COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN ADJUSTMENT OF ELECTRIC RATES OF THE UNION LIGHT, HEAT AND POWER COMPANY	)	CASE NO. 8046

and

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE OF UNION LIGHT, HEAT AND POWER COMPANY PURSUANT TO 807 KAR 5:056E, SECTIONS 1(11) AND (12)	)	CASE NO. 8059

and

In the Matter of:

AN ADJUSTMENT BY THE UNION LIGHT, HEAT AND POWER COMPANY TO INCLUDE IN ITS GAS AND ELECTRIC TARIFFS, E.R.C. KY. NO. 2 AND E.R.C. KY. NO. 3, RESPECTIVELY, A LOCAL FRANCHISE FEE APPLICABLE TO ALL SCHEDULES	)	CASE NO. 8154

O R D E R

On November 25, 1980, the Union Light, Heat and Power Company ("Applicant") filed its notice of intention to increase its electric rates and charges by $13,018,157 annually, effective January 25, 1981. In order to determine the reasonableness of the proposed rates, the Commission, by Order dated November 26, 1980, suspended the proposed rates for a period of five months on and after the effective date of the proposed rates.

On February 25, 1981, the Applicant filed another case, No. 8154, wherein it proposed to include in its gas and electric tariffs a local franchise fee provision applicable to all schedules. This proposed tariff provides that any fee imposed on the Applicant by legislative authorities be added, as a separate item, to the bills of consumers receiving gas and/or electric service within the territorial limits of the authority imposing the fee. This does not result in an increase in any existing rates or charges.

The Commission, by Order dated March 12, 1981, suspended the proposed tariff for a period of five months on and after March 16, 1981, and consolidated this case with the Applicant's rate case, Case No. 8046, for all purposes.

By Order dated March 13, 1981, the Commission also consolidated Applicant's Case No. 8059, a review of the operation of the standard fuel adjustment clause, with Case No. 8046. This was done pursuant to the Applicant's request made at a hearing held January 29, 1981.

The following parties of interest were granted intervention: the Attorney General's Consumer Intervention Division, the City of Covington and ten named residential consumers represented by the Northern Kentucky Legal Aid Society.

Hearings were held by the Commission on February 4, May 5, 12 and 14, 1981. All briefs were filed with the Commission by June 23, 1981. The entire record was then submitted for final determination.

TEST PERIOD

The Commission accepts the Applicant's proposed test period, the twelve months ending June 30, 1980. Pro forma adjustments have been included when found appropriate.

VALUATION METHODS

Net Investment

Applicant proposed a Kentucky jurisdictional net investment rate base devoted to electric operations of $52,400,656. This proposal has been accepted with the following exceptions:

(1) Cash Working Capital has been reduced by $32,560 to reflect the allowance of a 45 day portion of adjusted operation and maintenance expenses less purchased power in accordance with past Commission policy. An additional allowance for purchased power of $2,127,205 has been rejected as the Applicant failed to show that normal working capital computations do not provide reasonable funds to maintain adequate cash flow.

(2) The Accumulated Reserve for Depreciation has been increased to include Applicant's pro forma depreciation expense adjustment of $115,407.

Based on these adjustments the Commission finds the appropriate Kentucky jurisdictional net investment rate base devoted to electric operations to be as follows:

Utility Plant in Service	$ 71,481,553
Construction Work in Progress	2,415,229
Materials and Supplies	116,568
Prepayments	24,389
Cash Working Capital	1,007,202
Subtotal	$75,044,941
Less:	
Reserve for Depreciation	$21,409,709
Customer Advances	2,897
Accumulated Deferred Taxes	3,228,790
3% Investment Tax Credit	278,061
Subtotal	$24,919,457
Net Investment	$50,125,484

Capital Structure

Exhibit A of the Applicant's notice to the Commission sets out total company capital of $80,561,095. The Applicant's Kentucky jurisdictional portion of this capital devoted to electric operations is determined based on net plant allocations. This represents 61.85% of total company capitalization or $49,827,037.

The Commission has also included the portion of job development investment tax credit ("JDIC") applicable to electric operations of $2,455,687. JDIC has been allocated to the capital components based on their relative weights to total capital excluding JDIC. This method is consistent with the Internal Revenue Service regulations concerning this issue and in further calculation assigns the overall cost of capital to JDIC. Therefore, Applicant's total capitalization devoted to Kentucky jurisdictional electric operations is $52,282,725.

Both Applicant's witness, Dr. Melnyk, and the Attorney General's witness, Dr. Weaver, proposed using Cincinnati Gas & Electric Company's ("CG&E") consolidated capital structure and capital costs. Most of Applicant's stock is owned by C G & E; the common stock is not sold publicly; and both witnesses testified that investors look to the consolidated operations of C G & E for the return on their investment. Applicant's own capital structure utilizes very little financial leverage compared to most utilities. Moody's 24 utilities' capital structures contain on the average 37.19% common equity[1] while Applicant's own capital structure contains 55.8% common equity.[2] The Commission is of the opinion that C G & E's consolidated capital structure and capital costs are more representative of efficient utility practices.

New issues of common and preferred stock in January 1981 caused minor changes in C G & E's consolidated capital structure. The Commission used the consolidated capital structure as of March 31, 1981, to include these known and measurable changes.

The consolidated capital structure is as follows:

	%	$
Common equity	34.6	18,089,823
Preferred stock	14.3	7,476,430
Long-term debt	48.5	25,357,121
Bank Loans and Commercial Paper	2.6	1,359,351
Total	100.0%	$52,282,725

[1] Applicant Exhibit No. 2, table 45, page 2.

[2] Response to Item 29 of Staff Request No. 1.

Reproduction Cost

The Applicant presented an electric reproduction cost less depreciation rate base of $113,756,133. The Commission has considered this valuation method and others as prescribed by Kentucky Revised Statutes. It is the Commission's opinion that net original cost, net investment, and capital structure valuation methods are still the most prudent, efficient, and economical measures of reasonable rate of return valuation.

REVENUES AND EXPENSES

The Applicant proposed several pro forma adjustments to more clearly reflect current operating conditions. The Commission finds that these adjustments are proper and they have been accepted with the following exceptions:

(1) The Applicant proposed to include in operating revenues $173,547 of Allowance for Funds Used During Construction ("AFUDC"). As the AFUDC rate is based on the cost of capital, the Commission has applied the overall cost of capital granted herein to that portion of the Applicant's test year end construction work in progress balance on which AFUDC is calculated.[3] This increases the adjustment by $75,237 to $248,784.

At the hearing Applicant's witness, Mr. Randolph, testified that, instead of making this adjustment, the Applicant would prefer to stop accruing AFUDC on construction work in progress. The Applicant had the opportunity but failed to propose this in its original application. Accordingly, the Commission will defer consideration of this matter until a later application.

[3] $2,336,015 X .1069 = $249,720 X .99625 = $248,784.

(2) The Commission has denied the Applicant's proposed revenue and expense adjustments associated with the implementation of the Residential Conservation Program of $8,568 and $174,692, respectively. The Applicant planned to implement this program on July 1, 1981, on its own volition. As this Commission is the ultimate authority as to the required implementation date of this program and due to impending rule changes at the Federal level, the Commission finds these amounts to be speculative and not proper for rate making purposes at this time.

(3) The Applicant's proposal to include donations of $25,451 in operating expenses has been rejected. The Commission considers these costs to be the stockholders' responsibility.

(4) The Applicant proposed to normalize injuries and damages expense based on the average actual experience during the ten-year period from July 1, 1970, to June 30, 1980, thus reducing test year expenses by $12,323. The Commission has removed extraordinary expenses of $137,858 and $500,000, respectively, from the 1978 and 1979 balances used to calculate this adjustment. This is based on information submitted by the Applicant on April 17, 1981, and results in a further expense reduction of $63,736 to $76,059.

(5) Applicant reported debt charges applicable to electric operations of $1,542,311 at June 30, 1980. The amount of debt charges provided for herein is $2,298,349, a difference of $756,038.

The income tax reduction of this differential is approximately $372,300 which the Commission finds is the appropriate adjustment to net operating income.

(6) The Commission has increased Applicant's proposed adjustment to FICA taxes by $4,153 to a normalized level of $26,653 based on information submitted on June 2, 1981.

Therefore, the Commission has determined that the Applicant's adjusted test period electric operations are as follows:

	Actual	Adjustments	Adjusted
Operating Revenues	$71,249,940	$2,796,520	$74,046,460
Operating Expenses	66,394,769	7,952,303	74,347,072
Operating Income	$ 4,855,171	$(5,155,783)	$(300,612)

Purchased Power Expenses

Due to the magnitude of the Applicant's proposed purchased power adjustment ($10.9 million or approximately 78% of the Applicant's operating expense adjustments of $13.9 million, excluding depreciation and taxes), the Commission believes that this adjustment requires a thorough discussion.

The Applicant is a wholly-owned subsidiary of C G & E. Further, it purchases its entire electric power supply from C G & E. The rates for this wholesale power, as well as the fuel adjustment clause rates of C G & E, are subject to the regulation of the Federal Energy Regulatory Commission ("FERC"), and not to the regulation of this Commission.

The Applicant states in Exhibit D of its notice to the Commission: "The principal reason for the increase requested in the electric operations is the filing by the Cincinnati Gas and Electric Company with the FERC on November 25, 1980, for an increase in rates which will result in an increase in purchased power expense of approximately $10.9 million."

These proposed rates of C G & E were suspended by FERC in order to allow for a full investigation. As FERC has made no final decision in the matter, the proposed rates will be effective on and after June 25, 1981, the end of the suspension, and beginning on that date the higher rates will be passed on to the Applicant. However, after FERC completes its consideration of C G & E's application, a refund may be ordered. In that event this Commission will direct that any refund payable to Applicant's customers is to be made at an appropriate rate of interest. Thus, over 90% of the rate increase granted herein by this Commission concerns a cost item over which it has no jurisdiction. The Commission does have authority to intervene in the proceeding before FERC, however, and has done so.

From its examination of the application and record, the Commission determines, as it must, that it has no jurisdiction to reduce the amount of C G & E's application to FERC, that it cannot defer the effective date when the increased rates will be passed on to the Applicant, and that any failure to allow an increased cost of this proportion to be passed through to retail customers on a timely basis would damage the financial stability of the Applicant and would ultimately result in higher rates to its consumers.

RATE OF RETURN

In determining the proper rate of return in this case the Commission has considered the following factors:

1. Capital and capital structure
2. Cost of debt
3. Cost of preferred stock
4. Cost of common equity

The return on common equity granted herein reflects the Commission's assessment of the relative risk associated with the Applicant, which is a distribution company, obtaining all of its energy from a wholesale supplier under firm contract. Applicant has neither production facilities, nor the risk associated with projecting future generation needs. Virtually all of Applicant's stock is owned by the parent company (99.9%). The operation of the Applicant as a subsidiary of another utility also indicates to us that the principal risk in this situation is in the parent company and not in the Applicant. The officers of the Applicant are the same as those of C G & E. The total sales of the Applicant amount to 10% of C G & E's total sales. The risk of the Applicant is similar to, but slightly less than, the risk of C G & E.

The embedded cost of long-term debt in C G & E's consolidated capital structure is 8.3%.[4] The embedded cost of preferred stock including the January 1981 issue is 8.9%.[5] Melnyk did not include

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[4] Applicant's Exhibit No. 2, Table 58.

[5] Weaver's prefiled testimony, statement 18.

short-term debt in his proposed capital structure. Weaver recommended a short-term debt cost rate in the range of 14.5 to 17.0%.[6] The majority of C G & E's short-term debt consists of commercial paper. Over the past twelve months the interest rate on 90-day commercial paper has averaged approximately 13.4%.[7] Therefore, the Commission is of the opinion that a short-term debt rate of 14.25% is reasonable.

The Applicant proposed a rate of return on common equity of 17.1 to 17.7%.[8] The Attorney General recommended a rate of 14.2 to 14.8%.[9] The Commission is of the opinion that a range of returns on equity of 14.0 to 15.0% is fair, just and reasonable. The Commission has determined that a return on equity in this range would not only allow the Applicant to attract capital at reasonable costs to insure continued service and provide for necessary expansion to meet future requirements, but also provide for the lowest possible cost to the consumer. Within this range of returns, the Commission finds that a return on common equity of 14.5% will allow the Applicant to meet its operating expenses and best attain the above objectives.

Thus, the overall cost of capital in this case is 10.69% which provides a rate of return on Net Investment of 11.15%.

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[6] Weaver's prefiled testimony, page 65.

[7] Average of monthly rates for twelve months ended May 1981, Federal Reserve Statistical Release.

[8] Applicant's post-hearing brief, page 12.

[9] Attorney General's brief, page 1.

The additional revenue required, and the amount of the increase granted herein, is calculated as follows:

Adjusted Net Operating Income	$ (300,612)
Net Operating Income Found Reasonable	5,589,023
Deficiency	5,889,635
Deficiency Adjusted for Taxes or Increase	11,602,906

REVENUE ALLOCATIONS

The Applicant proposed to recover the revenue increase by increasing rates in all schedules except those for outdoor lighting services. The proposed increase as a percentage of adjusted base revenue varies, ranging from 16.6% for rate RS, residential service, to 25.1% for rate C, churches.[10] The Applicant said that the proposed allocation was intended to bring rates more in line with cost of service.[11] The Applicant did provide information showing that the average cents per KWH of base revenue for the outdoor lighting schedules was relatively high.[12] Outdoor lighting services generally have a low cost as their use is at an off-peak time of day. Some of the difference in percentage increases allocated to the remaining rate schedules is due to the Applicant's proposal to combine some rate schedules. The Northern Kentucky Legal Aid Society (Legal Aid) opposed the proposed allocation. Legal Aid recommended distributing the revenue increase on an equal cents per KWH basis. Although the Applicant did not provide a cost of service study in this case,

[10] Page 5 of Marshall's prefiled testimony.

[11] Response to item 2 of staff request No. 2.

[12] Response to item 1 of staff request No. 2.

the Commission is of the opinion that the Applicant's proposed allocation method is equitable and consistent with the objectives of PURPA.

RATE DESIGN

The Applicant proposed significant changes in rate design. The changes include combining some rate schedules, reducing the number of declining rate blocks, adding customer charges, adopting different rates for summer and winter seasons, and increasing demand and reducing energy charges for demand metered customers. The Applicant proposed combining rate schedules DS, MWP, C, CU, and part of GS into new rate schedule DS, combining the rest of schedule GS and PSL into new schedule TS, and combining schedules GS-H and EHSC into new schedule EH.[13] Load management rider LM was added for schedules DS and TS.

The rate design proposed for residential service has two declining blocks, a customer charge, and seasonal rates. The seasonal rates provide pricing signals to discourage energy use at the summer peak. Compared to existing rates, the proposed winter rates for up to 1,000 KWH per month and the proposed summer rates have been somewhat "flattened."

The City of Covington and Legal Aid opposed adding a customer charge for residential service. In the Applicant's proposal for demand metered customers, customer charges have been increased, terminal steps of energy charges have been reduced to cover only

[13] Full titles of rate schedules are in appendix.

energy expenses, and demand charges have been substantially increased. No cost of service information was provided to support these changes.

In the Commission's opinion, the proposed rate design changes in general are reasonable and are similar to changes approved by the Commission in recent years for other utilities. However, the record does not support lowering some charges while others are significantly increased. Therefore, the Commission approves the proposed rate design except for the proposed reduction in certain energy charges.

SUMMARY, FINDINGS AND ORDER

The Commission after consideration of all evidence of record and being advised finds that:

(1) The rates proposed by the Applicant would produce revenues in excess of the revenues found reasonable herein and must be denied upon application of KRS 278.030.

(2) The rate schedules attached as Appendix A, hereto, are the fair, just and reasonable rates to charge for electric service rendered by the Applicant in that, based on test year conditions, they will produce revenues from electric operations sufficient to cover operating expenses and fixed charges with a reasonable amount remaining for equity growth.

(3) The Applicant's proposed tariff providing for the direct flow-through of prospective franchise fees from municipalities to the affected customers is consistent with Commission policy and is in the public interest.

(4) No change in Applicant's base fuel cost is necessary at this time. This finding is consistent with the Commission's evaluation of Applicant's fuel clause and testimony by Applicant's witness, Mr. Marshall, at the hearing of May 12, 1981.

(5) The Applicant's supplier, C G & E has filed with FERC an increase in its wholesale power rates and said increased rates will become effective on June 25, 1981, and that the annual amount of such increase applicable to Applicant's electric customers is $10,879,735.

IT IS THEREFORE ORDERED that the Applicant's proposed rates as set forth in its Notice be and the same are hereby denied.

IT IS FURTHER ORDERED that the rates and charges set forth in Appendix A are fair, just and reasonable for electric service rendered by the Applicant on and after the date of this Order.

IT IS FURTHER ORDERED that the Applicant shall file with the Commission within 30 days from the date of this Order its revised tariff sheets setting out the rates approved herein.

IT IS FURTHER ORDERED that, pursuant to Case No. 8059, the Applicant's base fuel cost shall remain at 1.3934 cents per kilowatt-hour.

IT IS FURTHER ORDERED that the Applicant shall maintain its records in such manner as will enable it, or the Commission, or any of its customers, to determine the amounts to be refunded and to whom due in the event a refund is ordered by the Commission.

Done at Frankfort, Kentucky, this 24th day of June, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Volz
Chairman

Katherine Randall
Vice Chairman

[illegible]
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 8046 DATED JUNE 24, 1981.

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

RATE RS*
(RESIDENTIAL SERVICE)

Applicability

Applicable to electric service other than three phase service, for all domestic purposes in private residences, single occupancy apartments and separately metered common use areas of multi-occupancy buildings in the entire territory of the Company where distribution lines are adjacent to the premise to be served.

Residences where not more than two rooms are used for rental purposes will also be included. Where all dwelling units in a multi-occupancy building are served through one meter and the common use area is metered separately, this rate will be applied on a "per residence" or "per apartment" basis.

Where a portion of a residential service is used for purposes of a commercial or public character, Rate DS, service at distribution voltage, is applicable to all service. However, if the wiring is so arranged that the service for residential purposes can be metered separately, this rate will be applied to the residential service, if the service qualifies hereunder.

Net Monthly Bill

Computed in accordance with the following charges:

	Summer	Winter
Customer Charge per month	$3.20	$3.20
First 1,000 kilowatt hours	4.272¢ per kWh	4.272¢ per kWh
All kilowatt hours over 1,000 kilowatt hours	4.072¢ per kWh	3.100¢ per kWh

The minimum charge shall be the Customer Charge as stated above.

For purposes of administration of the above charges, the summer period is defined as that period represented by the Company's billing for the four (4) revenue months of June through September. The winter period is defined as that period represented by the Company's billing for the eight (8) revenue months of January through May and October through December.

RATE DS*
(SERVICE AT DISTRIBUTION VOLTAGE)

REPLACES SERVICE FORMERLY OFFERED UNDER
RATES GS, MWP, DS, C, AND CU

Applicability

Applicable to electric service for usual customer load requirements where the Company specifies service at a nominal distribution system voltage of 34,500 volts or lower, and the Company determines that facilities of adequate capacity are available and adjacent to the premises to be served. Electric service must be supplied at one point of delivery and is not applicable for resale service.

When both single and three phase secondary voltage services are required by a customer, the monthly kilowatt hour usage and kilowatt demands shall be the respective arithmetical sums of both services.

Type of Service

Alternative current 60 Hz, single phase or three phase at Company's standard distribution voltage of 34,500 volts or lower.

Net Monthly Bill

Computed in accordance with the following charges (kilowatt of demand is abbreviated as kw and kilowatt hours are abbreviated as kWh):

Customer Charge per month	
Single Phase Service	$ 5.00
Single and/or Three Phase Service	$ 10.00
Primary Voltage Service @ 12.5 kv or 34.5 kv	$100.00
Demand Charge	
First 15 kilowatts	$ 0.00 per kw
Additional kilowatts	5.06 per kw
Energy Charge	
First 6,000 kWh	5.184¢ per kWh
Next 300 kWh/kw	2.735¢ per kWh
Additional kWh	2.184¢ per kWh

The minimum charge shall be the Customer Charge, as stated above, for single or three phase secondary voltage service and the Demand Charge for three hundred (300) kilowatts for primary voltage service customers.

Metering

The Company may meter at secondary or primary voltage as circumstances warrant. If the Company elects to meter at primary voltage, kilowatt hours registered on the Company's meter will be reduced one and one-half (1-1/2) percent for billing purposes.

If the customer furnishes primary voltage transformers and appurtenances, in accordance with the Company's specified design and maintenance criteria, the Demand Charge, as stated above, shall be reduced by $0.50 per kw.

Demand

The demand shall be the kilowatts derived from the Company's demand meter for the fifteen-minute period of customer's greatest use during the billing period, as determined by the Company, adjusted for power factor, as provided herein. At the Company's option, a demand meter may not be installed if the nature of the load clearly indicates the load will have a constant demand, in which case the demand will be the calculated demand.

In no event will the billing demand be taken as less than the higher of the following:

a) 85% of the highest monthly kilowatt demand established in the summer period; or

b) One (1) kilowatt for single phase secondary voltage service, five (5) kilowatts for three phase secondary voltage service, and three hundred (300) kilowatts for primary service voltage.

In no case shall the customer's billing demand be less than 85% of the highest established demand during the summer period, as stated above, for the next succeeding eleven (11) months.

For purposes of administration of the above clause, the summer period is defined as that period represented by the Company's billing for the four (4) revenue months of June through September. The winter period is defined as that period represented by the Company's billing for the eight (8) revenue months of January through May and October through December.

If a customer reconnects his account, the customer's demand record for the prior 11 months will be re-established for purposes of administration of the preceding clause. If a customer disconnects one of his meters, the customer's prior 11 months of kw demand including the kw recorded on the disconnected meter will be effective for administration of the previous clause.

Power Factor Adjustment

The power factor to be maintained shall be not less than 90% lagging. If the Company determines customer's power factor to be less than 90%, the billing demand will be the number of kilowatts equal to the kilovolt amperes multiplied by 0.90.

Power factor may be determined by the following methods, at the Company's option:

a. Continuous measurement

- the power factor, as determined during the interval in which the maximum kw demand is established, will be used for billing purposes; or

b. Testing

- the power factor, as determined during a period in which the customer's measured kw demand is not less than 90% of the measured maximum kw demand of the preceding billing period, will be used for billing purposes until superseded by a power factor determined by a subsequent test made at the direction of Company or request of customer.

Late Payment Charge

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

Terms and Conditions

The term of contract shall be for a minimum period of three (3) years for secondary voltage service and five (5) years for primary voltage service.

The Company is not obligated to extend, expand or rearrange its transmission system if it determines that existing distribution and/or transmission facilities are of adequate capacity to serve the customer's load.

If the Company offers to provide the necessary facilities for transmission service, in accordance with its Service Regulations, an annual facilities charge, applicable to such additional facilities, is established at twenty (20) percent of actual cost. The annual facilities charge shall be billed in twelve monthly installments to be added to the demand charge.

For customers receiving service under the provisions of Rate C, Optional Rate for Churches, as of June 24, 1981, the maximum monthly rate per kilowatt hour shall not exceed 8.691 cents per kilowatt hour plus the applicable fuel adjustment charge.

The supplying and billing for service and all conditions applying thereto, are subject to the jurisdiction of the Public Service Commission of Kentucky, and to Company's Service Regulations currently in effect, as filed with the Public Service Commission of Kentucky.

RATE TS*
(SERVICE AT TRANSMISSION VOLTAGE)

REPLACES SERVICE FORMERLY OFFERED UNDER RATES GS AND PSL

Applicability

Applicable to electric service for usual customer load requirements where the Company specifies service at a nominal transmission system voltage of 69,000 volts or higher, and the Company determines that facilities of adequate capacity are available and adjacent to the premises to be served. Electric service must be supplied at one point of delivery and the customer furnishes and maintains all transformation equipment and appurtenances necessary to utilize the service.

Service is applicable for ultimate use by the customer and is not applicable for standby, supplemental, emergency or resale service.

Type of Service

Alternating current 60 Hz, three phase at Company's standard transmission voltage of 69,000 volts or higher.

Net Monthly Bill

Computed in accordance with the following charges (kilovolt amperes are abbreviated as kVA; kilowatt hours are abbreviated as kWh):

Customer Charge per month	$500.00
Demand Charge All kVA	$ 3.92 per kVA

Energy Charge	
First 300 kWh/kVA	2.372¢ per kWh
Additional kWh	2.062¢ per kWh

The minimum charge shall be not less than fifty (50) percent of the highest demand charge established during the preceding eleven (11) months.

Metering

The Company may meter at secondary or primary voltage as circumstances warrant. If the Company elects to meter at secondary voltage, the kilowatt hours registered on the Company's meter will be increased one and one-half (1-1/2) percent for billing purposes.

Demand

The demand shall be the kilovolt amperes derived from the Company's demand meter for the fifteen-minute period of the customer's greatest use during the month, but not less than the higher of the following:

a. 85% of the highest monthly kilovolt amperes similarly established during the summer period; or

b. 1,000 kilovolt amperes.

In no case shall the customer's billing demand be less than 85% of the highest established demand, as stated above, for the next succeeding eleven (11) months.

For purposes of administration of the above clause, the summer period is defined as that period represented by the Company's billing for the four (4) revenue months of June through September. The winter period is defined as the period represented by the Company's billing for the eight (8) revenue months of January through May and October through December.

Late Payment Charge

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

Terms and Conditions

The term of contract shall be for a minimum period of five (5) years terminable thereafter on twelve (12) months written notice by either the customer or the Company.

The Company is not obligated to extend, expand or rearrange its transmission system if it determines that existing distribution and/or transmission facilities are of adequate capacity to serve the customer's load.

If the Company offers to provide the necessary facilities for transmission voltage, in accordance with its Service Regulations, an annual facilities charge, applicable to such additional facilities, is established at twenty (20) percent of actual cost. The annual facilities charge shall be billed in twelve months installments to be added to the demand charge.

The supplying and billing for service and all conditions applying thereto, are subject to the jurisdiction of the Public Service Commission of Kentucky, and to Company's Service Regulations currently in effect, as filed with the Public Service Commission of Kentucky.

RATE SP*
(SEASONAL SPORTS SERVICE)

Applicability

This rate is available only to customers to whom service was supplied in accordance with its terms on June 24, 1981.

Type of Service

Alternating current 60 Hz, single or three phase at Company's standard secondary voltage.

Net Monthly Bill

Computed in accordance with the following charges:

Customer Charge per month	$5.00
Energy Charge All kilowatt hours	6.304¢ per kWh

The minimum charge shall be a sum equal to 1-1/2% of Company's installed cost of transformers and metering equipment required to supply and measure service, but not less than the customer charge whether service is on or disconnected.

Reconnection Charge

A charge of $10.00 is applicable to each season to cover in part the cost of reconnection of service.

Late Payment Charge

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5% is due and payable.

RATE EH*

(OPTIONAL RATE FOR ELECTRIC SPACE HEATING)

REPLACES SERVICE FORMERLY OFFERED UNDER RATES EHSC AND GS-H

Applicability

Applicable to electric service for heating when customer's wiring is so arranged that heating service can be furnished at one point of delivery and can be metered separately from all other types of service or to any public school, parochial school, private school, or church when supplied at one point of delivery, provided permanently connected and regularly used electrical equipment is installed in compliance with the Company specifications as the primary source of heating or heating and cooling the atmosphere to temperatures of human comfort; and provided all other electrical energy requirements are purchased from the Company. No single water heating unit shall be wired that the demand established by it can exceed 5.5 kilowatts unless approved by the Company.

This schedule is available only to customers to whom service was supplied in accordance with the terms of former Rates GS-H or EHSC as of June 24, 1981, and at the premise served on that date, or to such customers as can show to the satisfaction of the Company that prior to June 24, 1981, they had contracted for the purchase or installation, or both of electric space heating equipment for a particular premise.

Type of Service

Alternating current 60 Hz, single or three phase at Company's standard secondary voltage.

Net Monthly Bill

Computed in accordance with the following charges:

Customer Charge per month	
Single Phase Service	$ 5.00
Three Phase Service	$ 10.00
Primary Voltage Service	$100.00
Energy Charge - Winter period:	
All kilowatt hours	3.438¢ per kWh

Energy Charge - Summer period:
For energy used during the summer period, the kilowatt demand and kilowatt hour use shall be billed in accordance with the provisions of Rate DS.

The minimum charge shall be the Customer Charge as stated above.

For purposes of administration of the above charges, the summer period is defined as that period represented by the Company's billing for the four (4) revenue months of June through September. The winter period is defined as that period represented by the Company's billing for the eight (8) revenue months of January through May and October through December.

Demand

Customer's Demand will be the kilowatts as determined from Company's meter for the fifteen-minute period of customer's greatest use during the month or as calculated by the Company, but not less than 5 kilowatts.

Late Payment Charge

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5% is due and payable.

Terms and Conditions

The term of contract shall be for a minimum period of one (1) year terminable thereafter on thirty (30) days written notice by either the customer or the Company.

The supplying and billing for service and all conditions applying thereto, are subject to the jurisdiction of the Public Service Commission of Kentucky, and to Company's Service Regulations currently in effect, as filed with the Public Service Commission of Kentucky.

RATE GS
(GENERAL SERVICE)

Cancelled. Replaced by Rate DS.

RATE MWP
(MUNICIPAL WATER PUMPING)

Cancelled. Replaced by Rate DS.

RIDER WHS
(WATER HEATING SERVICE)

Cancelled.

RIDER EESC
OPTIONAL RIDER
(GENERAL SERVICE-ENVIRONMENTAL ELECTRIC SPACE CONDITIONING)

Cancelled.

RATE EHSC
(OPTIONAL RATE FOR ELECTRICALLY HEATED SCHOOLS AND CHURCHES)

Cancelled. Replaced by Rate EH.

RATE GS-H
(OPTIONAL RATE FOR GENERAL SERVICE - ELECTRIC SPACE HEATING)

Cancelled. Replaced by Rate EH.

RATE C
(OPTIONAL RATE FOR CHURCHES)

Cancelled. Replaced by Rate DS.

RATE CU
(OPTIONAL RATE FOR COMMON USE IN APARTMENT BUILDINGS)

Cancelled. Replaced by Rate RS for Single Phase Service and Rate DS for Three Phase Service.

RATE DS
(DOMESTIC SERVICE)

Cancelled. Replaced by Rate DS.

RIDER A
(OPTIONAL RIDER FOR ELECTRICALLY HEATED APARTMENTS)

Cancelled.

RATE PSL
(PRIMARY SERVICE-LARGE)

Cancelled. Replaced by Rate TS

LOCAL FRANCHISE FEE

APPLICABLE TO ALL RATE SCHEDULES

There shall be added to the customer's bill, listed as a separate item, an amount equal to the fee now or hereafter imposed by local legislative authorities, whether by ordinance, franchise or other means, which fee is based on the gross receipts collected by the Company from the sale of gas to customers within the boundaries of the particular legislative authority. Such amount shall be added exclusively to bills of customers receiving service within the territorial limits of the authority imposing the fee.

Where more than one such fee is imposed, each of the charges applicable to each customer shall be added to the customer's bill and listed separately.

The amount of such fee added to the customer's bill shall be determined in accordance with the terms of the ordinance, franchise or other directive agreed to by the Company.

RIDER LM
(LOAD MANAGEMENT RIDER)

Applicable

The Off Peak Provision is applicable to customers with an average monthly demand in excess of fifteen (15) kilowatts established over the most recent twelve month period receiving service under the provisions of either Rate DS, Service at Distribution Voltage, or Rate TS, Service at Transmission Voltage.

Off Peak Provision

The "off peak period" is defined as the period from 10:00 p.m. of one day to 8:00 a.m. of the following day; Friday from 10:00 p.m. to 8:00 a.m. of the following Monday and from 10:00 p.m. of the day preceding a legal holiday to 8:00 a.m. of the day following that holiday. The following are recognized legal holidays as far as load conditions of the Company's system are concerned: New Year's Day, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, Christmas Day. If the foregoing holidays occur on a Sunday, the following Monday is considered a holiday.

The "on peak period" is defined as all hours exclusive of the "off peak period" hours set forth in the preceding paragraph.

I. For customers with an average monthly demand in excess of fifteen (15) kilowatts and not to exceed three hundred (300) kilowatts where electric service is furnished under the provisions of the Company's existing Rate DS, Service at Distribution Voltage:

A. This provision is only available as Company demand meters with a programmable time-of-use register are installed on the customer's premise. Due to the limited availability of such metering equipment and Company personnel, a demand meter will be installed as metering equipment and Company personnel are available.

B. The customer will be required to pay the current installed cost of the time-of-use metering equipment in excess of the current installed cost of the standard demand register equipment, normally installed by the Company, which is required under the provision of Rate DS. All metering equipment shall remain the property of the Company which shall be responsible for its installation, operation, maintenance, testing, replacement or removal.

C. When a customer elects the OFF PEAK PROVISION, the monthly customer charge of the applicable Rate DS will be increased by an additional monthly charge of five dollars ($5.00) for each installed time-of-use meter. In addition, the DEMAND provision of Rate DS shall be modified to the extent that the billing demand shall be based upon the "on peak period," as defined above.

II. For customers with an average monthly demand of at least three hundred (300) kilowatts where electric service is furnished under the provision of either Rate DS, Service at Distribution Voltage, or Rate TS, Service at Transmission Voltage:

A. The "off peak period" billing demand will be taken at fifty (50) percent of the highest fifteen minute demand established during the "off peak period," as defined above.

B. When a customer elects this OFF PEAK PROVISION, the applicable monthly customer charge of Rate DS or Rate TS will be increased by an additional monthly charge of one hundred dollars ($100.00).

The DEMAND provision of the applicable Rate DS or Rate TS shall be modified to the extent that the billing demand shall be based upon the "on peak period," as defined above. However, in no case shall the billing demand be less than the "off peak period" billing demand or the billing demand as determined in accordance with the DEMAND provision of the applicable Rate DS or Rate TS, as modified.

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