

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)	
LOUISVILLE GAS AND ELECTRIC)	
COMPANY FOR A DECLARATORY ORDER)	CASE NO. 2016-00317
REGARDING THE PROPER METHOD OF)	
MUNICIPAL FRANCHISE FEE RECOVERY)	

LOUISVILLE GAS AND ELECTRIC COMPANY’S VERIFIED REPLY TO
LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT’S
RESPONSE TO APPLICATION

Louisville Gas and Electric Company (“LG&E”), by counsel, and for its verified Reply to Louisville/Jefferson County Metro Government’s (“Louisville Metro”) Response to LG&E’s verified Application for Declaratory Order states as follows:

As an initial matter, Louisville Metro’s Response was not verified or supported by affidavit and only took limited issue with LG&E’s comprehensive Application for a Declaratory Ruling.¹

In its Application, LG&E stated that on August 30, 2016, LG&E and Louisville Metro entered into a franchise agreement (“Franchise Agreement”).² LG&E’s application explained that under the Franchise Agreement, Louisville Metro can select at its discretion between four options or a combination of four options in setting the franchise fee.³ Under Section 11, the total annual payment is not to exceed a total annual franchise fee of three percent (3%) of gross receipts within the Louisville Metro franchise area. As set forth in LG&E’s application, based on LG&E’s historical gross receipts in the Louisville Metro franchise area, a 3% fee would result in

¹ 807 KAR 5:001, Section 19(6) requires that each “application, response, and reply containing an allegation of fact shall be supported by affidavit or shall be verified.”

² See Exhibit 1 to the LG&E Application.

³ LG&E Application at ¶¶20, 29.

annual franchise fees of nearly \$6.5 million.⁴ For the present, Louisville Metro has imposed a franchise fee of six percent (6%) of forty-three cents (\$0.43) per thousand cubic feet (or “Mcf”) of gas, whether for transmission or distribution by LG&E, within Louisville Metro’s jurisdiction.⁵ The terms of the Franchise Agreement allow Louisville Metro to change the amount of the fee using other options at any time, so that the fee could result in a nearly \$6.5 million annual franchise fee, upon 60 days’ notice to LG&E.⁶

I. Franchise Fee Rate

Louisville Metro’s Response asserts “LG&E incorrectly claims the franchise fee is based on LG&E’s Rate Schedule FT for gas transportation” and then contends that the “franchise fee to be assessed is not related to transportation service fees.”⁷ As Louisville Metro’s Response concedes, the language of the Franchise Agreement expressly states that the current fee is “six percent of forty-three cents (\$0.43) per thousand cubic feet (mcf) of gas.”⁸ LG&E’s distribution rate for service under its Rate Schedule FT is \$0.4302 per Mcf.⁹ As LG&E’s Application explains, the \$0.43 per Mcf value represents the distribution charge for firm transportation service of customer-owned gas and not the rental of its gas distribution system.”¹⁰

In addition, during the Louisville Metro Council Budget Committee Meeting on August 18, 2016, the Council members discussed that the franchise fee is based on a rate LG&E is currently charging for gas transportation.¹¹ Thus, the basis for LG&E’s understanding of how the 6% of \$0.43 per Mcf was derived is supported by this record and the public record.

⁴ LG&E Application at ¶20.

⁵ *Id.*; Franchise Agreement at Section 11(b).

⁶ 2016 Franchise, Section 11(a).

⁷ Louisville Metro Response at ¶1.

⁸ Franchise Agreement, Section 12(b)(2).

⁹ Exhibit 1 to Reply, LG&E Rates, Terms and Conditions for Furnishing Natural Gas Service, P.S.C. Gas No. 10, Original Sheet No. 30, *Firm Transportation Service (Transportation Only)*.

¹⁰ LG&E Application at ¶29.

¹¹ The video of from this meeting is available at: http://louisville.granicus.com/ViewPublisher.php?view_id=2.

II. LG&E Is Not Providing Special Treatment to Any Gas Customers

In its Application, LG&E explained that KRS 278.170 prevents LG&E from yielding to Louisville Metro's demands that its residents receive special treatment by requiring LG&E's customers residing within the political boundaries of other municipalities to pay the franchise fee imposed by Louisville Metro.¹² In its Response, Louisville Metro claims that "LG&E fully intends to violate" KRS 278.170 by not collecting the Louisville Metro franchise fee from all LG&E gas customers.¹³ This is demonstrably wrong for several reasons.

First, the prohibition against discrimination in KRS 278.170 is limited to "any unreasonable preference or advantage," "any unreasonable prejudice or disadvantage" or "any unreasonable difference between localities." Second, it is beyond dispute that LG&E's tariff, which is approved by the Commission, only permits LG&E to collect franchise fees from "customers receiving service within the territorial limits of the authority imposing the fee or tax."¹⁴

Third, the Commission has repeatedly held that "since the fees go to the municipalities in question there is no justification to assess residents outside of the political boundaries of the franchise area."¹⁵ By the Franchise Agreement's own terms, customers located within other counties or other municipalities are not located within the political boundaries of Louisville Metro's franchise area.¹⁶

Fourth, by law Louisville Metro lacks franchising authority in the areas where it claims LG&E should collect its franchise fee. Upon consolidation of the City of Louisville with

¹² LG&E Application at ¶26.

¹³ Louisville Metro Response at ¶2.

¹⁴ Exhibit 2, LG&E Application, LG&E Rates, Terms and Conditions for Furnishing Natural Gas Service, P.S.C. Gas No. 10, Original Sheet No. 90, *Franchise Fee*.

¹⁵ Case No. 7804, Order at 10-12. *See also* the authorities cited in footnote 5 at page 2 of LG&E's Application.

¹⁶ Franchise Agreement at 1 (creating "a Franchise to acquire, lay, maintain and operate in the public streets, avenues, alleys and other public ways of Louisville Metro, ***but not within the jurisdiction of any other city located in Jefferson County, Kentucky***) (emphasis added).

Jefferson County, Louisville Metro was granted the greater power and lesser restrictions of a county government and a city of the first class.¹⁷ Counties possess no franchising authority as regards to the use of the county rights-of-way for the provision of gas services.¹⁸ Accordingly, Louisville Metro’s franchising authority as it relates to gas utilities is coequal with that of a city of the first class.¹⁹ All municipalities within Kentucky, including those smaller cities located within Jefferson County, possess independent franchising authority.²⁰

After consolidation of Louisville Metro, the other eighty-two cities in Jefferson County remained incorporated and retained all constitutional and statutory powers previously held.²¹ Those cities and the cities in the counties surrounding Jefferson County have *exclusive* jurisdiction over their city streets and such jurisdiction may not be abdicated.²² As a result, Louisville Metro is without jurisdiction over the rights-of-way in the other eighty-two cities within Jefferson County and similar cities located in the counties surrounding Jefferson County.²³ As such, assessing the Louisville Metro franchise fee on *all* LG&E gas customers, such as those in Oldham, Bullitt, and Spencer counties, or those in the numerous other cities

¹⁷ KRS 67C.101(2)(d).

¹⁸ KRS 416.140(1) (reserving to the Kentucky General Assembly the power to grant franchises to certain utilities, including gas utilities, located outside the boundaries of cities); *See also, Warfield Natural Gas Co. v. Lawrence County*, 189 S.W.2d 357, 359 (Ky. 1945); OAG 71-538; and OAG 79-346 (holding that Counties and their subdivisions have been statutorily denied franchise authority over the gas utilities).

¹⁹ Even if counties have such authority, such power would not extend Louisville Metro’s franchising authority into the municipal boundaries of other cities. OAG 77-111 (“[S]ince a city has exclusive jurisdiction over city streets or ways, the [County] cannot impinge upon such exclusive authority to be exercised by the city over such ways within its boundaries.”).

²⁰ Ky. Const. § 163 (“No [utility] company, within a city or town, shall be permitted or authorized [to construct its system] without the *consent of the proper legislative bodies or boards of such city or town* being first obtained.” (emphasis added)).

²¹ KRS 67C.111(1) (granting all cities other than those of the first class located within the territory of the consolidated local government the power and authority to perform the functions permitted by the Constitution and general laws of the Commonwealth of Kentucky applicable to the cities of the class to which they have been assigned).

²² KRS 82.081 and 82.082; OAG 83-321 (citing *Graves County v. City of Mayfield*, 204 S.W.2d 369 (Ky. 1947) (“Since the city has exclusive jurisdiction and control over its city streets, that absolute concept does not permit some other governmental unit having any similar control... It means sole jurisdiction by a particular entity”)).

²³ OAG 77-111 (“[S]ince a city has exclusive jurisdiction over city streets or ways, the [County] cannot impinge upon such exclusive authority to be exercised by the city over such ways within its boundaries.”).

throughout Jefferson, Oldham, Bullitt, and Spencer counties would contravene KRS 278.170 by giving the customers located within Louisville Metro an unreasonable preference and subjecting the customers who are located outside of Louisville Metro an unreasonable prejudice or disadvantage.

III. The Commission Has Jurisdiction Regarding the Collection of Franchise Fees

In its verified Application, LG&E explained that “Louisville Metro has no legal authority to encroach upon or otherwise pre-empt the exclusive jurisdiction of this Commission regarding how LG&E recovers or passes through its costs of providing utility service to customers, including franchise fees.”²⁴ This statement is true, as Louisville Metro has no such legal authority. In its Response, Louisville Metro erroneously claims that LG&E alleged that Louisville Metro “intends” to encroach upon or pre-empt the jurisdiction of the Commission. LG&E made no such allegation about Louisville Metro’s intent; LG&E’s allegation in the application merely set forth the fundamental principal of law that Louisville Metro has no legal authority to determine how LG&E collects franchise fees from customers. Such jurisdiction rests with the Commission, which is why LG&E instituted this proceeding.

IV. Summary

In sum, this proceeding is ripe for decision.²⁵ Louisville Metro’s Response takes issue with only three allegations in LG&E’s application, and for the reasons presented in this Reply, they are erroneous, do not raise genuine issues of material fact, and are otherwise immaterial to the disposition of the fundamental legal issues for decision before the Commission.

The Commission should take this matter under submission and issue a declaratory order confirming that LG&E must calculate and add to the total bill for gas service for all customers

²⁴ LG&E Application at ¶31.

²⁵ 807 KAR 5:001, Section 19(7) states “[t]he commission may dispose of an application for a declaratory order solely on the basis of the written submissions filed.”

located within Louisville Metro's jurisdiction a surcharge to collect any fees under the Franchise Agreement. To hold otherwise requires the Commission to reverse longstanding precedent and allow every municipality in the Commonwealth to increase their franchise fees and cause utilities to charge every customer, without regard to whether the customer resides within the municipality, the franchise fee.²⁶ Unless the current regulatory framework is upheld, there will be no end to the increase in these kinds of governmental actions and fees, and no effective means to protect customers that lack representation in the municipality imposing the fees.

Dated: October 3, 2016

Respectfully submitted,

By: 

Kendrick R. Riggs
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, KY 40202-2828
Telephone: (502) 333-6000
Facsimile: (502) 627-8722
kendrick.riggs@skofirm.com

Allyson K. Sturgeon
Senior Corporate Attorney
LG&E and KU Energy LLC
220 West Main Street
Louisville, KY 40202
Telephone: (502) 627-2088
Facsimile: (502) 627-3367
allyson.sturgeon@lge-ku.com

*Counsel for Louisville Gas and Electric
Company*

²⁶ See, e.g., Case No. 7804, Order; Case No. 7843, Order; Case No. 7906, Order; Case No. 7891, Order; Case No. 7900, Order; *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, Order (Ky. PSC June 24, 1981); Case No. 89-054, Order; *Tariff of Kentucky Utilities Company to Implement a Franchise Fee Rider*, Case No. 2003-00265, Order (Ky. PSC Oct. 16, 2003); *Tariff of Louisville Gas and Electric Company to Implement a Franchise Fee Rider*, Case No. 2003-00267, Order (Ky. PSC Oct. 16, 2003).

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, this is to certify that the foregoing electronically filed October 3, 2016 Verified Reply to Louisville/Jefferson County Metro Government's Response to Application is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on October 3, 2016; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original and six copies, in paper medium, of the Verified Reply are being mailed by first class U.S. Mail, postage prepaid, to the Commission October 3, 2016.

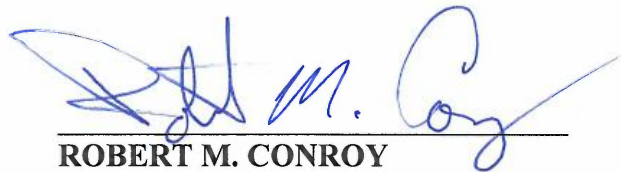


Counsel for Louisville Gas and Electric Company

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says he is Vice President, State Regulation and Rates for Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the foregoing Verified Reply, and that the content thereof is true and correct to the best of his information, knowledge, and belief.

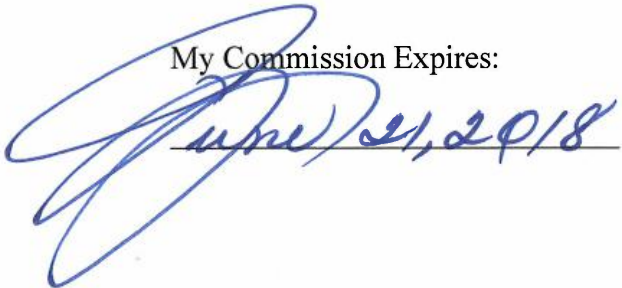


ROBERT M. CONROY

Subscribed and sworn to before me, a Notary Public in and before said County and State,
this 3 day of October 2016.

 (SEAL)
Notary Public

My Commission Expires:



June 21, 2018

Exhibit 1

Louisville Gas and Electric Company

P.S.C. Gas No. 10, Original Sheet No. 30

Standard Rate

FT

Firm Transportation Service (Transportation Only)

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

Available to existing commercial and industrial customers who consume at least 50 Mcf each day at each individual Delivery Point during each month of the twenty-four (24) months prior to the March 31 service request date, have purchased natural gas elsewhere, obtained all requisite authority to transport such gas to Company's system through the system of Company's Pipeline Transporter, and have requested Company to utilize its system to transport, by displacement, such customer-owned gas to Customer's place of utilization. Customers electing to transfer from another service shall notify Company on or before March 31 and execute a contract by April 30 in order to receive service hereunder beginning November 1 of that same year. The Contract Year shall include the twelve monthly billing periods from November 1 through October 31, of the following calendar year. Service under this rate schedule shall be for a term of one (1) year and year to year thereafter. Unless otherwise permitted herein, Customer or Company may terminate service hereunder effective November 1 by giving written notice to the other by the preceding April 30.

For new customers whose historical gas consumption is not available, Company will determine Customer's eligibility for service hereunder based upon data provided by Customer and such other information as may be available to Company. Company may allow such new customers to begin service hereunder prior to the November 1 date specified above for existing customers.

Customers using natural gas for vehicular fueling of internal combustion engines must also elect service under Rider NGV.

Any such transportation service hereunder shall be conditioned on Company being granted a reduction in billing demands by its Pipeline Transporter corresponding to the Customer's applicable transportation quantities.

Transportation service hereunder will be subject to the terms and conditions herein set forth and to the availability of adequate capacity on Company's system to perform such service without detriment to its other customers.

Service under this rate schedule shall not be available to customers with a Maximum Daily Quantity ("MDQ") in excess of 20,000 Mcf/day. In the event that Customer's MDQ exceeds 20,000 Mcf/day, Company may terminate service under this rate schedule upon thirty (30) days prior written notice. Additionally, customers using gas to generate electricity for use other than as standby electric service, irrespective of the size of the Customer's MDQ, are not eligible for service under this rate schedule.

DATE OF ISSUE: July 10, 2015

DATE EFFECTIVE: July 1, 2015

ISSUED BY: /s/ Edwin R. Staton, Vice President
State Regulation and Rates
Louisville, Kentucky

**Issued by Authority of an Order of the
Public Service Commission in Case No.
2014-00372 dated June 30, 2015**

Louisville Gas and Electric Company

P.S.C. Gas No. 10, Original Sheet No. 30.1

Standard Rate

FT

Firm Transportation Service (Transportation Only)

CHARACTER OF SERVICE

Transportation service under this rate schedule shall be considered firm from the Receipt Point at Company's interconnection with its Pipeline Transporter ("Receipt Point") to the Delivery Point at the Customer's place of utilization ("Delivery Point"), subject to paragraph 6 of the Special Terms and Conditions.

Due to the physical configuration of Company's system, and in order to maintain system integrity and reliability, unless otherwise permitted or directed by Company in its sole discretion, the Pipeline Transporter shall be Texas Gas Transmission, LLC.

Company's sole obligation hereunder is to redeliver Customer's gas from the Receipt Point to the Delivery Point. Accordingly, Company has no obligation to deliver to the Customer a volume of gas, either daily or monthly, which differs from the volume delivered to Company at the Receipt Point.

Company will provide service to meet imbalances only on an as-available basis. For purposes used herein, "Imbalances" are defined as the difference between the volume of gas delivered by the Customer to the Receipt Point and the volume of gas taken by Customer at the Delivery Point. When Company can provide such service, the Utilization Charge for Daily Imbalances shall apply to daily imbalances in excess of $\pm 5\%$ of the delivered volume of gas as set forth herein. Company shall issue an Operational Flow Order as set forth herein during periods when service cannot be provided to meet daily imbalances.

Customers served under this rate may elect to become a member of an FT Pool pursuant to Rider PS-FT.

RATE

In addition to any and all charges billed directly to Company by other parties related to the transportation of customer-owned gas, and any other charges set forth herein, the following charges shall apply.

Administrative Charge: \$550.00 per Delivery Point per month

Distribution Charge Per Mcf: \$0.4302

Gas Cost True-Up Charge: The Gas Cost True-Up Charge is applicable only to a former sales Customer that has elected transportation service hereunder. Such Customer shall pay this charge for the first eighteen billing periods that Customer is served under Rate FT. The charge (or credit) per Mcf shall be applied to all volumes delivered by Company pursuant to Rate FT in order to recover from (or refund to) transferring sales customers any under- or over-

DATE OF ISSUE: July 10, 2015

DATE EFFECTIVE: July 1, 2015

ISSUED BY: /s/ Edwin R. Staton, Vice President
State Regulation and Rates
Louisville, Kentucky

**Issued by Authority of an Order of the
Public Service Commission in Case No.
2014-00372 dated June 30, 2015**

Louisville Gas and Electric Company

P.S.C. Gas No. 10, Fifth Revision of Original Sheet No. 30.2
Canceling P.S.C. Gas No. 10, Fourth Revision of Sheet No. 30.2

Standard Rate

FT

Firm Transportation Service (Transportation Only)

RATE (continued)

collected gas costs as reflected in the GCAA, GCBA, and PBRRC components of the Gas Supply Clause ("GSC") applicable to gas sold during those periods when the transferring customer was a sales customer. The Gas Cost True-Up Charge amount shall be revised with each of Company's quarterly Gas Supply Clause filings.

For customers electing service under Rate FT effective November 1, 2014,
the Gas Cost True-Up Charge shall be:

\$0.0000 per Mcf for Bills Rendered On and After August 1, 2016

For customers electing service under Rate FT effective November 1, 2015,
the Gas Cost True-Up Charge shall be:

\$(0.1148) per Mcf for Bills Rendered On and After August 1, 2016

Minimum Daily Threshold Requirement and Charge: When Customer's daily usage falls below the Minimum Daily Threshold Requirement, Customer will be charged a Minimum Daily Threshold Charge equal to the difference between the Minimum Daily Threshold Requirement and the Customer's actual consumption in Mcf for that day multiplied by the Distribution Charge hereunder. The Minimum Daily Threshold Requirement is equal to the minimum daily volume of 50 Mcf. Such Minimum Daily Threshold Charge shall be accumulated for each day of the applicable month and billed during that month in accordance with the following formula:

Minimum Daily Threshold Charge =

(Minimum Daily Threshold minus Customer Usage on Given Day) times the Distribution Charge

Such daily amount shall be accumulated for each day of the month and the total will be applied to Customer's bill.

Payment of the Minimum Daily Threshold Charge is not a remedy for Customer's failure to meet the Minimum Daily Threshold Requirement for service under Rate FT. In the event that Customer does not meet the Minimum Daily Threshold Requirement for one-hundred twenty (120) days during a given Contract Year, service to Customer under Rate FT may be discontinued by Company. Customer will receive thirty (30) days prior written notice that Customer will be removed from Rate FT and returned to firm sales service under either Rate CGS or IGS as applicable.

DATE OF ISSUE: August 1, 2016

DATE EFFECTIVE: August 1, 2016

ISSUED BY: /s/ Robert M. Conroy, Vice President
State Regulation and Rates
Louisville, Kentucky

**Issued by Authority of an Order of the
Public Service Commission in Case No.
2016-00225 dated July 21, 2016**

Louisville Gas and Electric Company

P.S.C. Gas No. 10, First Revision to Original Sheet No. 30.3
Canceling P.S.C. Gas No. 10, Original Sheet No. 30.3

Standard Rate

FT

Firm Transportation Service (Transportation Only)

RATE (continued)

Other: In the event that Customer is determined to be the cause of any billing disadvantages or other penalties imposed on Company by Pipeline Transporter, then Customer shall pay such penalties, fees, or charges as determined by Company and in accordance with the payment provisions of this rate schedule in addition to any and all other charges due hereunder.

ADJUSTMENT CLAUSES

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

Demand Side Management Cost Recovery Mechanism	Sheet No. 86
Franchise Fee and Local Tax	Sheet No. 90
School Tax	Sheet No. 91

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 1% late payment charge will be assessed on the current month's charges.

IMBALANCES

Company will calculate on a daily and monthly basis the Customer's imbalance resulting from the difference between the metered usage of the Customer and the volumes that the Customer has delivered into Company's system. This will be calculated as follows:

$$\text{Imbalance} = \text{Metered Usage} - \text{Delivered Volume}$$

Company will also determine the imbalance percentage. This percentage will be calculated as follows:

$$\text{Imbalance \%} = \frac{(\text{Metered Usage} - \text{Delivered Volumes})}{\text{Delivered Volume}}$$

The term "day" or "daily" shall mean the period of time corresponding to the gas day as observed by the Pipeline Transporter as adjusted for local time.

DATE OF ISSUE: August 17, 2015

DATE EFFECTIVE: July 1, 2015

ISSUED BY: /s/ Edwin R. Staton, Vice President
State Regulation and Rates
Louisville, Kentucky

Louisville Gas and Electric Company

P.S.C. Gas No. 10, Original Sheet No. 30.4

Standard Rate

FT

Firm Transportation Service (Transportation Only)

CASH-OUT PROVISION FOR MONTHLY IMBALANCES

If the monthly imbalance is negative (an over-delivery into Company's system), Company shall purchase the monthly imbalance from Customer at a price per Mcf which is determined by multiplying the appropriate percentage specified below times the lower of the following: either (a) the lowest daily mid-point price posted in "Platts Gas Daily" for Texas Gas Zone 1 adjusted for Fuel Retention applicable to deliveries to Zone 4 under Texas Gas Transmission, LLC's Rate NNS plus the Commodity Charge and any surcharges applicable to deliveries to Zone 4 under Texas Gas Transmission, LLC's Rate NNS during the month in which the imbalance occurred, or (b) the lowest daily mid-point price posted in "Platts Gas Daily" for Lebanon-Hub adjusted for Fuel Retention applicable to deliveries to Zone 4 under Texas Gas Transmission, LLC's Rate NNS plus the Commodity Charge and any surcharges applicable to deliveries to Zone 4 under Texas Gas Transmission, LLC's Rate NNS during the month in which the imbalance occurred.

The appropriate percentage shall be dependent on the Customer's monthly imbalance percentage to be applied as follows:

When Total Net
Negative Imbalance
Percentage is:

0% to \leq 5%
>5% to \leq 10%
>10% to \leq 15%
>15% to \leq 20%
>20%

The following percentage
shall be multiplied by the
above-determined amount:

100%
90%
80%
70%
60%

If the monthly imbalance is positive (an under-delivery into Company's system), Customer shall purchase the monthly imbalance from Company at a price per Mcf which is determined by multiplying the appropriate percentage specified below times the higher of the following: either (a) the highest daily mid-point price posted in "Platts Gas Daily" for Texas Gas Zone 1 adjusted for Fuel Retention applicable to deliveries to Zone 4 under Texas Gas Transmission, LLC's Rate NNS plus the Commodity Charge and any surcharges applicable to deliveries to Zone 4 under Texas Gas Transmission, LLC's Rate NNS during the month in which the imbalance occurred, or (b) the highest daily mid-point price posted in "Platts Gas Daily" for Lebanon-Hub adjusted for Fuel Retention applicable to deliveries to Zone 4 under Texas Gas Transmission, LLC's Rate NNS plus the Commodity Charge and any surcharges applicable to deliveries to Zone 4 under Texas Gas Transmission, LLC's Rate NNS during the month in which the imbalance occurred.

DATE OF ISSUE: July 10, 2015

DATE EFFECTIVE: July 1, 2015

ISSUED BY: /s/ Edwin R. Staton, Vice President
State Regulation and Rates
Louisville, Kentucky

Issued by Authority of an Order of the
Public Service Commission in Case No.
2014-00372 dated June 30, 2015

Louisville Gas and Electric Company

P.S.C. Gas No. 10, Original Sheet No. 30.5

Standard Rate

FT

Firm Transportation Service (Transportation Only)

The appropriate percentage shall be dependent on the Customer's monthly imbalance percentage to be applied as follows:

When Total Net
Positive Imbalance
Percentage is:

0% to \leq 5%
>5% to \leq 10%
>10% to \leq 15%
>15% to \leq 20%
>20%

The following percentage
shall be multiplied by the
above-determined amount:

100%
110%
120%
130%
140%

The monthly imbalance percentages stated above will be used to calculate the cash-out price for imbalances that fall within each category. For example, a Customer with a monthly imbalance percentage of 9% will cash-out at the 0% to 5% price for 5% of the imbalance and at the 5% to 10% price for 4% of the imbalance.

All such adjustments shall be shown and included on the Customer's monthly bill. The billing of these charges shall not be construed as a waiver by Company of any other rights or remedies it has under law, the regulations of the PSC of Kentucky, or this rate schedule, nor shall it be construed as an exclusive remedy for failure to comply with the provisions of this rate schedule.

VARIATIONS IN MMBTU CONTENT

All gas delivered by Company will be measured and billed on an Mcf basis. Pipeline Transporter delivers to and bills Company on an MMBtu basis. The reconciliation of the actual deliveries by Pipeline Transporter and the Customer's estimated deliveries by Pipeline Transporter occurs through the operation of the cash-out provision. Changes in billings of the cash-out provision caused by variations in the MMBtu content of the gas shall be corrected on the following bill.

UTILIZATION CHARGE FOR DAILY IMBALANCES

Should an imbalance exceed \pm 5% of the delivered volume of gas on any day when an Operational Flow Order (as described below) has not been issued, then Company shall charge the Utilization Charge for Daily Imbalances times the recorded imbalance greater than \pm 5% of the delivered volume of gas for each daily occurrence. The Utilization Charge for Daily Imbalances is the sum of the following:

DATE OF ISSUE: July 10, 2015

DATE EFFECTIVE: July 1, 2015

ISSUED BY: /s/ Edwin R. Staton, Vice President
State Regulation and Rates
Louisville, Kentucky

Issued by Authority of an Order of the
Public Service Commission in Case No.
2014-00372 dated June 30, 2015

Louisville Gas and Electric Company

P.S.C. Gas No. 10, Third Revision of Original Sheet No. 30.6
Canceling P.S.C. Gas No. 10, Second Revision of Original Sheet No. 30.6

Standard Rate

FT

Firm Transportation Service (Transportation Only)

UTILIZATION CHARGE FOR DAILY IMBALANCES (continued)

Daily Demand Charge:	\$0.1673 per Mcf
Daily Storage Charge:	<u>\$0.1833</u>
Utilization Charge for Daily Imbalances:	\$0.3506 per Mcf

Note: The Daily Demand Charge may change with each filing of the GSCC.

These charges are in addition to any other charges set forth herein. The Utilization Charge for Daily Imbalances will not be applied to daily imbalances which do not exceed $\pm 5\%$ of the delivered volume unless an OFO has been issued. If an OFO has been issued, the Utilization Charge for Daily Imbalances shall apply to daily imbalances which exceed 0% for customers in violation of the OFO directive, either "condition (a)" or "condition (b)" as applicable and further described below under "Operational Flow Orders." Customers not in violation of the OFO directive, either "condition (a)" or "condition (b)" as applicable, will continue to be assessed the Utilization Charge for Daily Imbalances on volumes which exceed the 5% daily tolerance. Company shall not have an obligation to provide balancing service for any volumes of gas hereunder.

OPERATIONAL FLOW ORDERS

Company shall have the right to issue an Operational Flow Order ("OFO") which will require actions by Customer to alleviate conditions that, in the sole judgment of Company, jeopardize the operational integrity of Company's system. Customer shall be responsible for complying with the directives contained in the OFO.

Notice of an OFO shall be provided to Customer at least twenty-four (24) hours prior to the beginning of the gas day for which the OFO is in effect and shall include information related to the OFO. Customer shall respond to an OFO by adjusting its deliveries to Company's system as directed in the OFO within the specified timeframe. If Customer is a member of an FT Pool, it is the responsibility of the FT Pool Manager, not Company, to convey OFOs to Customers in its FT Pool.

Upon issuance of an OFO, Company will direct Customer to comply with one of the following conditions: (a) Customer must take delivery of an amount of natural gas from Company that is no more than the daily amount being delivered by the Pipeline Transporter to Company for Customer; or (b) Customer must take delivery of an amount of natural gas from Company that

DATE OF ISSUE: April 15, 2016

DATE EFFECTIVE: May 1, 2016

ISSUED BY: /s/ Robert M. Conroy, Vice President
State Regulation and Rates
Louisville, Kentucky

**Issued by Authority of an Order of the
Public Service Commission in Case No.
2016-00137 dated April 8, 2016**

Louisville Gas and Electric Company

P.S.C. Gas No. 10, Original Sheet No. 30.7

Standard Rate

FT

Firm Transportation Service (Transportation Only)

OPERATIONAL FLOW ORDERS (continued)

is no less than the daily amount being delivered by the Pipeline Transporter to Company for Customer. Customer shall respond to an OFO by either adjusting its deliveries to Company's system or its consumption at its facility. All volumes taken by Customer in excess of volumes delivered by Pipeline Transporter to Company for Customer in violation of the above "condition (a)" OFO shall constitute an unauthorized receipt by Customer from Company. All volumes taken by Customer less than volumes delivered by Pipeline Transporter to Company for Customer in violation of the above "condition (b)" OFO shall constitute an unauthorized delivery by Customer to Company. Unauthorized receipts or deliveries during the effectiveness of an OFO shall be subject to an OFO Charge per Mcf for each Mcf of unauthorized receipts or deliveries, as applicable. Customer shall be subject to the OFO Charge on the day for which the OFO was violated, plus the applicable UCDI charges and any other charges under this rate schedule for such unauthorized receipts or deliveries that occur.

Company may, in its sole discretion, issue an OFO to an individual Customer or an individual Pool Manager taking service under Rider PS-FT without issuing an OFO to all Customers taking service under Rate FT or without issuing an OFO to all Pool Managers taking service under Rider PS-FT.

The OFO Charge per Mcf shall be equal to \$15.00 plus the higher of the following: either (a) the daily mid-point price posted in "*Platts Gas Daily*" for Texas Gas Zone 1 adjusted for Fuel Retention applicable to deliveries to Zone 4 under Texas Gas Transmission, LLC's Rate NNS plus the Commodity Charge and any surcharges applicable to deliveries to Zone 4 under Texas Gas Transmission, LLC's Rate NNS for the day on which the OFO was violated, or (b) the daily mid-point price posted in "*Platts Gas Daily*" for Lebanon-Hub adjusted for Fuel Retention applicable to deliveries to Zone 4 under Texas Gas Transmission, LLC's Rate NNS plus the Commodity Charge and any surcharges applicable to deliveries to Zone 4 under Texas Gas Transmission, LLC's Rate NNS for the day on which the OFO was violated. Such OFO Charge shall be in addition to any other charges under this rate schedule.

Company will not be required to provide service under this rate schedule for any Customer that does not comply with the terms or conditions of an OFO. Payment of OFO Charges hereunder shall not be considered an exclusive remedy for failure to comply with the OFO, nor shall the payment of such charges be considered a substitute for any other remedy available to Company.

OPTIONAL SALES AND PURCHASE TRANSACTION

Customer may agree to sell its natural gas supplies to Company, and Company may agree to purchase natural gas supplies from Customer pursuant to Company's Curtailment Rules. If Company purchases natural gas from Customer, such gas will not be redelivered to Customer, and Customer shall discontinue or otherwise interrupt the usage of such natural gas.

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State Regulation and Rates
Louisville, Kentucky

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Louisville Gas and Electric Company

P.S.C. Gas No. 10, Original Sheet No. 30.8

Standard Rate

FT

Firm Transportation Service (Transportation Only)

RETURN TO FIRM SALES SERVICE

Return to firm sales service is contingent upon the ability of Company to secure the appropriate quantities of gas supply and transportation capacity with Company's Pipeline Transporter, as determined solely by Company.

REMOTE METERING

Remote metering service shall be required as a prerequisite to the Customer obtaining service under this rate schedule. The remote metering devices will allow Company and Customer to monitor the Customer's usage on a daily basis and allow Company to bill the Customer.

The Customer shall reimburse Company for the cost of this remote metering equipment and the cost of its installation, including any modifications to Company facilities and the replacement of any existing meters required in order to facilitate the functioning of the remote metering.

The Customer shall be responsible for making any necessary modifications to its facilities, including, but not limited to, any modifications of Customer's piping, in order to facilitate the installation and operation of such remote metering.

The Customer shall be responsible for providing the necessary and adequate electric and telephone service to provide remote metering by October 1 of the year that the Customer's Rate FT service becomes effective. Electric and telephone services installed for this equipment shall conform to Company's specifications. The Customer shall be responsible for maintaining the necessary and adequate electric and telephone service to provide remote metering.

SPECIAL TERMS AND CONDITIONS

1. Service under this rate schedule shall be performed under a written contract between Customer and Company setting forth specific arrangements as to the volumes to be transported by Company for Customer, Delivery Points, timing of receipts and deliveries of gas by Company, and any other matters relating to individual Customer circumstances.
2. As further described below, Customer shall specify to Company the daily volume of gas required by Customer. Such volume shall be stated in Mcf/day and converted to MMBtu/day using a standard conversion factor as may be specified by Company from time to time. At least ten (10) days prior to the beginning of each month, Customer shall provide Company with a schedule setting forth daily volumes of gas to be delivered into Company's

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Firm Transportation Service (Transportation Only)

SPECIAL TERMS AND CONDITIONS (continued)

system for Customer's account. Any changes in nominated volumes, as well as any other information required to effectuate the delivery of such gas to Company by the Pipeline Transporter, shall be provided by Customer to Company no later than 10:00 a.m. Eastern Clock Time on the day prior to the day(s) for which volumes are scheduled to flow. Only those volumes actually confirmed by Company and scheduled on the Pipeline Transporter are considered nominated volumes. Company shall not be obligated to accept from Customer daily nominations, or changes thereto, that are made after the daily deadline for such nominations as set forth above or that are made on weekend days or holidays as such are observed by Company. Company will not be obligated to utilize its underground storage capacity for purposes of this service.

3. In no case will Company be obligated to deliver gas, including both gas transported and gas sold, to Customer in greater volumes or at greater rates of flow than those specified in the written contract between Customer and Company. The maximum daily volume that Company shall be obligated to deliver shall be referred to as the Maximum Daily Quantity ("MDQ"). The MDQ is the maximum daily volume of gas, as determined by Company, based on Customer's historical daily metered volumes. In the event that historical daily metered volumes are not available, Company will determine the MDQ based upon data provided by Customer and/or monthly metered data. Once historical daily metered data becomes available, the MDQ will be subject to revision by Company on an annual basis.
4. Volumes of gas transported hereunder will be determined in accordance with Company's measurement base as set forth in the Terms and Conditions of this Tariff.
5. All volumes of natural gas received by Company for Customer shall meet the specifications established by Pipeline Transporter.
6. Company will have the right to curtail or interrupt the transportation or delivery of gas to any Customer hereunder when, in Company's judgment, such curtailment is necessary to enable Company to respond to an emergency or force majeure condition.
7. Should Customer be unable to deliver sufficient volumes of transportation gas to Company's system, Company will not be obligated hereunder to provide standby quantities for purposes of supplying such Customer requirements.

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Standard Rate

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SPECIAL TERMS AND CONDITIONS (continued)

8. Company shall not be required to render service under this rate schedule to any Customer that fails to comply with any and all of the terms and conditions of this rate schedule.

TERMS AND CONDITIONS

Service under this rate is subject to Company's Terms and Conditions governing the supply of gas service as incorporated in this Tariff, to the extent that such Terms and Conditions are not in conflict with nor inconsistent with the specific provisions hereof.

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