

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of:

GENERAL ADJUSTMENTS IN)
ELECTRIC AND GAS RATES) CASE NO. 7799
OF LOUISVILLE GAS AND)
ELECTRIC COMPANY)

O R D E R

Procedural Background

On March 31, 1980, Louisville Gas and Electric Company ("L.G. & E.") filed its Notice with this Commission of its intent to increase its gas and electric rates and charges for service rendered on and after April 20, 1980. The proposed rates and charges would increase annual gas revenues by approximately \$6,142,000 and annual electric revenues by approximately \$48,971,000 for a total increase in annual operating revenues of \$55,113,000.

On April 1, 1980, the Commission ordered the proposed rate increase suspended for a five-month period, or until September 20, 1980, in order to conduct public hearings and investigations on the reasonableness of the proposed rate increase. In addition, the Commission set the first hearing for April 30, 1980, in the Commission's offices at Frankfort, Kentucky. Subsequent hearings were held in Louisville, Kentucky, on June 26 and 27 and on July 11 of 1980. These hearings were conducted in the Board of Aldermen's Chambers in the City Hall Building in order to allow greater consumer input into the rate making process.

The following parties of interest were granted leave to intervene: the Attorney General's Division of Consumer Intervention; the City of Louisville, Kentucky; Jefferson County, Kentucky; the United States Department of Defense and Federal Executive Agencies; Yvonne Embry, et al. (represented by the Kentucky Legal Services Programs, Inc., and Louisville Legal Aid Society, Inc.); Airco Carbide, a Division of Airco, Inc.; and Shillito's.

Briefs from all parties were to be filed simultaneously on August 11, 1980. All such briefs were filed as ordered with the exception of the brief of the Department of Defense and Federal Executive Agencies (hereinafter referred to collectively as the Federal Executive Agencies) which was filed on August 12, 1980. With the filing of this final brief, the entire record, including the numerous requests for additional information, was then submitted to the Commission for final determination.

Thereafter, on August 18, 1980, the Federal Executive Agencies filed a supplemental brief along with a motion to accept said brief for filing. The supplemental brief related to Dr. Weaver's (the Attorney General's witness) computer program connected with the Construction Work in Progress - Allowance for Funds Used During Construction issue and the conclusions reached by consultants retained by the Federal Executive Agencies to analyze the program. The motion requested that the late filing be allowed as the computer data was only received by the Federal Executive Agencies on August 7, 1980. The motion further stated that, in the opinion of the Federal Executive Agencies, L.G. & E. would suffer no prejudice.

On August 19, 1980, L. G. & E. filed its response and objection to the motion. The Company stated that the supplemental brief was in fact additional testimony and that the Company was indeed prejudiced by the injection of new matters into the proceedings after the times for testimony and for proof have expired.

The Attorney General's Division of Consumer Intervention then filed a letter with the Commission stating that since the computer program was the framework upon which Dr. Weaver's testimony was based, that in its opinion it is not new data.

The Commission, having considered all the above facts, is of the opinion that the information contained in the supplemental brief was not additional data but only an interpretation of data already in the record. However, when all parties agreed to simultaneous briefs it was with the full understanding that they must be filed by August 11, 1980. In fact, the Federal Executive Agencies original brief was not filed until after this deadline. As a result, in the

Commission's opinion, they had adequate time to present any argument therein. Further, it is imperative that briefing come to a timely end in order to allow the Commission to comply with its statutory deadlines. For these reasons, the motion of the Federal Executive Agencies to file a supplemental brief is hereby expressly denied.

At the hearing on June 26, 1980, the Jefferson County attorney made a motion for a full and complete management audit of L.G. & E. This request was not supported by any sworn testimony nor did he respond to the Commission's inquiry as to the existence of facts supporting such a need with any specifics of mismanagement.

The Commission inquired as to whether the movant intended to offer any sworn testimony as to incidents of mismanagement by affidavit or otherwise. Mr. Miller offered no such proof. The county attorney estimated the cost to the utility customer for such an audit would be approximately \$500,000.

The witnesses, including those of the Attorney General, spoke of the good reputation of the utility for management. No contrary evidence was offered by any party.

Further, the county attorney cited electricity forecasting errors as one of the reasons for needing a management audit. The testimony was uncontradicted that the recent changes in electricity consumption patterns were not predicted before the fact by any of the country's utilities--that L.G. & E. forecasts in this respect were not unique at all.

The motion appears to have as its strongest basis the inability of the utility to earn a return on equity equal to what the Commission had granted it the opportunity to earn.

If this is a valid basis for a management audit, then all of

the utilities would be audited with the resultant discovery that this country is beset by precipitous inflation.

A management audit is a useful tool which enables commissions to closely examine a particular aspect of a utility operation when there is some reason to believe that facts will be uncovered that would not ordinarily be discovered in the ordinary course of business--and that the discovery of such facts and corrective measures would inure to the benefit of the customer. A naked request without any supporting documentation may have a certain amount of emotional appeal with the consumer, but it is certainly not to his benefit. This Commission will always order further inquiry when it has brought to its attention some evidence on which to base such action.

Therefore, in light of the above, the motion of the Jefferson County attorney to require a management audit is hereby denied.

TEST PERIOD

The Commission, for the purpose of testing the reasonableness of the proposed rates, has utilized the twelve month period ending January 31, 1980. Adjustments where found significant, known, proper and reasonable have been included to reflect more current operating conditions.

VALUATION METHODS

Net Original Cost

The Company's proposed combined gas and electric Net Original Cost Rate Base of \$832,259,357⁽¹⁾ has been accepted with two modifications. In accordance with past policy, in calculating the cash working capital allowance, the Commission has recognized that the appropriate gas supply expense deductions are only the purchased gas expenses and expenses associated with deliveries and withdrawals of storage gas.

(1) Wilkerson Exhibit 8, page 1

It has also recognized the accepted pro forma adjustments to operation and maintenance expenses. As a result, we find that the proper working capital for rate making purposes is \$19,991,687 rather than \$19,288,716 as proposed by the Company. The Accumulated Depreciation proposed by the Company has also been increased by \$129,100 to reflect the additional depreciation adjustment made by the Commission.

Thus, the Commission has determined that for rate making purposes, L.G. & E.'s Net Original Cost Rate Base is as follows:

Utility Plant	\$1,102,115,285
Gas Stored Underground - Current	16,429,292
Materials and Supplies	57,161,597
Prepayments	1,576,632
Cash Working Capital	19,991,687
Subtotal	<u>\$1,197,274,493</u>
Less:	
Reserve for Depreciation	\$ 284,597,873
Accumulated Deferred Taxes	75,314,900
3% Investment Tax Credit	3,003,650
Customer Advances	1,524,842
Subtotal	<u>\$ 364,441,265</u>
Net Original Cost Rate Base	<u><u>\$ 832,833,228</u></u>

The portions devoted to gas and electric plant operations are shown in Appendix "B" of this Order. The electric portion is \$739,246,538, or 88.76% and the gas portion is \$93,586,690, or 11.24%.

Capital Structure

From the record, the Commission has determined the Company's adjusted Capital Structure to be as follows:

	<u>Amount</u>	<u>%</u>
Bonds Payable	\$358,990,544	43.81
Other Debt	37,534,002	4.58
Preferred Stock	124,362,654	15.18
Common Stock	298,505,909	36.43
Total	<u>\$819,393,109</u> ⁽²⁾	<u>100.00%</u>

The above calculation reflects the sale of common stock in July, 1980, and the retirement of Notes Payable with the proceeds from this sale as well as the allocation of total Job Development Investment Credit (JDIC) of \$48,722,750 to each capital component on the basis of the ratio of each component to total capital excluding JDIC.

(2) Revised Wilkerson Exhibit 5

When determining the net operating income required for the Company to earn its overall cost of capital, this treatment of JDIC results in applying the overall cost of capital to the Company's Job Development Investment Credit as required by Section 46(f) of the Internal Revenue Code.

Reproduction Cost

The Company included in its filing, Wilkerson Exhibit 9, a combined Reproduction Cost Rate Base of \$1,785,569,293 (\$1,512,469,800 in electric facilities and \$273,099,413 in gas facilities). Consideration has been given to this valuation method as well as others prescribed by Kentucky Revised Statutes (KRS 278.290). However, as this method is not conclusive to present value, the Commission, though recognizing this valuation as a lawful one, gave less consideration to it than to others it deemed would result in a more reasonable rate to the consumer and yet a reasonable return to the investor.

REVENUES AND EXPENSES

Through Mr. Wilkerson's testimony and exhibits, the Company proposed several pro forma adjustments to more properly reflect current operating conditions. The Commission is of the opinion that the adjustments generally are proper and have been accepted with the following exceptions:

(1) The Company proposed to adjust operating expenses to reflect estimated additional expenditures necessary to comply with the Public Utility Regulatory Policies Act (PURPA) and the National Energy Conservation Policy Act (NECPA). Information filed by the Company on July 28, 1980, stated that of the nineteen (19) additional employees estimated to be needed, ten (10) for PURPA and nine (9) for NECPA, only nine (9) had been hired. As much of the work required in these programs requires experience and knowledge of the industry, employees of the Company were reassigned to this work and new employees were hired to replace the employees assigned to PURPA and NECPA tasks. Accordingly, the accepted adjustment reflects the starting salaries of the new employees as the salaries of the previous employees have been included in actual operating

expenses. The expenses for vehicles, supplies and outside services were increased or decreased in accordance with the actual number of additional employees hired and the contracts for outside services signed. This results in a reduction of \$95,400 in the Company's proposed adjustment for PURPA expenses and a reduction of \$290,200 in the Company's proposed NECPA expenses. NECPA expenses are allocated to the electric and gas departments on a 65% - 35% basis. All PURPA expenses have been allocated solely to the electric department.

(2) While the record indicates that there is a need to increase expenses to reflect the increase in uncollectibles as a percentage of revenues, the Commission has determined the Company's proposed adjustment to be excessive. Therefore, the adjustment has been decreased by \$135,000 to \$400,000. This increase of \$400,000 has then been allocated to the gas and electric departments based on gross revenues from ultimate consumers by departments for the preceding calendar year or 71% to the electric department and 29% to the gas department.

(3) The Company's proposed adjustment to depreciation expense has been increased by \$129,100 to correct an error in calculating the electric department depreciation expense.

(4) L.G. & E. proposed to adjust interest expense by \$1,035,271. The Commission has increased this adjustment by \$1,602,558 to \$2,637,829. In making this adjustment, the Commission applied the embedded cost rates applicable to long-term Bonds and Other Debt to those respective capital structure components after the allocation of JDIC.⁽³⁾ In computing the combined State and Federal Income Tax, the entire amount of the interest adjustment was used. Thus the interest on JDIC was treated as a tax deduction for rate making purposes. The Commission is of the opinion that this treatment is entirely consistent with the requirement of IRS Regulation 1-46-6(3) which requires that JDIC receive the same overall return allowed on common equity, debt and preferred stock.

⁽³⁾ Embedded interest cost of 7.02% times long-term Bonds of \$358,990,544 plus embedded interest cost of 8.06% times Other Debt of \$37,534,002 minus interest during the test period of \$25,588,547 equals \$2,637,829.

In addition, the Commission has decreased L.G. & E.'s combined test period operation and maintenance expenses by \$34,170⁽⁴⁾ to move certain industry association and membership dues below the line for rate making purposes. As there is no evidence of any tangible benefit to the ratepayers, the Commission is of the opinion that these expenses should be borne by the stockholder, not the ratepayer.

After applying the combined State and Federal Income Tax Rate of 49.24% to the accepted pro forma adjustments, we find the combined net operating income should be increased by \$2,385,195 to \$58,828,375.

The adjusted net operating income is as follows:

	<u>Gas</u>	<u>Electric</u>	<u>Total</u>
Operating Revenues ⁽⁵⁾	\$129,348,834	\$240,925,556	\$370,274,390
Operating Expenses ⁽⁵⁾	122,234,493	191,596,717	313,831,210
Pro Forma Adjustments ⁽⁵⁾	<u>174,219</u>	<u>2,210,976</u>	<u>2,385,195</u>
Net Operating Income As Adjusted	<u>\$ 7,288,560</u>	<u>\$ 51,539,815</u>	<u>\$ 58,828,375</u>

RATES OF RETURN

The record indicates that the embedded cost rate on long-term Bonds is 7.02%.⁽⁶⁾ The record further indicates that the Other Debt component carries a cost of 8.06% and that the cost rate on preferred stock is approximately 8.09%.

The Company proposed a rate of return on adjusted Common Equity of 15.9%.⁽⁷⁾ The Commission is of the opinion that this rate is excessive and should not be allowed.

In determining the fair rate of return on Common Equity, the Commission has taken into consideration many factors. Not the least of which is the Company's inability to earn a fair, just and reasonable return on Common Equity. In Case No. 7301 which was before this Commission in 1979, the Commission found a return on Common Equity of 13.1% to be fair, just and reasonable for L.G. & E. On an historical test-year basis L.G. & E.'s actual earnings

(4) \$25,970 is applicable to electric operations and \$8,200 is applicable to gas operations.

(5) Revised Wilkerson Exhibit 4.

(6) $\$23,703,625 + \$337,645,107 = 7.02\%$

(7) Revised Wilkerson Exhibit 5.

on Common Equity of \$298,505,909 were approximately 7.95%. This figure adjusted to reflect a full year's revenues at the rates granted in Case No. 7301 would be approximately 10.10%. The Commission recognizes that a just and reasonable return should approximate the cost of capital. Given current market conditions, it should be recognized that a 10.10% return is not sufficient to attract capital and is therefore unfair, unjust and unreasonable and was clearly not the intent of the Commission.

While the Commission does not guarantee that the return found to be fair will actually be earned, it does seek to provide the Company with a reasonable opportunity to earn said return. Therefore, in determining a fair return, the Commission has taken into consideration the facts that an historical test period is used for rate making purposes and that inflation, which has continually diminished the Company's profits, shows no signs of lessening. Either of these factors in and of itself would likely cause the Company to earn less than the return found fair. Together these circumstances guarantee that the Company will not be afforded the opportunity to earn a fair return.

The Commission recognizes its dual responsibility to the consumer and L.G. & E. Implicit in this responsibility is the concept of approving the lowest possible rates which are consistent with maintaining adequate service and the financial integrity of L.G. & E. Failure to give an adequate rate of return (based upon an historical test year), which must be earned given present economic conditions, is inconsistent with the long run interest of the consumer and L.G. & E. If the Commission adopts a policy of impairing the financial integrity of L.G. & E., the impact will ultimately fall on the consumer. The result of such a policy will be increased revenue requirements because of lower bond ratings (L.G. & E. is currently AAA) and the inability to raise capital through the sale of common equity. The Commission therefore is of the opinion that this decision is in the best interest of the consumer as well as L.G. & E.

It is, therefore, our opinion that a rate of 15.0% on Common Equity based on an historical test year will earn something less than 15% based on a current test year. However, it is anticipated that this will allow the Company an opportunity to earn a return adequate to permit the Company to preserve its history of service while maintaining financial security.

Applying the above cost rates to the applicable capital structure components, the Commission has determined that the level of net operating income required to allow L.G. & E. the opportunity to pay its operating expenses and fixed costs and have a reasonable amount available for equity growth is approximately \$83,063,201; \$9,336,304 for the gas operations and \$73,726,897 for the electric operations. Therefore, the adjusted net operating income reflects a deficiency of \$24,234,826 which, after allowance for State and Federal Income Taxes at the rate of 49.24%, represents an overall revenue deficiency of \$47,743,944 or the amount of additional revenues granted herein. A descriptive breakdown of the revenue is as follows:

	<u>Gas</u>	<u>Electric</u>	<u>Total</u>
Net Operating Income found reasonable	\$9,336,304	\$73,726,897	\$83,063,201
Adjusted Net Operating Income	\$7,288,560	\$51,539,815	\$58,828,375
Net Operating Income Deficiency	\$2,047,744	\$22,187,082	\$24,234,826
Additional Revenue Required	\$4,034,169 ⁽⁸⁾	\$43,709,775 ⁽⁸⁾	\$47,743,944 ⁽⁸⁾

The additional revenues granted herein are intended to allow L.G. & E. rates of return on Net Original Cost and Capital Structure of 9.97% and 10.14%, respectively. In addition, the rate of return allowed on the Reproduction Cost Rate Base would be approximately 4.65%.

The rates and charges set out in attached Appendix "A" are designed to produce, based on test-year conditions, total annual revenues of approximately \$475,095,536; \$296,193,917 in electric revenues and \$178,901,619 in gas revenues. The gas rates and charges also include the additional Purchased Gas Adjustments (PGA) approved since the filing of this case.

⁽⁸⁾ Net Operating Income Deficiency divided by (1-.4924).

RATE DESIGN

In Case No. 7301, the Company proposed and the Commission approved substantial changes in electric rate structure based on a cost of electric service study performed by L.G. & E. and filed as evidence of record. As the rate schedules approved in Case No. 7301 had been in effect less than a year at the time this case was filed, the Company did not propose to change the basic rate structure in this case. It did, however, propose to reflect a further emphasis on seasonal pricing with a slight increase in the differential between summer and winter rates. Further, the Company proposed demand and energy rate schedules to reflect the assignment of a greater proportion of the total rate to the demand charge. The Commission is of the opinion and finds that these changes are consistent with the fully allocated cost study submitted in Case No. 7301 and further that they reflect the rate making standards contained in PURPA. Hence, the rates set out in Appendix "A" reflect these changes.

In addition, the Company has proposed to increase the charges for disconnect and reconnect, whether for non-payment of bills or for temporary suspension of service, from \$4.00 to \$8.00. Although the Company's studies indicate that the average cost of the dual trip to disconnect and reconnect a service exceeds \$18.00, the Company felt that such a jump would not be reasonable. We concur. Therefore, we have approved those charges as proposed, recognizing that they are a step in the direction of recouping the cost of this function.

SUMMARY

Having considered the evidence of record and elements of value recognized by the law of the land for rate making purposes, the Commission is of the opinion and so FINDS that:

(1) The schedule of rates and charges set out in Appendix "A" are the fair, just, and reasonable rates to charge for gas and electric service rendered by Louisville Gas and Electric Company in that, based on test year conditions, they will produce

overall revenues of \$475,095,536, of which \$296,193,917 is from electric service and \$178,901,619 is from gas service.

(2) The allowed rate of return on Net Original Cost Rate Base of 9.97% is fair, just, and reasonable in that it should permit L.G. & E. to provide for its necessary operating expenses, fixed charges, and accumulate a reasonable amount of surplus for equity growth.

(3) The rates proposed by L.G. & E. and set out in the Notice and Application should be denied in that they would produce annual revenues in excess of that found reasonable.

(4) All purchased gas adjustments approved by the Commission subsequent to the test period have been included in the gas service rates set out in Appendix "A".

IT IS THEREFORE ORDERED:

(1) That the schedule of rates and charges set forth in Appendix "A" are the fair, just, and reasonable rates and charges for gas and electric services rendered by Louisville Gas and Electric Company on and after September 20, 1980.

(2) That the rates proposed by L.G. & E. and set out in the Application insofar as they differ from those in Appendix "A" be and are hereby denied.

(3) That L.G. & E. shall file with this Commission within thirty (30) days from the date of this Order its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this the 24th day of September, 1980.

ENERGY REGULATORY COMMISSION

Dissent
Chairman

Vice Chairman

Commissioner

ATTEST:

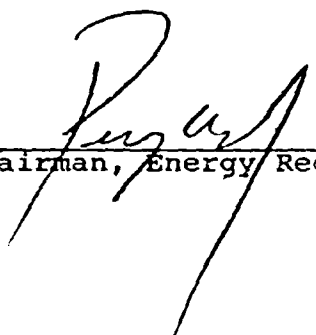
Secretary

DISSENTING OPINION
OF
CHAIRMAN PERRY R. WHITE, JR.

I am of the opinion that the award is excessive and represents additional customer revenues ranging from about \$6 million (\$5,880,731) to about \$9 million (\$8,821,105) more than the company should receive. It is an abrupt change and unprecedented change from the Commission's last decision and the highest return on equity ever granted by either Commission. Had the majority granted the same rate of return on equity as it did last November, the company would have received \$11 million (\$11,173,389) less than that granted by my colleagues in this order. Had the majority followed the high range of the recommendation by the Attorney General's witness, the increase would have been almost \$9 million (\$8,821,105) less. I believe that the majority would have been wise to have followed that recommendation, but I am of the opinion that the award should not have exceeded a return of 14% on equity in any event. The award is inflationary.

It is true that the company has not earned the rate it was given the opportunity to earn in previous cases (nor have other utilities). It is also true that the uncontradicted evidence in this case and in the previous rate case by all parties who chose to speak on the subject is that the utility's reputation for management is outstanding. It is. Its Triple A bond rating is to the advantage of its customers. It must have adequate revenues and good management to keep such a bond rating. However, it is doubtful that any utility will earn at the opportunity level at the current rate of inflation. But the situation is not unique to LG&E, to Kentucky or to the nation. Inflation adversely affects all of us and no rate realistically could or should attempt to make a utility immune from its effect. All segments of our economy are suffering from it. Hopefully, it is temporary. Furthermore, the necessary monopoly status of a utility offers some protection not afforded to other businesses.

Lastly, I believe our decisions should be reasonably predictable and that rate changes should be gradual and not abrupt. In LG&E's last rate case it was given the opportunity to earn a 13.1% return on equity. An opportunity allowance of 15% is abrupt and not reasonable. There is nothing in the record which supports any conclusion that the risk factor of LG&E is greater than other utilities. As a matter of fact, the record supports the opposite conclusion. Kentucky and LG&E's residential, industrial and commercial rates are among the lowest in the nation. Abrupt changes in the allowable rate of return beyond the essential needs of the utility will threaten that enviable position. The majority opinion has set a standard of utility earnings which, if followed in other cases, will cost the rate payers far more than they should pay.


Chairman, Energy Regulatory Commission

APPENDIX "A"

APPENDIX TO AN ORDER OF THE ENERGY REGULATORY
COMMISSION IN CASE NO. 7799 DATED September 24, 1980

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

ELECTRIC SERVICE

RESIDENTIAL SERVICE*
(RATE R)

Rate:

Customer Charge: \$2.35 per meter per month.

Winter Rate: (Applicable during 8 monthly billing periods of October through May)

First 600 kilowatt-hours per month	4.43¢ per Kwh
Additional kilowatt-hours per month	3.16¢ per Kwh

Summer Rate: (Applicable during 4 monthly billing periods of June through September)

All kilowatt-hours per month	4.81¢ per Kwh
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WATER HEATING RATE*
(RATE WH)

Rate:

3.42¢ per kilowatt-hour.

Minimum Bill:

\$1.45 per month per heater.

*The monthly kilowatt-hour usage shall be subject to plus or minus an adjustment per Kwh determined in accordance with the Fuel Adjustment Clause.

GENERAL SERVICE RATE*
(RATE GS)

Rate:

Customer Charge:

\$2.95 per meter per month for single-phase service
\$5.90 per meter per month for three-phase service

Winter Rate: (Applicable during 8 monthly billing periods of
October through May)

All kilowatt-hours per month 4.96¢ per Kwh

Summer Rate: (Applicable during 4 monthly billing periods of
June through September)

All kilowatt-hours per month 5.65¢ per Kwh

Minimum Bill:

The minimum bill for single-phase service shall be the customer charge.

The minimum bill for three-phase service shall be the customer charge; provided, however, in unusual circumstances where annual kilowatt-hour usage is less than 1000 times the kilowatts of capacity required, Company may charge a minimum bill of not more than 65¢ per month per kilowatt of connected load.

SPECIAL RATE FOR NON-RESIDENTIAL ELECTRIC
SPACE HEATING SERVICE - RATE GS*

Rate:

For all consumption recorded on the separate meter during the heating season the rate shall be 3.42¢ per kilowatt-hour. This special rate shall be subject to the Primary Service Discount, Fuel Clause and Prompt Payment Provision as are embodied in Rate GS. During the four non-heating season months any electric usage recorded on the separate space heating meter shall be combined with metered usage for other purposes at the same location and be billed at Rate GS.

Minimum Bill:

\$4.90 per month for each month of the "heating season." This minimum charge is in addition to the regular monthly minimum of Rate GS to which this rider applies.

DIRECT CURRENT POWER*
(RATE DC)

Rate:

Customer Charge: \$6.00 per meter per month.

All kilowatt-hours per month 5.39¢ per Kwh

Minimum Bill:

\$2.18 per month per horsepower of customer's total connected direct current load but in no case less than the customer charge. Horsepower of apparatus will be based on manufacturer's rating.

*The monthly kilowatt-hour usage shall be subject to plus or minus an adjustment per Kwh determined in accordance with the Fuel Adjustment Clause.

OUTDOOR LIGHTING SERVICE
(RATE OL)
OVERHEAD

Rates:

<u>Mercury Vapor</u>	<u>Rate Per Light Per Month</u>
100 watt*	\$ 4.90
175 watt	5.65
250 watt	6.65
400 watt	8.15
1000 watt	16.30
400 watt floodlight	8.15
1000 watt floodlight	16.30
 <u>High Pressure Sodium Vapor</u>	
250 watt	9.80
400 watt	11.60
400 watt floodlight	11.60

* Restricted to those units in service on 5-31-79

Special Terms and Conditions:

1. Company will furnish and install the lighting unit complete with lamp, fixture or luminaire, control device, and mast arm. The above rates contemplate installation on an existing pole in Company's system. If the location of an existing pole is not suitable for the installation of a lighting unit, the Company will extend its secondary conductor one span and install an additional pole for the support of such unit, the customer to pay an additional charge of \$1.00 per month for each such pole so installed. If still further poles or conductors are required to extend service to the lighting unit, the customer will be required to make a non-refundable cash advance equal to the installed cost of such further facilities.

OUTDOOR LIGHTING SERVICE - UNDERGROUND

Rates:

<u>Mercury Vapor</u>	<u>Rate Per Light Per Month</u>
100 watt - colonial or modern design top mounted	\$ 9.80
175 watt - colonial or modern design top mounted	\$10.35

PUBLIC STREET LIGHTING SERVICE
(RATE PSL)

Rates:

<u>Type of Unit</u>	<u>Support</u>	<u>Rate Per Light Per Year</u>
<u>Overhead Service</u>		
100 Watt Mercury Vapor (open bottom fixture)	Wood Pole	\$ 41.00 ⁽¹⁾
175 Watt Mercury Vapor	Wood Pole	60.00
250 Watt Mercury Vapor	Wood Pole	70.75
400 Watt Mercury Vapor	Wood Pole	85.60 ⁽²⁾
400 Watt Mercury Vapor	Metal Pole	147.40
400 Watt Mercury Vapor Floodlight	Wood Pole	85.60
1000 Watt Mercury Vapor	Wood Pole	180.00
1000 Watt Mercury Vapor Floodlight	Wood Pole	180.00
250 Watt High Pressure Sodium	Wood Pole	97.30
400 Watt High Pressure Sodium	Wood Pole	118.00
400 Watt High Pressure Sodium Floodlight	Wood Pole	118.00
<u>Underground Service</u>		
100 Watt Mercury Vapor Top Mounted		109.20
175 Watt Mercury Vapor Top Mounted		115.10
175 Watt Mercury Vapor	Metal Pole	118.00
250 Watt Mercury Vapor	Metal Pole	132.80
400 Watt Mercury Vapor	Metal Pole	147.40
400 Watt Mercury Vapor	Alum. Pole	191.80
400 Watt Mercury Vapor on State of Ky. Alum. Pole		109.20
250 Watt High Pressure Sodium Vapor	Metal Pole	177.00
250 Watt High Pressure Sodium Vapor	Alum. Pole	200.65
400 Watt High Pressure Sodium Vapor	Metal Pole	191.80
400 Watt High Pressure Sodium Vapor	Alum. Pole	215.40
250 Watt High Pressure Sodium Vapor on State of Ky. Alum. Pole		118.00 ⁽³⁾
1500 Lumen Incandescent	8½' Metal Pole	53.00 ⁽³⁾
6000 Lumen Incandescent	Metal Pole	103.00 ⁽³⁾

- (1) Restricted to those units in service on 5/31/79.
 (2) Restricted to those units in service on 1/19/77.
 (3) Restricted to those units in service on 3/1/67.

LARGE COMMERCIAL RATE*
(RATE LC)

Rate:

Customer Charge: \$11.75 per delivery point per month.

Demand Charge:

	<u>Secondary Distribution</u>	<u>Primary Distribution</u>
<u>Winter Rate:</u> (Applicable during 8 monthly billing periods of October through May)		
All kilowatts of billing demand	\$4.80 per Kw per month	\$3.72 per Kw per month
<u>Summer Rate:</u> (Applicable during 4 monthly billing periods of June through September)		
All kilowatts of billing demand	\$7.08 per Kw per month	\$5.77 per Kw per month
<u>Energy Charge:</u> All kilowatt-hours per month	2.51¢ per Kwh	

*The monthly kilowatt-hour usage shall be subject to plus or minus an adjustment per Kwh determined in accordance with the Fuel Adjustment Clause.

INDUSTRIAL POWER RATE*
(RATE LP)

Rate:

Customer Charge: \$29.50 per delivery point per month.

<u>Demand Charge:</u>	<u>Secondary Distribution</u>	<u>Primary Distribution</u>	<u>Transmission Line</u>
All kilowatts of billing demand	\$5.96 per Kw per month	\$4.63 per Kw per month	\$3.85 per Kw per month
<u>Energy Charge:</u> All kilowatt-hours per month			2.16¢ per Kwh

SPECIAL CONTRACT FOR ELECTRIC SERVICE TO AIRCO ALLOYS AND CARBIDE (AIR
REDUCTION COMPANY, INC.)*

Demand Charge:

Primary Power (28,500 KW)	\$6.92 per Kw per month
Secondary Power (Excess KW)	\$3.46 per Kw per month

Energy Charge:

Primary & Secondary Power 1.63¢ per Kwh

SPECIAL CONTRACT FOR ELECTRIC SERVICE TO E. I. DUPONT DENEMOURS & COMPANY

Demand Charge:

All KW of billing demand \$6.74 per Kw per month

Energy Charge:

All KWH 1.73¢ per Kwh

SPECIAL CONTRACT FOR ELECTRIC SERVICE TO LOUISVILLE WATER COMPANY*

Demand Charge:

KW of billing demand \$4.79 per Kw per month

Energy Charge:

All KWH per month 1.78¢ per Kwh

SPECIAL CONTRACT FOR FORT KNOX*

Demand Charge:

Winter Rate: (Applicable during 8 monthly billing
periods of October through May)

All kilowatts of billing demand \$3.76 per Kw per month

Summer Rate: (Applicable during 4 monthly billing
periods of June through September)

All kilowatts of billing demand \$5.26 per Kw per month

Energy Charge: All kilowatt-hours per month 2.07¢ per Kwh

*The monthly kilowatt-hour usage shall be subject to plus or minus an adjustment per Kwh determined in accordance with the Fuel Adjustment Clause.

STREET LIGHTING ENERGY RATE
(RATE SLE)

Rate:

3.674¢ net per kilowatt-hour

TRAFFIC LIGHTING ENERGY RATE
(RATE TLE)

Rate:

4.566¢ net per kilowatt-hour

Minimum Bill:

\$1.15 net per month for each point of delivery

GENERAL RULES

23. Charge for Disconnecting and Reconnecting Service. A charge of \$8.00 will be made to cover disconnection and reconnection of electric service when discontinued for non-payment of bills or for violation of the Company's rules and regulations, such charge is to be made before reconnection is effected. If both gas and electric services are reconnected at the same time, the total charge for both services shall be \$8.00.

Residential and general service customers may request and be granted a temporary suspension of electric service. In the event of such temporary suspension, Company will make a charge of \$8.00 to cover disconnection and reconnection of electric service, such charge to be made before reconnection is effected. If both gas and electric services are reconnected at the same time, the total charge for both services shall be \$8.00.

GAS SERVICE

GENERAL GAS
(RATE G-1)

Rate:

Customer Charge: \$1.90 per delivery point per month.

28.660¢ per 100 cubic feet.

Minimum Bill:

The customer charge.

GENERAL GAS RATE - LARGE VOLUME SPACE HEATING
(RATE G-1A)

Rate:

Customer Charge: \$6.50 per delivery point per month.

29.205¢ per 100 cubic feet.

Minimum Bill:

The customer charge.

SUMMER AIR CONDITIONING SERVICE UNDER GAS
(RATES G-1 and G-1A)

Rate:

For "Summer Air Conditioning Consumption" determined in the manner hereinafter prescribed, the rate shall be 27.394 cents per 100 cubic feet, subject to the "Purchased Gas Adjustment" and the "Prompt Payment Provision" incorporated in Rate G-1 or G-1A, as applicable. All monthly consumption other than "Summer Air Conditioning Consumption" shall be billed at the regular charges set forth in Rate G-1 or Rate G-1A.

COMMERCIAL AND INDUSTRIAL GAS
(RATE G-2)

Rate:

Customer Charge: \$6.50 per delivery point per month.

27.962¢ per 100 cubic feet.

Minimum Bill:

The customer charge.

SEASONAL OFF-PEAK GAS
(RATE G-6)

Rate:

Customer Charge: \$6.50 per delivery point per month.

27.350¢ per 100 cubic feet.

Minimum Bill:

The customer charge.

DUAL-FUEL OFF-PEAK GAS SPACE HEATING
(RATE G-8)

Rate:

Customer Charge: \$6.50 per delivery point per month.
28.455¢ per 100 cubic feet.

Minimum Bill:

The customer charge.

SUMMER AIR CONDITIONING SERVICE UNDER GAS
(RATE G-8)

Rate:

For consumption recorded during the aforesaid five billing periods the rate shall be 27.394 cents per 100 cubic feet, subject to the "Purchased Gas Adjustment" and to the "Prompt Payment Provision" incorporated in Rate G-8.

TRANSPORTATION OF CUSTOMER-OWNED GAS
(RATE T-1)

Charges:

The charge for service under this rate schedule shall be thirteen (13) cents for each Mcf of gas transported. This charge may be increased or reduced by appropriate filings made in accordance with law and the rules of the Energy Regulatory Commission. In addition to such charge, if Company is required to add or modify any facilities in order to initiate or perform the services supplied hereunder, the full cost of such additions or modifications shall be paid for by the Customer.

SPECIAL CONTRACT FOR FORT KNOX

Demand Charge:

\$1.45 per month per Mcf of billing demand.

Commodity Charge:

\$2.6448 per Mcf delivered

General Rules

Charges for Disconnecting and Reconnecting Service:

A charge of \$8.00 will be made to cover disconnection and reconnection of gas service when discontinued for non-payment of bills or for violation of the Company's rules and regulations, such charge to be made before reconnection is effected. If both gas and electric services are reconnected at the same time, the total charge for both services shall be \$8.00.

Customers under General Gas Rate G-1 may request and be granted a temporary suspension of gas service. In the event of such temporary suspension, Company will make a charge of \$8.00 to cover disconnection and reconnection of gas service; such charge to be made before reconnection is effected. If both gas and electric services are reconnected at the same time, the total charge for both services shall be \$8.00.

Purchased Gas Adjustment

Base Supplier Rate

	<u>Demand</u>	<u>Commodity</u>
Texas Gas Transmission Corporation Rate Schedule G-4	\$2.56	213.55¢

Purchased Gas Adjustment Applicable to rate schedules approved herein
0.00¢ per 100 cu. ft.*

RATE FOR UNCOMMITTED GAS SERVICE

(RATE G-7)

Rate:

27.350¢ per 100 cubic feet

* Purchased Gas Adjustment authorized after completion of refunds authorized in Case Nos. 7301-B dated October 1, 1979, 7301-E dated April 1, 1980, 7301-F dated June 1, 1980, and 7301-G dated August 1, 1980.

APPENDIX "B"

APPENDIX TO AN ORDER OF THE ENERGY REGULATORY COMMISSION
IN CASE NUMBER 7799, DATED THE 24TH OF SEPTEMBER, 1980.

The Net Original Cost Rate Base of the Louisville Gas and Electric Company's gas and electric plant operations as of January 31, 1980, is as follows:

	<u>Gas</u>	<u>Electric</u>
Utility Plant	\$132,938,386	\$ 795,253,681
Plant Held for Future Use	-0-	633,461
Construction Work in Progress	190,846	173,098,911
Net Utility Plant	<u>\$133,129,232</u>	<u>\$ 968,986,053</u>
Gas Stored Underground - Current	16,429,292	-0-
Materials & Supplies	979,333	56,182,264
Prepayments	243,970	1,332,662
Cash Working Capital	1,596,448	18,395,239
Subtotal	<u>\$152,378,275</u>	<u>\$1,044,896,218</u>
Less:		
Reserve for Depreciation	\$ 46,911,194	\$ 237,686,679
Accumulated Deferred Taxes	10,719,200	64,595,700
3% Investment Tax Credit	740,300	2,263,350
Customer Advances	420,891	1,103,951
Subtotal	<u>\$ 58,791,585</u>	<u>\$ 305,649,680</u>
Net Original Cost Rate Base	<u>\$ 93,586,690</u>	<u>\$ 739,246,538</u>
	11.24%	88.76%

Common plant has been allocated on the basis of 23% gas and 77% electric.

The Capital Structure of gas and electric properties of Louisville Gas and Electric Company for the adjusted test period ending January 31, 1980, is as follows:

	<u>Gas</u>	<u>Electric</u>
Bonds Payable	\$40,350,537	\$318,640,007
Other Debt	4,218,822	33,315,180
Preferred Stock	13,978,362	110,384,292
Common Equity	<u>33,552,064</u>	<u>264,953,845</u>
Total Capitalization	<u>\$92,099,785</u>	<u>\$727,293,324</u>
	11.24%	88.76%

The allocation has been made on the basis of Net Original Cost as determined above. The capital structure ratios are the same as for the combined capitalization on page 5 of this Order.