COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN AGREEMENT FOR ELECTRIC SERVICE	)	
BETWEEN KENTUCKY UTILITIES COMPANY	)	CASE NO.
AND THE UNIVERSITY OF KENTUCKY	)	2003-00320

O R D E R

On July 25, 2003, Kentucky Utilities Company (KU) filed a request for approval of an agreement under which it will provide future electric service to the University of Kentucky (UK) via four delivery points. The agreement adds a fourth delivery point to the three through which KU now provides service to UK. The fourth delivery point is identified as the UK-West Substation. KU also requests a deviation from 807 KAR 5:041, Section 9(2), which requires a utility to regard each point of delivery as an independent customer and to separately meter the power delivered to each point of delivery.

BACKGROUND

KU provides service to UK via a contract that is billed under KU s LCI-TOD (Large Commercial and Industrial Time of Day) tariff. UK operates and maintains its own distribution system and, from time to time, it shifts loads between the three delivery points through which it receives service. The load shifting occurs primarily during periods of construction on UK s Lexington, Kentucky campus. Because of this load shifting, KU has historically totalized the loads at the three existing delivery points with a single billing, with each delivery point s demand being adjusted by the totalized power factor to provide the totalized peak demand.

DISCUSSION

Due to growth in its demand, UK desires to add a fourth delivery point, which will raise its total demand above the 50 megawatt maximum available under KU s LCI-TOD tariff. The proposed agreement allows UK s load to continue to be totalized and to be billed under the terms of the LCI-TOD tariff. The proposed agreement will become effective when KU commences service at the UK-West Substation, which is anticipated to occur sometime in the second half of 2004.

DECISION

Based on the facts that UK operates and maintains a private distribution system connecting its delivery points and that it periodically must shift its load between delivery points, the Commission finds it reasonable and appropriate for KU to continue to totalize UK s loads for billing purposes. In order to totalize UK s loads in this manner, KU must bill UK as a single customer although it will supply power to UK through four delivery points. Billing UK as a single customer requires a deviation from the provisions of 807 KAR 5:041, Section 9(2). The Commission finds the deviation reasonable under the facts presented and that it should be approved.

IT IS THEREFORE ORDERED that:

1. KU s proposed electric service agreement with UK is approved effective upon KU s commencement of service to UK via the new UK-West Substation.

2. KU is granted a deviation from 807 KAR 5:041, Section 9(2), for billings to UK under the agreement approved herein.

Done at Frankfort, Kentucky, this 29th day of August, 2003.

By the Commission

ATTEST:

Executive Director

~~A64-0984~~
2003-00320

July 25, 2003

LG&ENERGY

Mr. Thomas Dorman, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602-1615

RECEIVED

JUL 25 2003

PUBLIC SERVICE COMMISSION

LG&E Energy Corp.
220 West Main Street (40202)
P.O. Box 32030
Louisville, Kentucky 40232

Dear Mr. Dorman:

Per the requirements of 807 KAR 5:011, Section 13, Kentucky Utilities Company ("KU") is filing a revised special contract with the University of Kentucky ("UK") under which KU will provide electric service to the UK campus in Lexington, Kentucky. KU and UK are in agreement in both the need for this contract and the contract itself. Attached are four copies of the proposed contract.

KU has provided service to UK for several decades under a single contract with billing under the LCI-TOD tariff. Over the years the service has undergone several modifications with the addition and removal of various delivery points. The existing service is made by KU at three delivery points which are tied together by UK's own private distribution system.

In the course of managing the individual loads on this private distribution system, UK often finds it necessary to shift loads from one of KU's delivery points to another. It is because of this load shifting that KU and UK have agreed to totalize the loads from the three deliveries with a single billing. If this were not done, a load could be billed twice in the month in which it was shifted.

Because of growing load, UK has now requested the addition of a fourth delivery point. Totalizing the additional new load with the existing load would considerably exceed the 50MW limitation in the availability of LCI-TOD for a single billing. Neither KU nor UK has a desire nor sees the need to negotiate a special tariff. However, the same need exists to totalize the four loads to prevent a double billing of shifted loads.

KU and UK are agreed that by totalizing all four deliveries and billing the individual contribution each delivery makes to the totalized peak on its own contract, the double billing of any shifted loads would be avoided. This would also eliminate the need for a special tariff since each of the four deliveries independently is less than 50 MW.

807 KAR 5:041, Section 9 (2) states,

> "The utility shall regard each point of delivery as an independent customer and meter the power delivered at each point. Combined meter readings shall not be taken at separate points, nor shall energy used by more than one (1) residence or place of business on one (1) meter be measured to obtain a lower rate.

KU believes the intent of this regulation is to prevent special consideration being given to one customer so that that customer would have an advantage over another customer and that this regulation arises from a time when the use of blocked rates was much more prevalent. KU also believes that the nature of the proposed metering arrangement is dictated by the need to prevent an unfair double billing of shifted load and does not violate this regulation because;

1) the design of particular tariffs does not result in a lower billing and
2) the nature of UK's business does not place it in direct competition with KU's other customers.

However, to the extent the Commission feels KU is in violation of 807 KAR 5:041, Section 9 (2), KU is asking for a deviation from that regulation with respect to this contract.

Therefore, pursuant to 807 KAR 5:011, Section 13, KU hereby requests the Commission to approve the special contract and grant a deviation to 807 KAR 5:041, Section 9 (2).

Sincerely,

Linda S. Portasik

Linda Portasik
Senior Counsel

Attachments

LP: mjr

AGREEMENT FOR ELECTRIC SERVICE

This Agreement made and entered into this 27 day of JUNE 2003, by and between Kentucky Utilities Company, a Kentucky corporation, ("Company"), and the University of Kentucky, a Kentucky corporation, ("Customer").

WITNESSETH:

WHEREAS, Customer operates a facility in Lexington, Kentucky, for the purpose of providing higher education.

WHEREAS, Customer requires and Company agrees to supply service at four delivery points:

1) Medical Center 1&2 Substation – contract attached,
2) Scott Street Substation – contract attached,
3) Shawneetown – contract attached, and
4) UK West Substation- contract attached.

WHEREAS, Customer frequently requires load to be transferred from one delivery point to another by a distribution system connecting the delivery points and owned by Customer.

WHEREAS, Company agrees to totalize deliveries at the four points identified above and bill each delivery under its own contract where:

1) the billing demand is each delivery point's contributing demand, as adjusted by the totalized power factor, to the totalized peak demand in KW and
2) the billing energy is each delivery point's metered energy in KWH.