Percent)}}$$

**PROGRAM COST RECOVERY MECHANISM**

The monthly billing amount computed under Rate LP shall be adjusted by the Program Cost Recovery Factor which shall be calculated per KWH in accordance with the following formula:

Program Cost Recovery factor = (PC + LR) / LPKWH

Where:

a) PC is the cost of programming the billing system and will be no more than $29,050 for each of the three years of the pilot program.

b) LR is the lost revenues of the pilot program calculated by subtracting the revenues that would have been billed under Rate LP from the revenues realized by actual billings under STOD. LR will be calculated for the first program year and applied in the second program or recovery year. That procedure will repeat for each year or partial year the pilot is in effect.

c) LPKWH is the expected KWH energy sales for the LP rate in the recovery year.

d) The Company will file any changes to the Program Cost Recovery Factor with supporting calculations ten days prior to application.

**ADJUSTMENT CLAUSES**

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

| | |
|---|---|
| Fuel Adjustment Clause | Sheet No. 70 |
| Demand Side Management Cost Recovery Mechanism | Sheet No. 71 |
| Environmental Cost Recovery Surcharge | Sheet No. 72 |
| Merger Surcredit Rider | Sheet No. 73 |
| Earnings Sharing Mechanism | Sheet No. 74 |
| Value Delivery Surcredit Rider | Sheet No. 75 |
| Franchise Fee Rider | Sheet No. 76 |
| School Tax | Sheet No. 77 |

**MINIMUM CHARGE**

Service under this schedule is subject to an annual minimum of $81.24 per kilowatt for secondary delivery, $77.16 per kilowatt for primary delivery and $73.08 per kilowatt for transmission delivery for each yearly period based on the greater of (a), (b), (c), (d), or (e) as follows:

(a) The highest monthly maximum load during such yearly period.
(b) The contract capacity, based on the expected maximum KW demand upon the system.
(c) 60 percent of the KW capacity of facilities specified by the customer.
(d) Secondary delivery, $812.40 per year; Primary delivery, $1,929.00 per year; Transmission delivery, $3,654.00 per year.
(e) Minimum may be adjusted where customer's service requires an abnormal investment in special facilities.

ELECTRIC RATE SCHEDULE STOD

**Small Time-of-Day Service**

Payments to be made monthly of not less than 1/12 of the Annual Minimum until the aggregate payments during the contract year equal the Annual Minimum. However, payments made in excess of the amount based on above rate schedule will be applied as a credit on billings for energy used during contract year. A new customer or an existing customer having made a permanent change in the operation of electrical equipment that materially affects the use in kilowatt-hours and/or use in kilowatts of maximum load will be given an opportunity to determine new service requirements in order to select the most favorable contract year period and rate applicable.

N

**DUE DATE OF BILL**

Customer's payment will be due within 10 days from date of bill

**TERM OF CONTRACT**

For a fixed term of not less than one year and for such time thereafter until terminated by either party giving 30 days written notice to the other of the desire to terminate. A customer exiting the pilot program will not be allowed to return to it until the Commission has issued a decision on the STOD program report.

**TERMS AND CONDITIONS**

Service will be furnished under Company's Terms and Conditions applicable hereto

**Case Nos. 2003-00433 and 2003-00434 – LG&E and KU**
**Modification of Environmental Surcharge (ECR)**

KU

- The rate base, operating expenses, and gross proceeds from by-product and allowance sales included in KU's environmental surcharge associated with its 1994 Compliance Plan ("1994 Plan") will be included and recovered through KU's base rates.

- KU's 1994 Plan will be removed from its environmental surcharge.

- The Base Period Jurisdictional Environmental Surcharge Factor ("BESF) in KU's surcharge will be recalculated to remove the effects of KU's 1994 Plan. The calculation of the revised BESF will be included as part of the first monthly surcharge filing submitted after the removal of the 1994 Plan from the environmental surcharge.

- The costs and allowance expense associated with the sulfur dioxide ("$SO_2$") emission allowances received from the Owensboro Municipal Utilities will be included as a component of the environmental surcharge costs recovered as part of KU's Post-1994 Plan.

- For KU, any environmental surcharge reporting format that exclusively reports information associated with the 1994 Plan will be deleted from the monthly surcharge filing. For reporting formats presenting information associated with both the 1994 Plan and Post-1994 Plan, the 1994 Plan information will be shown as "0". Reporting formats will be renumbered to reflect the deleted reporting formats during the next surcharge review.

- KU's ES Form 2.31, of Emission Allowances – Current Vintage Year," will no r ce d with th no / environmental surcharge s KU will continue t include ; Form 2.30, "Inventory of Emission All "

LG&E

- The rate base, rating expenses, and s proce ds from d allo sales uded i LG&E's l g associated with its 1995 Compliance Plan (" Plan") will be included and recovered t LG&E's base ates.

- I 995 Plan will be removed f m its environmental urcharge.

- The BESF in LG&E's surcharge will be recalculated t remove the effects of I 1995 Plan. The calculation f the revised BESF will be included as t f the first monthly surcharge filing submitted after the removal of the 1995 Plan from the environmental surcharge.

- For LG&E, any environmental surcharge reporting format that exclusively reports information associated with the 1995 Plan will be deleted from the monthly surcharge filing. For reporting formats presenting information associated with both the 1995 Plan and Post-1995 Plan, the 1995 Plan information will be shown as "0". Reporting formats will be renumbered to reflect the deleted reporting formats during the next surcharge review.

APPENDIX D

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2003-00434 DATED June 30, 2004

Determination of KU's Jurisdictional Rate Base Ratio
And the Pro Forma Adjustments to KU's Jurisdictional Rate Base

Jurisdictional Rate Base Ratio

The determination of KU's jurisdictional capitalization reflects the allocation of the total company capitalization using an allocation factor based on KU's actual test-year jurisdictional rate base compared to the total company rate base.

| | Jurisdictional Rate Base As of 09/30/03 | Total Company Rate Base As of 09/30/03 |
|---|---|---|
| Total Utility Plant in Service | $3,065,995,545 | $3,527,901,229 |
| Add: | | |
| Materials & Supplies | 57,926,039 | 66,981,537 |
| Prepayments | 2,935,464 | 3,360,692 |
| Emission Allowances | 59,742 | 69,415 |
| Cash Working Capital Allowance | 52,060,201 | 59,554,982 |
| Subtotal | $ 112,981,446 | $ 129,966,626 |
| Deduct: | | |
| Accumulated Depreciation | 1,391,726,423 | 1,600,258,255 |
| Customer Advances | 1,455,980 | 1,504,616 |
| ADIT | 244,773,165 | 286,727,746 |
| SFAS 109 ADIT | (17,891,956) | (19,948,859) |
| Investment Tax Credit (prior law) | 5,453,260 | 6,519,139 |
| Subtotal | $1,625,516,872 | $1,875,060,897 |
| Net Original Cost Rate Base | $1,553,460,119 | $1,782,806,958 |
| Percentage of Electric Rate Base to Total Company Rate Base | | 87.14% |

The electric and total company rate base calculations match those submitted by LG&E in Rives Direct Testimony, Rives Exhibit 3, page 1 of 2, with the except of:

- the treatment of Accumulated Deferred Income Taxes ("ADIT"), which are described in the Order;
- the utility plant balances, accumulated depreciation balances, and cash working capital allowances shown in Rives Exhibit 3 did not agree with the KU's Trial Balance, See Response to the Commission Staff's First Data Request dated December 19, 2003, Item 13(a)(b). The Commission has used the balances shown in the trial balance.

APPENDIX D (continued)

Pro Forma Adjustments to KU's Jurisdictional Rate Base

| | Post-1994 Environmental Surcharge | E. W. Brown Improvement Reimburse. | SFAS No. 143 Adjustment | Retire Green River Units 1 &2 | Commission Expense Adjustments | Total All Pro Forma Adjustments |
|---|---|---|---|---|---|---|
| Total Utility Plant in Service | (137,666,130) | (4,706,912) | (7,408,501) | (18,137,447) | 0 | (167,918,990) |
| Add: | | | | | | |
| Materials & Supplies | 0 | 0 | 0 | 0 | 0 | 0 |
| Prepayments | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash Working Capital | 0 | 0 | 0 | 0 | (2,206,749) | (2,206,749) |
| Subtotal | 0 | 0 | 0 | 0 | (2,206,749) | (2,206,749) |
| Deduct: | | | | | | |
| Accumulated Depreciation | (279,056) | 0 | 0 | (17,086,448) | 412,065 | (16,953,439) |
| Customer Advances | 0 | 0 | 0 | 0 | 0 | 0 |
| ADIT | (303,818) | 0 | 0 | 0 | 0 | (303,818) |
| SFAS 109 ADIT | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment Tax Credit | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | (582,874) | 0 | 0 | (17,086,448) | 412,065 | (17,257,257) |
| Net Adjustments | (137,083,256) | (4,706,912) | (7,408,501) | (1,050,999) | (2,618,814) | (152,868,482) |

All amounts reflect the Kentucky jurisdictional balance.

The adjustments for the Post-1994 Environmental Surcharge, E.W. Brown Improvement Reimbursement, the SFAS No. 143, and the Green River retirements were provided by KU in its response to the Commission Staff's Third Data Request dated March 1, 2004, Item 38.

The Post-1994 Environmental Surcharge adjustment reflects the removal of all rate base-related components. The amounts shown about have been revised to include the ADIT associated with the Post-1994 Environmental Surcharge. When the corresponding adjustment is made to capitalization, the ADIT amount will not be included since ADIT is not funded by capitalization. This treatment is consistent with the Commission's decision in Case No. 1998-00474.

The Commission Expense Adjustments reflect the calculation of the cash working capital allowance using the 1/8th formula and the change in Operation and Maintenance Expenses and the adjustment to depreciation expense as described in the Order.

APPENDIX E

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2003-00434 DATED June 30, 2004

Determination of KU's Jurisdictional Capitalization

KU's Total Company Capitalization

| | Test Year Actual Balances | Updated Capital Structure | Revised TY Actual Balances | Adjustments to Total Company Capitalization | Adjusted Total Company Capitalization |
|---|---|---|---|---|---|
| Long-Term Debt | 613,712,167 | 43.69% | 729,956,465 | (4,822,123) | 725,134,342 |
| Short-Term Debt | 98,730,542 | 2.41% | 40,265,394 | (265,995) | 39,999,399 |
| Accounts Receivable Securitization | 49,300,000 | 0.00% | 0 | 0 | 0 |
| Preferred Stock | 40,000,000 | 2.36% | 39,430,013 | (260,476) | 39,169,537 |
| Common Equity | 869,020,543 | 51.54% | 861,111,380 | (4,169,442) | 856,941,938 |
| Totals | 1,670,763,252 | 100.00% | 1,670,763,252 | (9,518,036) | 1,661,245,216 |

Adjustments to Total Company Capitalization

| | Undistributed Subsidiary Earnings | Investment in Electric Energy, Inc | Other Investments | Minimum Pension Liability | Adjustments to Total Company Capitalization |
|---|---|---|---|---|---|
| Long-Term Debt | 0 | (4,473,454) | (348,669) | 0 | (4,822,123) |
| Short-Term Debt | 0 | (246,762) | (19,233) | 0 | (265,995) |
| Preferred Stock | 0 | (241,642) | (18,834) | 0 | (260,476) |
| Common Equity | (8,943,279) | (5,277,221) | (411,317) | 10,462,375 | (4,169,442) |
| Totals | (8,943,279) | (10,239,079) | (798,053) | 10,462,375 | (9,518,036) |

KU's Kentucky Jurisdictional Capitalization

| | Adjusted Total Company Capitalization | Jurisdictional Rate Base Percentage | Kentucky Jurisdictional Capitalization | KY Juris. Capital Structure | Adjustments to KY Juris. Capitalization | Adjusted KY Juris. Capitalization |
|---|---|---|---|---|---|---|
| Long-Term Debt | 725,134,342 | 87.14% | 631,882,066 | 43.65% | (65,716,597) | 566,165,469 |
| Short-Term Debt | 39,999,399 | 87.14% | 34,855,476 | 2.41% | (3,628,339) | 31,227,137 |
| Preferred Stock | 39,169,537 | 87.14% | 34,132,335 | 2.36% | (3,553,063) | 30,579,272 |
| Common Equity | 856,941,938 | 87.14% | 746,739,205 | 51.58% | (77,655,487) | 669,083,718 |
| Totals | 1,661,245,216 | | 1,447,609,082 | 100.00% | (150,553,486) | 1,297,055,596 |

Adjustments to Kentucky Jurisdictional Capitalization

| | KY Juris. Capital Structure | Post-1994 Environ. Surcharge | E. W. Brown Repairs | Retire Green River Units 1 & 2 | SFAS No. 143 ARO | Adjustments to KY Juris. Capitalization |
|---|---|---|---|---|---|---|
| Long-Term Debt | 43.65% | (59,969,458) | (2,054,567) | (458,761) | (3,233,811) | (65,716,597) |
| Short-Term Debt | 2.41% | (3,311,028) | (113,437) | (25,329) | (178,545) | (3,628,339) |
| Preferred Stock | 2.36% | (3,242,335) | (111,083) | (24,804) | (174,841) | (3,553,063) |
| Common Equity | 51.58% | (70,864,252) | (2,427,826) | (542,105) | (3,821,304) | (77,655,487) |
| Totals | 100.00% | (137,387,073) | (4,706,913) | (1,050,999) | (7,408,501) | (150,553,486) |

Adjustments to Total Company Capitalization:

The Updated Capital Structure percentages were used to allocate adjustments to Total Company Capitalization on a pro rata basis. The Undistributed Subsidiary Earnings and Minimum Pension Liability impact only the Common Equity, so a pro rata allocation to all components of Total Company Capitalization is not appropriate.

Adjustments to Kentucky Jurisdictional Capitalization:

As noted in Appendix C, the adjustment for the Post-1994 Environmental Surcharge does not include the balance for ADIT, since ADIT is not funded by capitalization.

APPENDIX F

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2003-00434 DATED June 30, 2004

Schedule of Adjustments

The following adjustments were proposed by KU in its application, accepted by the AG, and have been found reasonable and accepted by the Commission. The "+" indicates an increase while "-" indicates a decrease.

| Description | Reference Rives Exhibit 1 | Change to Revenues | Change to Expenses |
|---|---|---|---|
| 1. Adjustment to eliminate unbilled revenues. | Sch. 1.00 | +$675,000 | 0 |
| 2. Adjust base rates and Fuel Adjustment Clause ("FAC") to reflect a full year of FAC roll-in. | Sch. 1.02 | +$1,417,623 | 0 |
| 3. Adjustment to eliminate environmental surcharge revenues and expenses. | Sch. 1.03 | -$25,039,979 | -$248,468 |
| 4. Adjust base rate revenues to reflect a full year of the environmental surcharge roll-in. | Sch. 1.04 | +$17,986,813 | 0 |
| 5. Eliminate electric brokered sales revenues and expenses. | Sch. 1.06 | -$5,571,256 | -$7,725,329 |
| 6. Eliminate electric ESM revenues collected. | Sch. 1.07 | -$4,604,742 | 0 |
| 7. Eliminate ESM, environmental surcharge, and FAC in Rate Refund Account 449. | Sch. 1.08 | +$1,630,147 | 0 |
| 8. Eliminate demand-side management revenues and expenses. | Sch. 1.09 | -$2,942,935 | -$2,946,471 |
| 9. Eliminate advertising expenses pursuant to 807 KAR 5:016. | Sch. 1.15 | 0 | -$45,386 |
| 10. Adjustment to remove One-Utility costs. | Sch. 1.18 | 0 | -$1,550,907 |
| 11. Adjustment for VDT net savings to shareholders. | Sch. 1.20 | 0 | +$2,895,000 |

APPENDIX F (continued)

| Description | Reference Rives Exhibit 1 | Change to Revenues | Change to Expenses |
|---|---|---|---|
| 12. Adjust VDT-related revenues and expenses to settlement agreement. | Sch. 1.21 | +$85,337 | -$466,280 |
| 13. Adjustment for merger savings. | Sch. 1.22 | -$2,564,269 | +$18,968,825 |
| 14. Adjustment to eliminate LG&E/KU merger amortization expense. | Sch. 1.23 | 0 | -$2,726,510 |
| 15. Adjustment for MISO Schedule 10 credits. | Sch. 1.24 | 0 | +$843,344 |
| 16. Adjust for cumulative effect of accounting change. [AG withdrew objection to adjustment; AG Post-Hearing Brief at 17] | Sch. 1.25 | 0 | +$8,434,618 |
| 17. Adjustment to remove E. W. Brown legal expenses. | Sch. 1.27 | 0 | -$3,126,995 |
| 18. Adjust for customer rate switching. | Sch. 1.28 | -$1,898,980 | 0 |
| 19. Adjustment for sales tax refunds. | Sch. 1.29 | 0 | +$120,391 |
| 20. Adjustment for 1992 management audit fees. | Sch. 1.32 | 0 | +$163,982 |
| 21. Adjust for prior income tax true-ups and adjustments. | Sch. 1.36 | 0 | +$681,889 |

APPENDIX F (continued)

The following adjustments were proposed in the application and later revised by KU, accepted by the AG, and have been found reasonable and accepted by the Commission. The "+" indicates an increase while "-" indicates a decrease.

| | Description | Revision Reference | Change to Revenues | Change to Expenses |
|---|---|---|---|---|
| 1. | Adjust mismatch in fuel cost recovery. [Rives Ex. 1, Sch. 1.01] | Seelye Rebuttal Ex. 2 | -$35,887,728 | -$28,474,767 |
| 2. | Adjust off-system sales revenues for the environmental surcharge calculations. [Rives Ex. 1, Sch. 1.05] | Seelye Rebuttal Ex. 2 | -$2,266,829 | 0 |
| 3. | Adjustment to reflect amortization of ESM audit expenses. [Rives Ex. 1, Sch. 1.17] | Scott Rebuttal Ex. 5 | 0 | +$63,933 |

**KENTUCKY UTILITIES COMPANY**
**Case No. 2018-00294**
**Calculation of Proposed Rate Increase**
**for the Twelve Months Ended April 30, 2020**

DATA: ____ BASE PERIOD __X__ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
WORK PAPER REFERENCE NO(S):

**Schedule M-2.3**
**Page 3 of 25**
**Witness: W. S. SEELYE**

| | Billing Periods | Total kWh | Present Rates Unit Charges | Calculated Revenue at Present Rates | Proposed Rates | Calculated Revenue at Stipulated Rates |
|---|---|---|---|---|---|---|
| RESIDENTIAL RATE RS, inclusive of Volunteer Fire Department customers | | | | | | |
| Basic Service Charge, Monthly | 5,236,339 | | $ 12.25 | $ 64,145,153 | | |
| Basic Service Charge, Daily | 159,381,068 | | | | $ 0.53 | $ 84,471,966 |
| Energy Charge | | 5,964,632,818 | $ 0.09047 | $ 539,620,331 | | |
| Infrastructure Charge | | | | | $ 0.05865 | $ 349,825,715 |
| Variable Energy Charge | | | | | $ 0.03234 | $ 192,896,225 |
| Total Energy Charge | | | | | $ 0.09099 | |
| Solar Energy Credit (Base Energy Charge or SQF Charge, as applicable) | | (230,526) | $ 0.03237 | $ (7,462) | $ 0.09099 | $ (20,976) |
| **Total Calculated at Base Rates** | | | | **$ 603,758,022** | | **$ 627,172,931** |
| Correction Factor | | | | 1.000000 | | 1.000000 |
| **Total After Application of Correction Factor** | | | | **$ 603,758,022** | | **$ 627,172,931** |
| Adjustment to Reflect Removal of Base ECR Revenue | | | | $ (55,411,439) | | $ (55,411,439) |
| **Total Base Revenues Net of ECR** | | | | $ 548,346,583 | | $ 571,761,492 |
| FAC Mechanism Revenue | | | | $ (10,698,790) | | $ (10,698,790) |
| DSM Mechanism Revenue | | | | $ 8,236,699 | | $ 8,236,699 |
| ECR Mechanism Revenue | | | | $ 21,175,337 | | $ 21,175,337 |
| OSS Mechanism Revenue | | | | $ (100,146) | | $ (100,146) |
| ECR Base Revenue | | | | $ 55,411,439 | | $ 55,411,439 |
| **Total Base Revenues Inclusive of ECR** | | | | $ 622,371,122 | | $ 645,786,031 |
| **Proposed Increase** | | | | | | $ 23,414,909 |
| Percentage Increase | | | | | | 3.76% |

AG'S EXHIBIT 08

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---|---|---|
| ELECTRONIC APPLICATION OF<br>KENTUCKY UTILITIES COMPANY<br>FOR AN ADJUSTMENT OF ITS<br>ELECTRIC RATES | )<br>)<br>)<br>) | CASE NO. 2018-00294 |

In the Matter of:

| | | |
|---|---|---|
| ELECTRONIC APPLICATION OF<br>LOUISVILLE GAS AND ELECTRIC<br>COMPANY FOR AN ADJUSTMENT<br>OF ITS ELECTRIC AND GAS RATES | )<br>)<br>)<br>) | CASE NO. 2018-00295 |

DIRECT TESTIMONY

OF

GLENN A. WATKINS

ON BEHALF OF THE KENTUCKY

OFFICE OF THE ATTORNEY GENERAL

JANUARY 16, 2019

AG'S EXHIBIT 09

TABLE OF CONTENTS

**Q. EARLIER YOU NOTED THAT MR. SEELYE CONFUSES THE CONCEPT OF COST ALLOCATION WITH RATE DESIGN. IN THERE A NARUC PUBLICATION THAT DISCUSSES THE DETERMINATION OF RESIDENTIAL CUSTOMER CHARGES FOR RATE DESIGN PURPOSES?**

A. Yes. In a NARUC Publication entitled <u>Charging for Distribution Utility Services: Issues in Rate Design</u>, the authors found as follows as it relates to the determination of fixed monthly customer charges:

> As one moves along the continuum of rate designs from usage-based to fixed, the benefits of the former give way more and more to the difficulties of the latter. This is the kind of trade-off that commissions are often faced with balancing: our analysis concludes that the balance strongly favors a rate structure that allows consumers to avoid charges, when there cost-effective alternatives that they value more highly. Usage-based rates fit this bill; so do hook-up fees (page 46).

**Q. BASED ON YOUR OVERALL EXPERIENCE AS WELL AS THE STUDIES AND ANALYSES YOU HAVE CONDUCTED FOR THIS CASE, WHAT IS YOUR RECOMMENDATION REGARDING THE APPROPRIATE CUSTOMER CHARGES FOR KU AND LG&E'S RESIDENTIAL CUSTOMERS?**

A. Although my customer cost analysis indicates that electric residential customer charges of no more than $6.55 per month for KU and $4.20 for LG&E are warranted, I recommend that the current electric residential customer charge for both KU and LG&E of $12.25 per month be maintained. Furthermore, my customer cost analysis for LG&E's gas operations indicates a cost-based charge of no more $12.14 per month as compared to the current customer charge of $16.35 per month. I also recommend that LG&E's residential natural gas customer charge be maintained at the current rate.

Maintaining the current customer charges will promote rate continuity as well as promoting conservation as any increase authorized in this case will be collected from residential energy charges, thereby sending a more appropriate price signal for customers to conserve and use energy more efficiently. Furthermore, by maintaining the current electric customer charge of $12.25, this leaves at least $6.00 for the recovery of non-direct customer-related costs including overhead and other costs for KU and $8.05 for LG&E's electric operations. Similarly, by maintaining the current residential natural gas customer charge of $16.35 leaves at least $4.21 for the recovery of non-direct customer-related costs including overhead and other costs.

### B. Residential Rate Structure

**Q. DO THE COMPANIES PROPOSE ANY STRUCTURAL CHANGES TO THE MANNER IN WHICH CHARGES ARE PRESENTED TO CUSTOMERS?**

A. Yes. The Companies propose two changes to the way they charge residential customers. First, the Companies propose that the customer charge be expressed on customers' bills as a daily charge instead of a monthly charge. Second, the Companies proposed that the residential energy charge be bifurcated on certain tariffs between a variable component and a fixed component.

**Q. DO YOU SUPPORT THE COMPANIES' PROPOSAL TO CHANGE ITS CUSTOMER CHARGE FROM A MONTHLY TO DAILY CHARGE?**

A. No. The Companies' proposal has no reasonable merit and should be rejected. Indeed, the Companies' proposal to change the residential fixed charge from a monthly to daily rate obfuscates its proposed high fixed customer charges with the illusion of a low "daily" rate of $0.53 per day (electric) and $0.65 per day (gas) compared to the reality of its proposed $16.13 per month electric fixed charge and $19.78 per month gas fixed charge. The accepted industry practice and one in which virtually all public utility ratepayers are used to, is to price customer charges on a monthly basis. This monthly-based customer charge reflects that customers receive a bill on a monthly basis and they can then easily see that the fixed charge is a certain amount per month. The Companies propose to abandon this long-standing and industry-wide accepted practice by claiming the fixed charge is priced on a daily basis such that when a customer receives his monthly bill, he or she must multiply that daily rate by the number of days in a particular billing cycle. In fact, the Companies developed their proposed customer charges based on a monthly basis and then converted these proposed monthly charges to a daily rate.

**Q. HAVE THE COMPANIES EXPRESSED ANY REASONS AS TO WHY THEY PROPOSE TO RESTRUCTURE THE CUSTOMER CHARGE FROM A MONTHLY TO DAILY RATE?**

A. Yes. Mr. Conroy claims that converting to a daily service charge will permit more accurate cost recovery for each billing period since all billing periods do not have the same number of days and will avoid any need to prorate service for any customers who begin or end service mid-billing period. Mr. Seelye repeats Mr. Conroy's reasoning and adds that "a daily customer charge could also create future optionality for new programs such as electric vehicle rates and prepaid metering, which may need to be billed on a daily basis."[26]

While there is no doubt that some customers initiate or terminate service in between billing cycles, there is no evidence that such a change will make it easier for a consumer to understand the billing for a partial month of service. The proration of monthly charges is well known to consumers and is a common practice not only in the regulated utility business but also other types of industries such as cable television, wireless telecommunications, mortgage and loan payments, health and fitness centers, etc.

With regard to Mr. Seelye's assertion that a daily charge could create future optionality for new programs, these future programs can, and should be, addressed if and when they are proposed based on the specifics of the particular programs. There is no need to change the tried and true traditional residential rate structure for potential new programs that may or may not be proposed in the future.

**Q. DO YOU SUPPORT THE PROPOSED BIFURCATION OF ENERGY CHARGES ON THE RESIDENTIAL TARIFF?**

A. No. First, even for those customers that understand the concepts of fixed versus variable costs, they could care less about the cost structure for ratemaking purposes

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[26] Case Nos. 2018-00295 & 2018-00294, Direct Testimony of William Steven Seelye at 14 (Ky. PSC Sep. 28, 2018).

within their energy charges.[27] What the customer is interested in is what those variable charges are in total. As an analogy, when consumers purchase gasoline, they could care less how much of the total cost per gallon is associated with the fixed cost of producing, transporting, and delivering that gallon of gasoline versus the variable cost of gasoline at the wellhead. Second, in my practice throughout the United States, I have not seen such a proposal, let alone such a bifurcation of rates between "fixed" and "variable" costs. This could lead to additional customer confusion as they may not understand the distinction between "fixed" and "variable" costs, and perhaps more importantly, may disagree with the Companies determination of what is and what is not a fixed cost. The point of this is that such a distinction is unnecessary, will not assist consumers in their efficient utilization of electricity, nor assist in making decisions on how to control their electricity bills. Indeed, it is clear that this proposal is nothing more than a campaign by the Companies to advocate the collection of so-called "fixed" costs from non-avoidable charges.

**Q. DOES THIS COMPLETE YOUR TESTIMONY?**

A, Yes.

[27] Upon review of the Companies' responses to AG DR 1-168 and Staff DR 1-27, of the approximate 1,262,380 customers taking service under at least one gas or electric tariff, there were only 9,845 unique views over a 20+-month period to the Companies' webpage that contains the Companies' tariffs.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matters of:

| | | |
|---|---|---|
| ELECTRONIC APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES | ) ) ) ) | CASE NO. 2018-00294 |

-and-

| | | |
|---|---|---|
| ELECTRONIC APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS RATES | ) ) ) ) | CASE NO. 2018-00295 |

**AFFIDAVIT OF Glenn Watkins**

Commonwealth of Virginia )
)
)

Glenn Watkins, being first duly sworn, states the following:
The prepared Pre-Filed Direct Testimony and Schedules attached thereto constitute the direct testimony of Affiant in the above-styled cases. Affiant states that he would give the answers set forth in the Pre-Filed Direct Testimony if asked the questions propounded therein. Affiant further states that, to the best of his knowledge, information and belief his statements made are true and correct. Further affiant saith naught.

Glenn Watkins

SUBSCRIBED AND SWORN to before me this 15th day of January, 2019.

Susan W. Crew
NOTARY PUBLIC

My Commission Expires: 03/31/2022

SUSAN W. CREW NOTARY PUBLIC REG # 270986 MY COMMISSION EXPIRES 3/31/2022 COMMONWEALTH OF VIRGINIA

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---|---|---|
| ELECTRONIC APPLICATION OF<br>KENTUCKY UTILITIES COMPANY FOR AN<br>ADJUSTMENT OF ITS ELECTRIC RATES | )<br>)<br>) | CASE NO. 2018-00294 |

In the Matter of:

| | | |
|---|---|---|
| ELECTRONIC APPLICATION OF<br>LOUISVILLE GAS AND ELECTRIC<br>COMPANY FOR AN ADJUSTMENT OF ITS<br>ELECTRIC AND GAS RATES | )<br>)<br>)<br>) | CASE NO. 2018-00295 |

DIRECT TESTIMONY OF
WILLIAM STEVEN SEELYE
MANAGING PARTNER
THE PRIME GROUP, LLC

Filed: September 28, 2018

AG'S EXHIBIT 10

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COMMONWEALTH OF KENTUCKY )
)
COUNTY OF JEFFERSON )

The undersigned, **William Steven Seelye**, being duly sworn, deposes and states that he is a Principal of The Prime Group, LLC that he has personal knowledge of the matters set forth in the foregoing testimony and exhibits, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

W. Seelye

**William Steven Seelye**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 24th day of September 2018.

Judy Schooler

Notary Public

My Commission Expires:

**Judy Schooler**
**Notary Public, ID No. 603967**
**State at Large, Kentucky**
***Commission Expires 7/11/2022***

# Exhibit WSS-2

# Cost Components for Residential Service Rate RS

Kentucky Utilities Company

Unit Cost of Service Based on the Cost of Service Study
For the 12 Months Ended April 30, 2020

Rate RS

| | | Production | | Transmission | Distribution | | Customer Service Expenses | |
|---|---|---|---|---|---|---|---|---|
| Description | Reference Total | Demand-Related | Energy-Related | Demand-Related | Demand-Related | Customer-Related | Customer-Related | Total |
| (1) Rate Base | $ 1,913,829,758 | $ 931,997,397 | $ 20,417,466 | $ 280,536,597 | $ 246,639,560 | $ 429,846,848 | $ 4,391,890 | $ 1,913,829,758 |
| (2) Rate Base Adjustments | $ - | - | - | - | - | - | - | $ - |
| (3) Rate Base as Adjusted | $ 1,913,829,758 | $ 931,997,397 | $ 20,417,466 | $ 280,536,597 | $ 246,639,560 | $ 429,846,848 | $ 4,391,890 | $ 1,913,829,758 |
| (4) Rate of Return | 4.99% | 4.99% | 4.99% | 4.99% | 4.99% | 4.99% | 4.99% | |
| (5) Return | $ 95,459,108 | $ 46,486,705 | $ 1,018,394 | $ 13,992,767 | $ 12,302,031 | $ 21,440,150 | $ 219,061 | $ 95,459,108 |
| (6) Interest Expenses | $ 51,558,645 | $ 25,108,044 | $ 550,047 | $ 7,557,666 | $ 6,644,479 | $ 11,580,090 | $ 118,318 | $ 51,558,645 |
| (7) Net Income | $ 43,900,464 | $ 21,378,661 | $ 468,347 | $ 6,435,100 | $ 5,657,552 | $ 9,860,060 | $ 100,744 | $ 43,900,464 |
| (8) Income Taxes | $ 15,397,349 | $ 7,498,206 | $ 164,265 | $ 2,257,003 | $ 1,984,291 | $ 3,458,250 | $ 35,334 | $ 15,397,349 |
| (9) Operation and Maintenance Expenses | $ 356,817,400 | $ 47,483,864 | $ 193,619,855 | $ 23,238,595 | $ 17,203,661 | $ 36,714,210 | $ 38,557,215 | $ 356,817,400 |
| (10) Depreciation Expenses | $ 123,419,571 | $ 77,218,587 | $ - | $ 12,164,546 | $ 12,440,554 | $ 21,595,884 | $ - | $ 123,419,571 |
| (11) Other Taxes | $ 20,621,091 | $ 10,779,662 | $ - | $ 2,714,986 | $ 2,604,550 | $ 4,521,892 | $ - | $ 20,621,091 |
| (12) Curtailable Service Credit | $ 7,520,510 | $ 7,520,510 | | | | | | $ 7,520,510 |
| (13) Expense Adjustments - Prod. Demand | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| (14) Expense Adjustments - Energy | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| (15) Expense Adjustments - Trans. Demand | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| (16) Expense Adjustments - Distribution | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| (17) Expense Adjustments - Other | $ 258,479 | $ 125,874 | $ 2,758 | $ 37,889 | $ 33,311 | $ 58,055 | $ 593 | $ 258,479 |
| (18) Revenue Adjustments | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| (19) Expense Adjustments - Total | $ 258,479 | $ 125,874 | $ 2,758 | $ 37,889 | $ 33,311 | $ 58,055 | $ 593 | $ 258,479 |
| (20) Total Cost of Service | $ 619,493,509 | $ 197,113,409 | $ 194,805,272 | $ 54,405,786 | $ 46,568,397 | $ 87,788,441 | $ 38,812,203 | $ 619,493,509 |
| (21) Less: Misc Revenue - Prod Demand | $ (3,499,549) | $ (3,499,549) | $ - | $ - | $ - | $ - | $ - | $ (3,499,549) |
| (22) Less: Misc Revenue - Energy | $ (1,831,584) | $ - | $ (1,831,584) | $ - | $ - | $ - | $ - | $ (1,831,584) |
| (23) Less: Misc Revenue - Transmission | $ (9,023,835) | $ - | $ - | $ (9,023,835) | $ - | $ - | $ - | $ (9,023,835) |
| (24) Less: Misc Revenue - Other | $ (6,629,895) | $ (3,228,628) | $ (70,730) | $ (971,836) | $ (854,409) | $ (1,489,077) | $ (15,214) | $ (6,629,895) |
| (25) Less: Misc Revenue - Total | $ (20,984,862) | $ (6,728,177) | $ (1,902,314) | $ (9,995,671) | $ (854,409) | $ (1,489,077) | $ (15,214) | $ (20,984,862) |
| (26) Net Cost of Service | $ 598,508,647 | $ 190,385,233 | $ 192,902,958 | $ 44,410,115 | $ 45,713,988 | $ 86,299,364 | $ 38,796,989 | $ 598,508,647 |
| (27) Billing Units | | 5,965,245,032 | 5,965,245,032 | 5,965,245,032 | 5,965,245,032 | 5,237,077 | 5,237,077 | |
| (28) Unit Costs | | 0.031915744 | 0.03233781 | 0.00744481 | 0.007663388 | $ 16.48 | $ 7.41 | $ 23.89 |

| | |
|---|---|
| Customer Cost | 23.89 |
| Infrastructure Energy Cost | 0.047024 |
| Variable Energy Cost | 0.032338 |

**Louisville Gas and Electric Company**

**Unit Cost of Service Based on the Cost of Service Study**
**For the 12 Months Ended April 30, 2020**

**Rate RS**

| | | Production | | Transmission | Distribution | | Customer Service Expenses | |
|---|---|---|---|---|---|---|---|---|
| Description | Amount | Demand-Related | Energy-Related | Demand-Related | Demand-Related | Customer-Related | Customer-Related | Total |
| (1) Rate Base | $ 1,356,499,921 | $ 631,112,928 | $ 26,129,904 | $ 133,002,371 | $ 207,112,698 | $ 355,467,438 | $ 3,674,582 | $ 1,356,499,921 |
| (2) Rate Base Adjustments | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| (3) Rate Base as Adjusted | $ 1,356,499,921 | $ 631,112,928 | $ 26,129,904 | $ 133,002,371 | $ 207,112,698 | $ 355,467,438 | $ 3,674,582 | $ 1,356,499,921 |
| (4) Rate of Return | 3.71% | 3.71% | 3.71% | 3.71% | 3.71% | 3.71% | 3.71% | |
| (5) Return | $ 50,305,604 | $ 23,404,732 | $ 969,024 | $ 4,932,374 | $ 7,680,745 | $ 13,182,459 | $ 136,271 | $ 50,305,604 |
| (6) Interest Expenses | $ 43,780,002 | $ 20,368,689 | $ 843,323 | $ 4,292,550 | $ 6,684,405 | $ 11,472,441 | $ 118,594 | $ 43,780,002 |
| (7) Net Income | $ 6,525,602 | $ 3,036,043 | $ 125,701 | $ 639,823 | $ 996,340 | $ 1,710,018 | $ 17,677 | $ 6,525,602 |
| (8) Income Taxes | $ 3,402,554 | $ 1,583,041 | $ 65,543 | $ 333,614 | $ 519,508 | $ 891,631 | $ 9,217 | $ 3,402,554 |
| (9) Operation and Maintenance Expenses | $ 270,536,060 | $ 51,613,769 | $ 140,100,927 | $ 13,301,220 | $ 13,534,125 | $ 33,892,226 | $ 18,093,793 | $ 270,536,060 |
| (10) Depreciation Expenses | 82,988,804 | 45,067,626 | - | 5,861,855 | 11,842,025 | 20,217,298 | - | $ 82,988,804 |
| (11) Other Taxes | 18,210,111 | 8,871,660 | - | 1,720,105 | 2,813,744 | 4,804,602 | - | $ 18,210,111 |
| (12) Curtailable Service Rider | 3,051,773 | 1,419,840 | 58,786 | 299,221 | 465,950 | 799,710 | 8,267 | $ 3,051,773 |
| (13) Expense Adjustments - Prod. Demand | - | - | - | - | - | - | - | $ - |
| (14) Expense Adjustments - Energy | - | - | - | - | - | - | - | $ - |
| (15) Expense Adjustments - Trans. Demand | - | - | - | - | - | - | - | $ - |
| (16) Expense Adjustments - Distribution | - | - | - | - | - | - | - | $ - |
| (17) Expense Adjustments - Other | 70,827 | 32,952 | 1,364 | 6,944 | 10,814 | 18,560 | 192 | $ 70,827 |
| (18) Revenue Adjustments | - | - | - | - | - | - | - | $ - |
| (19) Proforma Adjustments - Total | $ 70,827 | $ 32,952 | $ 1,364 | $ 6,944 | $ 10,814 | $ 18,560 | $ 192 | $ 70,827 |
| (20) Total Cost of Service | $ 428,565,732 | $ 131,993,620 | $ 141,195,643 | $ 26,455,333 | $ 36,866,910 | $ 73,806,484 | $ 18,247,740 | $ 428,565,732 |
| (21) Less: Misc Revenue - Prod Demand | $ (366,834) | $ (366,834) | | | | | | $ (366,834) |
| (22) Less: Misc Revenue - Energy | (10,331,842) | - | (10,331,842) | - | - | - | - | $ (10,331,842) |
| (23) Less: Misc Revenue - Transmission | (5,323,401) | - | - | (5,323,401) | - | - | - | $ (5,323,401) |
| (24) Less: Misc Revenue - Other | (6,219,357) | (2,893,562) | (119,802) | (609,797) | (949,582) | (1,629,767) | (16,847) | $ (6,219,357) |
| (25) Less: Misc Revenue - Total | (22,241,434) | (3,260,396) | (10,451,644) | (5,933,198) | (949,582) | (1,629,767) | (16,847) | $ (22,241,434) |
| (26) Net Cost of Service | $ 406,324,298 | $ 128,733,225 | $ 130,744,000 | $ 20,522,135 | $ 35,917,328 | $ 72,176,717 | $ 18,230,893 | $ 406,324,298 |
| (27) Billing Units | | 4,077,649,481 | 4,077,649,481 | 4,077,649,481 | 4,077,649,481 | 4,445,796 | 4,445,796 | - |
| (28) Unit Costs | | $ 0.03157 | $ 0.03206 | $ 0.00503 | $ 0.00881 | $ 16.23 | $ 4.10 | $ 20.34 |

| | |
|---|---|
| Customer Cost | 20.34 |
| Infrastructure Energy Cost | 0.045412 |
| Variable Energy Cost | 0.032064 |

# Vogtage Engineering

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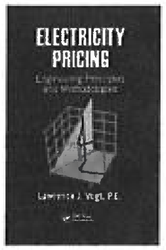
## About




**Lawrence (Larry) J. Vogt, P.E.** has 40 years of experience in engineering, industrial marketing, demand-side management, and rates and regulations in the electrical utility industry. He has a comprehensive knowledge of power system planning, design, and operations, as well as cost-of-service analysis, forecasting, and electricity pricing methodologies.

Larry has served in various engineering and managerial positions at ABB Power T&D Company, Louisville Gas & Electric Company, Mississippi Power Company, Public Service Indiana (now known as Duke Energy – Indiana), and Southern Company Services.

Larry is a member of the Association of Energy Engineers (AEE), the Institute of Electrical and Electronics Engineers (IEEE), and the National Society of Professional Engineers (NSPE), and he is a registered Professional Engineer in several states. He has served as a member of the Rates & Regulation Section of the Southeastern Electric Exchange (S.E.E.) and of the Rate & Regulatory Affairs Committee of the Edison Electric Institute (EEI) under which he also served a term as Committee Chairman. He has served as an expert witness in several regulatory proceedings.

Larry has a Bachelor of Science and Master of Engineering degrees in the field of electrical engineering from the University of Louisville, and is the author of several technical papers and the textbooks: *Electricity Pricing: Engineering Principles and Methodologies*, CRC Press, 2009 and *Electrical Energy Management*, Lexington Books, 1977. He is also a chapter author in the 3rd Edition of the *Power Systems* volume of *The Electric Power Engineering Handbook*, CRC Press, 2012. He has conducted numerous courses and webinars on behalf of the Electric League of Indiana, Inc., EEI's E-Forum Rate College, EUCI, and the University of South Alabama. In addition, Larry has served as an Adjunct Professor in Penn State University's International Power Engineering Program.

### SEARCH

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| Zip Code | Percentage of people below poverty level | Percentage of families below poverty level | Median Household Income |
|---|---|---|---|
| 40209 | 61.9% | 54.1% | $23,250 |
| 40203 | 48% | 45.8% | $15,341 |
| 40202 | 45.7% | 25.9% | $17,372 |
| 40210 | 40.2% | 36.3% | $22,487 |
| 40212 | 39.1% | 35.6% | $26,089 |
| 40208 | 36.9% | 22.7% | $26,743 |
| 40211 | 29.7% | 24.7% | $29,419 |
| 40215 | 28.2% | 23.8% | $31,927 |
| 40041 | 27.3% | 0% | $21,212 |
| 40214 | 20.2% | 15.4% | $40,822 |
| 40218 | 18.4% | 14% | $41,018 |
| 40216 | 18.1% | 13.6% | $41,142 |
| Jefferson County | 15% | 10.5% | $52,237 |

**Q. How does the disconnection rate for residential electric customers in zip codes with high rates of poverty compare to the rate for Jefferson County as a whole?**

A. Disconnections occur at higher rates in high poverty areas than in the County as a whole. We looked at the number of disconnections of electric accounts in Jefferson County zip codes provided by LG&E in the Response to ACM's First Request for Information No. 4 for the most recent period 7/1/2017 to 6/30/2018.[9] We then divided the disconnection numbers by the numbers of residential electric accounts as provided in Response to ACM's First Request No. 12 to determine an overall disconnection rate for Jefferson County. For these calculations we used both electric only and combined electric accounts.

[9] Response to First Request for Information of ACM, No. 4, Attachment 1.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to First Request for Information of Association of Community Ministries, Inc. Dated November 13, 2018**

**Case No. 2018-00295**

**Question No. 5**

**Responding Witness: Elizabeth J. McFarland**

Q-5. Please provide in Excel format the average annual usage for LG&E residential customers for each of the following years, 2017 and 2018 (through October 31, 2018). Please provide the supporting calculations for these figures and describe what information was used in the calculations. Please provide this information for:

a) residential electric customers

b) residential gas customers

A-5.

a-b) See attachment being provided in Excel format. The Company used the total volumes billed to residential customers for the periods requested divided by the average number of residential customers billed in the periods requested to compute the average annual usage.

| | Year | Type Customer | Average Number of Residential Customers | Total kWh Residential Sales | Average Use for the Period Kwh per Customer |
|---|---|---|---|---|---|
| (a) | 2018 (Jan-Oct) | Electric | 364,358 | 3,812,033,898 | 10,462 |
| | 2017 | Electric | 361,472 | 3,983,070,630 | 11,019 |

| | Year | Type Customer | Average Number of Residential Customers | Total Ccf Residential Sales | Average Use for the Period Ccf per Customer |
|---|---|---|---|---|---|
| (b) | 2018 (Jan-Oct) | Gas | 298,408 | 156,475,375 | 524 |
| | 2017 | Gas | 297,413 | 163,346,498 | 549 |

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to First Request for Information of**
**Association of Community Ministries, Inc.**
**Dated November 13, 2018**

**Case No. 2018-00295**

**Question No. 7**

**Responding Witness: Elizabeth J. McFarland**

Q-7. Please provide in Excel format the average annual usage for LG&E residential customers by zip code for each of the following years, 2017 and 2018 (through October 31, 2018). Please provide the supporting calculations and describe what information was used in the calculations. Please provide this information for:

a) residential electric customers

b) residential gas customers

A-7.

a-b) See attachments being provided in Excel format. The Company used the total volumes billed to residential customers for the periods requested divided by the number of residential customer billings for each premise zip code in the periods requested to compute the average monthly usage. The monthly usage is then annualized by multiplying by 12 for 2017 and 10 for 2018.

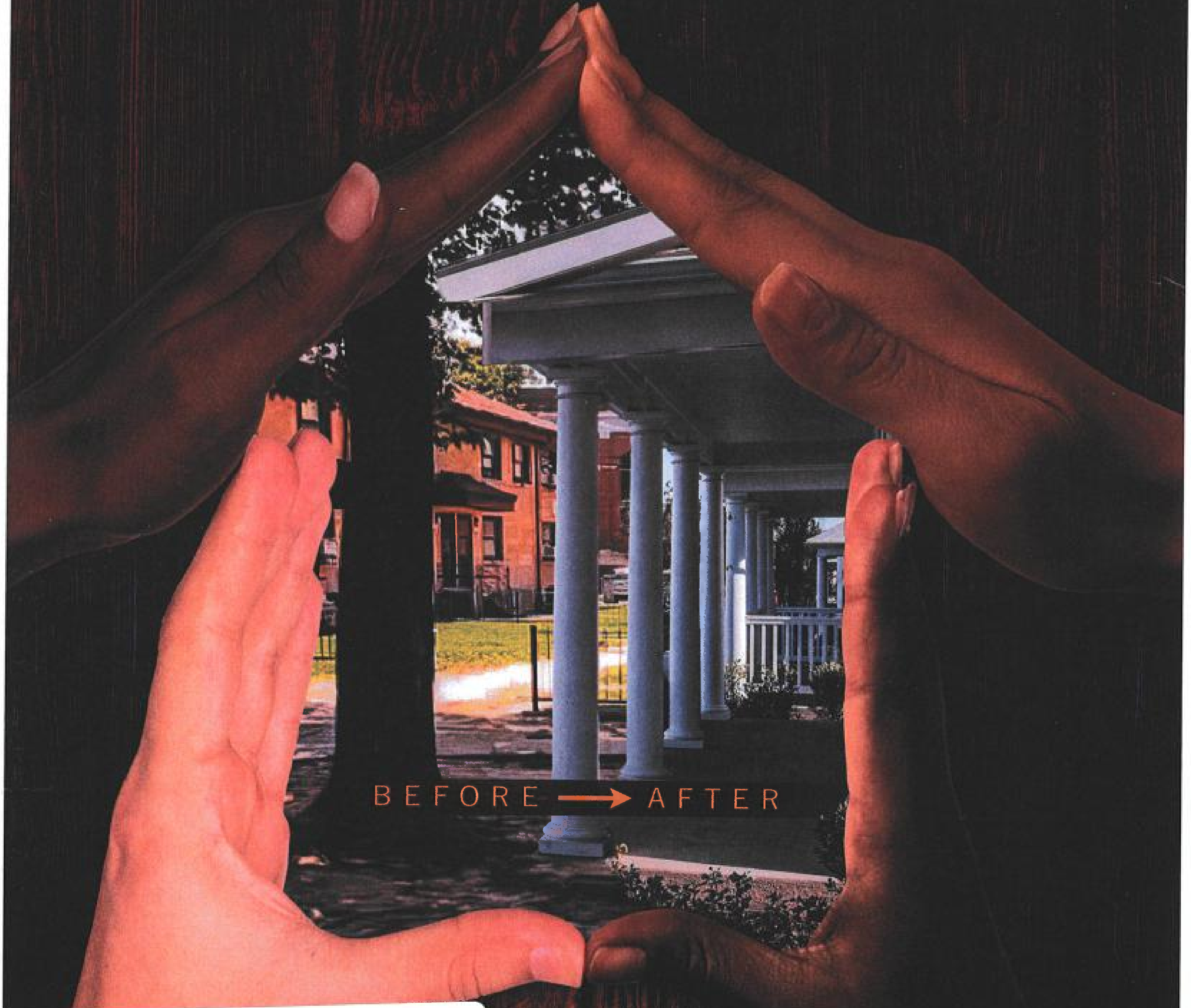
| Year | Zip Code | Number of Residential Electric Customer Account Billings | Residential Electric Billed Revenue (kWh) | Average Monthly Use kWh per Residential Electric Customer Accounts | Annualized Average Use kWh per Residential Electric Customer Accounts (2018 is Jan - Oct) |
|---|---|---|---|---|---|
| 2017 | 40010 | 2,512 | 3,535,748 | 1,408 | 16,891 |
| 2017 | 40014 | 87,218 | 113,118,807 | 1,297 | 15,564 |
| 2017 | 40018 | 24 | 35,847 | 1,494 | 17,924 |
| 2017 | 40022 | 12 | 16,795 | 1,400 | 16,795 |
| 2017 | 40023 | 12,593 | 18,911,086 | 1,502 | 18,021 |
| 2017 | 40025 | 722 | 2,016,426 | 2,793 | 33,514 |
| 2017 | 40026 | 26,005 | 40,976,558 | 1,576 | 18,909 |
| 2017 | 40027 | 591 | 243,006 | 411 | 4,934 |
| 2017 | 40031 | 32,884 | 47,474,815 | 1,444 | 17,324 |
| 2017 | 40041 | 1,761 | 1,264,471 | 718 | 8,616 |
| 2017 | 40047 | 15,155 | 14,141,516 | 933 | 11,198 |
| 2017 | 40055 | 1,985 | 2,742,404 | 1,382 | 16,579 |
| 2017 | 40056 | 15,583 | 19,102,807 | 1,226 | 14,710 |
| 2017 | 40059 | 97,582 | 137,433,440 | 1,408 | 16,901 |
| 2017 | 40067 | 12 | 18,977 | 1,581 | 18,977 |
| 2017 | 40077 | 3,907 | 4,817,959 | 1,233 | 14,798 |
| 2017 | 40108 | 12,266 | 12,146,331 | 990 | 11,883 |
| 2017 | 40109 | 704 | 945,208 | 1,343 | 16,112 |
| 2017 | 40118 | 49,188 | 47,683,211 | 969 | 11,633 |
| 2017 | 40155 | 4,901 | 4,062,678 | 829 | 9,947 |
| 2017 | 40165 | 44,365 | 46,054,443 | 1,038 | 12,457 |
| 2017 | 40175 | 124 | 176,321 | 1,422 | 17,063 |
| 2017 | 40177 | 6,799 | 5,605,896 | 825 | 9,894 |
| 2017 | 40202 | 20,115 | 13,022,162 | 647 | 7,769 |
| 2017 | 40203 | 84,778 | 58,408,710 | 689 | 8,268 |
| 2017 | 40204 | 96,452 | 69,263,648 | 718 | 8,617 |
| 2017 | 40205 | 129,675 | 114,434,183 | 882 | 10,590 |
| 2017 | 40206 | 128,672 | 91,311,696 | 710 | 8,516 |
| 2017 | 40207 | 179,895 | 175,166,133 | 974 | 11,685 |
| 2017 | 40208 | 84,069 | 62,018,665 | 738 | 8,853 |
| 2017 | 40209 | 1,978 | 1,423,393 | 720 | 8,635 |
| 2017 | 40210 | 66,783 | 52,725,933 | 790 | 9,474 |
| 2017 | 40211 | 111,959 | 91,205,850 | 815 | 9,776 |
| 2017 | 40212 | 85,409 | 73,354,949 | 859 | 10,306 |
| 2017 | 40213 | 88,914 | 69,904,360 | 786 | 9,434 |
| 2017 | 40214 | 231,849 | 189,174,494 | 816 | 9,791 |
| 2017 | 40215 | 106,968 | 81,238,694 | 759 | 9,114 |
| 2017 | 40216 | 217,607 | 185,823,464 | 854 | 10,247 |
| 2017 | 40217 | 80,460 | 57,926,145 | 720 | 8,639 |
| 2017 | 40218 | 165,575 | 121,284,834 | 733 | 8,790 |
| 2017 | 40219 | 197,461 | 160,535,941 | 813 | 9,756 |
| 2017 | 40220 | 192,799 | 154,032,297 | 799 | 9,587 |
| 2017 | 40222 | 131,049 | 132,584,443 | 1,012 | 12,141 |
| 2017 | 40223 | 125,263 | 128,942,299 | 1,029 | 12,352 |

| Year | Zip Code | Number of Residential Electric Customer Account Billings | Residential Electric Billed Revenue (kWh) | Average Monthly Use kWh per Residential Electric Customer Accounts | Annualized Average Use kWh per Residential Electric Customer Accounts (2018 is Jan - Oct) |
|---|---|---|---|---|---|
| 2017 | 40228 | 84,328 | 82,204,417 | 975 | 11,698 |
| 2017 | 40229 | 165,477 | 153,777,895 | 929 | 11,152 |
| 2017 | 40241 | 157,807 | 159,825,608 | 1,013 | 12,153 |
| 2017 | 40242 | 58,212 | 49,438,561 | 849 | 10,191 |
| 2017 | 40243 | 59,026 | 52,374,075 | 887 | 10,648 |
| 2017 | 40245 | 159,161 | 184,982,700 | 1,162 | 13,947 |
| 2017 | 40258 | 132,403 | 121,886,096 | 921 | 11,047 |
| 2017 | 40272 | 178,668 | 174,014,808 | 974 | 11,687 |
| 2017 | 40291 | 193,881 | 193,957,950 | 1,000 | 12,005 |
| 2017 | 40299 | 204,074 | 204,301,477 | 1,001 | 12,013 |
| 2018 | 40010 | 2,098 | 3,350,696 | 1,597 | 15,971 |
| 2018 | 40014 | 73,367 | 108,224,022 | 1,475 | 14,751 |
| 2018 | 40018 | 20 | 28,452 | 1,423 | 14,226 |
| 2018 | 40022 | 10 | 13,720 | 1,372 | 13,720 |
| 2018 | 40023 | 11,025 | 18,340,058 | 1,663 | 16,635 |
| 2018 | 40025 | 601 | 1,938,079 | 3,225 | 32,248 |
| 2018 | 40026 | 21,964 | 39,469,360 | 1,797 | 17,970 |
| 2018 | 40027 | 487 | 250,808 | 515 | 5,150 |
| 2018 | 40031 | 27,624 | 45,591,650 | 1,650 | 16,504 |
| 2018 | 40041 | 1,456 | 1,252,215 | 860 | 8,600 |
| 2018 | 40047 | 12,498 | 13,458,176 | 1,077 | 10,768 |
| 2018 | 40055 | 1,660 | 2,540,394 | 1,530 | 15,304 |
| 2018 | 40056 | 13,049 | 18,191,077 | 1,394 | 13,941 |
| 2018 | 40059 | 82,468 | 131,441,182 | 1,594 | 15,938 |
| 2018 | 40067 | 10 | 17,493 | 1,749 | 17,493 |
| 2018 | 40077 | 3,308 | 4,664,210 | 1,410 | 14,100 |
| 2018 | 40108 | 10,160 | 11,565,638 | 1,138 | 11,384 |
| 2018 | 40109 | 590 | 908,992 | 1,541 | 15,407 |
| 2018 | 40118 | 41,074 | 45,457,386 | 1,107 | 11,067 |
| 2018 | 40155 | 4,219 | 3,977,949 | 943 | 9,429 |
| 2018 | 40165 | 37,791 | 44,854,119 | 1,187 | 11,869 |
| 2018 | 40175 | 100 | 151,275 | 1,513 | 15,128 |
| 2018 | 40177 | 5,499 | 5,102,600 | 928 | 9,279 |
| 2018 | 40202 | 19,209 | 13,325,884 | 694 | 6,937 |
| 2018 | 40203 | 70,068 | 55,870,235 | 797 | 7,974 |
| 2018 | 40204 | 83,338 | 70,771,125 | 849 | 8,492 |
| 2018 | 40205 | 108,170 | 111,020,537 | 1,026 | 10,264 |
| 2018 | 40206 | 108,150 | 87,792,737 | 812 | 8,118 |
| 2018 | 40207 | 149,950 | 165,512,787 | 1,104 | 11,038 |
| 2018 | 40208 | 70,296 | 60,089,589 | 855 | 8,548 |
| 2018 | 40209 | 1,621 | 1,340,220 | 827 | 8,268 |
| 2018 | 40210 | 55,417 | 50,621,803 | 913 | 9,135 |
| 2018 | 40211 | 93,029 | 86,887,395 | 934 | 9,340 |
| 2018 | 40212 | 70,700 | 69,663,893 | 985 | 9,853 |

| Year | Zip Code | Number of Residential Electric Customer Account Billings | Residential Electric Billed Revenue (kWh) | Average Monthly Use kWh per Residential Electric Customer Accounts | Annualized Average Use kWh per Residential Electric Customer Accounts (2018 is Jan - Oct) |
|---|---|---|---|---|---|
| 2018 | 40213 | 74,204 | 67,500,813 | 910 | 9,097 |
| 2018 | 40214 | 192,709 | 181,490,246 | 942 | 9,418 |
| 2018 | 40215 | 89,415 | 79,418,183 | 888 | 8,882 |
| 2018 | 40216 | 183,494 | 177,046,458 | 965 | 9,649 |
| 2018 | 40217 | 67,245 | 56,729,586 | 844 | 8,436 |
| 2018 | 40218 | 138,367 | 116,102,948 | 839 | 8,391 |
| 2018 | 40219 | 164,804 | 153,958,941 | 934 | 9,342 |
| 2018 | 40220 | 160,800 | 145,947,759 | 908 | 9,076 |
| 2018 | 40222 | 109,346 | 125,823,857 | 1,151 | 11,507 |
| 2018 | 40223 | 105,439 | 121,143,257 | 1,149 | 11,489 |
| 2018 | 40228 | 71,429 | 79,152,457 | 1,108 | 11,081 |
| 2018 | 40229 | 139,849 | 146,972,263 | 1,051 | 10,509 |
| 2018 | 40241 | 134,070 | 152,752,275 | 1,139 | 11,393 |
| 2018 | 40242 | 48,502 | 46,857,516 | 966 | 9,661 |
| 2018 | 40243 | 49,633 | 49,896,963 | 1,005 | 10,053 |
| 2018 | 40245 | 135,681 | 176,725,720 | 1,303 | 13,025 |
| 2018 | 40258 | 110,698 | 113,838,899 | 1,028 | 10,284 |
| 2018 | 40272 | 150,771 | 166,440,487 | 1,104 | 11,039 |
| 2018 | 40291 | 163,594 | 185,913,963 | 1,136 | 11,364 |
| 2018 | 40292 | 7 | 7,717 | 1,102 | 11,024 |
| 2018 | 40299 | 172,496 | 194,627,834 | 1,128 | 11,283 |

**2018** STATE OF METROPOLITAN HOUSING REPORT

# Involuntary DISPLACEMENT




AG'S EXHIBIT 14

METROPOLITAN HOUSING COALITION

UNIVERSITY OF LOUISVILLE CENTER FOR ENVIRONMENTAL POLICY & MANAGEMENT

# LETTER TO MHC MEMBERS

**THE LOUISVILLE MSA IS PART OF THE NATIONAL ECONOMIC RECOVERY** and there are new investments occurring in the region. Does this mean that segregation has abated or that the need for housing affordable to those at or below 50 percent of median income has lessened? Quite the contrary.

While the unemployment rate is low, wages have lagged far behind the increase in the cost of housing, especially rental. The Fiscal Year (FY) 2018 Fair Market Rent (FMR) for a two-bedroom unit within the Louisville MSA is $821 whereas in 2008 it was $779 — an increase of over 5 percent. Real median household income in Louisville/Jefferson County was on a steady decline from 2008 to 2014, but as FMR has generally been on the rise since 2008, households are strained in their capacity to afford rent. Incomes are beginning to increase, but have not caught up with increases in rent.

This report looks at the surprisingly high rate of evictions of renters in Louisville. Key findings show that while eviction rates are declining overall since 2000, census tracts in the western and southeastern parts of Jefferson County have eviction rates that are higher than other areas of Louisville. The report also looks at foreclosures because the rate of foreclosure is still above what it was before the crisis (2005). The analysis in the report shows that areas in the western part of Jefferson County are still struggling with higher foreclosure sales than other parts of Louisville. These places also had the largest shares of foreclosure filings in 2007 and 2005, according to MHC's 2008 Louisville Foreclosure Crisis report, highlighting the enduring nature of the spatial concentration of foreclosure in high poverty and majority non-white communities.

The report also looks at how Louisville and the whole Metropolitan Statistical Area is changing and whether we have planned and acted to ensure that low wage workers and those on fixed income are not in peril of being forced along to ever diminishing areas of affordability. There are new and significant investments in areas of western Louisville that may bring much needed and welcome prosperity. The neighborhood typology developed in the report highlights areas facing the highest risk for involuntary displacement. As real estate and commercial enterprises rise in these areas, where will those who have been limited to the areas of lowest rents and housing costs be able to live?

How can we have a bright economic future if our residents, particularly children trying to learn, workers trying to be reliable and the elderly trying to maintain health are experiencing instability in housing?

## MHC projects over the year included:

- MHC intervening in two utility cases, keeping rates low and promoting the demand-side management programs
- Co-teaching a graduate level course at U of L entitled "Fair and Affordable Housing in Louisville and Beyond."
- Continuing to advocate for fair and affordable housing throughout Jefferson County.
- Producing videos on different aspects of rental readiness, rights and responsibilities.
- Continuing support of LHOME which has gained certification as a Community Development Financial Institution.
- Continuing support of the Louisville Affordable Housing Trust Fund
- Continuing the MHC lending pool for non-profit housing developers
- Facilitating both the Fair Housing Coalition and the Louisville Vacant Properties Campaign.
- Helping produce forums on the impact on investment in western Louisville on housing.

With this publication, MHC will have specific recommendations about preparing for the impact of increasing prosperity on those whose incomes have not increased and how to stabilize low-wage workers throughout the MSA.

## Highlights from this year's report include:

- From 2000-2016, Louisville/Jefferson County total evictions were, on average, more than half (54.0 percent) of all evictions statewide, and Louisville/Jefferson County eviction filings accounted for about two-thirds (66.9 percent) of the state total. Yet, Jefferson County contains only 21.1 percent of the state's renter-occupied housing units.
- In 2016, 6,052 evictions occurred across the 12 counties in the Louisville MSA, for an eviction rate of 3.66 percent, which is higher than the Kentucky eviction rate (2.91), but lower than Jefferson County (4.49).
- Among census tracts in Jefferson County, the average total evictions in 2016 are 36.68 and the average rate is 5.18 percent. Tracts with the 10 highest eviction rates all have rates of 12.0 percent or higher, which is higher than the 2001 peak eviction rate of 8.20 for Louisville/Jefferson County.
- Nearly three of every ten (29.5 percent) foreclosure sales occur in just three zip codes (40212, 40211, and 40216), and each of these zip codes account for more than 9.1 percent of total foreclosure sales in Louisville.
- The neighborhood typology finds 28 Louisville census tracts in one of five stages of neighborhood change that illuminate risks of involuntary displacement. These include: Susceptible tracts (11) with vulnerable populations near neighborhoods with increasing home values; Early Type 1 tracts (5) with vulnerable populations and increasing home values; Early Type 2 tracts (3) with vulnerable populations and demographic change near neighborhoods with increasing home values; Dynamic tracts (8) with vulnerable populations, demographic change, and increasing home values; and Continuous Loss tracts (1) with demographic change and high home values.

MHC not only gives you data, but analysis and action items. Get involved as we keep working to improve our community.

John P. Cullen
*MHC Board President*

Cathy Hinko
*Executive Director*
*Metropolitan Housing Coalition*

# CONTENTS

# Involuntary DISPLACEMENT

## Introduction

The focus of the *2018 State of Metropolitan Housing Report* is ***Involuntary Displacement.***

> ***Displacement*** occurs when any household is forced to move from its residence by conditions which affect the dwelling or immediate surroundings, and which:
> 1) are beyond the household's reasonable ability to control or prevent;
> 2) occur despite the household's having met all previously imposed conditions of occupancy; and
> 3) make continued occupancy by that household impossible, hazardous or unaffordable.
>
> (Grier and Grier 1978:8)

Gentrification is commonly linked to displacement. However, in this report, we follow the approach of Zuk, Bierbaum, Chapple, Gorska, and Loukaitou-Sideris (2018) in distinguishing between these two terms. Residential displacement is a component of gentrification but can also occur in places that are not gentrifying. Specifically, displacement via formal and informal eviction is common in poor neighborhoods (Desmond and Schollenberger 2015). The foreclosure process can also lead to displacement.

For some, gentrification describes positive neighborhood change that leads to increased property values, more commercial and retail services, and economic opportunity more generally. For others, gentrification is a process that leads to displacement of original residents, small businesses, and culture. Oftentimes, the term is connected to racial and economic neighborhood changes that result from public or private sector investments. While reinvestment in neighborhoods that have experienced historical disinvestment is a positive action, the displacement of existing residents because they can no longer afford their housing costs, or do not feel welcome in public or commercial spaces, is not. ***Involuntary displacement*** rather than gentrification is the framework for this report for these reasons, in addition to the fact that displacement is the component of gentrification that is of particular interest in the context of affordable housing.

Concerns over residential displacement are longstanding. Programs like urban renewal and highway expansion that occurred in the middle decades of the twentieth century were among some of the largest federally funded efforts that resulted in massive displacement. Actors in both the public and private sector take-on varying roles in the process of displacement, including property owners seeking to capitalize on changing housing market conditions, government officials responding to code violations, and banks making lending decisions (Zuk et al. 2018).

Scholars associate involuntary displacement with "root shock," which can affect individuals — financially and psychologically — as well as communities through the collective loss of political power and cultural connections (Fullilove 2016). As we argue throughout this report, attention needs to be paid to those residents who will be displaced intentionally or unintentionally because of public and/or private sector investments and other economic changes. New development and an influx of new residents must be balanced with processes and policies that recognize and protect existing residents. **Prosperity without Displacement** is key to neighborhood stability and residential well-being.

In the academic literature, some scholars find strong evidence that supports the narrative of gentrification leading to physical displacement (Chizeck 2017; McKinnish, Walsh and Kirk White 2010). Others note that the physical displacement of poor and minority households from gentrification is more muted than expected (Ellen and O'Regan 2011; Freeman and Braconi 2004; Ding, Hwang and Divringi 2016; Vigdor, Massey and Rivlin 2002). These disagreements could be related to the improving amenities in upgrading neighborhoods, which induces existing residents to remain, even in the face of rising costs (Chapple 2014; Freeman 2006). Additionally, a limited period of observation may not be capturing displacement over the long-term.

While displacement from gentrification captures much attention in both the academic and popular press, Mallach (2018) argues that, particularly in older industrial cities, neighborhood decline is a disproportionately larger problem. Mallach's work shows that more neighborhoods are in decline than in recovery and those neighborhoods with higher percentages of black and African American residents have withstood the worst of the decline across many cities. The one exception he specifies is displacement through eviction.

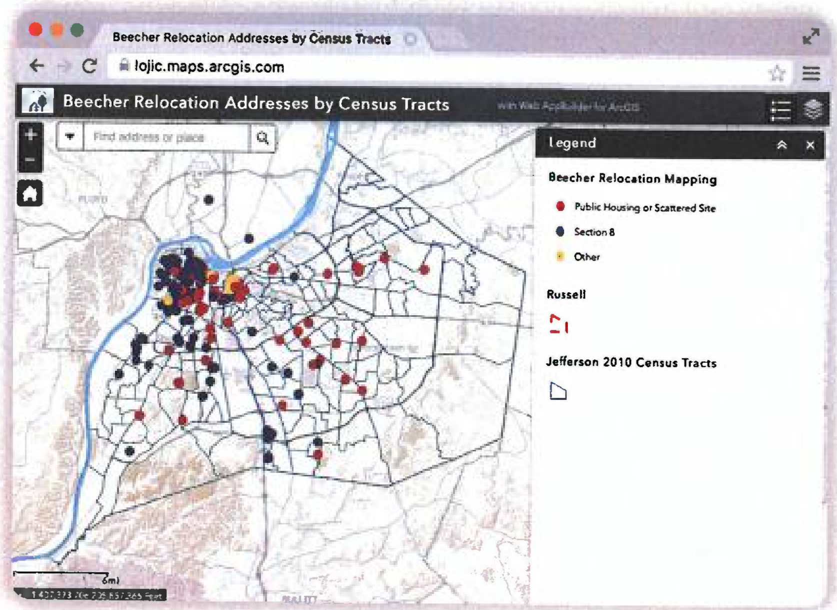
Zuk et al. (2018:35) identify three different categories of displacement, including: direct or physical causes (e.g. formal and informal eviction, landlord foreclosure, eminent domain, natural disaster, building condemnation, housing deterioration, violence, disinvestment, removal of utilities) indirect or economic causes (e.g. foreclosures, condo conversion, rent increases, increased taxes, loss of social networks or cultural significance of place), and exclusionary causes (e.g. Section 8 discrimination, zoning policies limiting density or unit size, Not In My Backyard [NIMBY] resistance to development, unaffordable housing, cultural dissonance, lack of social networks).

Thus, displacement is a complex phenomenon and accurately capturing its multiple dimensions and scale is challenging. To attempt to capture some of these dimensions, the focus topic analyzes eviction, foreclosure, and neighborhood change data in Louisville. This approach captures elements of direct or physical causes of displacement (eviction), indirect or economic causes (foreclosures), and exclusionary causes (neighborhood changes in ways that align with stages of gentrification).

## A Brief History of Involuntary Displacement in Louisville

Involuntary displacement has been an ongoing part of Louisville's urban development. In "Making Louisville Home for Us All: A 20-Year Action Plan for Fair Housing," Fosl (2013) describes policies and practices throughout the twentieth century that have led to, and still perpetuate, segregated outcomes and disparate access to affordable housing based on race and other social identities that have historically faced group discrimination. Economic growth was often the driver behind those housing policies and those with limited means were often displaced, especially if they were black. For example, in the name of improving the city and making it competitive with emerging suburban development, the federal urban renewal program of the1950s-60s displaced many black and poor residents as well as thriving black-owned businesses and black middle-class residences along Old Walnut Street, West Chestnut, the hospital district, and other areas (Fosl 2013; Aubespin, Clay, and Hudson 2011). The expansion of the University of Louisville campus in the 1950s resulted in the displacement of many residents, churches, and businesses on its perimeter (Cox and Morison 2000). Between 1987 and 1991, expansion of the airport displaced the residents of Highland Park, Prestonia, and Standiford whose homes were declared blighted by city officials. Residents were eventually partially compensated when the "blighted" designation was challenged in court. That area had already lost homes when the Watterson Expressway was built, followed shortly by the state Fairgrounds (Gorbett 2017). In 2001, when the first Housing and Urban Development (HUD) HOPE VI project was implemented to deconcentrate poverty in western Louisville's predominantly African-American Cotter Lang housing projects, only 5.7 percent of the original residents returned to the redeveloped Park DuValle neighborhood (Poynter 2004). In 2012, the Louisville/Jefferson County Metropolitan Sewer District (MSD) was awarded a grant to buy out 128 homes on Maple Avenue in order to reduce flooding in the area by installing a retention basin where the homes were located (MSD 2012). While the MSD's buy-out offer can be characterized as voluntary, the displacement was not voluntary.

This history shapes how current residents view public efforts to revitalize or invest in areas that have had a long history of disinvestment. For example, in 2010, the city was awarded the most recent generation of the federal neighborhood redevelopment grants through HUD, Choice Neighborhoods, to focus on reinvesting in the Russell neighborhood and demolishing the public housing at Beecher Terrace. Since 1940, Beecher Terrace was home to many low-income Louisvillians. Residents of 758 units (or 1,317 bedrooms) will be relocated in three phases during demolition of the housing complex. The plan includes construction of 316 units on the existing site, with the remaining 442 units proposed offsite but within the neighborhood. The first phase of relocating residents was initiated in 2017, and phase II began in 2018. Residents have the option of using a Section 8 voucher anywhere or a Project-Based voucher at an approved site in Russell or other eligible areas (Vision-Russell n.d.). The Louisville Metro Housing Authority (LMHA) tracks and maps where residents move during the demolition phase of the project. This information is updated regularly and available to view at: https://lojic.maps.arcgis.com/apps/webappviewer/index.below html?id=42a5c460b5204e089d9028c1bd8b38f1 (see map below).



As of October 12, 2018, the map indicates that many residents have already moved outside the immediate neighborhood while most have remained in west Louisville neighborhoods.

Local residents who have historically experienced disinvestment and neighborhood decline (such as in Russell) worry about what recent public and private investments will actually yield. They voice concern in a variety of ways that include fears of displacement, fears of another round of urban renewal, and general distrust of public agencies and private developers. Concurrent with fears of displacement are research and media reports about evictions, paralleling foreclosures that resulted from the housing crisis and, which in many areas across the country, were precursors to wholesale neighborhood displacement. For instance, in the spring of 2018, Eviction Lab launched the first publicly available national dataset of evictions. Both the Kentucky Center for Investigative Reporting (Ryan and Kanik 2018) and *Louisville Magazine* (Marshall 2018) reported on evictions in Louisville in July 2018, using this data along with first-hand accounts of persons experiencing eviction. This data and reporting launched eviction into ongoing conversations about involuntary displacement.

What follows in the focus topic is an analysis of three datasets that capture elements of involuntary displacement including evictions, foreclosures, and neighborhood change/gentrification. We use the Eviction Lab database to examine evictions over space and time in Louisville at the census tract level from 2009-2016 (Desmond et al. 2018). Foreclosures are documented by zip code using data from the Jefferson County Circuit Court records on foreclosure sales. Finally, we examine neighborhood changes in Louisville and replicate a typology (Bates 2013) created to identify potential displacement and gentrification occurring at the census tract level.

While this report focuses on the concept of involuntary displacement, we also recognize that the dividing line between what is voluntary versus involuntary is contested. As Newman and Owen (1982:137) explain, "low-income households who experience extremely large rent increases may technically 'choose' to move, but the likelihood that they had any real alternative is very small." In Louisville, fears of involuntary displacement are on the rise because of recent investments and development activity. This analysis is intended to contribute to policy discussions that seek to develop pro-active approaches that will maintain residential stability and expand affordable housing options.

## Examples of Current Areas of Public and Private Investment

Over the past five to ten years, some areas of Louisville/ Jefferson County experienced new investments, the effects of which are yet-to-be-determined on the existing residents and businesses. Private investments are supporting some of these projects, along with funding from Louisville Metro Government (LMG), the state, and some federal programs. Tax Increment Financing designations, Brownfield Program grants for assessments and clean-ups, and other federal grants and funding programs that support planning and improvements to infrastructure are just some examples of public reinvestment in Louisville. We have a new bridge across the Ohio River (INDOT 2018) Bus Rapid Transit (TARC 2017) and other safety improvements are being installed along Dixie Highway, LMG Public Works (Rivest 2018) is implementing accessibility improvements with new sidewalks, and the Metropolitan Sewer District and Louisville Water Company are upgrading and replacing aging water infrastructure (Elahi 2018). Liberty Green, formerly the Clarksdale Public Housing site, is still in the final stages of redevelopment and will be impacted by new developments in the hospital cluster spurred by the University of Louisville Medical School and others (Louisville Downtown Partnership 2018).

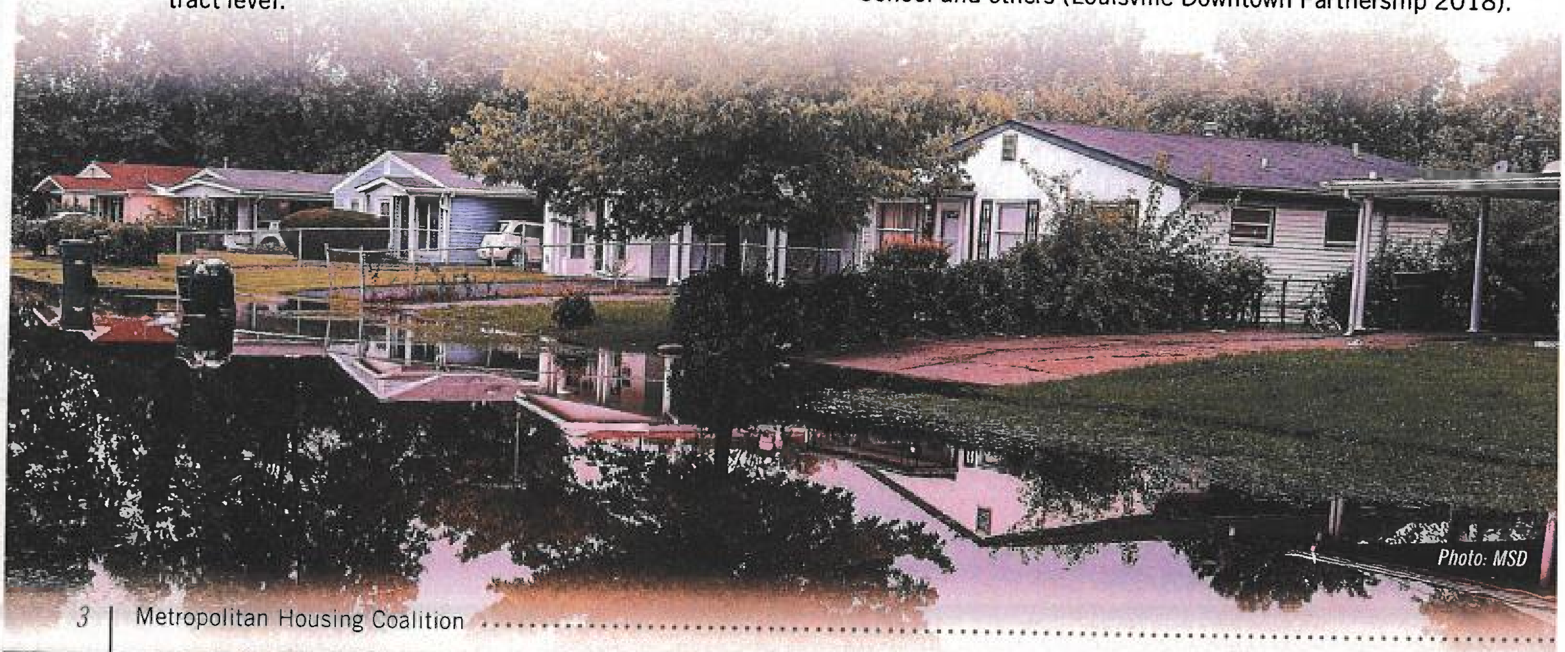


Photo: MSD

The Portland neighborhood and East Market Street have seen considerable private investments (Grabar 2015). The Waterfront Park expansion (Louisville Waterfront Park n.d.) west of 9th Street and other investments will attempt to bridge the spatial divide between the Central Business District and west Louisville (LMGAP 2018). The neighborhoods around Spalding University (Jones 2017), Simmons College (Finley 2018), and the University of Louisville (Watkins 2018) have all been impacted by investments from their respective institutions. Butchertown is now the home of new distilleries and will soon be the home of a soccer stadium and botanical garden. The neighborhoods near the old LMG office complex on Barrett Avenue will soon have new residents and other uses occupying this property (Bowling 2018a).

The residents and businesses adjacent to the intersection of Broadway and Baxter Avenue will have additional neighbors living in two high-density, luxury multi-family units (Bowling 2018b). In Russell, the neighborhood will see the redevelopment of Beecher Terrace (Vision Russell n.d.), a new track and field facility (Green 2017), Passport Health's new headquarters (Ryan 2017), and a new YMCA (Shafer 2017), along with other investments sparked by the Choice Neighborhood Grant and the future Place of Promise initiative (LMG 2018b). Furthermore, we will see how the new federally designated Opportunity Zones will shape future investments in Louisville, as there are 19 census tracts identified as eligible for that program, eight of which we identify in our typology as either Susceptible, Early Type 1, or Dynamic tracts (LMGLF 2018).

## Health and Involuntary Displacement

Involuntary displacement results from a variety of processes and occurs in many ways that are not covered in this report. For example, health-related crisis events, change in family status, senior residents forced to move, domestic and other violence, and weather disasters, are just some additional forces that could lead to involuntary displacement. The 2017 Health Equity Report (Kelly Pryor et al. 2017) produced by the LMG Center for Health Equity identifies the following health-related issues that could lead to, and are exacerbated by, involuntary displacement:

**ASTHMA AND LEAD POISONING (AND OTHER ENVIRONMENTAL HEALTH ISSUES)** – severe asthma in children may force parents to seek other housing options beyond their price range or desired location. Lead paint issues can also cause a family to move to protect their child from further exposure or they may be forced out by a property owner as a form of retaliation after being issued corrective orders from Louisville Metro Public Health and Wellness to correct the hazards.

**SEXUAL ASSAULT AND INTIMATE PARTNER VIOLENCE** – both may force an individual or child out of their home from fear of violence.

**MENTAL HEALTH** – individuals with mental health issues may have a harder time finding a place to live if their mental illness prevents them from having a job that can provide income for housing. Additionally, lack of medical care and access to medications may prevent someone from being permitted to stay in a shelter. A recent study exploring the connections between displacement and public health in New York City's gentrifying neighborhoods finds statistically higher rates of mental illness among displaced residents (Lim et al. 2017).

**SUBSTANCE ABUSE** – individuals with substance abuse issues may have a harder time finding a place to live if their addiction prevents them from having a job that can provide income for housing. Additionally, lack of medical care and access to medications may prevent someone from being permitted to stay in a shelter.

**DIABETES AND HEART DISEASE** – both of these diseases are a result of poor access to quality foods. With displacement, or fear of displacement, quality food and exercise are often not top priorities. These diseases require medications that may not be attainable without health insurance and/or a job. Combined with unstable housing, substance use and/or mental health issues, diabetes and heart disease are common in older homeless individuals and other low-income populations.

## Eviction Landscape in Louisville

The Eviction Lab data show that evictions are declining at the state level and in Louisville/Jefferson County since 2000 (Desmond et al. 2018; Figure 1). However, these data do not capture informal evictions, which Desmond and Schollenberger (2015:1754) note are usually "less expensive and more efficient than formal evictions." Thus, the data analyzed here are a conservative estimate of the scale of eviction in Louisville.

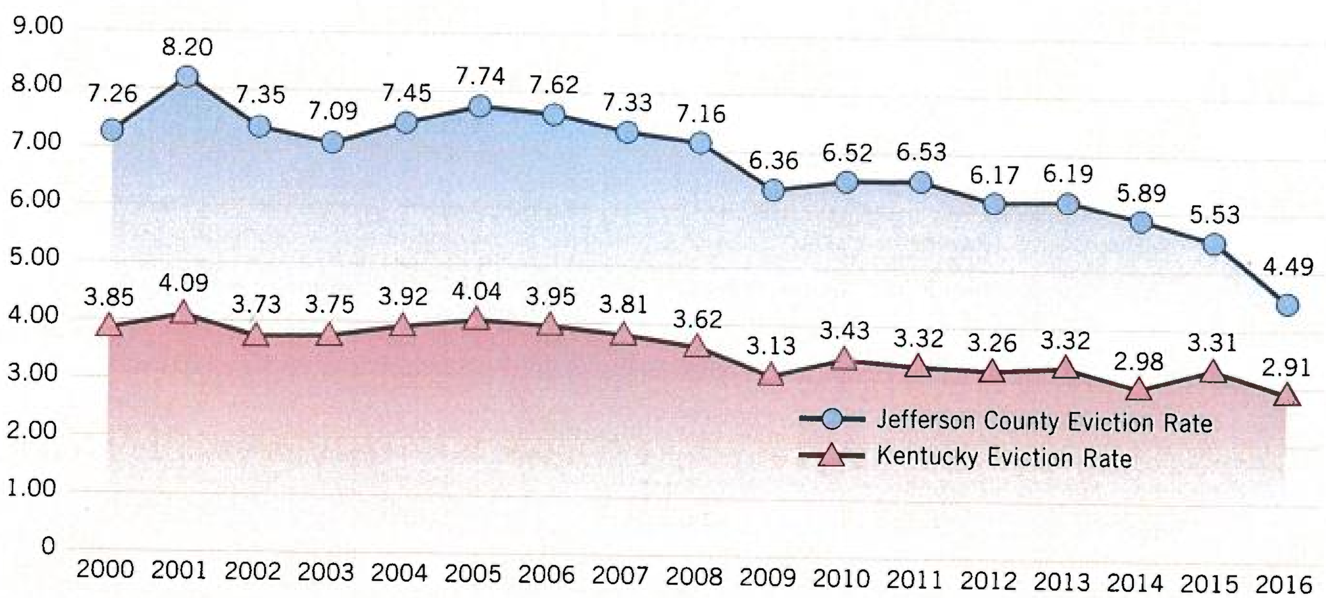
While there is research to suggest that that eviction rates are likely to differ by race/ethnicity, with Hispanic/Latinx and Black renters disproportionately affected compared to white renters (Desmond and Schollenberger 2015), the eviction data examined here do not allow a direct analysis of individuals by race or ethnicity. What we do see, however, is that 2016 evictions rates are higher in many areas with high concentrations of racial and ethnic minority residents (Map 1, compared to Maps 10-11 in Measure 2).

Sims (2016) argues that high rates and concentrations of evictions should be viewed within the context of the actors that are part of these processes; specifically, that it may represent the purposeful actions of property owners. Displacement may precede large-scale public or private investment, "especially when property owners attempt to vacate units in anticipation of rising rents and neighborhood change" (Zuk et al. 2018:37). For example, in the context of the investments happening in the Russell neighborhood — the area chosen for a HUD Choice Neighborhood Grant and experiencing other revitalization efforts — there are concerns about this type of practice.

| EVICTION MEASURES | |
|---|---|
| Evictions | Number of eviction judgments in which renters were ordered to leave in a given area and year. Only counts a single address that received an eviction judgment per year. |
| Eviction Filings | All eviction cases filed in an area, including multiple cases filed against the same address in the same year. |
| Eviction Rate | Ratio of the number of renter-occupied households in an area that received an eviction judgement in which renters were ordered to leave. Only counts a single address that received an eviction judgment per year. |
| Eviction Filing Rate | Ratio of the number of evictions filed in an area over the number of renter-occupied homes in that area. Counts all eviction cases filed in an area, including multiple cases filed against the same address in the same year. |
| Evictions per day | The number of eviction judgments per day. |

***SOURCE:*** Desmond et al. (2018).

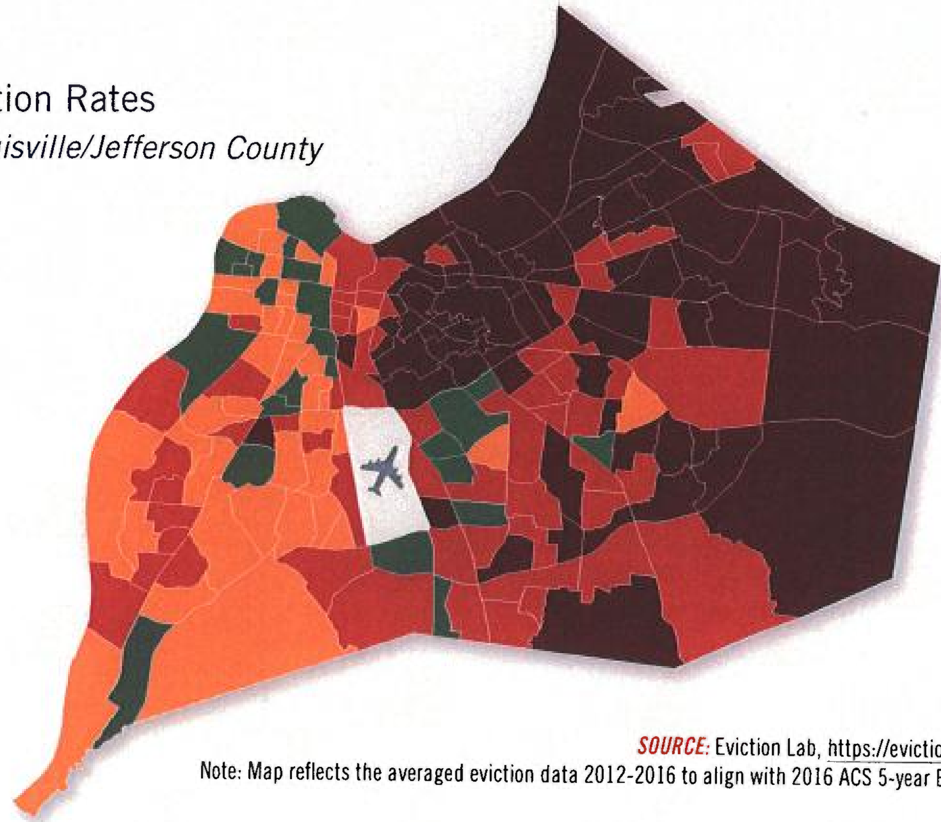
Figure 1: Eviction Rates: Jefferson County and Kentucky, 2000-2016




***SOURCE:*** Desmond et al. (2018).

## Map 1: 2016 Eviction Rates
*by Census Tract – Louisville/Jefferson County*

<=3.2%
3.3%–6.3%
6.4%–9.9%
10.0%–15.4%
No Data Available



***SOURCE:*** Eviction Lab, https://evictionlab.org/.
Note: Map reflects the averaged eviction data 2012-2016 to align with 2016 ACS 5-year Estimates.

## Eviction Trends in Kentucky and Jefferson County, 2000-2016

From 2000-2016, Louisville/Jefferson County averaged 7,548 evictions and 16,309 eviction filings annually. In Kentucky, average evictions over the same time were 13,989, with eviction filings at 24,375. Thus, according to the data available through Eviction Lab, Louisville/Jefferson County evictions were, on average, more than half (54.0 percent) of all evictions statewide, and Louisville/Jefferson County eviction filings accounted for about two-thirds (66.9 percent) of the state total. Yet, Jefferson County contains only 21.1 percent of the state's renter-occupied housing units. Over the same period, the average eviction rate in Jefferson County was 6.8, the average eviction filing rate was 14.6, and the average evictions per day was 20.7. Average eviction rates in the state were 3.6, eviction filing rates were 6.2, and average evictions per day were 38.3.

Eviction rates in Louisville/Jefferson County peaked at 8.20 in 2001 and remained relatively stable through 2009 when they dipped to 6.4 (Figure 1). Since 2013, eviction rates have been steadily declining, with the 2016 rate (4.5) the lowest for all years in which data are available. Similar trends are observed statewide, with evictions again peaking in 2001 (4.1) and remaining steady until a decline in 2009 (3.1). However, eviction rates increased for Kentucky in 2015 (3.3). Like Louisville/Jefferson County, 2016 eviction rates (2.9) in the state are the lowest for all years in which data are available.

*Louisville/Jefferson County evictions were, on average, more than half (54.0 percent) of all evictions statewide, and Louisville/Jefferson County eviction filings accounted for about two-thirds (66.9 percent) of the state total. Yet, Jefferson County contains only 21.1 percent of the renter-occupied housing units in Kentucky.*

## State of Evictions in 2016
*Louisville Metropolitan Statistical Area (MSA)*

There were 6,052 evictions in 2016 across the 12 counties in the Louisville MSA.[1] This results in an MSA eviction rate of 3.7 percent, which is higher than the Kentucky eviction rate (2.9), but lower than Jefferson County (4.5). Unsurprisingly, the bulk of evictions (95.2 percent) occurred in Jefferson County, which also contains a majority (72.8 percent) of the MSA's rental housing. Bullitt County has the second largest numbers of evictions (183) and an eviction rate of 2.8 percent.

1 2016 data was unavailable for three counties (Clark, Oldham, and Shelby).

## Louisville Compared to Peer Cities

Among large U.S. cities, Louisville had the 42nd highest eviction rate in 2016 (4.82 percent), which reflects the rate for the area controlled by Metro Government, rather than the whole of Jefferson County. Compared to a group of peer cities, as defined by *Plan 2040: A Comprehensive Plan for Louisville Metro*, Louisville's 2016 eviction rate, total evictions, and evictions per day are far higher than the rates of some of its peer cities (e.g. Austin or Portland), but lower than others (e.g. Indianapolis, Charlotte) (Figure 2).

## Diving Deeper: Evictions by Census Tracts in Louisville/Jefferson County

While it is certainly positive that total evictions and eviction rates have been declining, because Louisville's rates are higher relative to several of our peer cities and Louisville/Jefferson County accounts for a majority of evictions state wide, we take a closer look at variation within Louisville/Jefferson County. Among census tracts in Jefferson County, the average total evictions in 2016 are 36.7 and the average rate is 5.2 percent.[2] Tracts with the 10 highest eviction rates all have rates at or above 12 percent, which is higher than the 2001 peak eviction rate of 8.2 for Louisville/Jefferson County. Half of these tracts are identified within the neighborhood typology as places with high risk for involuntary displacement due to gentrification related changes; three are Susceptible tracts (123.02, 27.00, 112.00), one is Early Type 1 (119.01), and one is Dynamic (35.00). Thus, these neighborhoods are experiencing the squeeze of involuntary displacement from both evictions and gentrification-related changes.

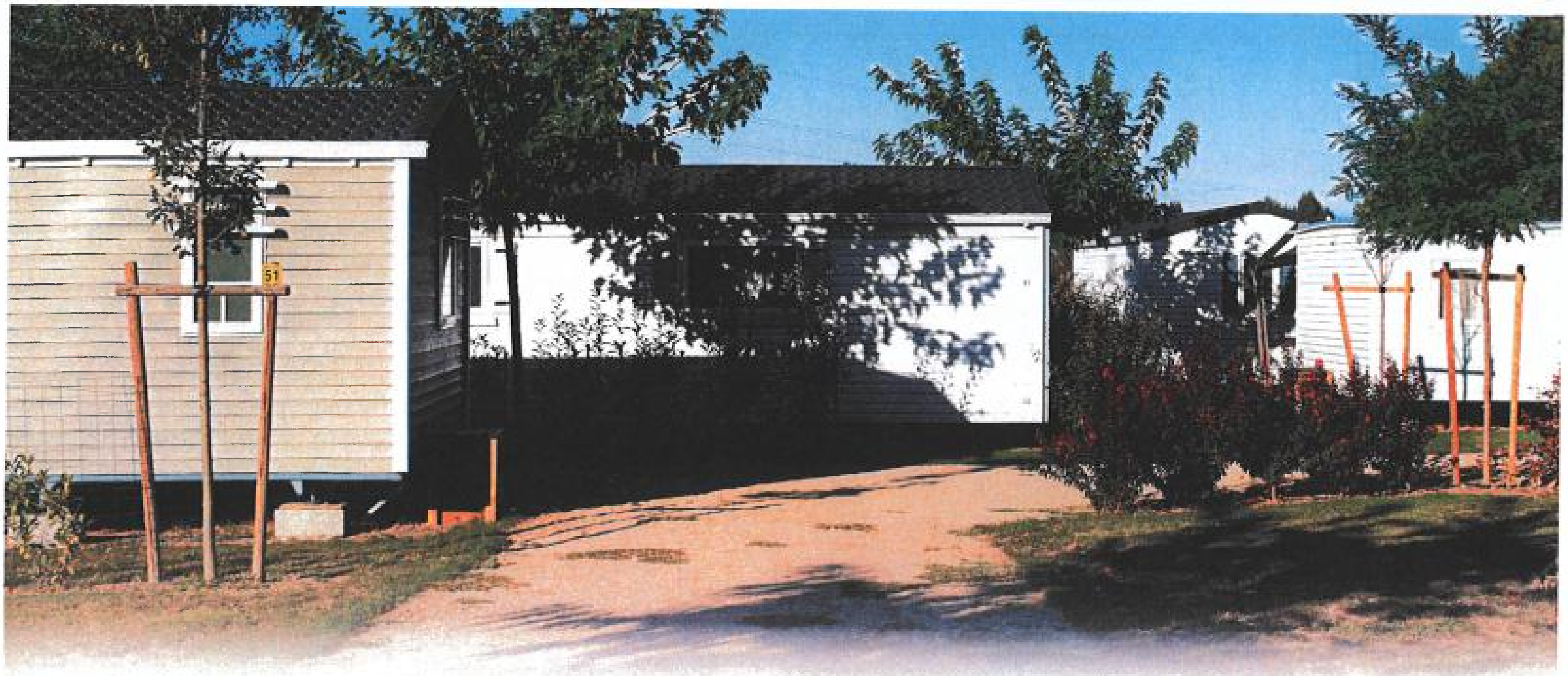
Map 1 of eviction rates by census tract across Louisville/Jefferson County shows us that those 15 of the 22 tracts with rates of 10.0 percent or higher are located west of I-65, with the remaining eight located in the southeastern area of the county. Furthermore, all but three tracts with rates between 6.4 and 9.9 percent are also located west of I-65. While this also reflects where rental units are more likely to be located, this is an average rate of evictions by total number of rental units. In addition, while there are fewer rental units in other areas of the city, this uneven distribution of eviction rates by census tract indicates a disparity in vulnerability based on geography in Louisville.

2 We averaged the eviction data from 2012-2016 to be able to analyze with 2016 ACS 5-year Estimates.

### Figure 2: Evictions - Selected Peer Cities

| City | Eviction Rate | Evictions | Evictions Per day | Eviction Rate Rank by Large U.S. Cities (Top 100) |
|---|---|---|---|---|
| **Louisville/Jefferson County*** | **4.82** | **5,094** | **13.96** | **42** |
| Austin, TX | 0.98 | 2,043 | 5.60 | not ranked |
| Charlotte, NC | 6.15 | 9,101 | 24.93 | 21 |
| Cincinatti, OH | 4.70 | 4,174 | 4.70 | 46 |
| Denver, CO | 2.29 | 3,566 | 9.77 | not ranked |
| Indianapolis, IN | 7.27 | 11,570 | 31.70 | 14 |
| Lexington-Fayette, KY | 4.59 | 2,829 | 7.75 | 49 |
| Miami, FL | 0.38 | 3,255 | 8.92 | not ranked |
| Nashville-Davidson, TN | 3.42 | 4,457 | 12.21 | 87 |
| Philadelphia, PA | 3.48 | 10,264 | 28.12 | 81 |
| Portland, OR | 1.07 | 1,397 | 3.83 | not ranked |
| San Antonio, TX | 4.10 | 9,848 | 26.91 | 68 |
| Seattle, WA | 0.22 | 371 | 1.01 | not ranked |

*SOURCE:* Desmond et al. (2018).
*Metro Government only



Two census tracts stand out when ranked by average eviction rate and total number of evictions. Tract 119.01 is just south of the airport and is the location of two mobile home parks. The average eviction rate for 2016 was 15.4 percent, among a small number of households (385). However, with 37 percent renters, a poverty rate of 52.3 percent, 67 percent of the residents are people of color, 41.2 percent foreign-born residents (the second highest rate of all Jefferson County tracts), and many of the housing units being mobile homes, this census tract provides an example of an isolated residential area at risk of involuntary displacement. This is further supported by its designation as Early Type 1 neighborhood in our typology, which describes places with vulnerable populations and accelerating housing markets but limited demographic change. Tract 119.01 is also the only remnant of residential homes that remain after the expansion of the airport and the construction of I-264 Watterson Expressway.

Census tract 112.00 had the highest total number of evictions (192) in 2016 and an eviction rate of 12.0 percent. It is located in the south central part of the county near Bashford Manor. The poverty rate is 24.0 percent, and 58.0 percent of households are renter occupied. Furthermore, 55.0 percent of the renter households are cost burdened, devoting more than 30 percent of their income to rent, and all cost-burdened renters earn less than $50,000. The majority of residents in this tract are people of color (53.7 percent). In the neighborhood typology, this tract is classified as Susceptible because of its vulnerable population and because the current home values are relatively low or moderate, but it is adjacent to areas with high or rapidly increasing home values.

Map 2 illustrates the ***change*** in eviction rates by census tract from 2009 to 2016.[3] While eviction rates declined in the vast majority of tracts, rates increased by more than 2 percentage points in five tracts, all of which are west of I-65. Two of these five are classified within the neighborhood typology, one as Early Type 1 (14.00) and one as Susceptible (27.00). Another 10 tracts experienced eviction rate increases between one and two percentage points. These tracts are again spatially concentrated west of I-65, although two are in eastern Jefferson County near Jeffersontown and Anchorage but note the total number of evictions in the Anchorage tracts is in the single digits.

3 This change over time reflects data averaged from 2005-2009 and 2012-2016 to align with ACS 5-year estimates.

*"[Da'Marrion] is a familiar face in west Louisville. A few years ago he started his nonprofit Sowing Seeds with Faith, and it has grown to tutor and mentor hundreds of kids... The Portland apartment he lived in, owned by Mirage Properties, had raised his rent from $400 to $750 and told him that if he didn't pay it, he'd have seven days to leave. Even though [Da'Marrion] was without a lease, by law Mirage had to give him 30 days notice for a rent increase. 'This sounds to me like a landlord trying to squeeze out low-income people,' [Da'Marrion's attorney] Green argued. The case was ultimately dismissed... The moment [Da'Marrion's] case was dismissed...Mirage followed up with the proper 30-days notice about hiking up his rent. [Da'Marrion] says it rose to $900. He felt wronged and didn't pay January's rent. 'It's Portland,' he'd explain later. 'And there were several substantial issues, maintenance issues that were never dealt with'" (Marshall 2018).*

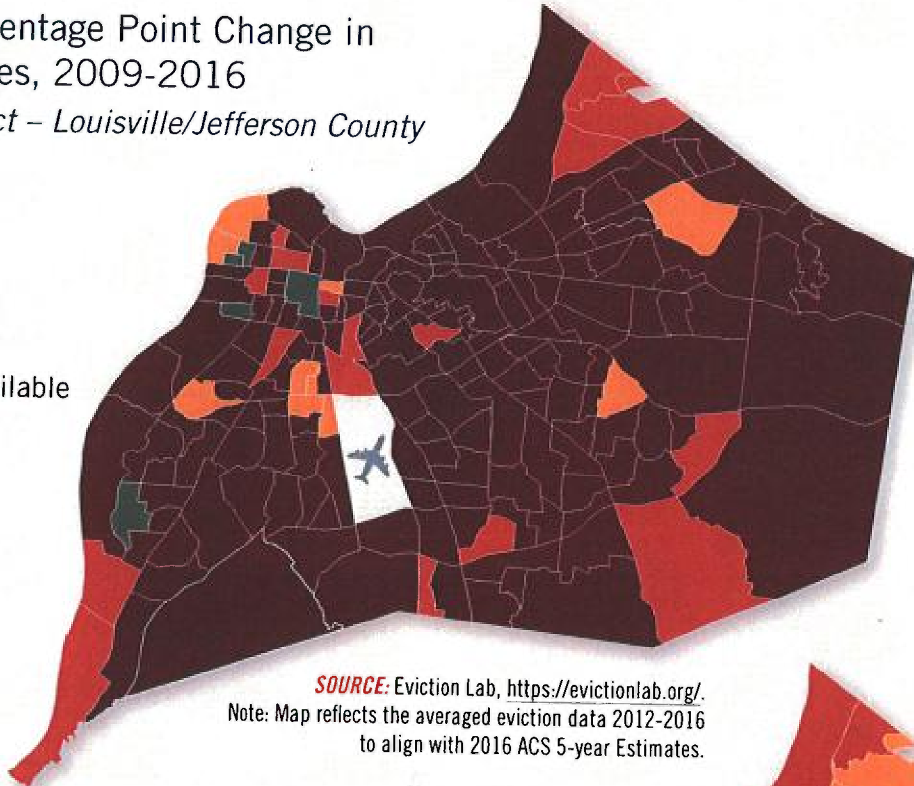
Finally, Map 3 displays the change in eviction filing rates, which differs from eviction rates in that it shows where eviction proceedings were started but may not have continued to an eviction judgement. There are multiple reasons why an eviction may not proceed to a judgement, including that the tenant already vacated the property or negotiated with the landlord to remain in the unit. As noted above, even if a household is not forced to move, an eviction filing can still cause harm and is a barrier to obtaining housing in the future. From 2009-2016, the eviction filing rate declined in the vast majority of tracts in Jefferson County.

Similar to the change in eviction rates, six tracts experienced substantial increases in eviction filing rates, and rates rose by more than five percentage points in these tracts, one of which is an Early Type 1 neighborhood (14.00). These tracts with the highest increases in eviction filing rates are again west of I-65, with the exception of one tract near Jeffersontown. There were moderate increases (up to 5 percent) in eviction filing rates for 36 tracts; one-quarter of these places (9/36) are classified among the Susceptible, Early, or Dynamic types within the typology. These tracts are dispersed throughout the county, with about half west of I-65 and half east of I-65.

## Map 2: Percentage Point Change in Eviction Rates, 2009-2016

*by Census Tract – Louisville/Jefferson County*

- -11.5%–0%
- 0.1%–1.0%
- 1.1%–2.0%
- 2.1%–4.6%
- No Data Available

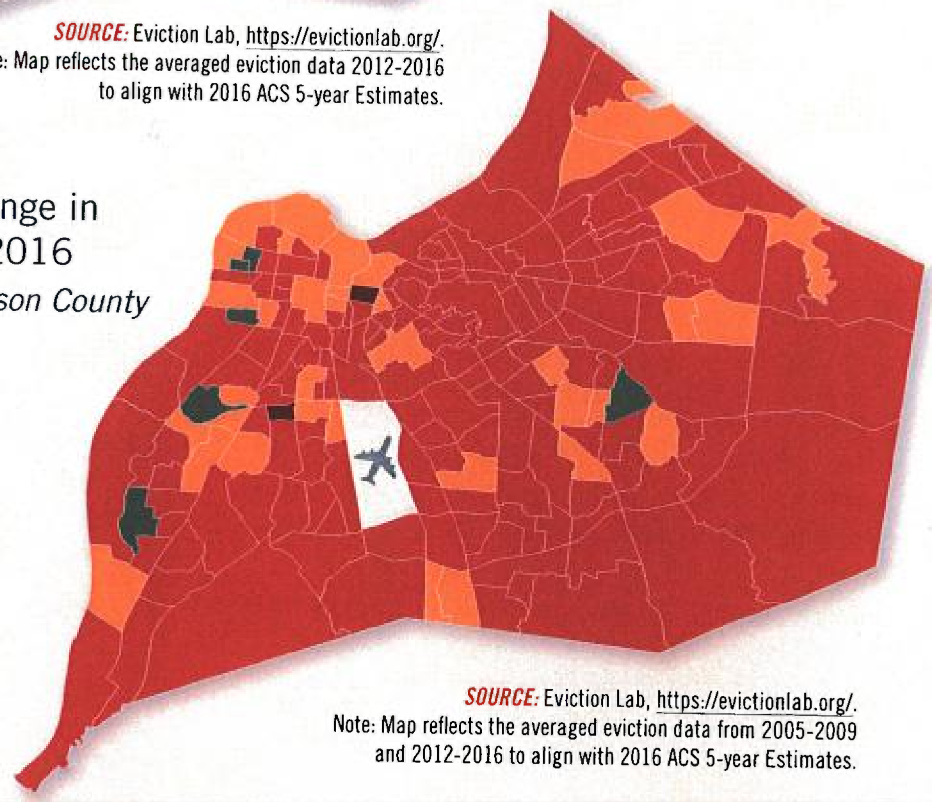


**SOURCE:** Eviction Lab, https://evictionlab.org/.
Note: Map reflects the averaged eviction data 2012-2016 to align with 2016 ACS 5-year Estimates.

## Map 3: Percentage Point Change in Eviction Filing Rates, 2009-2016

*by Census Tract – Louisville/Jefferson County*

- -75.6%–-25.0%
- -24.9%–0.0%
- 0.1%–5.0%
- 5.1%–17.1%
- No Data Available



**SOURCE:** Eviction Lab, https://evictionlab.org/.
Note: Map reflects the averaged eviction data from 2005-2009 and 2012-2016 to align with 2016 ACS 5-year Estimates.

## Eviction Steps in Louisville/Jefferson County

Evictions create another barrier to finding housing, as landlords can screen potential tenants through the Jefferson County Sheriff's Office database of evictions which makes no distinction between eviction filings and eviction judgments in the record-keeping. Therefore, if a tenant paid back rent or negotiated a payment plan with the property owner, this information is not evident to landlords using the database (Ryan and Kanik 2018).

Eviction in Louisville/Jefferson County is regulated under Kentucky the Uniform Residential Landlord and Tenant Act (URLTA). URLTA sets forth the rules and regulations landlords and tenants must follow when renting property. The most common legal reason a landlord may evict a tenant is due to failure to pay rent or the tenant's violation of the lease of rental agreement. Once the landlord has established legal cause, he or she must give the tenant the proper notice. The length of the notice depends upon the reason for the eviction.

**SEVEN-DAY NOTICE TO PAY RENT** – The landlord may give the tenant seven days to pay rent before terminating the lease agreement. If the tenant does not pay rent during the seven-day period, the landlord can then file an eviction lawsuit against the tenant (Dillman 2018).

**FIFTEEN-DAY NOTICE TO REMEDY** – The property owner may give the tenant a 15-day notice to fix a lease or rental agreement violation. If the tenant fails to remedy the violation within the 15-day period, the landlord may file an eviction lawsuit.

**FOURTEEN-DAY UNCONDITIONAL QUIT NOTICE** – If the landlord has already given the tenant a 15-day notice to remedy within the past six months, and the tenant commits the same violation again, then the landlord can give the tenant a 14-day unconditional quit notice. This notice informs the tenant that the landlord is terminating the lease because the tenant committed the same violation of the lease agreement within a six-month period. The landlord is not required to give the tenant the opportunity to remedy on this second violation.

**REMOVAL OF TENANT** – Many tenants are not aware that landlords must win an eviction lawsuit in court in order to remove a tenant from a unit. Many who show up to court often appear without legal representation. Eviction is most certain for tenants that do not attend their court hearings. If the property owner wins the judgement, only a law enforcement officer with a court order may enforce the removal (Legal Aid Network of Kentucky 2009). The officer may not physically move any of the tenant's possessions and the property owner may only remove the possessions and place them outside for a period of 48 hours. After that period, they may remove the possessions from the property. In the state of Kentucky, it is illegal for property owners to force the tenant out of the unit without a court order, and the tenant may sue the landlord who tries. As such, property owners may not attempt to remove a tenant by other means such as changing the locks or shutting of the utilities.

**LANDLORD RESPONSIBILITIES** – A landlord must comply with all building and housing codes that affect health and safety and keep in good repair all facilities including but not limited to electrical, plumbing, sanitary, heating and cooling. If a landlord fails to keep a property in good repair, the tenant has several options available but must also follow certain procedures, including providing the proper notification (Dillman 2018).

## FORECLOSURES

### *Foreclosure Rates in Jefferson County*

In 2017, the foreclosure rate was 0.70 percent for Jefferson County and 0.65 percent for the Louisville MSA, both of which were much higher than the state rates of Kentucky and Indiana (0.20 percent and 0.21 percent, respectively) as well as the national rate of 0.50 percent. The foreclosure rate is equal to the total number of foreclosure filings occurring during the calendar year divided by total housing units. National foreclosure trends since 2005 are discussed further in Measure 7, along with trends at the county level for places within the Louisville MSA (p. 37).

### *Foreclosure Sales in Jefferson County Zip Codes*

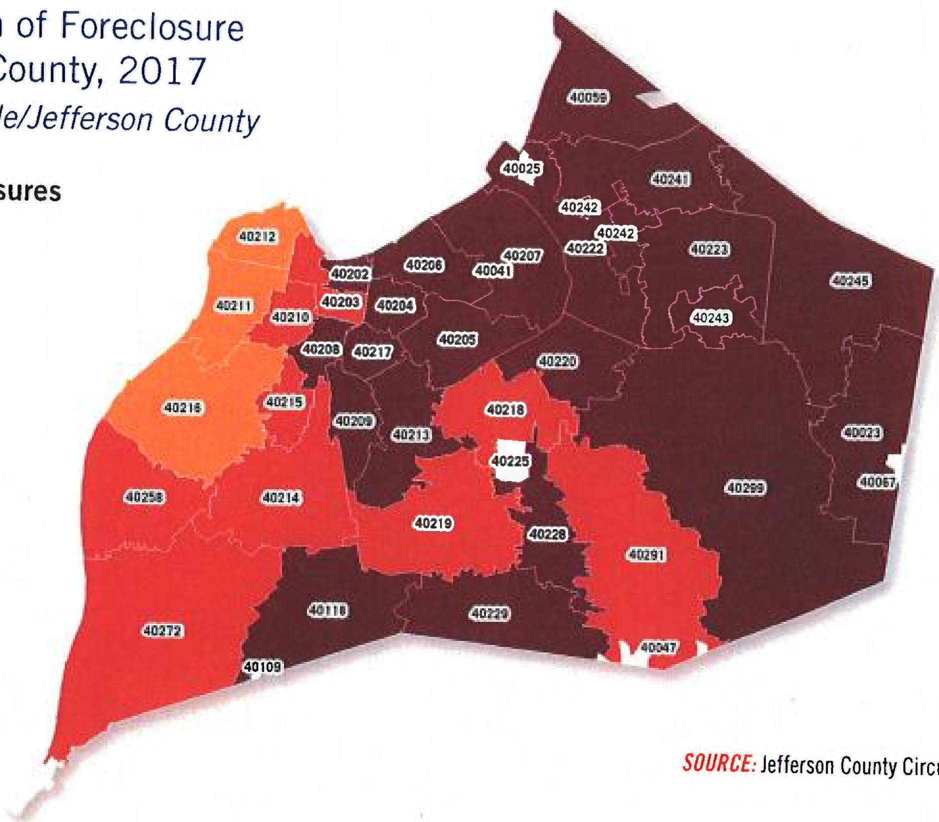
Using data from the Jefferson County Circuit Court on foreclosure sales, we analyzed the distribution of foreclosures across zip codes in Jefferson County, based on properties that received orders of sales (or commissioner sales) in 2017. This differs from the analysis in Measure 7, which relies on foreclosure filing data. Commissioner's sales are a conservative estimate of foreclosures in that they only reflect the properties sold at auction, rather than total foreclosure filings, which are indicative of the initiation of the foreclosure process. However, the Commissioner's sales data are for all properties (not just residential).

Map 4 shows the distribution of foreclosure sales across Jefferson County by zip code. The majority of zip codes contain 3.0 percent or less of the total foreclosure sales in Louisville and these zip codes are geographically concentrated in the eastern part of the county. Collectively, these 23 zip codes have just over one-quarter (26.3 percent) of all foreclosure sales in Jefferson County. Nine zip codes each account for between 3.1 and 9.0 percent of foreclosure sales. These zip codes are located in southwest, southeast, and west Jefferson County, and account for 44.2 percent of all foreclosure sales. Finally, nearly three of every ten (29.5 percent) foreclosure sales occur in just three zip codes (40212, 40211, and 40216), and each of these zip codes account for more than 9.1 percent of total foreclosure sales in Louisville. These three zip codes are adjacent and form part of the county's western boundary. These zip codes were also among the places with the largest shares of foreclosure filings in 2007 and 2005, according to the *Louisville's Foreclosure Crisis* report (MHC 2008), highlighting the enduring nature of the spatial concentration of foreclosure in high poverty and majority non-white communities.

### Map 4: Distribution of Foreclosure Sales in Jefferson County, 2017
*by Zip Code – Louisville/Jefferson County*

**Percent of Total Foreclosures**

- 3.0% or less (each)
- 3.1%–9.0% (each)
- 9.1% or more (each)
- No Data Available




*SOURCE:* Jefferson County Circuit Count

## Foreclosure Process in Kentucky and Indiana

The mortgage foreclosure process involves a series of complicated steps by which the homeowner's right to property is terminated by course of default payment on a loan. Like most states, Kentucky and Indiana follow the judicial foreclosure process, which define the actions taken through the court system. Upon non-payment by the borrower, (90-day delinquency is common practice), the lender sends a notice of default to begin the pre-foreclosure phase. Although not a legal requirement, many states, including Kentucky and Indiana, offer pre-foreclosure mediation to help prevent foreclosure or negotiate a fair agreement (e.g. LMG's Foreclosure Conciliation Project (LMGV&PPA 2018) or the Indiana Foreclosure Prevention Network (IFPN 2018)). In Jefferson County, local law provides the homeowner the right to a "conciliation conference" by which the borrower can engage in a process to work things out to prevent the foreclosure.

Once the foreclosure is filed, the borrower has a set period to respond to the complaint (20 days for both Kentucky and Indiana). Two responses trigger action, the non-response resulting in a "default judgement" and a summary judgement. The default judgement proceeds to a scheduled foreclosure sale, whereas a summary judgement reflects a judge's recommendation and final rule on whether to sign the judgment and issue an order of sale (Metropolitan Housing Coalition 2008). In the contested cases, the case proceeds as a regular civil action. If the judge signs the order to proceed with the sale of the foreclosed loan, the case is sent back to the sheriff's (Indiana) or commissioner's office (Kentucky) in order to prepare the legal notice for selling the property at auction. The property is then sold at auction to the highest bidder and the sheriff/commissioner issues the new deed to that party upon payment.

Following the auction and new title claim, Kentucky's process includes a "right of redemption" period of up to six months. The former deed holder can reclaim the title to the house if the property sells at auction for less than 2/3 of its appraised value with the option to buy back the property for the price paid at the auction plus 10%. Indiana foreclosure laws do not provide this option.

Finally, in both Indiana and Kentucky, if the former homeowner has not vacated the property voluntarily, the foreclosing party may proceed with an eviction against the former owners as an extension of the foreclosure action. Renters are protected by right following the foreclosure sale under the federal 2009 Protecting Tenants at Foreclosure Act (PTFA), which provides the right to stay for at least 90 days after the court issues the deed transfer to the new property owner or until the lease ends, whichever is longer (LAS n.d.).

*"Vicki [. . .] was 28 years old when she and her parents co-signed a deed for her Mulberry Street home, 32 years ago. Her dad hadn't thought she could find a house she'd be able to afford, [she] said. But with a $1,460 down-payment, the Schnitzelburg home was a steal. Now, at 60, [Vicki] doesn't think anything is a steal. She counts her years in debt that's piled up, from student loans to hospital bills. And she tears up when talking about potentially losing the only home she's ever owned. "It's been a whole lot of stuff, and it's all snowballed," [she] said. "I've been fighting to save this house since 2010." ... By May of this year, [Vicki's] home was foreclosed on again, with court documents estimating her amount to be raised at $110,000 – more than three times the property's original price. A letter sent to [Vicki] in June states that she owes more than $11,000 in past due payments, late charges and attorney fees. On Aug. 4, a judge approved the house for sale. Just a week later, [Vicki] received her sale date: Sept. 29. If the house sells at auction, real estate website Realty Trac estimates an investor could make nearly $70,000 in profit by flipping the house. ... "I always figured that when I retired, I would have this house," Vicki [. . .] said. "I could rent it out, and that would mostly pay for the house payment and that would be my extra income. If I lose this house, I lose everything" (Loosemore 2017).*

## Characterizing Neighborhood Dynamics and Displacement Risk Type

In addition to analyzing eviction and foreclosure data as measures of involuntary displacement, other elements of neighborhood change are associated with involuntary displacement. Many of those elements are captured in a neighborhood typology approach used in both academic (Freeman 2005) and policy-oriented research (Bates 2013; Just Cause 2014). We describe this method in more detail on page 44.

This approach attempts to capture the multidimensional process of one type of neighborhood change – gentrification. The neighborhood typology classifies census tracts experiencing substantial changes in terms of the following three indicators:

- **VULNERABILITY** (share of renter households, people of color, population without a bachelor's degree, and households in poverty)[4]
- **DEMOGRAPHICS** (share of homeowners, white population, the population with a bachelor's degree, and median household incomes), and
- **HOUSING MARKET CONDITIONS** (changing median home values, home value appreciation rates, and adjacency to tracts with large changes in overall home values or rapidly appreciating home values).

Changes at the census tract level are benchmarked to Jefferson County, so that the local context is taken into consideration. Neighborhoods (census tracts) with substantial change are then grouped into one of six categories – **Susceptible, Early Type 1, Early type 2, Dynamic, Late, or Continued Loss**. These categories are explained in Figure 3 and in the online methodological appendix. Rather than observing gentrification as a static outcome (Zuk et al. 2018), this typology characterizes gentrification-related change in different phases. We selected change over a 9-year period to capture the end of the Great Recession, 2009 through the most recently available 2016 ACS five-year estimates.

The analysis examined all tracts in Jefferson County (n= 190), excluding the airport tract. The results characterize 28 tracts in one of the six stages of neighborhood change that illuminate risks of involuntary displacement. Figure 4 summarizes the frequency of tracts in each the six types[5], and Map 5 displays where these tracts are located in Jefferson County. The next section presents descriptions of the typology categories, with a more detailed account of notable tracts in each group.

**Susceptible Tracts (n= 11)** *are near neighborhoods with high value or accelerating home values, but the home values in these tracts remain low or moderate and have low appreciation rates. These tracts contain vulnerable populations, but they have not experienced substantial demographic change.*

4 The designations of certain populations as 'vulnerable' is reflective of the ways in which these groups have been historically disadvantaged through housing policies and other practices that tend to privilege white people, homeowners, and persons of higher incomes/educational attainment.

5 It is also important to note that this typology does *not* capture all kinds of neighborhood change. Thus, the tracts that do not fall within one of the six types described below should not be interpreted as irrelevant or unimportant, they simply have not followed change patterns that align with the way in which we have chosen to operationalize proxy measures for involuntary displacement. Additionally, it is important to recall that neighborhoods not identified within one of the six types (areas in grey on Map 5) may have changed in ways similar to those described here, but not during the period that we observe (i.e. before 2009 or after 2016).

## Figure 3: Neighborhood Typology Definitions

| Neighborhood type | Description | Vulnerable population | Demographic Change | Housing Market Condition |
|---|---|---|---|---|
| Susceptible | Vulnerable populations near neighborhoods with increasing home values | Yes | No | Adjacent |
| Early Type 1 (property shifts) | Vulnerable populations with increasing home values | Yes | No | Accelerating |
| Early Type 2 (population shifts) | Vulnerable populations and demographic change, near neighborhoods with increasing home values | Yes | Yes | Adjacent |
| Dynamic stage | Vulnerable populations, demographic change, and increasing home values | Yes | Yes | Accelerating |
| Late stage | Vulnerable populations, demographic change, and high home values | Yes | Yes | Appreciated |
| Continuous Loss | Demographic change and high home values | No | Yes | Appreciated |

***SOURCE:*** Adapted from Bates (2013)

## Figure 4: Average Change in Neighborhood Types, 2009-2016

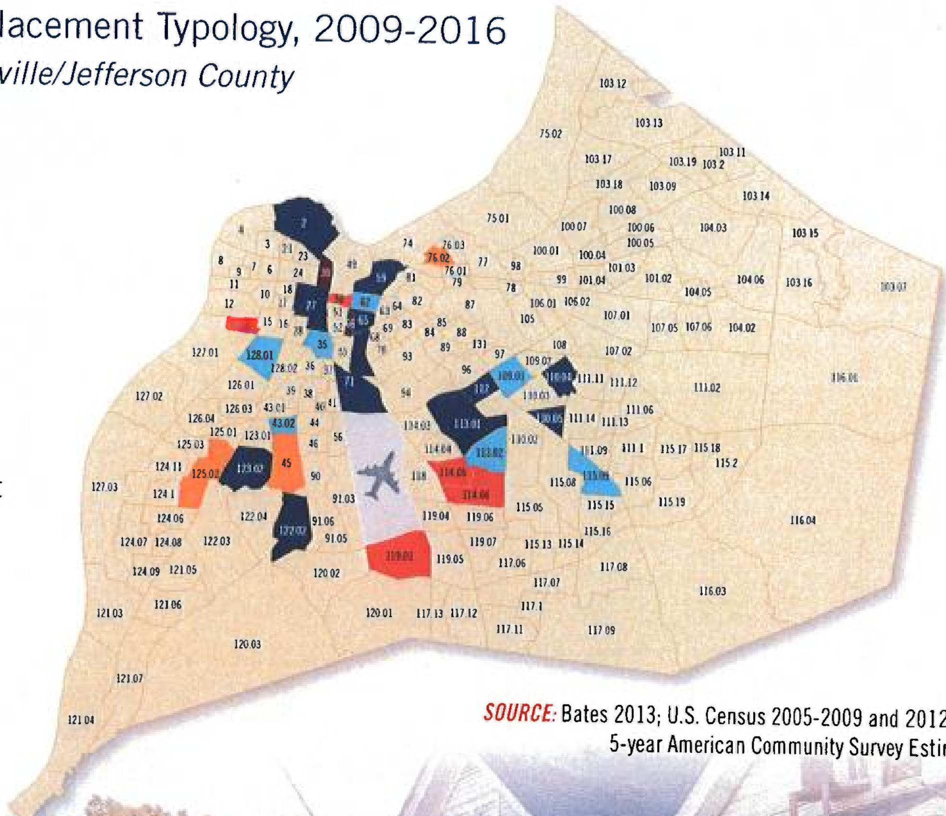
| Neighborhood type | Number of Tracts | Median Home Value | Median Household Income | Share of Owner-Occupied Housing Units | Share of Non-Hispanic White | Share of persons with a Bachelor's Degree |
|---|---|---|---|---|---|---|
| Susceptible | 11 | -17.8% | -6.1% | -8.7% | -5.6% | -1.2% |
| Early | 8 | 4.3% | -10.8% | -7.5% | -8.1% | 3.0% |
| Early Type 1 | 5 | 12.0% | -14.9% | -9.9% | -16.4% | 1.4% |
| Early Type 2 | 3 | -8.6% | -3.9% | -3.5% | 5.7% | 5.7% |
| Dynamic | 8 | 3.4% | 42.2% | -2.0% | 10.2% | 4.4% |
| Late | 0 | — | — | — | — | — |
| Continued Loss | 1 | 9.2% | 8.3% | 1.6% | 32.2% | 23.4% |
| Jefferson County | | -4.3% | -1.6% | -4.2% | -4.4% | 3.7% |

## Map 5: Risk of Displacement Typology, 2009-2016

*by Census Tract - Louisville/Jefferson County*

**Neighborhood Types**

- Susceptible
- Early Type 1
- Early Type 2
- Dynamic
- Continued Loss
- Not Classified
- Russell Dynamic Tract
- No Data Available



*SOURCE:* Bates 2013; U.S. Census 2005-2009 and 2012-2016 5-year American Community Survey Estimates.

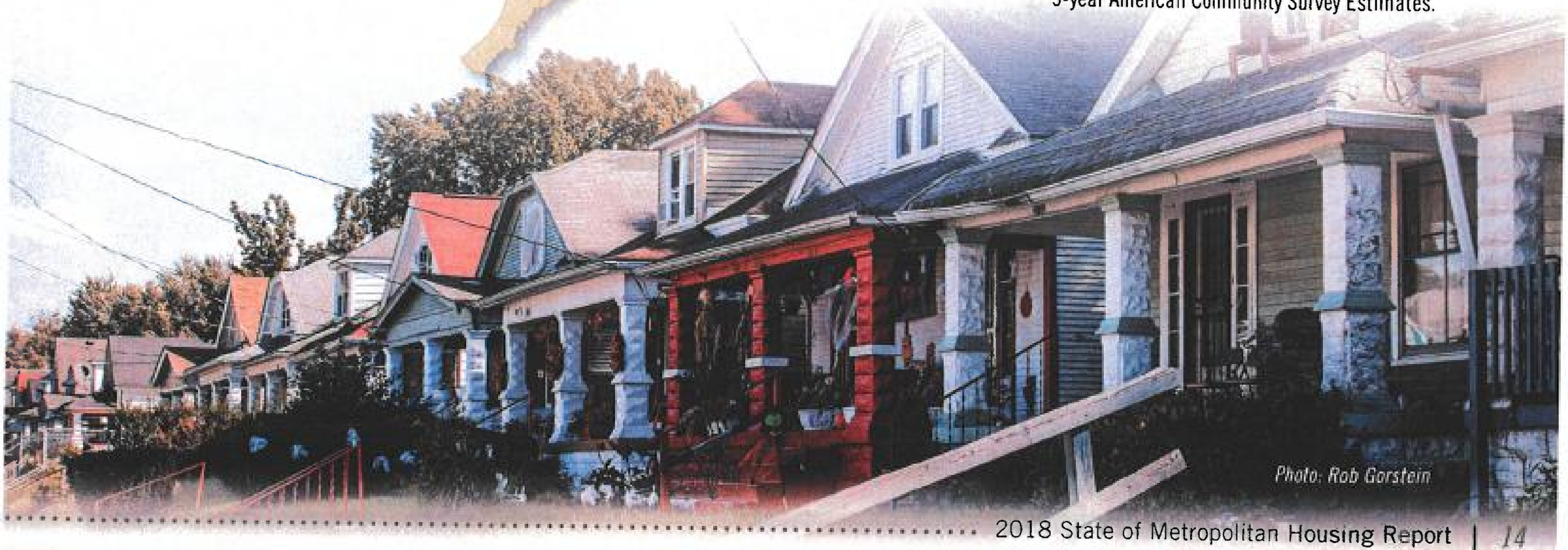


*Photo: Rob Gorstein*

In Jefferson County, 11 tracts were classified as **Susceptible** to involuntary displacement (2.00, 27.00, 59.00, 65.00, 71.00, 110.04, 110.05, 112.00, 113.01, 122.02, and 123.02). These tracts tend to be found on the periphery of Dynamic and Early areas and are located throughout the county with about half on either side of I-65 (Map 5).

On average, the median home value in the **Susceptible** tracts was $101,409 in 2016, lower than Jefferson County overall ($154,100). Since 2009, median home values declined by an average of 17.8 percent in these 11 tracts. Concurrently, renter-occupied housing units became more prevalent in **Susceptible** tracts, as owner-occupied units declined by an average of 8.7 percent. This is more than double the 4.2 percent drop in owner-occupied units experienced countywide. The non-Hispanic white population decreased in most of the Susceptible tracts, falling on average by 5.6 percentage points. Each Susceptible tract's characteristics and history shape investment impacts on residents.

For example, Tract 59.00 includes much of the Phoenix Hill and Butchertown neighborhoods, as well as the East Market Street commercial district. This area is perceived by many as one that has already experienced significant neighborhood change over the past five years. However, the tract's median home value declined by 24.4 percent from 2009 to 2016 while median household income increased by 3.1 percent. Simultaneously, poverty rates remained high, 44.1 percent, 60.1 percent of residents were persons of color in 2016, and there was a slight decrease in white residents, 2.3 percent from 2009 to 2016. Furthermore, over 90 percent of the tract households are renter. While all of this indicates vulnerable populations, the analysis does not capture change in the rental market and therefore suggests the need to do so in further analyses.

Overall, residents in this and other **Susceptible** neighborhoods face a greater risk of displacement. Recent investments around East Market Street resulted in commercial and infrastructure improvements and future policy should focus on ensuring ***existing*** residents can take advantage of these new amenities. In **Susceptible** tracts, wholesale demographic change has not yet taken place and there is an opportunity to ensure the residents of these areas can afford to stay, for instance, by requiring affordable rental units in new developments or limiting the conversion of units into short-term rentals.

***Early Tracts (n= 8)*** *are neighborhoods with low to moderate home values in 2016.* ***Early Type 1*** *tracts have accelerating home values and vulnerable populations, but do not yet exhibit related demographic change.* ***Early Type 2*** *tracts are adjacent to neighborhoods with accelerating home values, are beginning to undergo demographic change, and contain vulnerable populations.*

Eight tracts are characterized as **Early Tracts**. Five of these are **Early Type 1** tracts (14.00, 50.00, 114.05, 114.06, and 119.01) where home values are accelerating, ***but*** there has not yet been notable demographic change, and three are **Early Type 2** tracts (45.00, 76.02, and 125.02) which ***are changing demographically*** and are adjacent to tracts with accelerating home values.

Two **Type 1** tracts are located in the neighborhoods of Old Louisville and Park DuValle, another is due south of the airport, and two adjacent tracts intersect Fern Valley Road near the General Electric facility in the northern part of Okolona and Newburg. Two **Type 2** tracts are located in the southern portion of the county, one (45.00) partially in Hazelwood, adjacent to and including parts of Iroquois Park and one (125.02) borders Dixie Highway to the west in the northern section of Pleasure Ridge Park. The remaining **Type 2** tract (76.02) includes part of the Clifton Park neighborhood, northeast of downtown.

Median home values in the five **Early Type 1** tracts increased by an average of 12.0 percent from 2009 to 2016, whereas in **Type 2** tracts, home values declined by an average of 8.6 percent. All of the **Early tracts** contain larger shares of vulnerable populations as compared to the county as a whole. However, on average, **Type 1** tracts have larger percentages of people of color (69.6 percent) compared to tracts characterized as **Type 2** (27.2 percent). In both **Type 1** and **Type 2**, the average percentage of renters is above 50 percent, average poverty rates are near 30 percent, and the average percent without a bachelor's degree is above 80 percent. The three **Type 2** tracts differ from **Type 1** tracts in that while their percentage of residents with a bachelor's degree remains below the county, that percentage increased between 2.0 and 8.7 percent in each. This suggests more change is coming.

Tract 50.00 is categorized as a **Type 1** tract. Located in the northern part of Old Louisville, this area is commonly identified as part of SoBro (South of Broadway). This area once had more Victorian homes such as those further south into Old Louisville, but over time, surface parking lots supporting automobile sales and other manufacturing uses came to dominate the urban fabric (LMGP&DS 2007). This area is now a transition zone from the Central Business district to the historic preservation zone of the Old Louisville neighborhood. The median home values of the fewer than 100 owner-occupied households in this tract increased by 43.8 percent from 2009-2016. The tract maintained larger shares of vulnerable populations as compared to the county but did not see major changes in demographics. More recently, investments in the area by Spalding University and Simmons College could affect vulnerable residents and renters if housing values continue to rise (Jones 2017; Finley 2018).

By comparison, Tract 14.00, also an **Early Type 1**, includes a large portion of the Park DuValle neighborhood, and has a very different history and neighborhood context than the northern part of Old Louisville. Starting in 1996, the Cotter Lang public housing units in this neighborhood were demolished as part of a HOPE VI grant and replaced with a mixed-income community of new single-family homes, townhomes, and apartments. Median home values were $145,800 in 2016, an increase of 6.0 percent from 2009. The tract is 99 percent black/African American with 35.0 percent of housing units owner-occupied in 2016, a decrease of 4.7 percentage points since 2009. This rate is similar to homeownership rates among blacks/African Americans in Jefferson County (35.8 percent) in 2016 and therefore reflects the disparate access to homeownership compared to whites. Median household income declined by 17.8 percent since 2009 to $27,642 in 2016, also well below the Jefferson County median of $50,099 in 2016. The 2016 poverty rate remained above 30 percent, double the county level of 16 percent. Finally, while residents with a bachelor's degree increased by 2.6 percentage points from 2009, the rate in 2016 (15.3 percent) was half the rate for all of Jefferson County (31.8 percent). This tract must be understood in the context of its history connected to the HOPE VI redevelopment and the resulting residential displacement in the late 1990s and early 2000s. The neighborhood had already experienced extensive displacement prior to the dates covered by the typology. Since home values increased while income decreased, and poverty and education remained below county levels, many current residents are at risk for future displacement, as they continue to face ongoing economic challenges, especially if their home values continue to rise faster than the countywide rate.

***Dynamic tracts (n= 8)** experienced high appreciation rates over the 2009-2016 period, but still have relatively low or moderate home values. They exhibit demographic change indicative of displacement, yet still have vulnerable populations.*

Seven **Dynamic** stage tracts are found in or contain portions of the following neighborhoods or places - Smoketown (tract 62.00), Algonquin (tract 35.00), Hallmark and northern parts of Shively (tract 128.01), Newburg (tract 113.02), most of Hazelwood (tract 43.02), Bon Air (tract 109.01), Fern Creek (tract 115.09) and part of Russell (tract 30.00).

All **Dynamic** tracts exhibit ***accelerating*** home values, with larger percent increases in home values from 2009-2016 than Jefferson County. Real home values grew on average by 3.4 percent from 2009-2016 with the largest increase (21.6 percent) in tract 35.00. By contrast, home values decreased by 4.3 percent in Jefferson County. These tracts also exhibit ***demographic change*** indicative of potential displacement where areas become wealthier and whiter. In these tracts, the percentage white, non-Hispanic population increased on average by 10.2 percent and the median household income increased by 42.2 percent on average compared to the rest of the county.

In **Dynamic** tracts, between 2009 and 2016, homeownership rates decreased on average, but by a smaller rate, 2.0 percent compared to 4.2 percent, than the county. Both of these trends differ from the Louisville MSA, where homeownership rates were on the rebound from the recession edging toward 70 percent by 2017 (see Measure 5). Tract 43.0 showed a particularly large increase (12.1 percent) in homeownership. Finally, Dynamic tracts still contain concentrated populations ***vulnerable*** to displacement. They still experience high average rates of poverty (34.0 percent) and lower average levels of educational attainment (86.3 percent without a bachelor's degree) and are home to more renters (62.3 percent) and persons of color (57.7 percent), when compared to the county.

**Dynamic** neighborhoods are in the midst of demographic and housing market changes, but there may still be an opportunity to mitigate the involuntary displacement of existing residents, because even as home values are increasing, they remain relatively low or moderate compared to the rest of Jefferson County. For example, in tract 113.02 near Newburg, the median home value in 2016 was $83,300, compared to $154,100 for Jefferson County. Housing values remained stable in this tract while Jefferson County home values decreased by 4.3 percent. Median household income increased by 47.5 percent from 2009 to 2016 to $34,607 remaining below the Jefferson County median of $50,009. The poverty rate was 35.7 percent in this tract and the mix of owner and renter-occupied units was close to a 50-50 split. Thus, residents' risk of displacement would lessen with the retention of affordable rental and owner-occupied housing in this and other Dynamic neighborhoods.

Part of the Russell neighborhood (specifically, tract 30.00) is characterized as **Dynamic** because of relevant demographic change as well as the presence of vulnerable populations when compared to the county. However, this area is not easily compared to others since there are zero owner-occupied housing units in tract 30.00, so no change from zero to zero does not mean positive stability. As previously noted, this tract is currently undergoing massive reinvestment through the Choice Neighborhoods Grant, and other investments in the broader Russell neighborhood. These investments will increase pressure on existing residents in the neighborhood that are vulnerable to displacement and induce further demographic changes.

***Late tracts (n=0)*** *had low or moderate median home values in 2009, but experienced high appreciation over the decade and are now high-value tracts. They have experienced displacement-related demographic change, and still have vulnerable populations.*

Notably, no tracts in Jefferson County meet the definition of a **Late** tract. However, since anecdotal evidence suggests this type of neighborhood change might have occurred in areas east of the University of Louisville, such as Germantown or Schnitzelburg, we take a closer look at one such tract.

Tract 68.00, for example, is comprised of part of the Schnitzelburg neighborhood north of Texas Avenue. This tract is experiencing housing market and demographic changes that likely reflect gentrification, but it has fewer vulnerable households – compared to Jefferson County – and thus fewer people at risk for displacement due to these changes. The median home value in 2016 was $111,900, a 0.1 percent increase since 2009, which is comparatively strong since median values declined by 4.3 percent in Jefferson County over all. Since 2009, median household income increased by 9.8 percent to $45,458, but remained below the Jefferson County median ($50,009). The tract experienced demographic change that aligns with gentrification - increasing in its share of homeowners, non-Hispanic whites, and persons with a bachelor's degree, and median household income. However, it does not have a large presence of vulnerable households and its poverty rate (16.5 percent) was only slightly higher than Jefferson County in 2016.

***Continued Loss (n=1)*** *tracts have median home values that appreciated at among the highest rates in Jefferson County from 2009-2016. They also show demographic change but have small vulnerable populations.*

One tract (66.00) was classified as **Continued Loss**. This area comprises the eastern portion of Old Louisville extending two to four blocks on either side of South Brook Street from Hill to Kentucky. In 2016, median homes values were $170,800, above the Jefferson County median of $154,100, and increased by 9.2 percent since 2009. The percent of the population with a bachelor's degree increased by 23.4 percentage points, the second largest increase among all census tracts since 2009. Similarly, the percent non-Hispanic white increased 32.2 percentage points, the largest overall increase among all census tracts since 2009. While real median household income increased by 8.3 percent, the poverty rate remains above 30 percent. Furthermore, the tract is predominantly renter-occupied, and 18 percent of the tract's residents are people of color. Based on this analysis, it is particularly important to retain affordable rental housing in this tract as a means of protecting the remaining population in this tract at risk for displacement.

# POLICY AND PROGRAM RECOMMENDATIONS

The data and analysis in this report contributes to ongoing conversations about involuntary displacement and neighborhood change in Louisville. Eviction, foreclosure, and neighborhood change are examples of processes that can lead to involuntary displacement. Policymakers should consider these processes and how they result in physical involuntary displacement of existing residents as they make public investments and partner with private developers. In addition, attention should also be given to problems that arise when neighborhood change results in an influx of new residents with different socio-economic characteristics than existing residents, posing additional, potentially negative, community-wide effects. For example, new residents may lack an understanding and appreciation of cultural and social traditions of existing residents. A neighborhood's existing political power could be diluted. For existing residents that remain in the neighborhood and are not displaced, "they may suffer a loss of place as commerce, culture, civic life, aesthetics, and the people living around them become unaffordable, unfamiliar, or unwelcoming" (Cohen 2018: 2). "People can be displaced — and unable to (re)construct place — without spatial dislocation" (Davidson 2009: 228).

Policy options are often framed as a binary choice — no investment that perpetuates neighborhood decline or reinvestment with unavoidable displacement. This is a false dichotomy. Each of the public and private investments previously noted taking shape in Louisville, has the potential for involuntary displacement and further concentration of prosperity into the hands of the few. Displacement can occur through a variety of direct, indirect, and exclusionary forces. Therefore, the responses needed to address this issue must be comprehensive. We highlight existing policies and programs that address different aspects of involuntary displacement. Each is always under budgetary threat and thus precarious. We follow with selected examples of efforts from other cities that encourage prosperity without displacement.

## FOOD RELATED CULTURAL STABILITY

*Changes to a neighborhood's food landscape provides one example of social and cultural changes that affect original residents. For instance, an increase in food retailers with high-quality, but high-priced food that is unaffordable to existing residents, combined with newcomers not patronizing longstanding local businesses could result in overall reduction of local businesses that cater to the needs of long-term residents or the loss of ethnic and cultural food practices rooted in a neighborhood's history (Cohen 2018; Deener 2007; Pearsall 2012).*

*Strategies to mitigate food related impacts in changing neighborhoods, includes increasing access to healthy, affordable, and culturally appropriate food; including incentives for existing food retailers and manufacturers in new development processes; promoting retail diversity through zoning changes and incentive programs; requiring inclusion of neighborhood-serving food retail for publicly funded projects; enacting community benefits agreements with supermarket chains that require local hiring and affordable pricing; promoting food cooperatives that ensure affordability; and protecting urban agriculture sites through permanent long-term tenure Cohen (2018).*

## LOUISVILLE EFFORTS

### Eviction and Foreclosure Intervention Programs

*Louisville Metro Government's (LMG) Office of Resilience and Community Services*

- Financial Assistance Program

The Financial Assistance Program provides emergency funds for households that meet eligibility criteria that can be used for rent, mortgage, deposits, or utility payments (LMGR&CS 2018). Funds are distributed through the eight regional Neighborhood Place locations.

- Low Income Home Energy Assistance Program (LIHEAP)

LIHEAP provides utility payment assistance for low-income residents. The program is open to households with incomes at or below 130 percent of federal poverty guidelines. Addressing utility costs can help keep people in their homes. Furthermore, households with utilities included in the rent are eligible for the program if they are facing eviction.

- Protect My Kentucky Home

This statewide program assists homeowners who are currently delinquent or facing financial problems that may result in mortgage delinquency. The program connects homeowners to free HUD-certified counseling agencies.

### ▶ Kentucky Unemployment Bridge Program (UBP)

Homeowners who have recently experienced job loss or reduction in income are eligible for this forgivable loan that assists with mortgage payments (KHPC 2018).

### *Legal Aid Society Louisville (LAS)*

The LAS hosts bi-monthly Tenants' Rights and Foreclosure clinics, which offer access to attorney's and the opportunity to ask questions regarding eviction and foreclosure processes, as well as information on individual rights and potential alternatives to foreclosure or eviction. These clinics include instructions and forms to demand the return of a security deposit, how to make a written request related to maintenance issues, and other aids for self-advocacy. LAS also provides information on foreclosure rescue scams, the federal Making Home Affordable program, and the state UBP Program (LAS n.d.).

### *Louisville Urban League (LUL)*

The LUL's Center for Housing & Financial Empowerment provides Foreclosure Counseling services that assist homeowners who are delinquent in their mortgage payments (LULa n.d.). The Rental Readiness program provides counseling for renters and includes information on both tenant and landlord rights and responsibilities, which may help tenants mitigate eviction proceedings (LULb n.d.).

## Property Tax Relief

LMG property tax relief programs could help homeowners at risk of involuntary displacement if augmented or modified.

**Assessment Moratorium Program:** The current program provides a 5-year moratorium of selected local tax assessments for residential and commercial buildings that are at least 25 years old and meet specified guidelines:

- cost of rehabilitation is at least 25 percent of improved value; OR
- is located in a census tract where at least 70 percent of residents are at 80 percent median income for Jefferson County or 20 percent of residents are living below the poverty level; in these locations, cost of rehabilitation must be at least 10 percent of improved value; OR
- be LEED certified upon completion of improvements (LMGCR 2018).

This program could be redesigned or expanded to focus on protecting homeowners in neighborhoods vulnerable to displacement, by limiting the moratorium to properties in those at risk areas and increasing the period of the freeze on tax increases.

**Disability Exemption:** Applies to persons who are 100 percent disabled, and own the property that is also their primary residence. The tax exemption for 2017-2018 is $37,600 (JCPVAa n.d.).

**Homestead Exemption:** Applies to property owners 65 and over who own their primary residence. The tax exemption for 2017-2018 is $37,600 (JCPVAb n.d.).

## Education, Empowerment, and Action

### *Home Repair*

***LMG's Office of Housing and Community Development,*** and non-profit organizations such as ***New Directions Housing Corporation***, assist low-income homeowners in need of home repairs (LMGH&CD 2018; NDHC n.d.). These programs can reduce the cost burden of home repairs, allowing homeowners to stay current on mortgage payments or lessen pressures to sell their home.

### *Louisville Urban League's "Stop! Don't sell, yet" Campaign*

In August 2018, LUL started the "Stop! Don't sell, yet" campaign (Bard 2018). Speculators seeking to take advantage of the predicted rise in real estate values in Russell and other areas in western Louisville neighborhoods where there are recent planned public and private investments are targeting current homeowners. LUL informs homeowners and residents in western Louisville specifically about their options to protect them from predatory home speculators and ensure they understand the value of their property.

### *Black Lives Matters Louisville (BLM)*

The Housing Team of BLM Louisville is engaged in direct work that includes purchasing and renovating homes for youth and emergency family housing through fund raising efforts and donations. BLM solicits volunteers to assist with home repairs, works to clear liens from property titles, educates people about home purchases through the auction system, and empowers residents to take ownership within their neighborhoods.

### *Russell: A Place of Promise*

In August 2018, LMG, Cities United, and The William R. Kenan, Jr. Charitable Trust, announced the creation of the 'Russell: A Place of Promise' initiative (LMG 2018b). Supported by a $5 million grant, this program will support equitable community development, build community wealth, and curtail displacement in Russell. The initiative will focus on creating affordable housing, new jobs, and business ownership opportunities. The goal is to ensure the current residents are the beneficiaries of ongoing and future investments in the Russell neighborhood and to create a standalone community-owned development organization.

The efforts described above create a foundation for addressing involuntary displacement that should be supported and augmented. However, gaps remain. There are other relevant programs and policies that could contribute to a more comprehensive approach to promoting prosperity without displacement.

## ADDITIONAL POLICY AND PROGRAM OPTIONS

### Cooperative Ownership and Community Land Trust Models

Nationally, cooperative land ownership and community land trust models offer promising approaches to help residents remain in neighborhoods where home values and rents are increasing. These strategies can build wealth through homeownership for low-income households and paths to permanently maintaining affordable housing (Ehlenz and Taylor 2018). For example, in recent years, more than 200 mobile home parks have transitioned to resident-owned communities, many with the assistance of ROC USA, a non-profit organization that assists with the process (Golden 2018).

### Right-of-Return to historically African American neighborhoods

In Portland, OR, the 'Pathway 1000 Initiative' addresses historical and current displacement in historically African American neighborhoods head-on. The goal is to build 1,000 new homes and create opportunities for previously displaced African American residents to return to these neighborhoods. The program offers down-payment assistance and affordable housing dollars in historically African American neighborhoods (Pope 2016).

### Community Benefit Agreements and Community Impact Reports

Planning processes can proactively address involuntary displacement by including community input **before** major reinvestments take place, prioritizing the concerns of existing residents, and offering a means through which the needs of these residents are incorporated into development plans. ***Community Benefit Agreements*** allow for negotiation between the neighborhood and developers, with a focus on ensuring that project benefits align with residents' needs. Similarly, a ***Community Impact Report***, like an environmental impact report, analyzes project costs, benefits, and outcomes to the neighborhood, and identifies ways to mitigate negative consequences (Bates 2013). Cities can require these in any project receiving public incentives or investment.

### Enhancing Tenants Rights

Enhancing and expanding tenants' rights should be a core element of all housing policy in Louisville. Kansas City, for example, recently proposed a five-year housing plan that limits the power of landlords to use prior evictions (more than five years old) as a screening tool and expands discrimination protections to source of income (e.g. Social Security or Section 8 vouchers) (Turque 2018). These types of policies could be incorporated by modifying the Housing section in *Plan 2040: A Comprehensive Plan for Louisville Metro*, and the Louisville/Jefferson County Housing Needs Assessment that will be released in late 2018. This could be addressed by Louisville's emerging ***Eviction Diversion Working Group***.

### Short-Term Rentals

As the short-term rental market continues to grow in Louisville, LMG has proposed changes to the existing ordinance regulating these units, including limiting the allowed number of individuals per unit, requiring a local contact, and fining persons advertising unregistered rentals (Bowling 2018c). The effects of increased short-term rentals on rental affordability, involuntary displacement, and availability of rental units overall, has yet to be considered. Research in other cities indicates short-term rentals are related to rising rents, fewer total units, and increased property values, all components that lead to involuntary displacement (Merante and Horn 2016).

**In conclusion, the current policies, programs, and community efforts along with those suggested above will work best in conjunction with other legislation, policy, and practice that support equitable planning and development. This report serves as a resource to encourage deeper discussions around policy change and investment reallocations towards *prosperity without displacement*.**

# MEASURE 1

## Concentration of Subsidized Housing

In this report, subsidized housing units are classified as either public housing, Section 8 Housing Choice Voucher, or Section 8 Project-Based housing units. There are a total of 19,066 subsidized housing units in Louisville/Jefferson County. This is an increase of 29 subsidized housing units from 2017.

Subsidized housing units continue to be highly concentrated in west Louisville. Roughly 70 percent of all subsidized units are located within Louisville Metro Council districts 1, 3, 4, 5, 6, and 15 representing no change over the past two years. Roughly one-third of all subsidized housing units are located within districts 4 and 6 alone. See Maps 6, 7, and 8; Figure 5.

In an effort to address disparate impacts of policies that lead to Racially/Ethnically Concentrated Areas of Poverty (R/ECAP), HUD developed a method using U.S. Census data that identifies such areas, by census tract. A R/ECAP is a census tract with a population that is 50 percent or more non-white and has a poverty rate exceeding 40 percent or one that is three or more times the average tract poverty rate for the metropolitan area (whichever threshold is lower) (HUDa n.d.).

The maps in this measure, and others in this report, highlight the HUD defined R/ECAP Census tracts in Louisville/Jefferson County. This will assist area agencies and community organizations wishing to visualize and address the legacy of policies that have concentrated subsidized housing over time, producing disparate impacts across race and class. The population within these R/ECAPs are represented by Louisville Metro Council districts 1, 2, 3, 4, 5, 6, 13, and 15.

### Public Housing

There are 4,565 total public housing units in Louisville /Jefferson County. Out of the 4,565 units, 3,727 are occupied and 838 are vacant. It is important to note that LMHA is in the process of implementing the Choice Neighborhood grant that involves razing the 758 housing units (1,317 bedrooms) in Beecher Terrace and providing a one-for-one replacement of each as part of the revitalization process (LMHA n.d.). The vacant unit number without including Beecher Terrace units that are in transition, is 431. A majority of public housing units (75 percent) continue to be located in Metro Council districts 4 and 6. Districts 2, 7, 8, 11, 13, 14, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, and 26 each continue to contain less than one percent of the total public housing units for Louisville /Jefferson County. See Map 6.

### Section 8

Louisville/Jefferson County grants a total of 14,501 Section 8 (housing choice and project-based) rent subsidies. Section 8 Housing Choice Vouchers that give the individual some choice of where to live account for roughly 64 percent (9,224) of all Section 8 units in Louisville/Jefferson County. The remaining 36 percent (5,277) are project-based, where the subsidy goes to the owner of the rental unit in order to offset costs for offering lower rent.

While all Metro Council districts have at least one type of Section 8 subsidized units, 69 percent of all Section 8 housing in Louisville/Jefferson County is located in districts 1, 2, 3, 4, 5, 6, and 15. See Map 7.

### Low-Income Housing Tax Credits

The U.S. Department of the Treasury sponsors the Low-Income Housing Tax Credit (LIHTC) program as an incentive for developers to create affordable housing units for low-income individuals and families. The Kentucky Housing Corporation (KHC) is the state administrative agency that awards credits across the state through a competitive application process. According to KHC, since 2008, the state of Kentucky has received $107,300,660 for the construction of 10,845 units using LIHTC. From this, Jefferson County has received $18,401,239 (17 percent of state allocated funds) for the construction of 1,902 units.

A majority of LIHTC units (78 percent) in Louisville/Jefferson County are concentrated in Metro Council districts 1, 2, 3, 4, 5, and 6. The concentration of LIHTC units has not substantively changed since 2016; the largest change was an increase of less than one percent in district 4. There continues to be eight Metro Council districts out of 26 that do not contain any housing units built using LIHTC funds; these are districts 7, 10, 14, 17, 18, 20, 21, and 23. See Fig. 5.

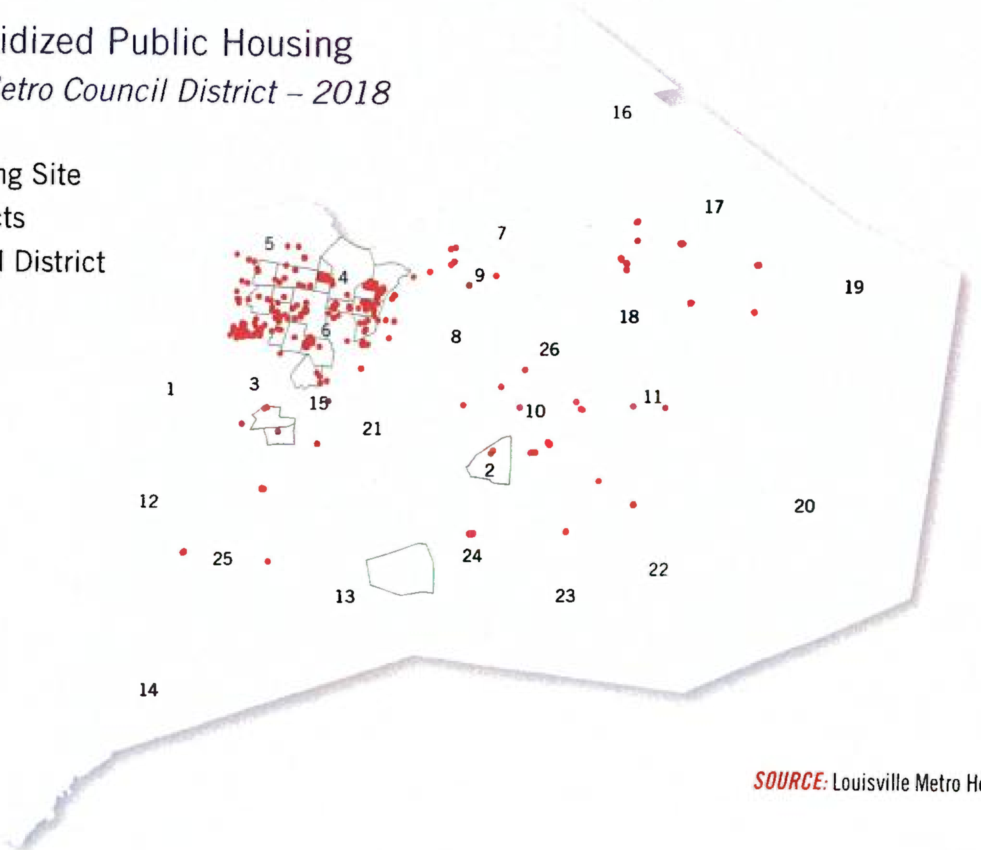
### MHC RECOMMENDS

The new *Plan 2040: A Comprehensive Plan for Louisville Metro* has conflicting sections. For example, the Community Form contains coded language that could derail the more assertive and robust fair housing and affordable initiatives set forth in the Housing section. As you will see in Measure 2, placement of assisted or affordable housing is intertwined with segregation of protected fair housing classes. Advocates of fair and affordable housing must keep up the pressure to deconcentrate rent assisted housing. Our local governments must make fair and affordable housing a priority and have it reflected in mandatory policies when Louisville Metro government is a participant or investor in housing, or when any funding or waivers of the Land Development Code are requested.

The soon to be released ***Housing Needs Assessment*** will make recommendations of where housing types at price/rental costs are needed. Louisville must make housing affordable to low wage workers the priority in implementing the recommendations of the Assessment.

## Map 6: Subsidized Public Housing
*by Louisville Metro Council District – 2018*

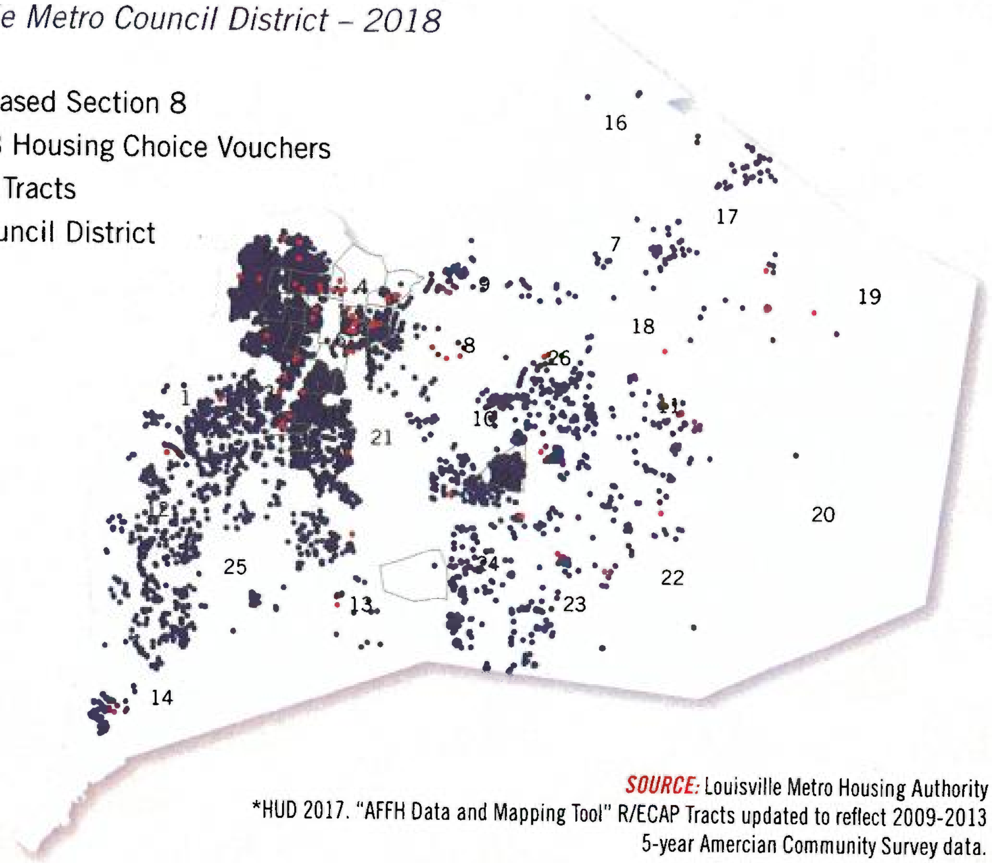
Public Housing Site
R/ECAP* Tracts
Metro Council District




*SOURCE:* Louisville Metro Housing Authority

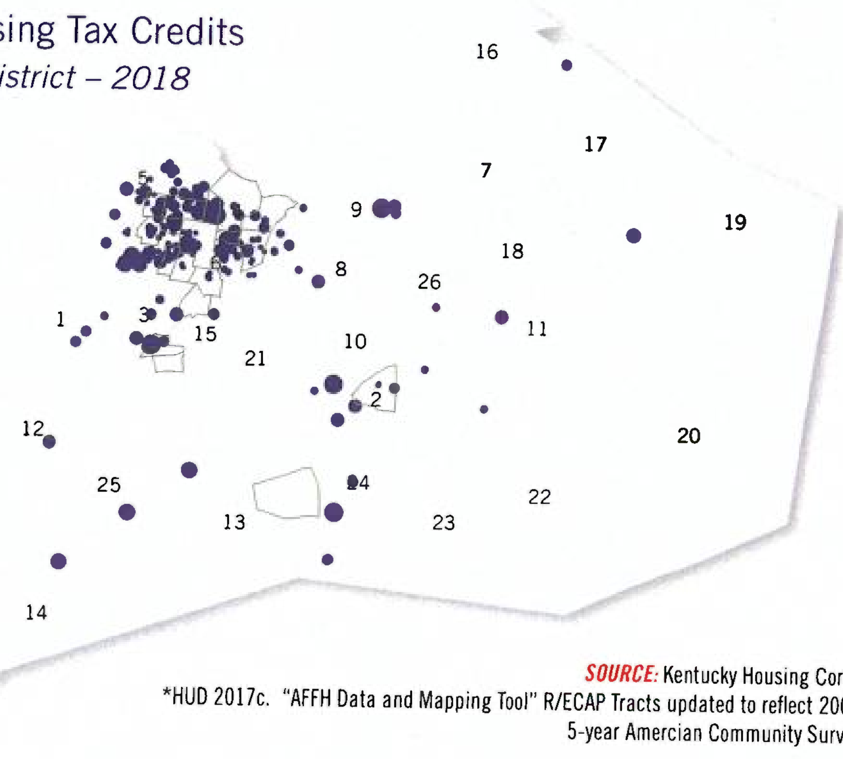
## Map 7: Subsidized Section 8 Housing
*by Louisville Metro Council District – 2018*

Project-Based Section 8
Section 8 Housing Choice Vouchers
R/ECAP* Tracts
Metro Council District



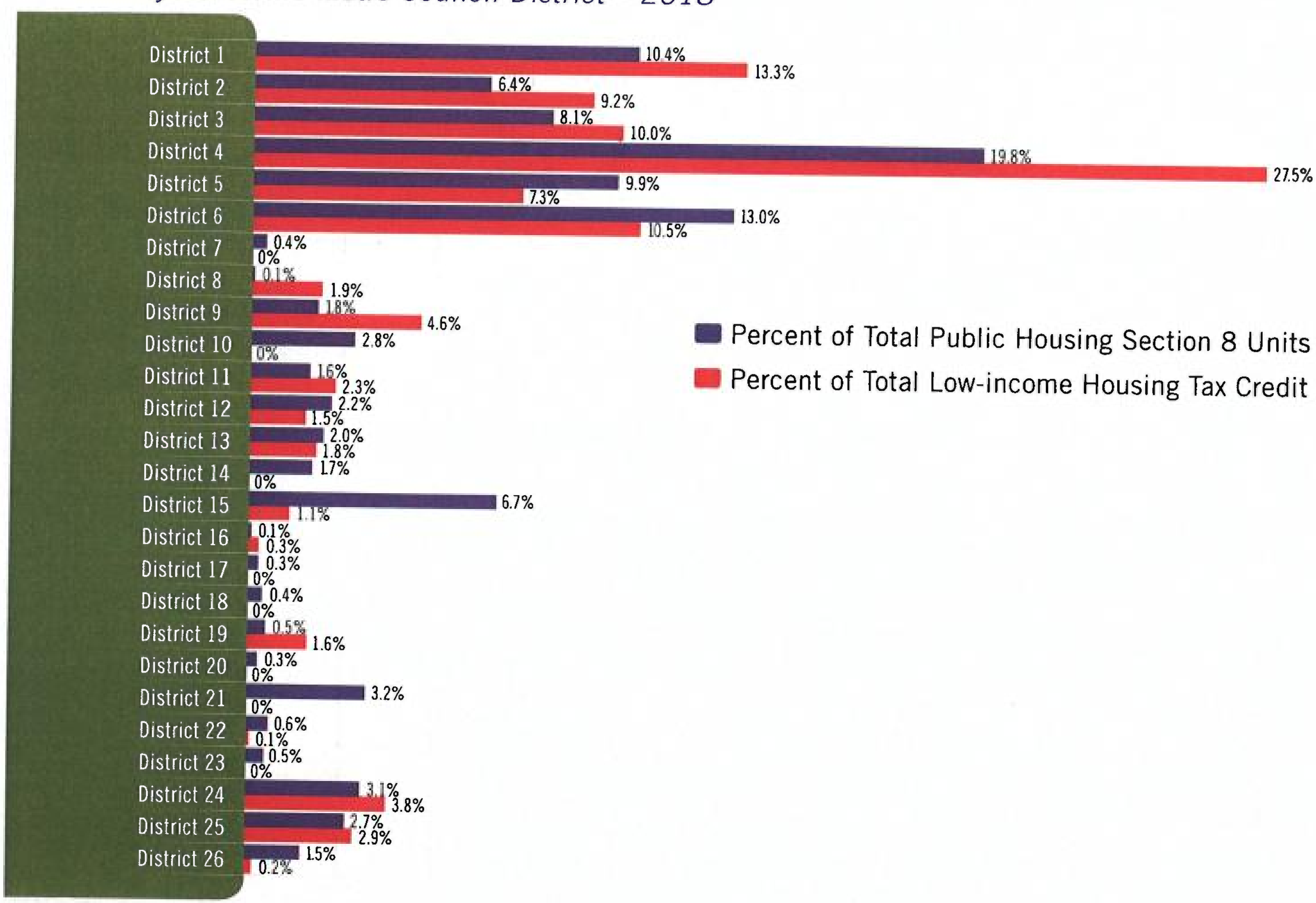

*SOURCE:* Louisville Metro Housing Authority
*HUD 2017. "AFFH Data and Mapping Tool" R/ECAP Tracts updated to reflect 2009-2013 5-year Amercian Community Survey data.

## Map 8: Low-Income Housing Tax Credits
*by Louisville Metro Council District – 2018*




***SOURCE:*** Kentucky Housing Corporation
*HUD 2017c. "AFFH Data and Mapping Tool" R/ECAP Tracts updated to reflect 2009-2013 5-year Amercian Community Survey data.

## Figure 5: Percentage of Low-Income Housing Tax Credit Units and Combined Public Housing and Section 8 Units
*by Louisville Metro Council District – 2018*



# Housing Segregation

## Poverty

In 2016, the U.S. Census reported 16.0 percent of Louisville/Jefferson County residents and 14.1 percent of Louisville MSA residents live below the federal poverty level, representing minor (less than half of one percent) decreases in poverty from last year for both areas. The number of households subsisting on an income of less than $15,000 a year is also down slightly in Louisville/Jefferson County, to 13.6 percent from 14.4 percent last year, and in the Louisville MSA, from 13.0 percent to 12.3 percent in 2016.

Poverty continues to be concentrated in Louisville's west and south-central areas. Census tracts with the highest levels of poverty in Louisville/Jefferson County, those where one half to nearly 90 percent of the population lives in poverty, are in Metro Council districts 4, 5, 6, and 13. Poverty rates dropped below 50 percent in two tracts that were previously above this threshold – tracts 62 and 65, which include much of the Smoketown and Shelby Park neighborhoods. However, this may reflect changing demographics in central Louisville, and does not necessarily mean that conditions have improved for the original residents. Notably, poverty has also increased from 42.8 percent to 52.3 percent in tract 119.01 south of the airport. See Map 9.

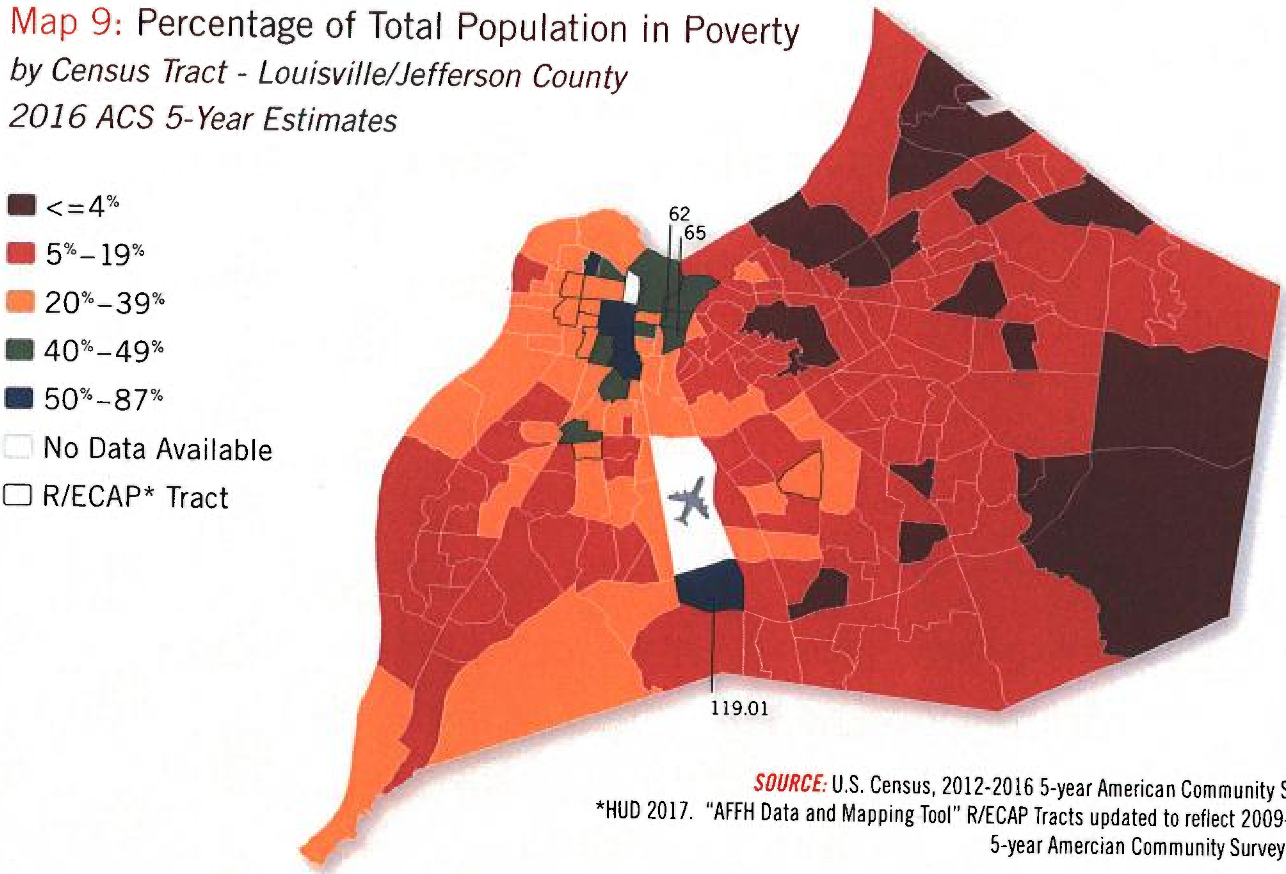
The poverty rates among blacks/African-Americans and Hispanics/Latinx are more than double the current rate for whites. The poverty rate for white residents is 11.6 percent in Louisville/Jefferson County and 11.1 percent in the Louisville MSA, which is substantially less than for blacks/African-Americans, for whom it is 30.2 percent in Louisville/Jefferson County and 29.3 percent in the Louisville MSA. Hispanic/Latinx also have high rates of poverty, with 25.6 percent of the community in Louisville/Jefferson County and 26.6 percent of the community in the Louisville MSA living in poverty. West Louisville contains a majority of the region's 18 R/ECAP tracts. These tracts are located in west Louisville Council districts 1, 3, 4, 5, 6, and the remaining tracts are in Council districts 2, 13, and 15. See Map 9.

The poverty rates for seniors (65 and over) and for persons with disabilities (16 and over) have declined slightly from 2013 to 2016, by less than 1 percent for seniors and by less than 2 percent for disabled persons in both the Louisville MSA and Louisville/Jefferson County. In 2016, 8.6 percent of seniors in Louisville/Jefferson County and 8.3 percent of seniors in the Louisville MSA lived in poverty, which is a lower rate than the overall county or MSA poverty rates. However, 24.0 percent of persons with disabilities (16 and over) in Louisville/Jefferson County live in poverty, and 21.8 percent of persons with a disability live in poverty in the Louisville MSA. This is substantially higher than the general poverty rate for Jefferson County and the Louisville MSA. The census tracts with the highest rates of individuals with disabilities are located in Council Districts 1, 3, 4, 5, 6, and 15. See Map 12.

## Map 9: Percentage of Total Population in Poverty

*by Census Tract - Louisville/Jefferson County*

*2016 ACS 5-Year Estimates*




**SOURCE:** U.S. Census, 2012-2016 5-year American Community Survey

*HUD 2017. "AFFH Data and Mapping Tool" R/ECAP Tracts updated to reflect 2009-2013 5-year American Community Survey data.

In Louisville/Jefferson County, 11.3 percent of families live in poverty compared to 10.0 percent of families in the Louisville MSA. 19.0 percent of families with children in Louisville/Jefferson County have earnings below the federal poverty line, while 16.5 percent of families with children live in poverty in the Louisville MSA. It is important to note that 39.1 percent of female-headed households with children in Louisville/Jefferson County are living in poverty, as are 37.3 percent of female-headed households in the Louisville MSA.

## Race and Ethnicity

White remains the primary racial demographic in both Louisville/Jefferson County (72.7 percent) and the Louisville MSA (80.6 percent). Blacks/African-Americans represent 21.0 percent of the population in Louisville/Jefferson County and 14.1 percent in the Louisville MSA. Hispanics/Latinx comprise 4.8 percent of the population of Louisville/Jefferson County and 4.3 percent in the Louisville MSA.

Louisville/Jefferson County is home to nearly half (45.5 percent) and nearly one-quarter (24.9 percent) of the state's black/African-American and Hispanic/Latinx populations, respectively. Louisville/Jefferson County continues to be highly segregated. The black/African American population predominately lives in west Louisville in census tracts represented by Council districts 1, 3, 4, 5, and 6 and east of the Airport in census tracts represented by Council districts 2 and 10. The majority of the white population of Louisville/Jefferson County continues to reside in east Louisville. The largest percentages of Hispanics/Latinx are living in census tracts south of the Watterson Expressway. The sole R/ECAP tract with a predominately Hispanic/Latinx population is census tract 119.01, directly south of the Louisville Airport, and represented by Council district 13. See Maps 10 and 11.

## Household Type

In Louisville/Jefferson County, 59.9 percent of households classify as family households, compared to 64.1 percent of households in the Louisville MSA. Of the 185,805 Louisville/Jefferson County family households, 67.6 percent are married-couple households, 24.2 percent are female-headed households (no husband present), and 8.2 percent are male-headed households (no wife present). In the Louisville MSA, 71.5 percent of the 318,689 family households are married-couple households, while 20.9 percent are female-headed households (no husband present), and 7.6 percent are male-headed households (no wife present).

Most of Louisville/Jefferson County's female-headed households with children under 18 present are concentrated in western and central R/ECAP census tracts situated in Council districts 1 through 6. These households represent between 28 and 55 percent of the population in each of these tracts. See Map 13.

## MHC RECOMMENDS

Louisville's segregation of several fair housing protected classes: race, color, ethnicity, being disabled, female headed households with children has not improved over the life of this Report. Louisville Metro government has adopted a Fair Housing Assessment which has been three years in the making; this tool should be used assertively to support the new Comprehensive Plan in achieving equity in housing.

MHC recommends deliberate inclusion of people in fair housing- protected classes in all boards and committees, especially those making decisions affecting the built environment.

The soon to be released **Housing Needs Assessment** will make recommendations of where housing types at price/rental costs are needed. Louisville must make housing affordable to low wage workers the priority in implementing the recommendations of the Assessment.

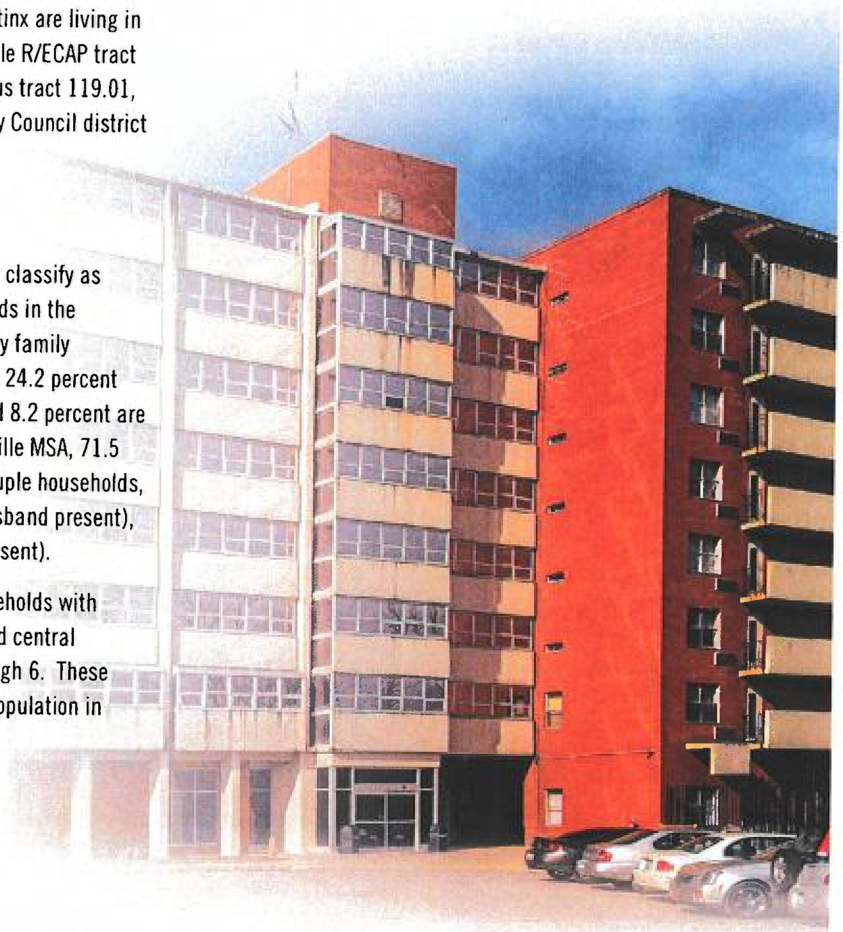


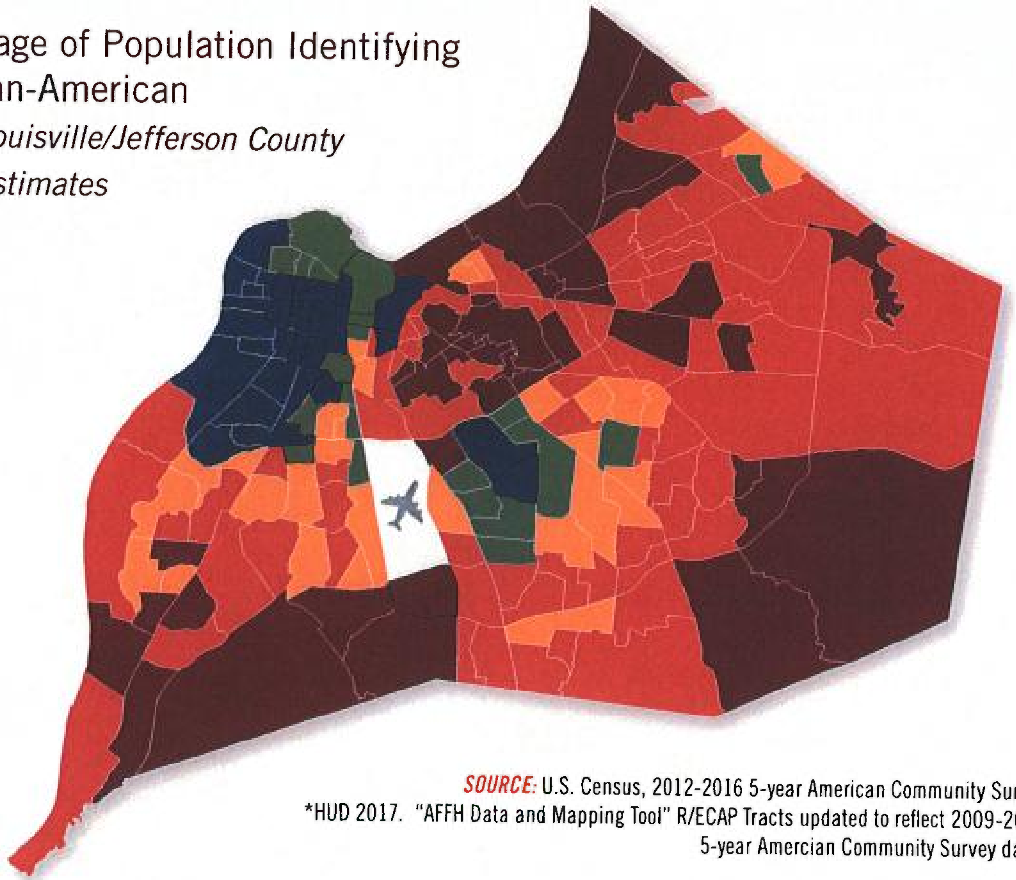
*Photo: Alexandra Marie Peot*

## Map 10: Percentage of Population Identifying as Black or African-American

*by Census Tract – Louisville/Jefferson County*

*2016 ACS 5-Year Estimates*

- <=4%
- 5%–14%
- 15%–24%
- 25%–49%
- >=50%
- No Data Available
- R/ECAP Tracts*



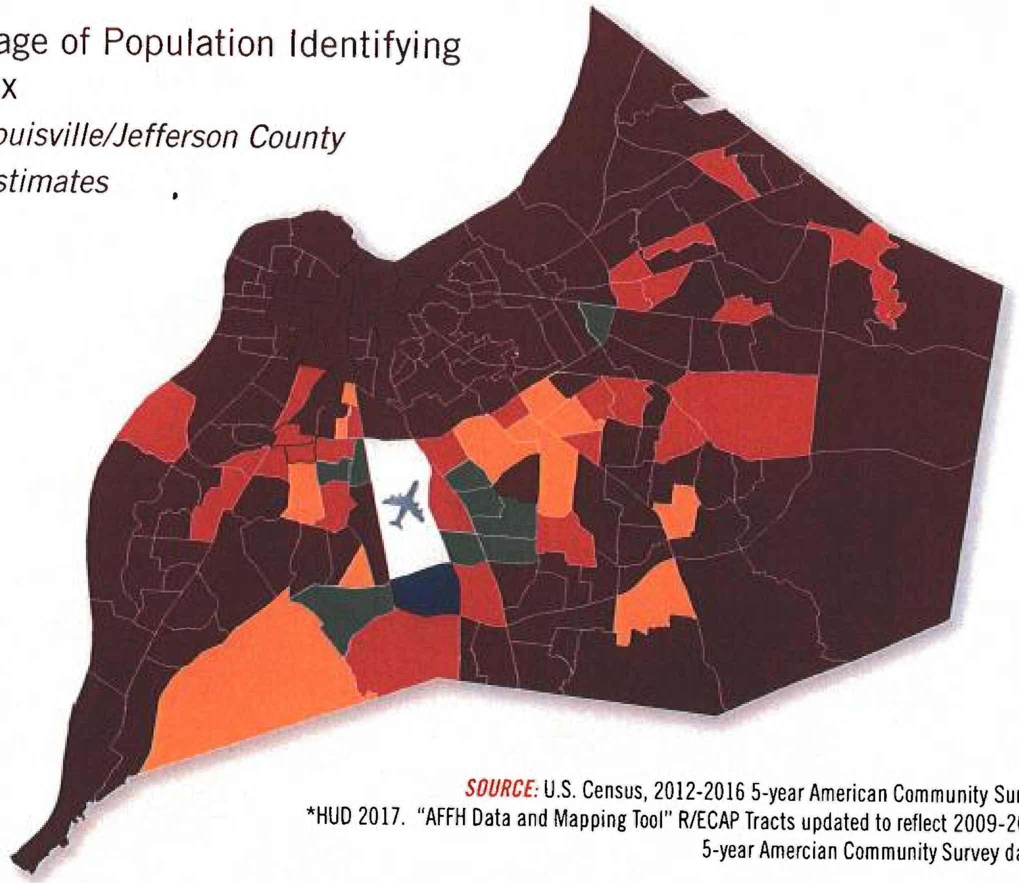
**SOURCE:** U.S. Census, 2012-2016 5-year American Community Survey
*HUD 2017. "AFFH Data and Mapping Tool" R/ECAP Tracts updated to reflect 2009-2013 5-year Amercian Community Survey data.

## Map 11: Percentage of Population Identifying as Hispanic/Latinx

*by Census Tract – Louisville/Jefferson County*

*2016 ACS 5-Year Estimates*

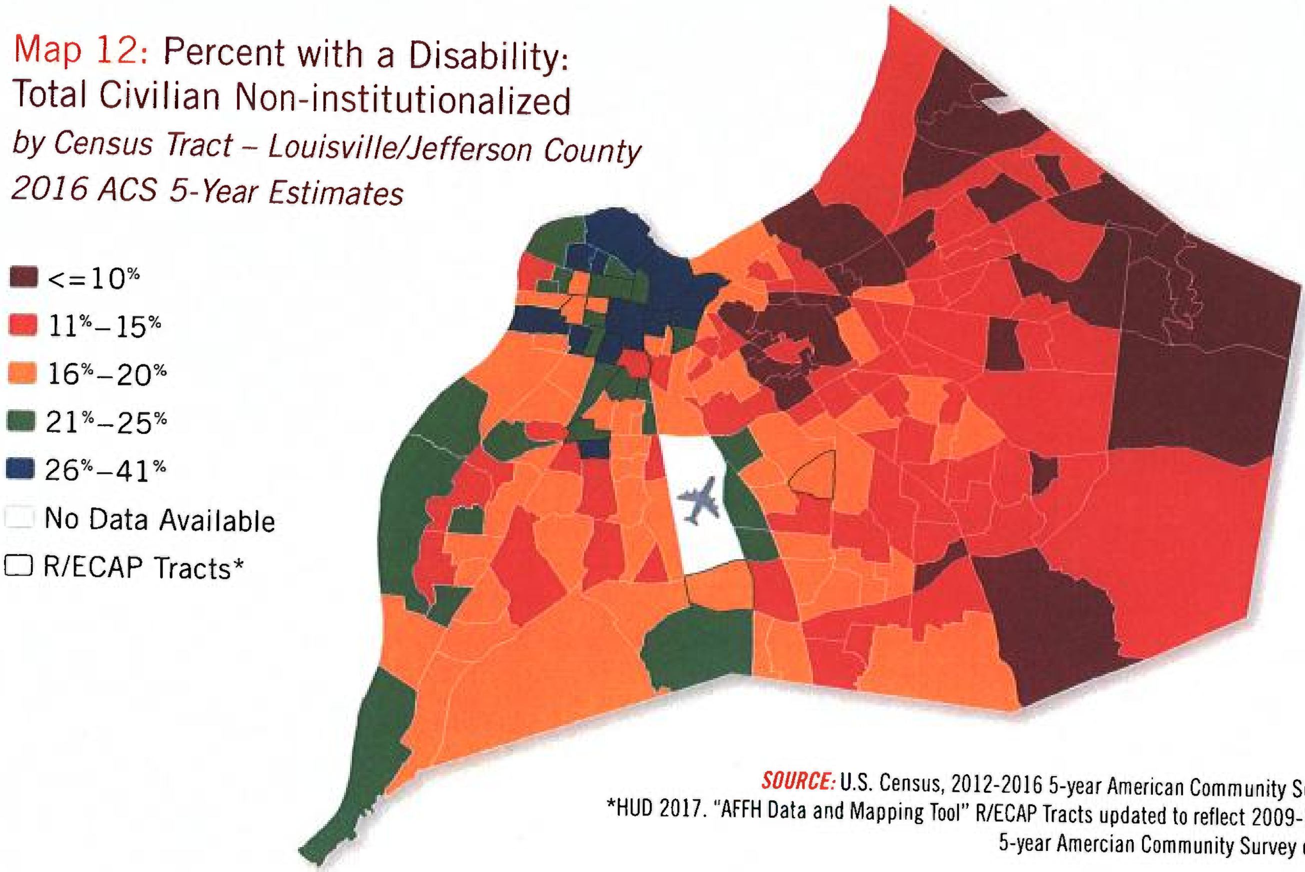
- <=5%
- 6%–10%
- 11%–15%
- 16%–30%
- 31%–67%
- No Data Available
- R/ECAP Tracts*



**SOURCE:** U.S. Census, 2012-2016 5-year American Community Survey
*HUD 2017. "AFFH Data and Mapping Tool" R/ECAP Tracts updated to reflect 2009-2013 5-year Amercian Community Survey data.

## Map 12: Percent with a Disability: Total Civilian Non-institutionalized

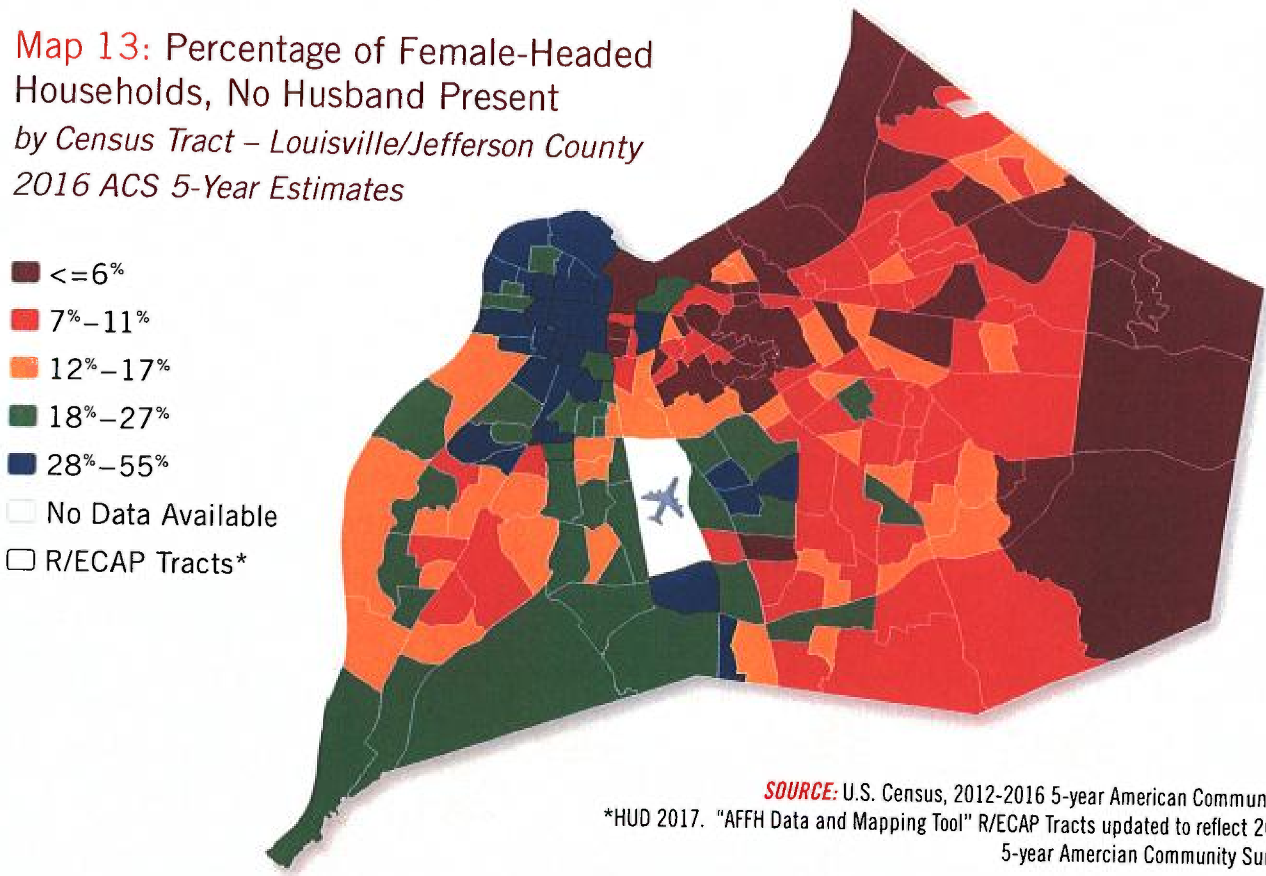
*by Census Tract – Louisville/Jefferson County*
*2016 ACS 5-Year Estimates*




***SOURCE:*** U.S. Census, 2012-2016 5-year American Community Survey
*HUD 2017. "AFFH Data and Mapping Tool" R/ECAP Tracts updated to reflect 2009-2013 5-year Amercian Community Survey data.

## Map 13: Percentage of Female-Headed Households, No Husband Present

*by Census Tract – Louisville/Jefferson County*
*2016 ACS 5-Year Estimates*




***SOURCE:*** U.S. Census, 2012-2016 5-year American Community Survey
*HUD 2017. "AFFH Data and Mapping Tool" R/ECAP Tracts updated to reflect 2009-2013 5-year Amercian Community Survey data.

# MEASURE 3

## Fair Market Rents

The U.S. Department of Housing and Urban Development (HUD) established Fair Market Rents (FMRs) as a tool for housing authorities to determine rents for the Section 8 Housing Choice Voucher program, Section 8 Project-Based contracts, housing assistance payment (HAP) contracts, and in setting rent ceilings in the HOME rental assistance program. FMRs are gross rent estimates, which include shelter, rent, and utilities; not included are telephone, cable, satellite television, or internet.

The Fiscal Year (FY) 2018 FMR for a two-bedroom unit within the Louisville MSA is $821; this is a 1.5 percent increase in rent from the FY2017 FMR for the same sized unit (after adjusting to 2018 dollars). When compared to the FY2008 FMRs, the FY2018 FMRs for the five types of housing units have increased in cost between 0.0 percent and 9.0 percent. See Figure 6.

Median household incomes in both Louisville/Jefferson County and the Louisville MSA were on a steady decline from 2008 to 2014. Since FMR has been on the rise since 2008, households have been strained in their capacity to afford rent. However, the 2016 ACS 5-year estimates shows that incomes have risen for two years in a row now, from 2014 to 2016. In this two year period, adjusting to 2016 dollars, Jefferson County has seen a 3.6 percent increase in incomes, and the Louisville MSA, a 2.7 percent increase. Despite this improvement, incomes in both areas are still 3.1 percent below what they were in 2008.

The Louisville HUD Metro FMR Area (HMFA) is a HUD defined geographic space, which includes all Louisville MSA counties minus Washington County, Indiana, Scott County, Indiana, and Shelby County, Kentucky. The hourly housing wage in the Louisville HMFA for a two-bedroom unit at FMR is $15.79; for a three-bedroom unit at FMR, it is $21.52 (National Low Income Housing Coalition 2018). Housing wage is the hourly amount a person working full-time must earn in order to afford the fair-market rent on a residential unit, while paying no more than 30 percent of his or her income on rent and utilities. Within the Louisville MSA, an estimated 254,410 workers do not earn enough to afford a two-bedroom unit at FMR without taking on excessive cost-burden; this figure represents 39.3 percent of the total workforce. Furthermore, 61.9 percent of the entire Louisville MSA workforce does not earn enough to afford a three-bedroom housing unit at FMR and 69.6 percent does not earn enough to afford a four-bedroom housing unit at FMR. See Figure 7.

### MHC RECOMMENDS

Although about 40 percent of units rent at or below the Fair Market Rent, they are very segregated into small geographic areas. Frequently, these are some of the areas experiencing significant investment and, hopefully, economic growth. So as the areas become more prosperous, where will those who cannot afford the increases go? To combat segregation and to prevent net loss of units affordable to low wage workers, two approaches are necessary: keeping rents affordable and placing affordable rental in every area of Louisville/Jefferson County. Fair Market Rents need to be supplemented or calculated using small area fair market rent to make choice more possible. Since rental units in the Louisville MSA are not affordable for a large percentage of our workforce, mandatory inclusion of units affordable to people at 50 percent of median income becomes an imperative whenever there is any kind of government action to facilitate or support new or rehabilitation of housing. Intentional inclusion of affordable units in all areas is necessary following the soon to be released "Housing Needs Assessment" recommendations.

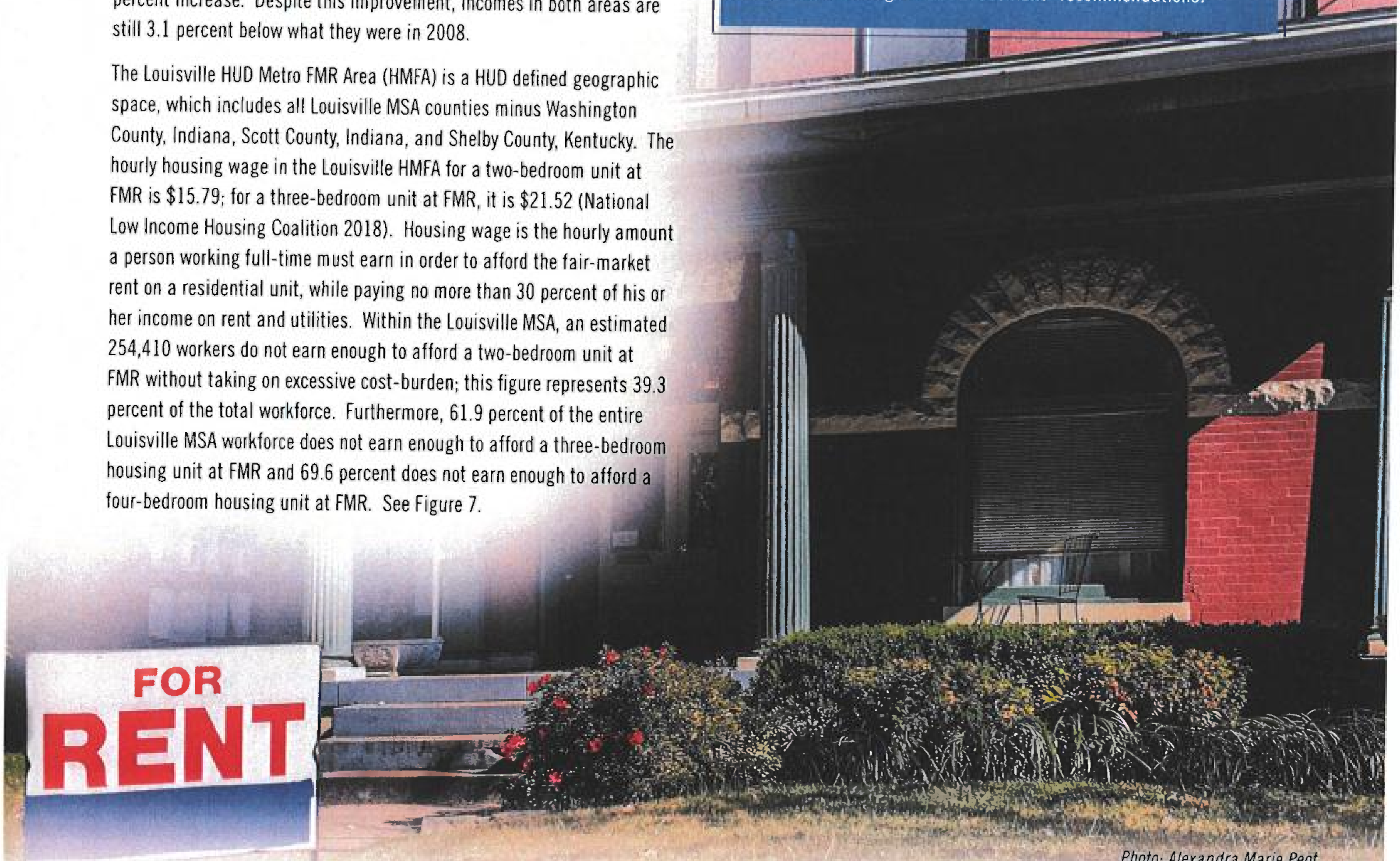



*Photo: Alexandra Marie Peot*

## Figure 6: Fair Market Rents by Unit Bedrooms

| FMR Year | Efficiency | One-Bedroom | Two-Bedroom | Three-Bedroom | Four-Bedroom |
|---|---|---|---|---|---|
| **FY2018 compared to FY2017 and FY2008, Louisville MSA** | | | | | |
| FY2018 | $578.00 | $656.00 | $821.00 | $1,119.00 | $1,259.00 |
| FY2017 | $551.00 | $629.00 | $793.00 | $1,085.00 | $1,230.00 |
| FY2008 | $483.00 | $559.00 | $663.00 | $926.00 | $984.00 |
| **Adjusted to 2018 dollars using the Consumer Price Index*** | | | | | |
| FY2018 | $578.00 | $656.00 | $821.00 | $1,119.00 | $1,259.00 |
| FY2017 | $562.00 | $642.00 | $809.00 | $1,107.00 | $1,255.00 |
| FY2008 | $567.00 | $656.00 | $779.00 | $1,087.00 | $1,155.00 |
| Percent Change from FY2017-FY2018 | 2.85% | 2.18% | 1.48% | 1.08% | 0.32% |
| Percent Change from FY2008-FY2018 | 1.94% | 0.00% | 5.39% | 2.94% | 9.00% |

*SOURCE:* U.S. Department of Housing and Urban Development, 2018 (http://www.huduser.gov/portal/datasets/fmr.html)
*Dollars shown in 2018 dollars using the Consumer Price Index Calculator (http://data.bls.gov/cgi-bin/cpicalc.pl)

## Figure 7: Housing Wage for Fair Market Rents 2017, Job and Wage Numbers for Louisville MSA 2017

| Housing Wage for One-Bedroom FMR | Housing Wage for Two-Bedroom FMR | Housing Wage for Three-Bedroom FMR | Housing Wage for Four-Bedroom FMR |
|---|---|---|---|
| $12.62 | $15.79 | $21.52 | $24.21 |
| *# of jobs that pay median hourly wage less than $12.62* | *# of jobs that pay median hourly wage less than $15.79* | *# of jobs that pay median hourly wage less than $21.52* | *# of jobs that pay median hourly wage less than $24.21* |
| 148,270 | 254,410 | 399,970 | 450,220 |
| *% of total workforce* | *% of total workforce* | *% of total workforce* | *% of total workforce* |
| 22.93% | 39.34% | 61.85% | 69.62% |

# MEASURE 4

# Production and Rehabilitation of Affordable Housing

## Public Housing

Nationally, roughly 1.2 million households live in public housing. Public housing provides 'decent and safe' housing for low-income individuals and families. Eligibility requirements consist of gross income limits, alongside U.S. citizenship/immigration, family, elderly, and disability status. Public housing units are managed by roughly 3,300 local housing authorities nationwide (HUDb n.d.). Public housing agencies in the Louisville MSA include: Louisville Metro Housing Authority (LMHA); Eminence Housing Authority (Henry County, KY); Shelbyville Housing Authority (Shelby County, KY); Charlestown Housing Authority (Clark County, IN); Jeffersonville Housing Authority (Clark County, IN); and New Albany Housing Authority (Floyd County, IN).

LMHA has a total of 4,565 public units; this is an increase of 238 units from 2017 in the stock of public housing. However, roughly 18 percent (838) of these units are vacant or off-line. Nearly half of these vacant units are directly tied to LMHA's demolition and revitalization of Beecher Terrace (758 units of which about 400 are vacant or off-line) and the surrounding Russell neighborhood (see Measure 1). LMHA has committed to maintain the number of units (and bedrooms) in this process thus not losing the overall number of units (LMHA n.d.).

Henry County has 85 public housing units, while Shelby County has 102 (representing no change over the past two years). New Albany, IN reported 1,014 housing units for 2018, a 2-unit decrease from 2017. The New Albany Housing Authority stated in 2017 that they would demolish some of their public housing units in favor of Housing Choice Vouchers (Sayers 2017). The current NAHA website details Phase 1 of that plan describing the planned demolition of the 129 Parkview/Broadmeade housing units to be replaced by 70 units. The total number of public housing units in Clark County (Charlestown and Jeffersonville), IN, remained the same (619) as well. Overall, there was an increase of 236 public housing units for the entire Louisville MSA.

## Section 8 Housing Choice Vouchers

There has been a 2.9 percent decrease (321 less) in issued Section 8 Housing Choice Vouchers throughout the Louisville MSA from 2017 to 2018. For Jefferson County, 9,224 Section 8 Housing Choice Vouchers were issued in 2018, a decrease of 194 from 2017. For Bullitt, Henry, Oldham, Shelby, Spencer, and Trimble Counties there were 22 more vouchers issued in 2018 (644 total). The Louisville MSA counties in southern Indiana (Clark, Floyd, Harrison, Scott, and Washington), alongside their three housing authorities (New Albany, Charlestown, and Jeffersonville), distributed a total of 1,271 vouchers; a decrease of five vouchers from 2017.

## Section 8 Project-Based

The number of Louisville/Jefferson County Section 8 Project-Based units was 5,977 units, a decrease of 15. There has been no change in project-based housing units over the past three years for the remaining Kentucky counties in the MSA (685 units). New Albany reported 63 units, a decrease of one unit compared to last year. New Albany is the only southern Indiana county housing authority to report Section 8 Project-Based data. Funding for additional site-based units originates from Public Housing Authorities; HUD only provides funding for renewing current site-based units.

## Waiting Lists

LMHA maintains their waiting lists according to eligibility and applicant location preference. Thus, individual families may appear on more than one waiting list. Since families may be listed on public housing and Section 8 waiting lists, and, as these are dynamic lists, it is difficult to total the number of individual/families who are waiting for assistance in Louisville/Jefferson County at any given time. As of October 2018, LMHA reports 3,608 families on the managed sites waiting list and 4,417 on the site-based lists for public housing. Within the site-based list are the following locations: Liberty Green, Park DuValle, Sheppard Square, and Wilart Arms. There is a total of 817 families on the waiting list for Family Scholar House, which is a merged list of Section 8 and public housing applications. Overall, there are a total of 13,092 on the Section 8 waiting lists in Louisville/Jefferson County.

Throughout the entire Louisville MSA (including Louisville/Jefferson County), there are more than 23,000 families/individuals on either a public housing or the Housing Choice Voucher waiting list. This is a decrease of roughly 2,000 families/individuals from last year. For Section 8, all Kentucky counties, besides Jefferson, reported increases on their waiting lists. For Jefferson County, there was a decrease of 832 on the Section 8 waiting list. The other Kentucky counties within the Louisville MSA have a total increase of 222. For Southern Indiana, there was a reduction of 174 families on the Section 8 waiting list compared to 2017. Jeffersonville accounts for a large percentage of this reduction with 192 individuals/families taken off the waiting list. There is an increase of 18 on the waiting list for the remaining Southern Indiana localities from 2017.

## Louisville CARES

The Louisville Creating Affordable Residences for Economic Success (CARES) Program, provides gap financing (a loan to cover costs that cannot be covered by other sources or programs) to encourage the creation of "affordable workforce housing" (80 percent Area Median Income (AMI)). The program also sets income limits and maximum rent using HUD's Income Limits Documentation System and rent limits using one person/bedroom + one calculation. In 2017, this meant that affordable rent for a three-bedroom unit for a family of 4 at 80 percent of AMI or $53,100, is set at $1,327. This was $242 higher than 2017 Fair Market Rent ($1085), which is the rent limit for families using Housing Choice Vouchers.

The program is intended to supplement other financing tools such as HOME or Community Development Block Grants (CDBG) as well as private financing mechanisms. LMG structured CARES to operate with the Louisville Affordable Housing Trust Fund (LAHTF) as another layer of financing to encourage private developers to build more affordable units. In October of 2016, the CARES program set a goal of creating 750 new units. The program projects as those units fill with renters looking to reduce their current rent burden, units they leave will become available. Between 2016 and 2017, CARES committed to six projects with 679 one to three-bedroom units. Four of the 6 projects were under construction in 2018, representing 383 of those units.

## Louisville Affordable Housing Trust Fund

Louisville Affordable Housing Trust Fund (LAHTF) supports the development of affordable housing through grants, loans, and technical assistance to housing developers by reducing financing gaps and project risk. LAHTF reports that FY18 funds have been allocated for 20 projects. This includes the rehabilitation/renovation of 687 multi-family/rental units, 264 new multi-family/rental units, the rehabilitation/renovation of 39 single family homes, and the construction of 19 new single-family homes (LMGH&CD 2018b).

## MHC RECOMMENDS

Though housing is less affordable, there have been cuts in assisted housing. All area governments should use mandatory policies as well as incentives to include housing affordable to those at 50 percent of median income. Louisville Metro Government should continue funding the LAHTF and find a permanent revenue stream to support the trust fund. In addition, the Louisville Metro Council should codify a formula for developers creating housing that is not rent assisted who are asking Louisville Metro for a public support of their project to either include affordable housing units or make a payment to the Louisville Affordable Housing Trust Fund.

The new state legislation for reclaiming vacant and abandoned property offer the ability to have a strategy, not just reaction, to bringing properties back in to use. The strategy should be neighborhood specific and should allow people who may only be able to have one piece of property to participate as well as major investors.

*Photo: Alexandra Marie Peot*

Figure 8: Annual Change in Public Housing Units, Louisville MSA, 2014-2018

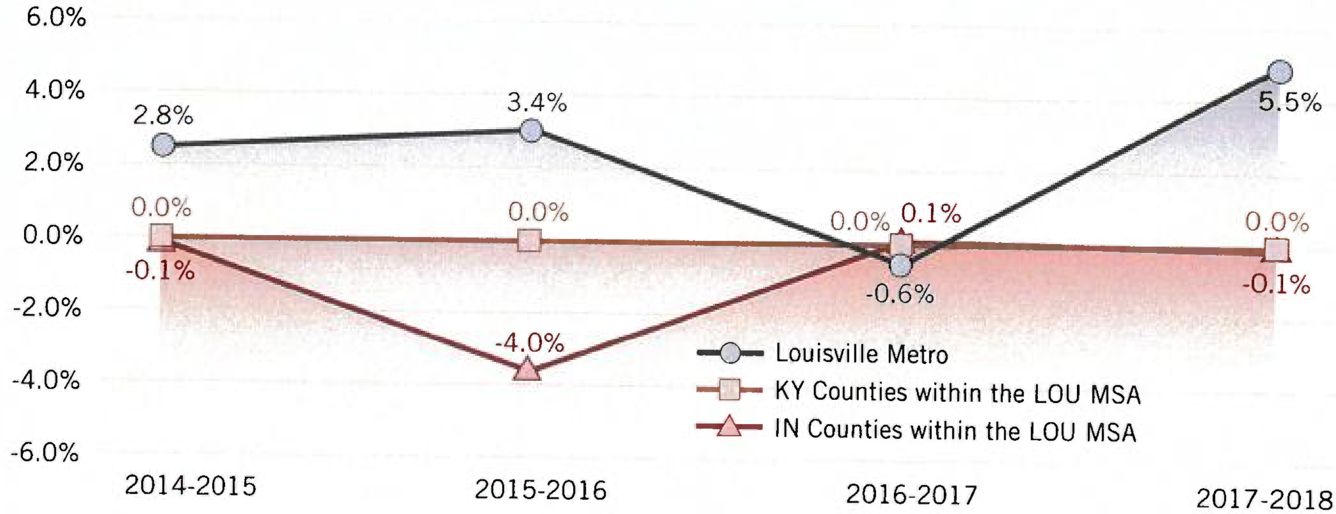



Figure 9: Annual Change in LIHTC Units, Louisville MSA, 2014-2018

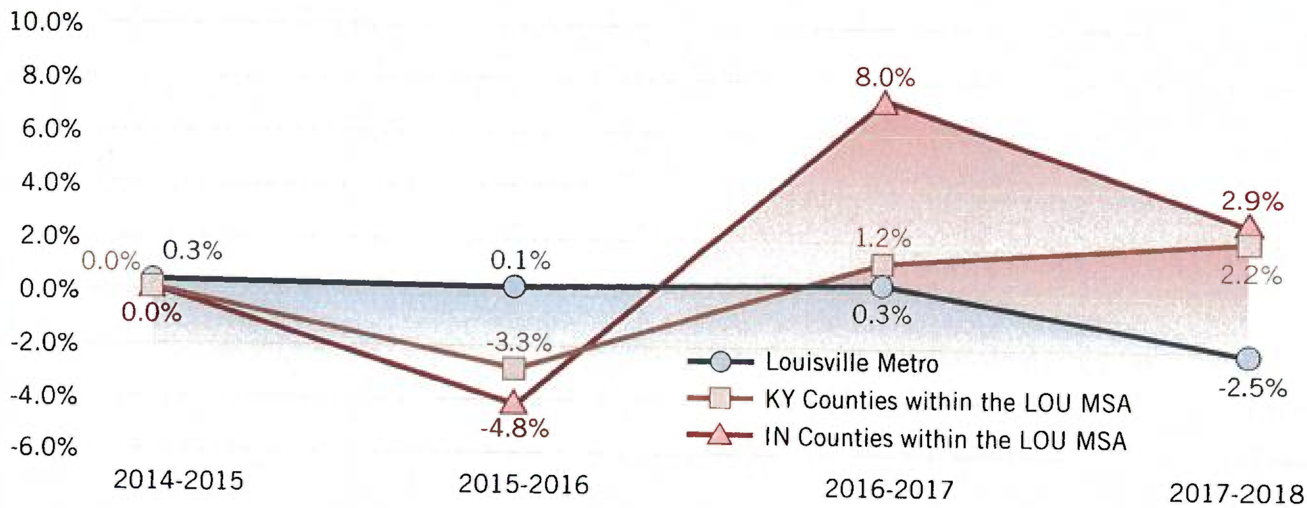
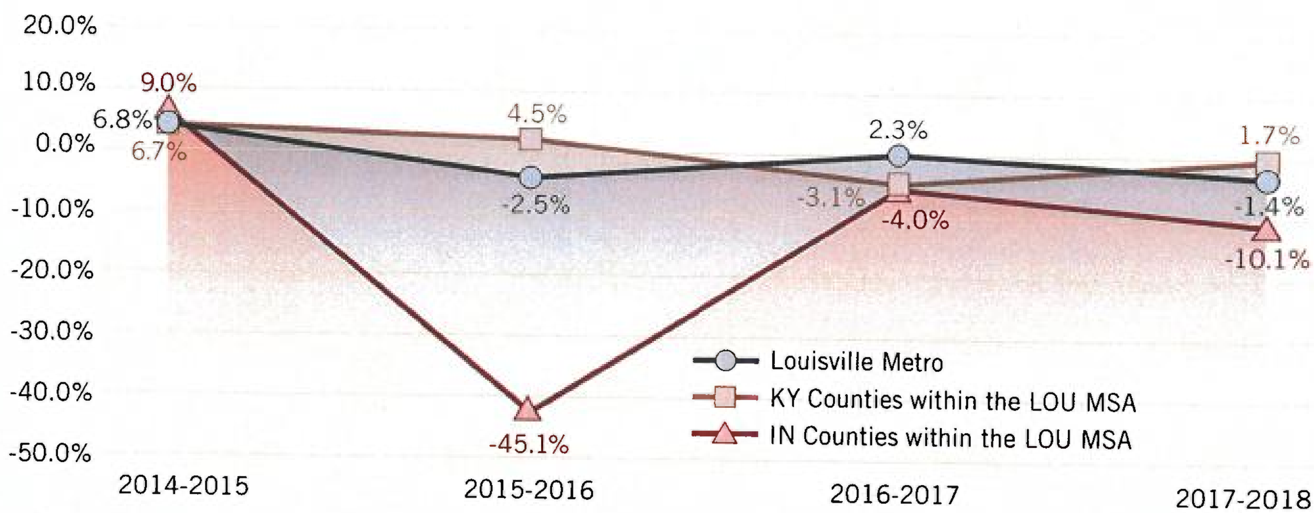



Figure 10: Annual Change in Section 8 Housing Units, Louisville MSA, 2014-2018



# MEASURE 5

## Homeownership

According to the Current Population Survey, in 2017, rates of homeownership in the Louisville MSA increased to 71.7 percent, the highest rate of homeownership since 2005. This marks a 10.0 percentage point increase in homeownership from the 2011 low point (61.7 percent) after the recession and exceeds rates prior to the burst of the housing bubble (Figure 11). At the national level, the large MSAs exhibited relatively stable homeownership rates over the past 2 years (62.6 percent in 2016 and 63 percent in 2017), whereas Louisville's growth from 2016-17 is the seventh largest increase among 75 large MSAs.

Nationally, a large disparity in homeownership rates by race continues to exist. The national homeownership rate for non-Hispanic whites is 71.4 percent, while the rates for blacks/African Americans and Hispanics/Latinx are 41.9 percent and 45.8 percent, respectively. This racial disparity in homeownership rates exists at the local level as well. Moreover, despite an overall rate of home ownership in the MSA that is higher than the national rate (66.7 versus 63.6 percent, based on ACS 2016 estimates), minority rates of homeownership at both the MSA and Louisville/Jefferson County level are lower than the national rates. In Louisville/Jefferson County and the Louisville MSA, homeownership rates for Black/African American households are 35.8 percent and 36.6 percent respectively, lower than the national rate of 41.9 percent. Similarly, Hispanic/Latinx show homeownership rates of 39.0 percent in the MSA and 37.1 percent in Louisville/Jefferson County, but 45.8 percent nationally. In other words, the racial disparity in homeownership rates is even more pronounced locally.

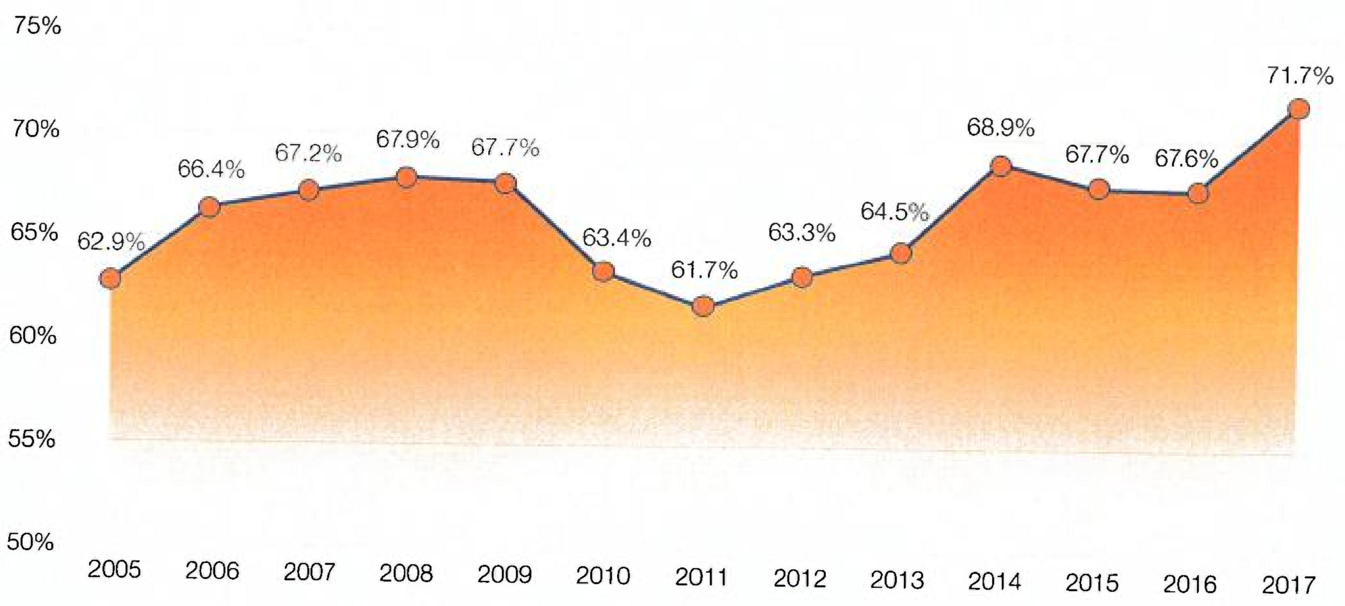
Alongside homeownership rates by race, we also see a gendered difference in homeownership among single family households. Roughly, 59 percent of single male-headed householders own their own home, whereas 46 percent of single female-headed householders are homeowners in the MSA. This difference persists in Louisville/Jefferson County with 55 percent and 42 percent for single male-headed and female-headed households, respectively (Figure 12).

### MHC RECOMMENDS

MHC recommends further expansion of the density incentives program in the Land Development Code to allow lower price points for housing in all areas of Jefferson County. MHC recommends focus on the Housing section in the Comprehensive Plan to bring different types of housing at different price points to all areas of Louisville Metro. MHC recommends programs that support ownership costs.

To allow areas to improve in value, but avoid involuntary displacement for those currently living in neighborhoods, MHC recommends a set of criteria be established to measure what is happening in a neighborhood and to have flexibility to control development in the neighborhood. Further, MHC recommends a limit on increases in property taxes per year for owner-occupied housing that has not changed ownership in five years.

### Figure 11: Homeownership Rate Louisville MSA, 2005-2017




***SOURCE:*** Data obtained from U.S. Census Bureau's Current Population Survey

# Figure 12: Housing Tenure

*United States, Kentucky, Louisville MSA, and Louisville/Jefferson County 2016*

| | United States | Kentucky | Louisville MSA | Louisville/ Jefferson County |
|---|---|---|---|---|
| ***Total Households*** | 117,716,240 | 1,718,217 | 497,174 | 310,355 |
| Owners | 63.6% | 66.8% | 66.7% | 61.2% |
| Renters | 36.4% | 33.2% | 33.3% | 38.8% |
| ***Households by Race/Ethnicity*** | | | | |
| ***White Households*** | 81,079,480 | 1,506,718 | 396,501 | 224,570 |
| Owners | 71.4% | 70.7% | 73.7% | 70.3% |
| Renters | 28.6% | 29.3% | 26.3% | 29.7% |
| ***Black/African-American Households*** | 14,343,764 | 134,831 | 70,530 | 63,585 |
| Owners | 41.9% | 36.5% | 36.6% | 35.8% |
| Renters | 58.1% | 63.5% | 63.4% | 64.2% |
| ***Hispanic/Latinx Households*** | 14,725,771 | 37,970 | 15,596 | 11,259 |
| Owners | 45.8% | 35.3% | 39.0% | 37.1% |
| Renters | 54.2% | 64.7% | 61.0% | 62.9% |
| ***Households by Family Type*** | | | | |
| ***Family households*** | 77,608,832 | 1,136,651 | 318,689 | 185,805 |
| ***Married-couple Household*** | 56,270,862 | 836,940 | 228,179 | 126,001 |
| Owners | 79.5% | 82.5% | 84.7% | 81.9% |
| Renters | 20.5% | 17.5% | 15.3% | 18.1% |
| ***Male Household, No Wife Present*** | 5,681,312 | 82,911 | 24,196 | 15,241 |
| Owners | 53.2% | 57.7% | 59.2% | 55.4% |
| Renters | 46.8% | 42.3% | 40.8% | 44.6% |
| ***Female Household, No Husband Present*** | 15,146,112 | 220,274 | 66,710 | 44,990 |
| Owners | 45.1% | 46.9% | 46.4% | 42.3% |
| Renters | 54.9% | 53.1% | 53.6% | 57.7% |

***SOURCE:*** U.S. Census, 2012-2016 5-year American Community Survey

# MEASURE 6

## Housing Affordability (Ownership)

Findings from Measure 5 highlight disparities with respect to homeownership rates across race, gender, and family structure. In this measure, we assess variation in the ability to afford housing amongst homeowners as a group. Homeownership costs are complex and extend beyond mortgage payments. In addition to monthly principal plus interest on a home loan, further costs include property taxes, insurance, maintenance, and utilities. Thus, an accurate depiction of housing affordability factors in all these costs as a percentage of household income.

Homeowners with monthly housing costs exceeding 30 percent of their annual income are designated as having *excessive shelter costs*. Those who own their home with annual incomes of less than $35,000 are at risk of having *excessive shelter costs*, often putting them one emergency away from coming up short at the end of the month. In Jefferson County, 83.2 percent of households earning $20,000 to $34,999 have excessive shelter costs while 97.6 percent of households earning less than $20,000 annually have *excessive shelter costs*. Additionally, roughly 46 percent of both Jefferson County homeowners and Louisville MSA homeowners earning $35,000–$49,999 have *excessive shelter costs*. This translates to 24 percent of all households (no matter the income level) with *excessive shelter costs* both in Louisville/Jefferson County and in the Louisville MSA. See Figure 13.

**97.6 percent** of people who make less than $20,000 a year **spend more than 30 percent of their income** on housing costs; compared to 3.3 percent of those making more than $75,000 a year.

Individuals making less than $50,000 a year in Louisville/Jefferson County are more likely to have excessive shelter costs than others who make more than $50,000 a year. Excessive shelter costs impact one's ability to obtain and afford adequate food, healthcare, transportation, and childcare, as well as impede the ability to build and grow wealth. Taken alongside the concentrations of poverty and median home values from Measure 2, these findings reveal the highly unequal social reality homeowners must navigate.

Map 14 shows the uneven geographic distribution of median home values by census tract for Louisville/Jefferson County. High median home values are concentrated in the eastern portions of the county and also in the downtown central business district. These higher home values are in Metro Council districts 4, 7, 8, 16, 18, 19, and 20. The median values of homes with mortgages in Louisville/Jefferson County and in the Louisville MSA are $157,600 and $155,800, respectively.

In both Louisville/Jefferson County and the Louisville MSA, 18 percent of all mortgages are either second mortgages or are home equity loans. The median monthly housing cost for homes with a mortgage in Louisville/Jefferson County is $1,218, compared to $1,204 for homes in the Louisville MSA; median real estate taxes are $1,499 for Louisville/Jefferson County and $1,447 for the Louisville MSA.

### MHC RECOMMENDS

MHC has focused on the enormous disparity between white household homeownership and African American household homeownership rates (70.3 percent and 35.8 percent, respectively). MHC tracks this back to government policies that barred African Americans from the supportive ownership programs made available to whites and to redlining techniques to confine African American households to small geographic areas.

MHC recommends a settlement towards fair housing violations, by investing in ownership support for households covered by the Fair Housing Act. This would include female headed households with children who are, because of pay inequities, far less likely to have funds to purchase without support. MHC recommends continued expansion of the ability of renters to get positive credit scoring through rental payments; budget and financial counseling for high school students; easy access to foreclosure counseling and education in non-traditional forms or ownership that combine elements of rental and ownership to provide affordable housing and an opportunity for building an equity asset. Given the cost burden to people with incomes under $35,000, MHC recommends assisting in repairs through an Individual Development Account for matched savings for home maintenance.

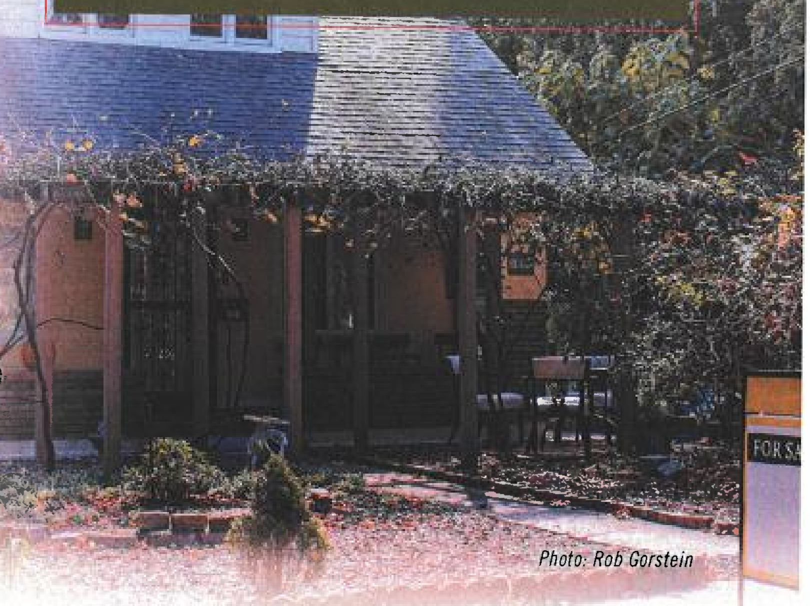


Photo: Rob Gorstein

## Figure 13: Mortgage Status by Monthly Housing Costs as a Percentage of Household Income in the Past 12 Months

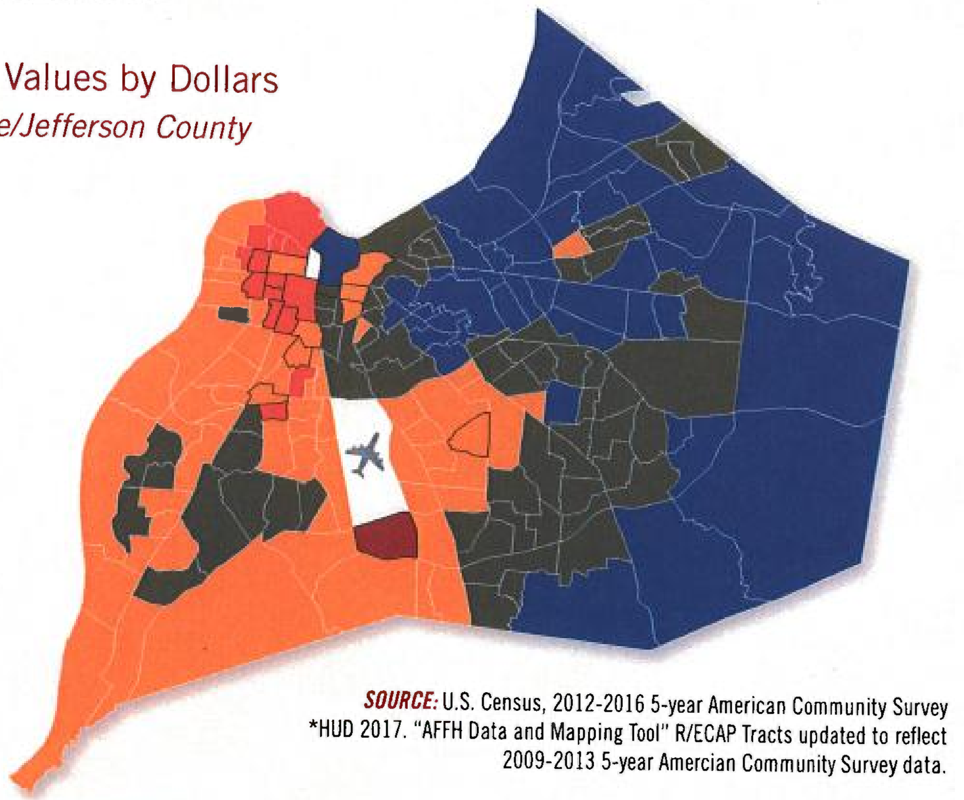
| | | Louisville/Jefferson County<br>Estimate | Louisville MSA<br>Estimate |
|---|---|---|---|
| | **Total Households:** | 189,981 | 331,747 |
| | **Households with a mortgage:** | 127,060 | 222,183 |
| | **Less than $20,000:** | 7,506 | 12,502 |
| | | 5.9% | 5.6% |
| *Percentage of Income* | Less than 20 percent | 0.3% | 0.7% |
| | 20 to 29 percent | 2.1% | 1.9% |
| | 30 percent or more | 97.6% | 97.5% |
| | **$20,000 to $34,999:** | 11,307 | 19,744 |
| | | 9% | 9% |
| *Percentage of Income* | Less than 20 percent | 3.2% | 3.8% |
| | 20 to 29 percent | 13.6% | 15.2% |
| | 30 percent or more | 83.2% | 81.0% |
| | **$35,000 to $49,999:** | 15,963 | 27,650 |
| | | 12.6% | 12.4% |
| *Percentage of Income* | Less than 20 percent | 11.2% | 12.0% |
| | 20 to 29 percent | 42.4% | 42.4% |
| | 30 percent or more | 46.4% | 45.6% |
| | **$50,000 to $74,999:** | 26,613 | 47,857 |
| | | 20.9% | 21.5% |
| *Percentage of Income* | Less than 20 percent | 36.1% | 38.4% |
| | 20 to 29 percent | 46.5% | 44.7% |
| | 30 percent or more | 17.3% | 16.8% |
| | **$75,000 or more:** | 65,278 | 113,680 |
| | | 51.4% | 51.2% |
| *Percentage of Income* | Less than 20 percent | 77.7% | 77.4% |
| | 20 to 29 percent | 19.1% | 19.1% |
| | 30 percent or more | 3.3% | 3.5% |
| | Percentage of Households Spending 30 percent or more, out of all Households with a Mortgage | 24.3% | 23.8% |

***SOURCE:*** U.S. Census Bureau, 2012-2016 American Community Survey 5-Year Estimates; Pecentatges computed based on within group. May not total to 100 percent due to rounding.5-year Amercian Community Survey data.

## Map 14: Median Home Values by Dollars

*by Census Tracts - Louisville/Jefferson County*

- $11,000 or less
- $34,900 – $70,000
- $70,001 – $120,000
- $120,001 – $200,000
- $200,001 – $496,000
- No Data Available
- R/ECAP Tracts*



***SOURCE:*** U.S. Census, 2012-2016 5-year American Community Survey
*HUD 2017. "AFFH Data and Mapping Tool" R/ECAP Tracts updated to reflect 2009-2013 5-year Amercian Community Survey data.

# MEASURE 7

## Foreclosures

Foreclosed properties can have an effect on surrounding neighborhood quality and value. High concentrations in small areas affect crime, population instability and possibly overall fiscal stress to the local government. As witnessed during the 2010 foreclosure crisis, housing markets nationwide suffered as a record number of properties fell into foreclosure. Therefore, foreclosures are a critical housing variable to track the Louisville region's recovery. In 2017, national foreclosure filings fell to their lowest level since 2005 (ATTOM Data Solutions n.d.; Figure 14). In the Louisville MSA, 2017 foreclosure starts (legal actions filed in circuit courts) are below their 2005 levels, but they have increased slightly from 2016-2017 and thus continue to be an issue to monitor.

As 2017 outcomes indicate, foreclosure starts continue to present a challenge for Jefferson County's housing market. Although Jefferson County continues to trend well below its 2010 peak, there was a 5.7 percent increase between 2016 and 2017. Despite an overall improvement trend in recent years, foreclosure rates in Jefferson County remain 89.0 percent higher than in 2002, the first year Metropolitan Housing Coalition began tracking foreclosures. Oldham, Bullitt, and Spencer counties represent the most positive trends in the Kentucky counties, each with decreasing properties falling into foreclosure. However, in absolute numbers, Jefferson County's third consecutive year of increasing foreclosure starts presents a negative trend for the region and is worthy of further investigation.

The Louisville MSA counties altogether saw a 3.9 percent increase in foreclosures from 2016 to 2017, partly due to the increased volume of starts in Jefferson County, KY. This small increase breaks a 4-year span of declining rates in the MSA. Even though outcomes reflect an overall improvement from the 2010 peak, the region still faces the problem of mitigating foreclosure starts. Filings are down 56.0 percent since 2010 and are 32.9 percent less than a decade ago for the region. However, compared to national trends, the Louisville MSA lags behind behind, as filings have fallen 76.4 percent nationally since 2010 and 47.4 percent since 2007. See Figure 15.

The Indiana counties within the Louisville MSA continued their downward trend with 1.2 percent fewer foreclosures within 2016. Floyd and Clark counties, which consisted of nearly 70 percent of the foreclosure filings in the Indiana counties, each saw fewer filings from the previous year. Compared to the 2010 peak year, Washington County experienced the largest drop in foreclosures with a nearly 70 percent decline. Overall, foreclosure filings in the Indiana counties are down 60.5 percent from 2010. See Figure 16.

Even though the total foreclosure starts for Indiana and Kentucky demonstrate an improvement from 2016 and the peak in 2010, as described above, there are indications of a leveling off of this positive trend. These outcomes demonstrate the problem continues to affect the ability of households to maintain secure mortgages and should be further analyzed.

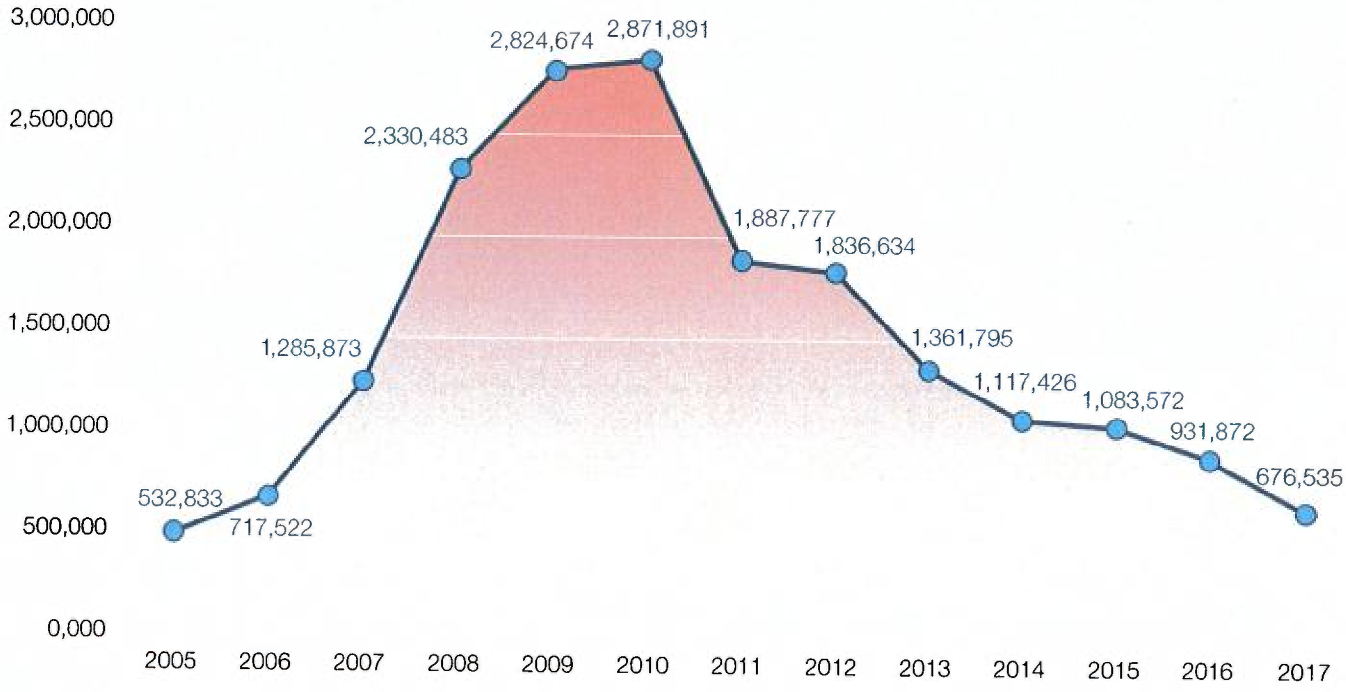
### MHC RECOMMENDS

Foreclosures are on the rise again in Louisville/Jefferson County. MHC recommends that foreclosure filings include an electronic entry of the address of the property for geocoding to see where foreclosures are happening. MHC recommends a limit of time on how long an uncontested foreclosure can languish in the courts. MHC also recommends a change to the new Administrative Office of the Courts procedure, which now requires a bonding that prohibits those who do not already own land from bidding on a foreclosed upon property. This new procedure favors investment housing over owner-occupied housing.

MHC has identified the problem that Kentucky does not mandate the registration of a deed within a determined time period and recommends that a mandatory time period to register a deed be enacted. MHC recommends the passage of a local ordinance mandating a registry of properties as they become the subject of a foreclosure, including a requirement that the plaintiffs designate a local representative to be responsible for upkeep if the property becomes vacant.


*Louisville/Jefferson County Metropolitan Sewer District (MSD)*

## Figure 14: U.S. Properties with Foreclosures 2005-2017




***SOURCE:*** ATTOM Data Solutions

## Figure 15: Numbers of Foreclosures Started (Ordered) in Kentucky Counties in the Louisville MSA

| County | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | %change from 2016 to 2017 | %change from 2010 to 2017 | %change from 2007 to 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jefferson | 2,508 | 2,710 | 3,089 | 3,264 | 4,382 | 5,299 | 3,458 | 3,914 | 4,234 | 2,448 | 2,251 | 2,256 | 2,385 | 5.7% | -55.0% | -22.8% |
| Bullitt | 250 | 300 | 450 | 450 | 490 | 450 | 365 | 500 | 280 | 244 | 258 | 214 | 213 | -0.5% | -52.4% | -52.7% |
| Henry/Trimble | 81 | 108 | 120 | 158 | 114 | 128 | 90 | 116 | 92 | 97 | 91 | 83 | 92 | 10.8% | -35.2% | -23.3% |
| Oldham | 112 | 127 | 140 | 223 | 300 | 298 | 171 | 295 | 209 | 144 | 100 | 88 | 84 | -4.5% | -70.5% | -40.0% |
| Shelby | 86 | 101 | 134 | 140 | 223 | 228 | 144 | 261 | 129 | 99 | 98 | 87 | 117 | 34.5% | -61.8% | -12.7% |
| Spencer | 30 | 46 | 76 | 78 | 115 | 93 | 52 | 128 | 93 | 66 | 60 | 50 | 31 | -38.0% | -46.2% | -59.2% |
| Total | 3,067 | 3,392 | 4,009 | 4,313 | 5,624 | 6,496 | 4,280 | 5,214 | 5,037 | 3,098 | 2,858 | 2,778 | 2,922 | 5.2% | -57.2% | -27.1% |

## Figure 16: Numbers of Foreclosures Started (Ordered) in Indiana Counties in the Louisville MSA

| County | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | %change from 2016 to 2017 | %change from 2010 to 2017 | %change from 2007 to 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Clark | 621 | 655 | 642 | 509 | 750 | 556 | 741 | 470 | 451 | 369 | 294 | -20.3% | -60.8% | -52.7% |
| Floyd | 379 | 341 | 424 | 395 | 375 | 380 | 423 | 260 | 240 | 217 | 165 | -24.0% | -56.0% | -56.5% |
| Harrison | 159 | 155 | 198 | 138 | 211 | 147 | 191 | 133 | 114 | 88 | 87 | -1.1% | -58.8% | -45.3% |
| Scott | N/A | N/A | N/A | N/A | 157 | 129 | 153 | 100 | 113 | 72 | 59 | -18.1% | -62.4% | NA |
| Washington | 166 | 186 | 174 | 157 | 208 | 134 | 150 | 135 | 109 | 83 | 67 | -19.3% | -67.8% | -59.6% |
| Total | 1,325 | 1,337 | 1,438 | 1,199 | 1,701 | 1,346 | 1,658 | 1,098 | 1,027 | 829 | 672 | -18.9% | -60.5% | -49.3% |

# MEASURE 8

## Homelessness

The Louisville Metro Continuum of Care 2017 Homeless Census reported 6,695 unduplicated homeless people served in Louisville/Jefferson County. Overall this reflects an 5 percent increase from 2016. The total number of unsheltered homeless individuals (774) is an increase of 4 percent from 2016. Of those surveyed, 708 were veterans (up by less than 1 percent), and 3,616 were individuals with disabilities (up by 2 percent).

For the third year in a row, the Homeless Census documented the number of individuals who reported being a victim of domestic violence increased by 8 percent, to 1,349 in Louisville/Jefferson County. In other parts of the country, service providers are shifting to a mobile advocacy model in an attempt to reach more individuals affected by domestic violence. In fact, a plan to phase out traditional shelter services at the 10-room New Albany facility of the Center for Women and Families in favor of such a model by the end of 2018 will impact those affected by domestic sexual violence seeking such services in New Albany. The Center is implementing this to achieve greater flexibility and personalization of services (The Center for Women and Families 2018).

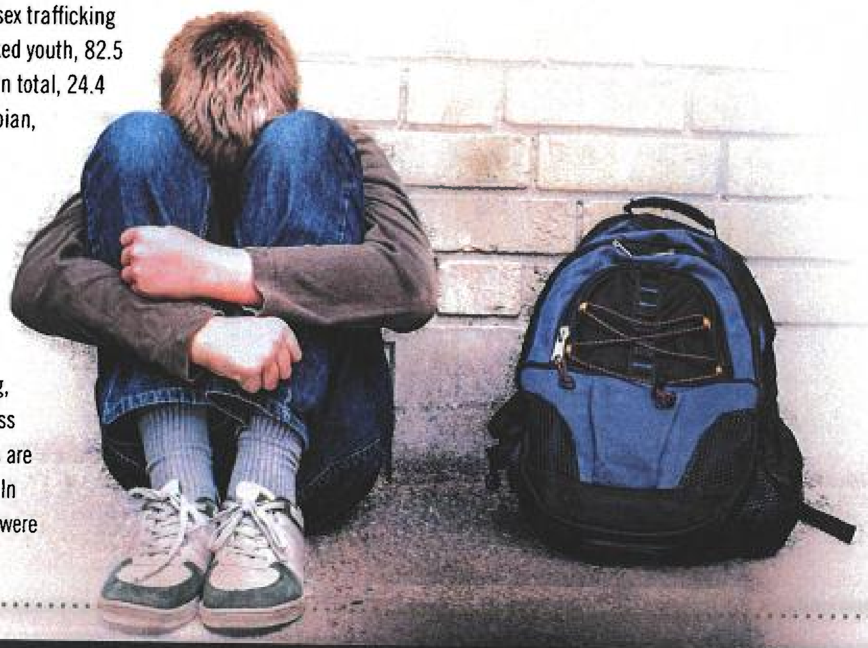
In 2017, 1,084 of those surveyed in the Louisville Homeless Census were youth under 18 years of age. Of those, 453 were not accompanied by an adult, reflecting a 39 percent increase from 2016. The Homeless Census reported for the first time in 2017 that 847 youth between 12 and 24 stated they had no other family member older than 24. In July of 2018, the Coalition for the Homeless was awarded a $3.45 million Homeless Youth Demonstration Grant from the U.S. Department of Housing and Urban Development (HUD) to reduce and eventually eliminate youth homelessness in Louisville through the provision of outreach, services, and housing for unaccompanied youth under 25 years of age (Coalition for the Homeless 2018a).

Homeless youth are a particularly vulnerable population. A 2018 survey administered to 128 homeless youth seeking services from homeless youth-serving agencies in Louisville and Southern Indiana documents their on-going struggles. Over half of those surveyed (53.9 percent) had a personal history of suicidal ideation (Frey et al. forthcoming). 41.2 percent reported that, at some point in their life, they had been victims of sex trafficking (Middleton et al. 2018:149). Of the homeless, sex-trafficked youth, 82.5 percent had attempted suicide (Frey et al. forthcoming). In total, 24.4 percent of those interviewed in the study identified as lesbian, gay, bisexual, or some other non-heterosexual orientation (Middleton et al. 2018:147). In an effort to serve at-risk LGBT youth in Louisville, a new shelter, Sweet Evening Breeze, plans to provide services tailored to under-served homeless youth (Jones 2018).

Schools face a particular challenge in supporting the education of students without adequate shelter. Identifying, serving, and tracking students who experience homelessness continues to be a challenge due to changes in how districts are asked to report those numbers based on eligibility criteria. In December of 2016, the federal definition of which students were eligible for homeless services, and thus "counted" as homeless, changed to remove students awaiting foster care placements. This may account, in part, for this year's 22.6 percent drop in enrolled homeless students in the Louisville MSA reported by the Indiana and Kentucky Departments of Education (IDE and KDE): from a total of 6,868 students in the 2016-17 school year to 5,315 in the 2017-18 school year.

The level of homeless students measured as a percentage of total enrolled students in 2017-18 in each of the Kentucky counties in the Louisville MSA either declined or remained about the same when compared to the previous school year. KDE reported 4,580 homeless students were enrolled in Jefferson County Public Schools (JCPS) in 2017-18, representing 4.6 percent of the student body, a higher percentage of the enrolled population than other counties in the MSA. See Figure 17.

The racial and ethnic disparity in individuals' and families' access to safe and affordable housing in Louisville/Jefferson County is reflected in JCPS 2016-17 and 2017-18 school year counts of students receiving homeless services (JCPS 2018). During the 2016-17 school year, 49.6 percent of these JCPS students were black/African American, 16.1 percent were Hispanic/Latinx, 8.2 percent were other races, and 26.4 percent were white. The 2017-18 JCPS data indicate a small shift in that distribution with 53.6 percent black/African-American, 11.9 percent Hispanic/Latinx, 8.0 percent other races, and 26.5 percent white. Along with the shift in the definition of homeless students that could account for the drop in the total reported homeless students, the notable decrease in the percent of homeless students who are Hispanic/Latinx may reflect the reluctance of those students and families to seek assistance in the face of increased immigration policing in Louisville/Jefferson County and elsewhere. Further support of this possibility is in the Coalition for the Homeless annual point in time counts. The point in time report began documenting Hispanic/Latinx ethnicity in 2016 when 29 of the 305 homeless individuals counted identified as Hispanic/Latinx. This number dropped to 8 of 265 in 2017, and rose to 15 of 223 counted in 2018 (Coalition for the Homeless 2016 and 2018b).



The Indiana Department of Education reported 259 homeless students enrolled in 2017-18 in the Indiana counties included in Louisville MSA. This is down from 509 students in the previous year. Three of the Indiana counties in the MSA reported increased percentages while two, Clark County and Floyd County showed remarkable declines in the number of students identified, 96.7 percent (269 to 9) and 91.8 percent (73 to 6), respectively. These data may indicate both a shift in how students are identified, and which students are eligible for homeless services. The largest number of homeless students in the Indiana counties (126) now attend school in Washington County, which represents 3.1 percent of their student body. See Figure 17.

There are many locations in Louisville/Jefferson County where individuals who do not have shelter or cannot stay in a shelter, have set up 'camp sites' as an alternative. Louisville Metro Government has, in the past, cleared such camps with little to no notice to the residents. In response to the demand to provide protections for homeless camp residents in the event of a displacement, Louisville Metro Council passed an ordinance in February 2018 that requires Louisville Metro to notify camp residents and the Coalition for the Homeless 21 days before clearing a camp ("Protections in the Event of Displacement" 2018). In case of an emergency clearing, Louisville Metro must store any personal property for at least 30 days, and transport any animals found with the personal property to Louisville Metro Animal Services, where the fee to reclaim the animal will be waived ("Personal Property Storage" 2018). As of October 10, 2018, Louisville Metro Government has posted and cleared ten locations (Eric Friedlander, Personal Communication).

## MHC RECOMMENDS

The rise in people being homeless calls for adherence to the already existing plans to transition youth, veterans, and the chronically homeless into stable housing. Affordable housing, including smaller units, along with services— has been effective. While there may be a state plan, a local plan needs to be adopted to transition the growing number of victims of domestic violence.

MHC applauds Louisville's attempt to assess the needs of people living in the streets to create a more responsive system. Funding is a big barrier to cover the gap of housing— but it is well proven that the cost of housing is much less that cost of all other services if people are left in the streets. A "low-barrier" shelter is needed to safely shelter the growing numbers of persons dealing with addiction.

## Figure 17: Louisville MSA Homeless Students

| School System | Homeless Students in 2016-17 | Total Enrollment in 2016-17 | Percentage of Total Enrollment in 2016-17 | Homeless Students in 2017-18 | Total Enrollment in 2017-18 | Percentage of Total Enrollment in 2017-18 | Percentage Change 2016-17 to 2017-18 |
|---|---|---|---|---|---|---|---|
| Jefferson County Public Schools | 5780 | 96774 | 6.0% | 4580 | 98877 | 4.6% | -20.8% |
| **Other Kentucky Counties within Louisville MSA** | | | | | | | |
| Bullitt County Public Schools | 388 | 13131 | 3.0% | 373 | 13309 | 2.8% | -3.9% |
| Henry County Public Schools | 32 | 877 | 3.6% | 28 | 2136 | 1.3% | -12.5% |
| Oldham County Public Schools | 21 | 12318 | 0.2% | 19 | 12614 | 0.2% | -9.5% |
| Shelby County Public Schools | 33 | 6868 | 0.5% | 15 | 7014 | 0.2% | -54.5% |
| Spencer County Public Schools | 96 | 2840 | 3.4% | 31 | 2926 | 1.1% | -67.7% |
| Trimble County Public Schools | 9 | 1236 | 0.7% | 10 | 1224 | 0.8% | 11.1% |
| **Indiana Counties within Louisville MSA** | | | | | | | |
| Clark County Public Schools | 269 | 16174 | 1.7% | 9 | 15907 | 0.1% | -96.7% |
| Floyd County Public Schools | 73 | 11420 | 0.6% | 6 | 11459 | 0.1% | -91.8% |
| Harrison County Public Schools | 25 | 6127 | 0.4% | 63 | 6137 | 1.0% | 152.0% |
| Scott County Public Schools | 50 | 3877 | 1.3% | 55 | 3880 | 1.4% | 10.0% |
| Washington County Public Schools | 92 | 4151 | 2.2% | 126 | 4131 | 3.1% | 37.0% |
| **Louisville MSA Total** | **6868** | **175793** | **3.9%** | **5315** | **179614** | **3.0%** | **-22.6%** |

# MEASURE 9

## CDBG and HOME Funds

Since the enactment of the Housing and Community Development Act of 1974, local governments such as Louisville Metro Government and the City of New Albany, have depended on federal entitlement funds to meet critical housing and community development needs. These funds are essential to assist individuals of low- and moderate-income in finding safe and decent affordable housing, seeking economic opportunities, and to fulfilling overall fair housing objectives. The Consolidated Plan outlines local governments' short-term plan (every 3-5 years) for how they intend to allocate those funds. The U.S. Department of Housing and Urban Development (HUD) administers these funds through the Community Development Block Grant (CDBG) and HOME Investment Partnerships programs on a formula basis.

In order to qualify for and receive HUD funding, each participating jurisdiction must submit two reports each year – the Annual Action Plan and the Consolidated Annual Performance and Evaluation Report (CAPER). The updated Action Plan summarizes the actions, activities, and resource allocations, and the CAPER reports each jurisdiction's accomplishments and progress toward the Consolidated Plan. The following sections summarize Louisville Metro and New Albany's distribution and projected fund allocation reported from program year 2017 as well as their budget plan for the 2018 program year.

### Community Development Block Grant (CDBG)

CDBG funds support state and local government in the provision of many beneficial strategies beyond affordable housing, including community services, job creation, construction of public facilities and improvements, and other critical public services. Each Places that receive CDBG funds, known as entitlement communities, are defined based on the criteria that they serve as either the principal city within a Metropolitan Statistical Area (MSA), a metropolitan city with a population of at least 50,000, or an urban county with a population of at least 200,000 (excluding the population of an entitled city) (HUD 2017).

In 2017, Louisville Metro's CDBG funding increased by 5 percent to $11,535,311, and they carried over $424,000 from the previous program year. Total CDBG spending increased by 36.7 percent compared to 2016 expenditures. Nearly half (47.3 percent) of the total 2017 expenditures were devoted to housing, an increase of 116.4 percent over the 2016 amount.


*Photo: Christopher Harrell*

For the Program Year 2018 budget, Louisville Metro projects to expend $11,765,100 in CDBG; $3,553,200 for HOME; $979,328 for Emergency Solutions Grant (ESG); and $704,415 for Housing Opportunities for Persons with AIDS (HOPWA). Each of these categories reflect an expected increase in expenditures.

Since 2005, national CDBG allocations (adjusted to 2018 dollars) have continued to trend downward by approximately 34.0 percent. Likewise, over the same time period, local allocations follow the same pattern with a 34.2 percent decline for Louisville Metro Government and 36.3 percent less for the City of New Albany. However, both cities saw increases in their funding with in 2018 by 7.5 and 6.9 percent, respectively.

New Albany reported a 41.3 percent increase in CDBG expenditures for 2017 over the previous year for a total of $426,907. Out of these funds, 42 percent were allocated to improve sidewalks and park facilities, including upgrades to achieve compliance with the Americans with Disabilities Act (ADA) standards (a 406 percent increase over 2016). $105,077 of CDBG funds were spent on housing (25 percent of the total)—a 6.4 percent decrease from the previous year. Despite the decrease, New Albany continues to leverage local resources by fostering partnerships with non-profit developers to fund housing rehabilitations.

New Albany officials have budgeted for an estimated total of $1,230,919 CDBG allocations for program year 2018, a 101.5 percent increase from program year 2016. This increase reflects the city's $566,533 carried over from FY 2017 adjusted to reflect the additional allocation from HUD in 2017.

## HOME Investment Partnerships

Unlike CDBG funds, which are flexible in their project allocation, HOME Investment Partnerships Program funds are reserved strictly for meeting housing goals, especially rental, housing for low- and very low-income families. The most common uses of HOME funds include acquisition and rehabilitation of properties, new housing construction, and tenant-based rental assistance. Housing assistance can also be provided in HUD approved forms of investment such as loans, advances, equity investments, and interest subsidies.

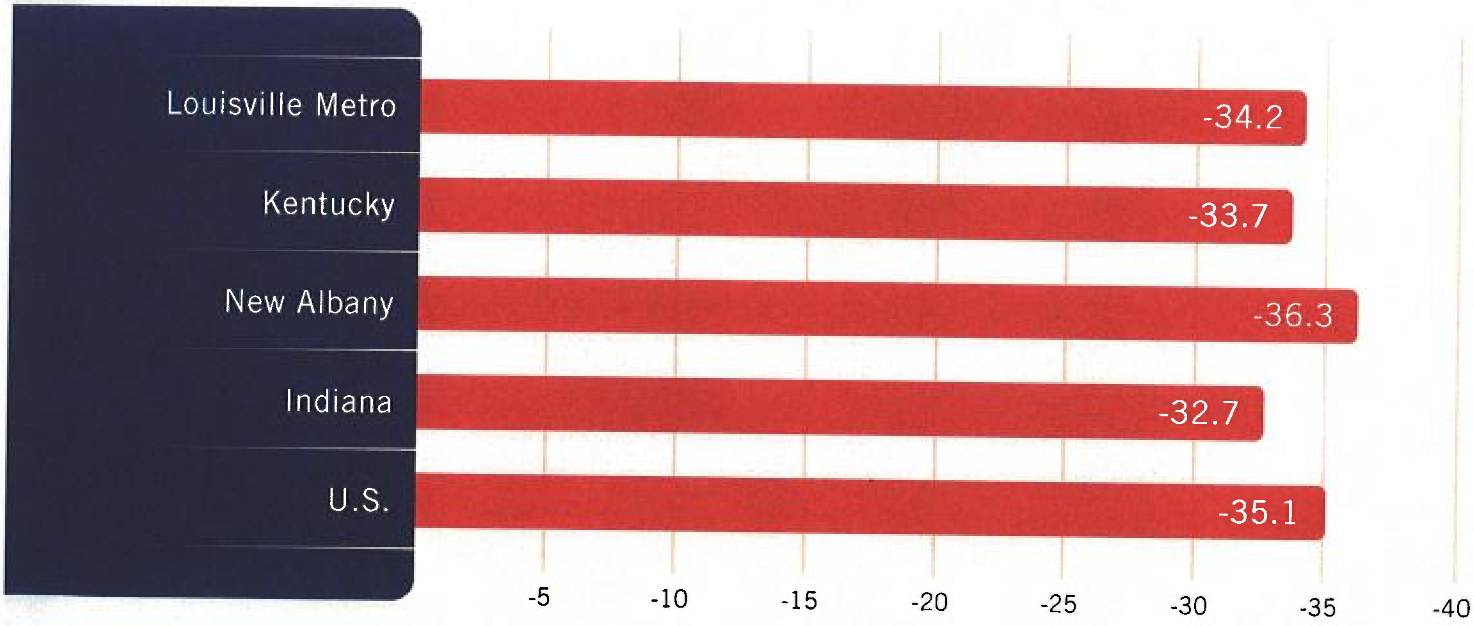
Louisville Metro's 2017 HOME fund distributions totaled $4,300,596, a 3.5 percent decrease from the previous year. Louisville Metro's expected entitlement HOME funds for program year 2017 is $2,831,394 including $374,690 in carryover and program income. These funds provide a critical resource for funding affordable housing development, homebuyer and rental assistance, homeowner rehab, new construction and rental rehab for multi-family units.

New Albany does not receive HOME program funding.

### MHC RECOMMENDS

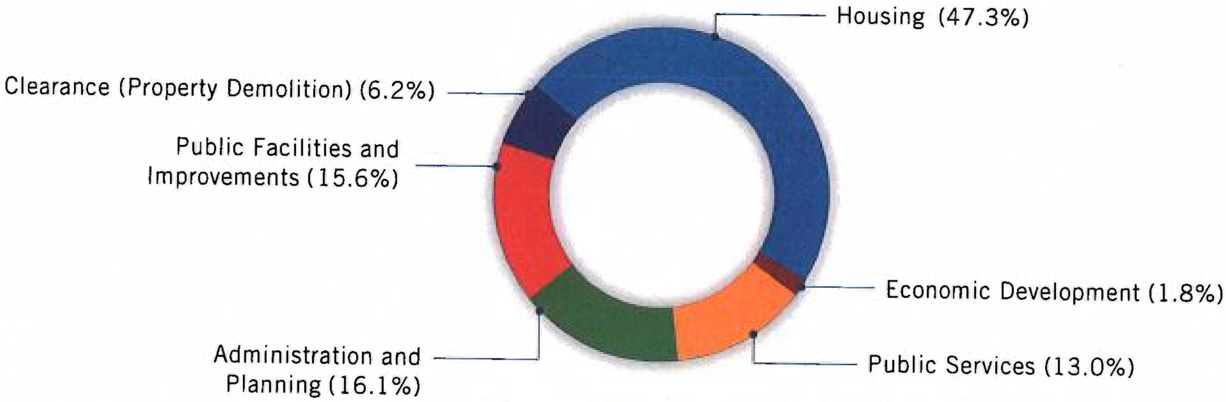
MHC recommends that funds coming from HUD be used to create housing that is affordable for households with incomes under 50 percent of median Louisville/Jefferson County. MHC also advocates for the creation of local resources through the Louisville Affordable Housing Trust Fund, through state Low Income Housing Tax Credits, and through state approval of local control to raise taxes for projects voted on by the locality. MHC recommends that local government use its power to require affordable housing be a part of any project that requires local government approval, waiver or financial support.

Figure 18: Percent Change in CDBG Allocations, 2005-2018

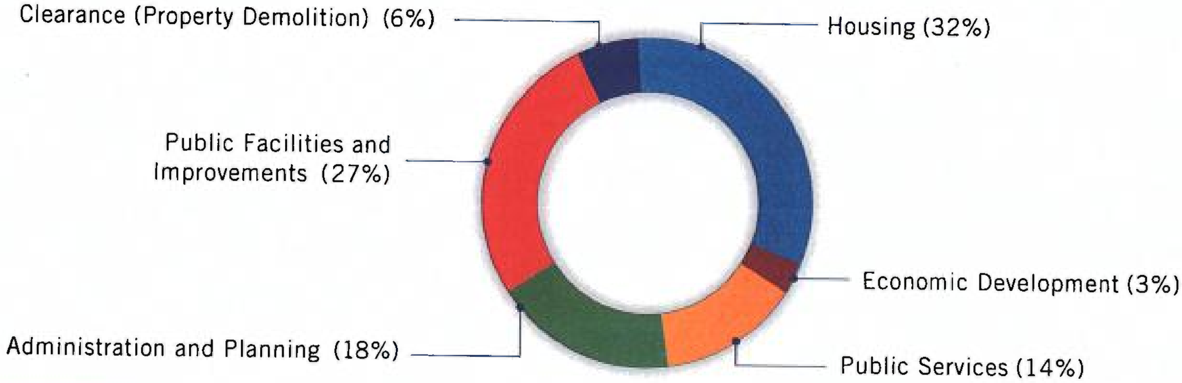



Adjusted to 2018 dollars
***SOURCE:*** U.S. Department of Housing and Urban Development (HUD)

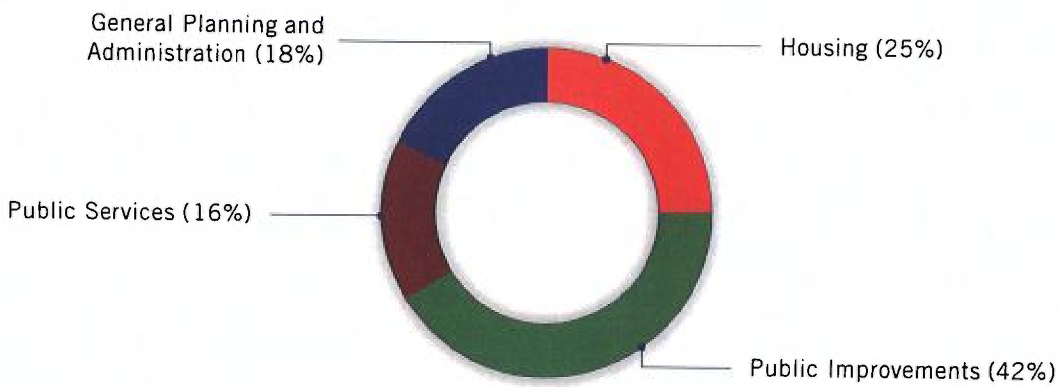
## Figure 19: Louisville Metro CDBG Expenditures 2017



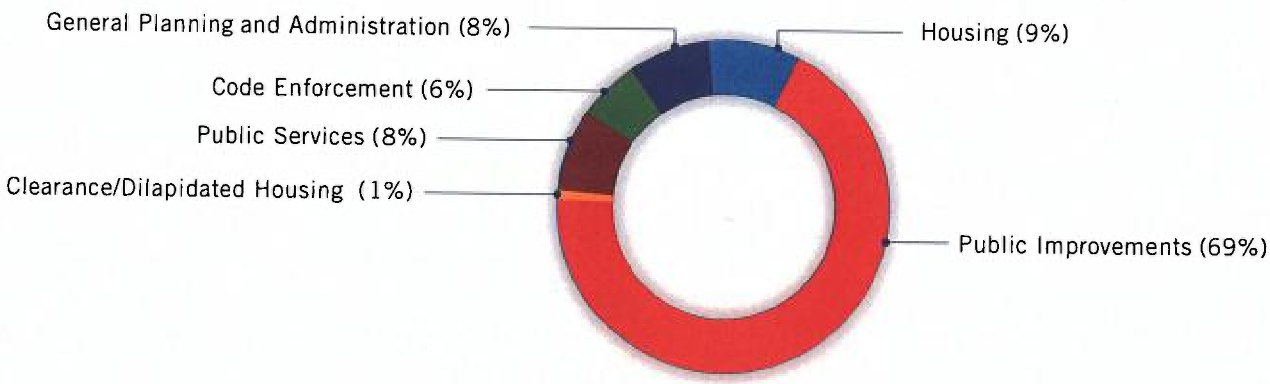

## Figure 20: Louisville Metro CDBG Budget Plan 2018




## Figure 21: New Albany CDBG Expenditures 2017




## Figure 22: New Albany CDBG Budget Plan 2018



# DATA SOURCES AND DEFINITIONS

**INTRODUCTION:** *INVOLUNTARY DISPLACEMENT* PAGE 1

Eviction data is from the Eviction Lab National Database, Version 1.0 (Desmond et al. 2018). Because we are interested in understanding how evictions relate to the other Census data we use throughout this report, and since the Eviction Lab data is available annually, we calculated the average of the eviction data from 2012-2016, thus matching the approach of the ACS 5-year estimates used elsewhere in the report. As noted in the literature, even if a city or region is improving in terms of lower eviction rates, that level of analysis can mask variations at smaller geographies. Census tract analysis can also mask finer grained variation at the block group level; however, for the purposes of this report, we chose census tracts as our unit of analysis.

Data on foreclosure sales comes from the Jefferson County Circuit Court (2018). 2017 Sales Results were downloaded from the "Past Auction Results" page of the Jefferson Circuit Court Commissioner's Office. We excluded observations designated as withdrawn or where the winning bid was zero dollars or blank.

For the neighborhood typology, we follow the methodology Bates (2013) used in Portland, OR, which is adapted from Freeman (2005) and has also been applied in Oakland, CA (Causa Justa: Just Cause 2014) using ACS 2005-2009 and 2012-2016 5-year estimates at the census tract level. A detailed description of the methods is available at: http://louisville.edu/cepm/projects/housing-policy/mhc-2018-methodsappendix.

**MEASURE 1:** *CONCENTRATION OF SUBSIDIZED HOUSING* PAGE 21

Statistics on subsidized housing by council district were obtained by geocoding administrative data by street address and summarizing the data for each district. Subsidized housing unit data were provided by the Louisville Metro-Housing Authority and the Kentucky Housing Corporation. Data used for LIHTC data was collected for Kentucky and Jefferson County on August 1, 2018 from KHC's "Housing Credit Award List." Data concerning the public housing units at Beecher Terrace and vacancies were obtained from personal communications with officials from the Louisville Metro Housing Authority on October 2, 2018.

**Section 8 Housing Choice Vouchers** – a voucher given to low-income individuals/families, the elderly, and/or those living with a disability to help offset the cost of rent. Participants are given the choice in finding their own housing, depending upon whether it meets program requirements (HUDb n.d.).

**Section 8 Project-Based** – a voucher given to privately owned rental establishments to offset the cost of rent to low-income individuals/families, the elderly, and/or those living with a disability. Project-based differs from a housing choice vouchers in that the individual is not given the option to choose where they live (HUDb n.d.).

**Public Housing** – housing provided by government authorities to provide decent and safe housing options for low-income individuals/families, the elderly, and those living with a disability (HUDb n.d.).

**MEASURE 2:** *HOUSING SEGREGATION* PAGE 24

Data on race, ethnicity, disability, and poverty are from the ACS 2012-2016 5-year estimates.

**MEASURE 3:** *FAIR MARKET RENTS* PAGE 28

Fair Market Rent comes from the U.S. Department of Housing and Urban Development (HUD). Household population data are from the ACS 5-year estimates. Estimated Housing Wage for Fair Market Rent comes from the National Low Income Housing Coalition. Workforce data are from the U.S. Bureau of Labor Statistics, Occupational Employment Statistics (OES) Survey, and the table was computed from detailed occupational categories, where median wage and employment estimates were available.

**MEASURE 4:** *PRODUCTION AND REHABILITATION OF AFFORDABLE HOUSING* PAGE 30

Subsidy data were obtained from the Louisville Metro Housing Authority; Kentucky Housing Corporation; from Indiana housing authorities in New Albany, Jeffersonville, and Charlestown; Indiana Housing and Community Development Authority; and HUD.

**MEASURE 5:** *HOMEOWNERSHIP* PAGE 33

Data on homeownership rates comes from the U.S. Census Bureau's Current Population Survey. Data on homeownership by race comes from the ACS 2012-2016 5-year estimates.

**MEASURE 6:** *HOUSING AFFORDABILITY (OWNERSHIP)* PAGE 35

Data on homeownership and income are from the ACS 2012-2016 5-year estimates. Percentages for mapping each census tract were rounded to the nearest whole number.

**MEASURE 7:** *FORECLOSURES* PAGE 37

Foreclosure Starts: In states with the judicial foreclosure process defined by state law, a foreclosure start is initiated when the lender files a foreclosure suit with the circuit court and files a lis pendens with the county clerk. All states allow this type of process, but many require it, including both Kentucky and Indiana.

Court records regarding foreclosure data are maintained by the State Courts of both Kentucky and Indiana. Kentucky foreclosure data was obtained from the Commonwealth of Kentucky Public Information Officer of the Administrative Office of the Courts. Indiana foreclosure data was obtained from the Indiana Supreme Court's Division of State Court Administration office. National foreclosure data was obtained from ATTOM Data Solutions.

**MEASURE 8:** *HOMELESSNESS* page 39

Data on homelessness come from the Coalition for the Homeless, 2017 Annual Census of the Homeless in Metro Louisville. Homeless student data are from the Kentucky Department of Education (KDE 2018a; KDE 2018b; KDE 2018c; KDE 2018a), Jefferson County Public Schools (JCPS 2018), and the Indiana Department of Education (IDE 2018a; IDE 2018b; IDE 2018c).

**MEASURE 9:** *CDBG AND HOME* page 41

Data were obtained from the Develop Louisville Office of Housing and Community Development and the Louisville/Jefferson County Metro Government Consolidated Annual Performance and Evaluation Report (CAPER) Program Year 2017, July 1, 2017 – June 30, 2018, the Louisville/Jefferson County Metro Government Program Year 2018 Action Plan. The CDBG data for the City of New Albany were obtained from the New Albany Economic and Redevelopment Department and the Fiscal Year 2017 Consolidated Annual Performance and Evaluation Report (CAPER).

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Mazen & Katie McBride Masri
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Lisa Osanka
Carla Wallace

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John Bugbee & Huyett Hurley
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Mary Ceridan
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Stacy Deck
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Patrick Durham
David Joseph Dutschke
Jamesetta Ferguson
Genevieve First & Mike Shugart
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Eric Friedlander
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Rob & Tiffanie Gorstein
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Mike & Jennifer Hynes
Dana Jackson
David James
Janet Jernigan & Frank Heft
Lauren Kehr
Natalie Kline
Joe & Kathy Kremer
Nancy Leach
Gregory B. Leichty
Karen & Mark Loring
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Doug Magee & Anne Marie Regan
Beverley Marmion
Tom & Noreen Mason
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Carolyn Miller-Cooper
Gregory Moore
David Morrison
Mary Margaret Mulvihill
Tammy Nichols
Carol Norton & Stephen Rausch
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Becky Peak
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Tamara Reif
Patrick Rhodes
Sarah H. Rhyne
David Ritchay
Susan Rostov
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Sandra Riley Bryant
Ron Schneider
Bill & Rose Schreck
Frank Schwartz
Rich Seckel
Rachelle Seger
Diane Shott
David Simcox

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($75-$199) *Continued*

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Barbara Sexton Smith
Sue Speed
Al Spotts & Maggie Steptoe
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Elwood & Roxanne Sturtevant
Jack Trawick & Patti Clare
Billie Wade
Jim & Debbie Wayne
Zach Wedding
Stacy Williams
Robert Wilson
Ed Wnorowski
Pat Yense-Woosley
Dwight Young

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Carrie Anderson
Anonymous
Anonymous
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Tony & Beth Curtis
Darrell Meadows & Amanda Fickey
John Davis
Ann DeVilbiss
Katharine Dobbins
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($1-$74) *Continued*

Sara & John Elliott
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Carol Finck
Trisha Finnegan
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Cate Fosl
Amanda Fuller
Sarah Fuller
Nancy Gall-Clayton
Faye Garner
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Carol Hanchette
Natalie & John Harris
James Haswell
John Hawkins
Roz Heinz
MaNya Hillman
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Terrell Holder
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Alicia Hurle
Sharon Jeter
Elizabeth Johnston
Stephen Kertis
Thomas J. Kiffmeyer
Lisa Kilkelly
Kelly Kinahan
Michael Kolodziej
Forrest S. Kuhn
Vicki W. Larmee
Michael Leffler
Amy & Jay Luckett
Allison Mabley
Jackie Mayfield
Christie McCravy
Tonya Montgomery
Beverly Moore
Isaac & Tari Moore
Patricia Murrell

**Assisting Members**
($1-$74) *Continued*

Travis Myles
Stephen Neal
Lucas Nelson
Carolyn Neustadt
Eileen Ordover
David & Shirley Owen
Andy Patterson
Robin Penick
Amy Powell
Maria Price
Becky Roehrig
Renita Rosa
Mark & Laura Rothstein
Clare Rutz Wallace
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Tim Scheldorf
Elizabeth Senn-Alvey
Barbara Sexton Smith
Jon & Jenny Shemwell
Amy Shir
Katie Skidmore
Elizabeth Smith Rodes
Kelsie Smithson
Eric and Jane Stauffer
Joe and Karen Stevenson
Lisa Thompson & Tom Johnson
Judy & Bob Tiell
Jinny Turman
Cindy Venable
Sandra Wagner
Geoff Wallace
Bill Walsh
Jane Walsh
Kellie Watson
Elena Sexton Webb
Faith Weekly
Lynda Wilcox
Steve Wirth
Diane M Wright
Jennifer Yennes-Vizhnay
Barry Zalph and Katie Whiteside
Marilyn Zoidis

## Thanks to our organizational members for their partnership and support!

**Institutional Members**
($1,000 & Above)

AARP Kentucky State Office
Arthur K Smith Family Foundation
BB&T
Building Industry Association of Greater Louisville
Commonwealth Bank & Trust
Louisville Metro Health Department
Develop Louisville - Office of Housing and Community Development
Epiphany Catholic Church
Fifth Third Bank
Gannett Foundation
Habitat for Humanity of Metro Louisville
Housing Partnership, Inc.
Kentucky Housing Corporation
LDG Development, LLC
Lexington Fair Housing Council
Louisville Bar Foundation
Louisville Metro Family Services Fund
Louisville Metro Government

**Institutional Members**
($1,000 & Above) *Continued*

Louisville Metro Housing Authority
Louisville Urban League / REBOUND, Inc.
Metro United Way
Norton Healthcare Foundation
PBI Bank
PNC Bank
River City Housing
Stites & Harbison
Tyler Park Neighborhood Association
Wells Fargo
Yum! Brands Foundation

**Sponsoring Members**
($500-$999)

Bray Property Management LLC
Center for Women & Families
Community Core LLC DBA findCRA
Community Foundation of Louisville
Craig Henry PLC
Dinsmore & Shohl LLP

**Sponsoring Members**
($500-$999) *Continued*

ELCA-South Central Conference of Lutherans
First Capital Bank of Kentucky
Jefferson County Teachers Association
Jewish Family & Career Services
LockUpLead
Louisville Affordable Housing Trust Fund
The Mason Family Fund
Sisters of Charity of Nazareth
Spalding University, School of Social Work
Weber Group
Wellspring
Woodforest National Bank

**Anchoring Members**
($200-$499)

ACLU of Kentucky
Center for Nonprofit Excellence
Centerstone of Kentucky
City of New Albany
Coalition for the Homeless

**Anchoring Members**
($200-$499) *Continued*

Highland Presbyterian Church
Kentucky State AFL-CIO
New Directions Housing Corporation
Society of St. Vincent de Paul
St. John Center
Valbridge Property Advisors
Volunteers of America

**Supporting Members**
($75-$199)

Anne Braden Institute for Social Justice Research
Ben Carter Law PLLC
Benevity Community Impact Fund
Center for Health Equity
Downtown Development Corporation
Elderserve
Family & Children's Place
First Capital Bank of Kentucky
Harbor House
Holy Trinity Parish

**Supporting Members**
($75-$199) *Continued*

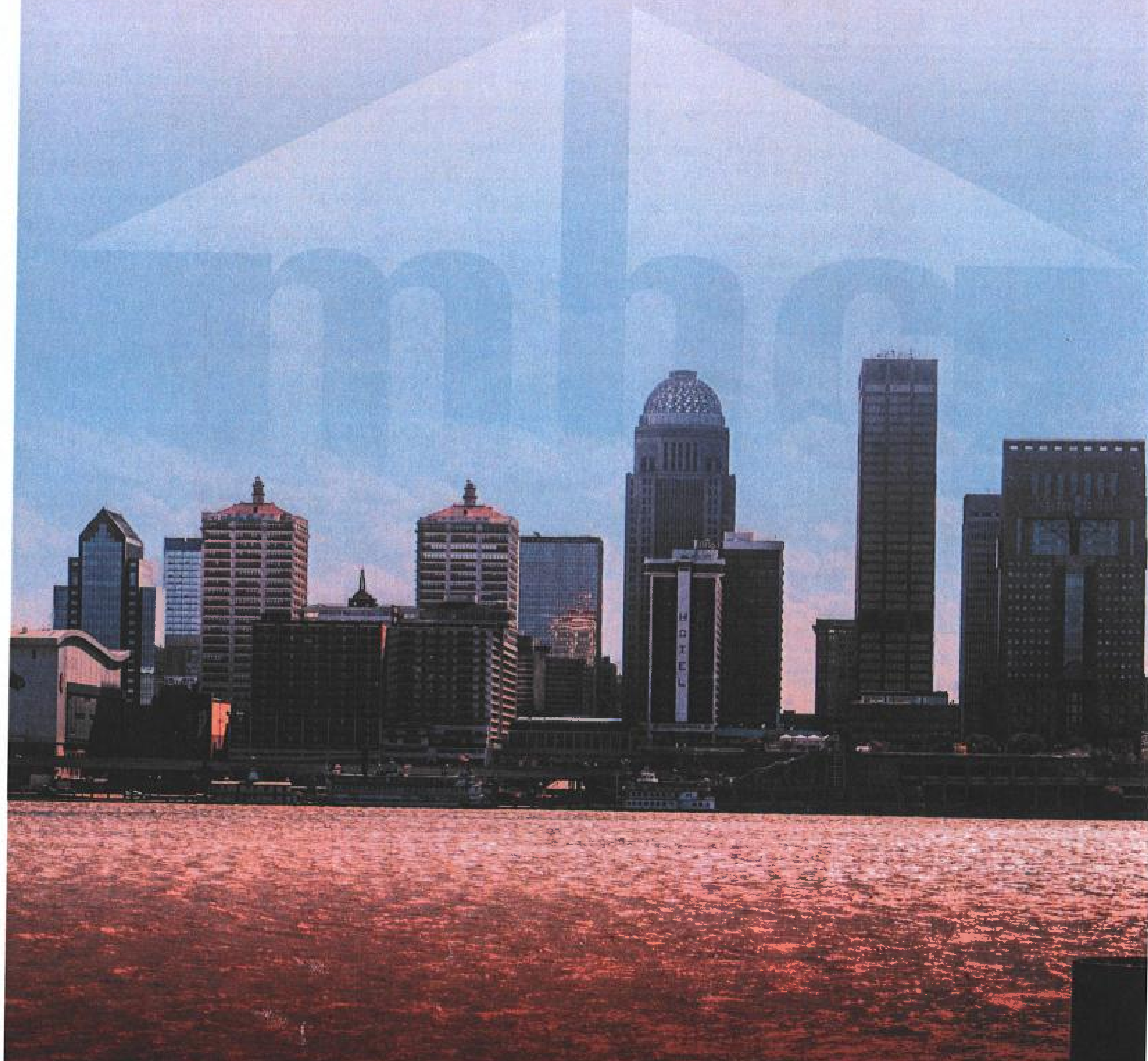
KIPDA Area Agency on Aging
League of Women Voters of Louisville
Louisville Downtown Partnership
Metro Bank
Multi-County Clients Council
Office for Aging & Disabled Citizens
Rodman Agency
St. Williams Church
Thomas Jefferson Unitarian Church
University of Louisville Center for Environmental Policy & Management
Vision Homes LLC
Watrous Associates Architects, PSC

**Neighborhood Members**
($1-$74)

Americana Community Center
Dreams With Wings
Family Scholar House
Louisville Climate Action Network (LCAN)

Metropolitan Housing Coalition
P.O. Box 4533
Louisville, KY 40204

(502) 584-6858
www.metropolitanhousing.org




*The Metropolitan Housing Coalition (MHC) facilitates research-based advocacy by MHC, our members and supporters, for fair housing and affordable housing in the Louisville MSA.*

# Metropolitan Housing Coalition Board of Directors as of June 2018

| | | | | |
|---|---|---|---|---|
| **John Cullen, MHC Board Chair** 2016-2019* | LockUpLead, CEO | 1140 East Oak<br>Louisville, KY 40204 | jcullen@lockuplead.com | **C:** 502.777.9261 |
| **Dr. Stacy Deck, Vice Chair** 2016-2019 | Spalding University | 845 S. 3rd St., RAC 404<br>Louisville, KY 40203 | sdeck@spalding.edu | **O.** 502.585.9911 x4477 |
| **Everett Hoffman, Treasurer** 2016-2019* | Attorney | 2419 Meadow Rd<br>Louisville, KY 40205 | echoff@hofflaw.net | **C:** 502.744.9119<br>**H:** 502.458.1223 |
| **Robin Bray** 2017-2020 | Bray Property Management, LLC | 3800 Highgate Court<br>Crestwood, KY 40014 | robinbray@bellsouth.net | **W:** 502.241.6128 |
| **James Craig,** 2017-2020* | Craig Henry PLC | 239 South Fifth Street, Suite 1400<br>Louisville, Kentucky 40202 | jcraig@craighenrylaw.com | **O:** 502.614.5962<br>**F:** 502.614.5968<br>**C:** 502.544.5667 |
| **Janet Dakan** 2018-2021 | Tyler Park Neighborhood Association | 7 Hawthorn Hill<br>Louisville, KY 40204 | janetdakan@gmail.com | **H:** 502.727.6856 |
| **Jeana Dunlap** 2017-2020* | Office of Redevelopment Strategies, Louisville Forward | 444 S. 5th Street, Suite 500<br>Louisville, KY 40202 | jeana.dunlap@louisvilleky.gov | **W:** 574.2322<br>**C (pers):** 554.5220<br>**C (Wk):** 303.7508 |
| **Kevin Dunlap** 2017-2020* | REBOUND, Inc. | 1535 W. Broadway<br>Louisville, KY 40203 | kdunlap@lul.org | **W:** 566-3416<br>**F:** (502) 568-4663 |
| **Jackie Floyd** 2018-2021 | Center For Neighborhoods | 507 South 3rd Street<br>Louisville, Kentucky 40202 | jackief@centerforneighborhoods.org | **W:** 502.589.0343<br>**C:** 502.445.3243 |
| **Michael Gross** 2016-2019* | LDG Multifamily LLC | 1469 South 4th St.<br>Louisville, KY 40208 | Michael.b.gross@gmail.com<br>mgross@ldgdevelopment.com | **W:** 502.638.0534<br>**M:** 502.645.1669 |

AG'S EXHIBIT 15

## Metropolitan Housing Coalition Board of Directors as of June 2018

| | | | | |
|---|---|---|---|---|
| **Alicia Hurle** 2017-2020 | Kentuckians for the Commonwealth | 735 Lampton St, Suite 202 Louisville, KY 40203 | alicia@kftc.org | **W:** 502.589.3188 **M:** 502.544.7584 |
| **Dana Jackson** 2016-2019 | Better Together Strategies | | Danajackson502@gmail.com | |
| **Stephen Kertis** 2016-2019 | Kertis Creative | 786 S. Shelby St. Louisville, KY 40203 | stephen@kertiscreative.com | **W:** 502.550.1549 |
| **Dr. Jim Mims** 2016-2019 | Elite Homes | 3540 Graham Rd. Louisville, KY 40207 | Jmims717@gmail.com | **H:** 502.552.4711 |
| **David Morrison** 2016-2019 | Yum! Brands | 1441 Gardiner Ln Louisville, KY 40213 | david@dmhrconsult.com | **W:** 502.874.6033 **H:** 502.473.0527 **C:** 502.221.5014 |
| **John Nevitt** 2017-2020* | Metro United Way | 334 E. Broadway, PO BOX 4488 Louisville, KY 40204-0488 | john.nevitt@metrounitedway.org | **W:** 502.292.6128 |
| **Renita Rosa** 2017-2020 | PNC Community Development Banking | 101 S Fifth Street, K1-K201-03-6 Louisville, KY 40202 | renita.rosa@pnc.com | **W:** 502.581.2576 **F:** 502.581.4006 |
| **Lisa Thompson** 2018-2021* | Louisville Urban League | 1535 W Broadway Louisville, KY 40203 | lthompson@lul.org lisat@keystonerestore.com | **C:** 502.396.5111 |
| **Faith Weekly** 2016-2019 | Federal Reserve Bank of St. Louis, Louisville Branch | 101 S. 5th Street Suite 1920 Louisville, KY 40202 | Faith.e.weekly@stls.frb.org Faith.weekly@gmail.com | **W:** 502.568.9216 |
| **Dwight Young** 2017-2020 | Stites & Harbison, PLLC | 400 West Market Street, Suite 1800 Louisville, KY 40202 | dyoung@stites.com | **W:** 502.681.0330 **C:** 502.321.8711 **F:** 502.779.8203 |

| | | | |
|---|---|---|---|
| **Cathy Hinko** | Metropolitan Housing Coalition Staff Executive Director | cathy@metropolitanhousing.org | **W:**502.584.6858 x 228 **C:**502.291.4908 |
| **Tony Curtis** | Metropolitan Housing Coalition Staff Development Director | tony@metropolitanhousing.org | **W:**502.584.6858 x237 **C:**606.465.0536 |

* denotes that members is not eligible for renewal, as they have served two consecutive terms

LGE/KU
Direct Ex #1

| Kentucky Utilities | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Class | | Total Revenue at Present Rates | | TCJA Surcredits | | Total Revenue at Present Rates with TCJA Surcredits | | Proposed Revenue | Percentage Increase |
| Tier I | $ | 622,450,115 | $ | 22,847,772 | $ | 599,602,343 | $ | 644,802,573 | 7.54% |
| Tier II | | 465,112,880 | | 11,767,957 | | 453,344,923.00 | | 494,968,647 | 9.18% |
| Tier III | | 518,915,395 | | 23,730,663 | | 495,184,732.00 | | 525,085,808 | 6.04% |
| TIER IV | | 289,144 | | 8,638 | | 280,506.00 | | 280,506 | 0.00% |
| Total | $ | 1,606,767,534 | $ | 58,355,030 | $ | 1,548,412,504 | $ | 1,665,137,534 | 7.54% |
| | | | | | | | | | |
| Settlement Increase | $ | 58,370,000 | | | $ | 116,725,030 | | | |
| | | | | | | | | | |
| Total Revenue After Increase | $ | 1,665,137,534 | | | $ | 1,665,137,534 | | | |
| | | | | | | | | | |
| | | | | | | 7.54% | | | |

| Louisville Gas and Electric Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Class | | Total Revenue at Present Rates | | TCJA Surcredits | | Total Revenue at Present Rates with TCJA Surcredits | | Proposed Revenue | Percentage Increase |
| Tier I | $ | 459,888,134 | $ | 16,393,028 | $ | 443,495,106 | $ | 461,140,756 | 3.98% |
| Tier II | | 371,399,366 | | 10,244,649 | | 361,154,717 | | 378,542,174 | 4.81% |
| Tier III | | 312,727,313 | | 13,369,890 | | 299,357,423 | | 308,274,592 | 2.98% |
| TIER IV | | 635,162 | | 22,709 | | 612,453 | | 612,453 | 0.00% |
| Total | $ | 1,144,649,975 | $ | 40,030,276 | $ | 1,104,619,699 | $ | 1,148,569,975 | 3.98% |
| | | | | | | | | | |
| Settlement Increase | $ | 3,920,000 | | | $ | 43,950,276 | | | |
| | | | | | | | | | |
| Total Revenue After Increase | $ | 1,148,569,975 | | | $ | 1,148,569,975 | | | |
| | | | | | | | | | |
| | | | | | | 3.98% | | | |

KU AND LG&E EXHIBIT 01

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