

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LOUISVILLE )  
GAS AND ELECTRIC COMPANY FOR AN ) CASE NO.  
ADJUSTMENT OF ITS ELECTRIC AND GAS ) 2016-00371  
RATES AND FOR CERTIFICATES OF PUBLIC )  
CONVENIENCE AND NECESSITY )

O R D E R

Louisville Gas and Electric Company (“LG&E”) is a combination electric and gas utility that generates, transmits, distributes, and sells electricity to consumers in Jefferson County, Kentucky, and in portions of eight other Kentucky counties.<sup>1</sup> LG&E also purchases, stores, and transports natural gas and distributes and sells natural gas at retail in Jefferson County and portions of 16 other Kentucky counties.<sup>2</sup> Its most recent general rate increase was granted in Case No. 2014-00372.<sup>3</sup>

BACKGROUND

On October 21, 2016, LG&E filed a notice of its intent to file an application for approval of an increase in its electric and gas rates based on a forecasted test year ending June 30, 2018. On November 23, 2016, LG&E filed its application, which included new rates to be effective January 1, 2017, based on a request to increase electric revenues

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<sup>1</sup> Application, ¶ 2.

<sup>2</sup> *Id.*

<sup>3</sup> Case No. 2014-00372, *Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates* (Ky. PSC June 30, 2015).

by \$93.6 million, or 8.5 percent per year for the forecasted test period ending June 30, 2018, compared to the operating revenues for the forecasted test period under existing electric rates.<sup>4</sup> LG&E also sought an increase in its gas rates that would result in an increase in revenues of approximately \$13.8 million, which would represent a 4.2 percent increase over current rates.<sup>5</sup> The proposed increase in electric rates would raise the monthly bill of an average residential electric customer by \$9.65, or 9.5 percent.<sup>6</sup> The average LG&E residential electric customer consumes approximately 957 kilowatt (“kWh”) of electricity per month.<sup>7</sup> The proposed increase in gas rates would raise the monthly bill of an average residential gas customer by \$2.99, or 5 percent.<sup>8</sup> The average LG&E residential gas customer consumes approximately 55 Ccf of gas per month.<sup>9</sup>

LG&E’s application also included requests Certificates of Public Convenience and Necessity (“CPCNs”) to implement an Advanced Meter System (“AMS”) and a Distribution Automation system (“DA”). LG&E stated that the AMS project would involve replacing approximately 418,000 electric meters and adding 322,000 AMS gas indices, which would have two-way communications capabilities.<sup>10</sup> The AMS electric meters would also be equipped with remote service switching capabilities.<sup>11</sup> The estimated capital cost of the

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<sup>4</sup> Application, ¶ 6.

<sup>5</sup> Application, ¶ 8.

<sup>6</sup> Application, ¶ 7.

<sup>7</sup> *Id.*

<sup>8</sup> Application, ¶ 9.

<sup>9</sup> *Id.*

<sup>10</sup> Application, ¶ 16.

<sup>11</sup> *Id*

proposed AMS project is \$119 million for LG&E electric and \$55 million for LG&E gas.<sup>12</sup> According to LG&E, the AMS project would result in incremental operation and maintenance (“O&M”) cost during the deployment phase of \$13 million for LG&E electric and \$2.5 million for LG&E gas.<sup>13</sup> The deployment period was expected to begin in late 2017 and be completed by the end of 2019.<sup>14</sup> LG&E also requested authority to establish a regulatory asset for the remaining net book value of the electric meters retired as a result of the proposed AMS project.<sup>15</sup> LG&E estimated that the amount of this regulatory asset would be approximately \$12.1 million.<sup>16</sup> In connection with the proposed AMS project, LG&E also sought deviations from certain regulations dealing with meter inspections and testing.

According to LG&E, the proposed DA project involves the extension of intelligent control over electric power grid functions to the distribution system level.<sup>17</sup> The project would enable LG&E’s distribution system to provide real-time information and allow for remote monitoring, remote control, and automation of distribution line equipment.<sup>18</sup> For both LG&E and Kentucky Utilities Company (“KU”), LG&E’s sister company,<sup>19</sup> the total

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<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> Application, ¶ 35.

<sup>16</sup> *Id.*

<sup>17</sup> Application, ¶ 25.

<sup>18</sup> *Id.*

<sup>19</sup> KU has also filed a base rate application seeking, among other things, an increase in its electric rates. That application is docketed as Case No. 2016-00370, *Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates and for Certificates of Public Convenience and Necessity* (Application filed Nov. 23, 2016).

capital cost of the proposed DA project is approximately \$112 million.<sup>20</sup> The project would be completed in approximately seven years.<sup>21</sup> Of the total capital expenditure, LG&E estimated \$23 million to be incurred before the end of the forecasted test year on June 30, 2018.<sup>22</sup> LG&E and KU (jointly “Companies”) estimated the O&M expense related to the proposed DA project to be \$6 million over the seven-year implementation period, \$1.16 million of which would be incurred before the end of the forecasted test year.<sup>23</sup> The DA project would affect approximately 20 percent of the Companies’ circuits, 40 percent of the Companies’ distribution line miles, and 50 percent of the Companies’ customers.<sup>24</sup>

LG&E also requested that its Gas Line Tracker Mechanism (“GLT”) rates be updated for services rendered on and after July 1, 2017.<sup>25</sup> With the conclusion of the GLT service riser and main replacement projects, LG&E proposed to implement a \$101 million, 15-year program to replace steel customer service lines, known as the Gas Service Line Replacement Program,<sup>26</sup> and a \$60 million, three-year program to replace 15.5 miles of 45–60 year old transmission pipeline, known as the Transmission Pipeline Modernization Program.<sup>27</sup> LG&E proposed changes to its GLT tariff to accommodate its proposed addition of the Transmission Pipeline Modernization Program. The Firm

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<sup>20</sup> Application, ¶ 32.

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*, ¶ 33.

<sup>24</sup> *Id.*, ¶ 25.

<sup>25</sup> *Id.*, ¶ 42.

<sup>26</sup> *Id.*, ¶ 43.

<sup>27</sup> *Id.*, ¶ 44.

Transportation FT Rate Schedule and the new SGSS and LGDS schedules are proposed to be added to GLT recovery for the transmission project.<sup>28</sup> All GLT projects prior to July 1, 2017, have been removed from GLT rate base.<sup>29</sup> GLT service charges going forward are proposed to reflect recovery of the proposed Gas Service Line Replacement Program and Transmission Pipeline Modernization Program.<sup>30</sup>

LG&E estimated that it would receive approximately \$522,000 of jurisdictional reservation and termination fees in connection with agreements related to the refined coal production facilities at the Companies' Ghent, Mill Creek, and Trimble County Generating Stations.<sup>31</sup> Pursuant to Case No. 2015-00264,<sup>32</sup> LG&E had been recording these proceeds as a regulatory liability and it now proposes to amortize this regulatory liability over three years.<sup>33</sup>

Lastly, LG&E also submitted a depreciation study in support of its application and requests that its proposed depreciation rates be approved.

Pursuant to the Commission's December 13, 2016 Order, LG&E's new rates, which were proposed to become effective on January 1, 2017, were suspended for six months, up to and including June 30, 2017. The December 13, 2016 Order also established a procedural schedule, which provided for a deadline for filing intervention

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<sup>28</sup> *Id.*, ¶ 42.

<sup>29</sup> *Id.*

<sup>30</sup> *Id.*, ¶¶ 43-44.

<sup>31</sup> *Id.*, ¶ 45.

<sup>32</sup> Case No. 2015-00264, *Application of Louisville Gas and Electric Company and Kentucky Utilities Company Regarding Entrance into Refined Coal Agreements, for Proposed Accounting and Fuel Adjustment Clause Treatment, and for Declaratory Ruling* (Ky. PSC Nov. 24, 2015).

<sup>33</sup> Application, ¶ 45.

requests; two rounds of discovery upon LG&E's application; a deadline for the filing of intervenor testimony; one round of discovery upon any intervenor testimony; and an opportunity for LG&E to file rebuttal testimony.

The following parties were granted intervention in this proceeding: the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"); Kentucky Industrial Utility Customers, Inc. ("KIUC"); Kroger Company ("Kroger"); Wal-Mart Stores East, LP and Sam's East, Inc. (jointly "Wal-Mart"); Kentucky School Boards Association ("KSBA"); Kentucky Cable Telecommunications Association ("KCTA"); Amy Waters and Sierra Club (jointly "Sierra Club"); BellSouth Telecommunications, LLC d/b/a AT&T Kentucky ("AT&T"); Department of Defense and all other Federal Executive Agencies ("DOD/FEA"); Association of Community Ministries ("ACM"); Metropolitan Housing Coalition ("MHC"); Louisville/Jefferson County Metro Government ("Louisville Metro"); and JBS Swift & Co. ("JBS").

Informal conferences ("IC") were held at the Commission's offices on April 12, 13, and 17, 2017, which resulted in all of the parties to this matter, with the exception of AT&T and KCTA, reaching a settlement agreement in principle on all issues other than those involving the Companies' proposed Rate PSA – Pole and Structure Attachment Charges.<sup>34</sup> On April 19, 2017, LG&E and KU filed a motion requesting leave to submit the written Stipulation and Recommendation ("First Stipulation") intended to address all of the issues, except for the proposed Rate PSA tariff, in the two respective rate cases. An additional IC was held on April 25, 2017, for the limited purpose of discussing and

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<sup>34</sup> The informal conferences were jointly held to discuss issues in the instant matter and to discuss issues related to the KU rate case, Case No. 2016-00370.

possibly resolving the issues associated with the Companies' proposed Rate PSA tariff. The Companies, KCTA, and AT&T were able to reach an agreement in principle for the resolution of all material issues pertaining to the proposed Rate PSA tariff. On May 1, 2017, LG&E and KU filed a motion requesting leave to submit the written Second Stipulation and Recommendation ("Second Stipulation"), which addresses all of the issues related to the Companies' proposed Rate PSA tariff.

The Commission held information sessions and public meetings for the purpose of taking public comments on April 11, 2017, in Louisville, Kentucky, at Jefferson Community and Technical College, and on April 12, 2017, in Madisonville, Kentucky, at Madisonville Community College.

A formal hearing was held on May 9, 2017, for the purposes of cross-examination of all witnesses and for the consideration of the two stipulations.<sup>35</sup> Pursuant to a May 3, 2017 Order, the Commission required all of the Companies' employee witnesses as well as the Companies' consultant Steven Seelye, KIUC's witness Stephen Baron, and KSBA's witness Ronald Willhite to be present at the hearing.<sup>36</sup> The May 3, 2017 Order provided the parties to this matter an opportunity to cross-examine any of the other witnesses and, accordingly, directed the parties to the two cases to submit written notice on or before May 5, 2017, setting forth the name of each witness that party intended to cross-examine at the formal hearing.<sup>37</sup> The May 3, 2017 Order noted that in the absence of a notice identifying witnesses whose attendance was not required by the Commission,

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<sup>35</sup> See May 3, 2017 Order at 2.

<sup>36</sup> *Id.* at 3.

<sup>37</sup> *Id.*

the parties would be deemed to have waived cross-examination of those witnesses. None of the parties submitted a notice, and the only witnesses presented for cross-examination were those set forth above as named in the May 3, 2017 Order.

LG&E filed responses to post-hearing data requests on May 26, 2017, and on June 9, 2017. KSBA filed responses to post-hearing data requests on May 26, 2017. All the parties also filed post-hearing statements indicating they would not object to, or withdraw from, the First Stipulation regardless of whether all schools, including non-public schools, are included in the optional pilot program for schools as set forth in Article IV, paragraph 4.11 of the First Stipulation. On May 31, 2017, the AG, Sierra Club, MHC, ACM, Louisville Metro, Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. ("CAC"), and Lexington-Fayette Urban County Government ("LFUCG")<sup>38</sup> filed a joint post-hearing brief in the instant matter and in the KU rate proceeding recommending approval of the Residential Basic Service Charge as set forth in the First Stipulation. On May 31, 2017, LG&E, KIUC, and Kroger filed their respective post-hearing briefs recommending approval of the First and Second Stipulations. On June 1, 2017, KSBA filed a separate post-hearing brief addressing the legality of the optional pilot school rate tariffs. LG&E and the AG filed their respective briefs on the pilot school tariff issue on June 2, 2017. KSBA and the AG contend that the school-related pilot tariffs do not violate KRS 278.035 because the proposed tariffs set forth a reasonable classification and would not be preferential, given the unique load characteristics and usage patterns of schools as compared to the other customers in their existing rate classes. The AG also pointed out that all public and private schools have similar load and usage

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<sup>38</sup> CAC and LFUCG are parties to the KU rate case, Case No. 2016-00370.

characteristics, making them a homogenous group, which made it reasonable to include in the pilot school tariff private schools that might wish to participate. The AG opined that “[a]s long as potential school participants to the pilot electric school tariffs are afforded equal opportunity to participate, the pilot electrical tariffs cannot be said to be ‘preferential’ within the meaning of KRS 278.035.”<sup>39</sup> Similarly, LG&E contends that the pilot school tariffs do not provide a publicly funded entity an entitlement to service under that rate, and because the pilot tariffs are a reasonable means of gathering data to determine whether such tariffs should be made generally available service offerings. KSBA, LG&E, and the AG all indicated that they did not object to modifying the First Stipulation to allow schools not covered by KRS 160.325, i.e., non-public schools, to participate in the pilot tariffs.

#### FIRST STIPULATION

The First Stipulation reflects the agreement of all of the parties to the two cases, with the exception of KCTA and AT&T, addressing all issues not related to pole attachments. A summary of the provisions contained in the First Stipulation is as follows:

- LG&E agrees to withdraw the CPCN request to implement the AMS project and will initiate an AMS collaborative involving the Companies and all interested parties to these proceedings to discuss any concerns about AMS.<sup>40</sup>
- LG&E will be issued a CPCN to implement the DA project.
- LG&E Electric revenue will increase by \$59.4 million and LG&E Gas revenue will increase by \$7.5 million.
- The stipulated level of revenue associated with the electric operations were adjusted by: 1) removal of AMS cost recovery; 2) reduction of Return on

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<sup>39</sup> AG’s Post-Hearing Brief Regarding School Board Pilot Tariff at 7–8.

<sup>40</sup> Because LG&E has agreed to withdraw its CPCN request to implement the AMS project, the company is also withdrawing its request to establish a regulatory asset for those electric meters that would have been retired as a result of the AMS project and the requests to deviate from certain regulations governing meter inspections and testing. See May 9, 2017 Hearing at 2:22:09.

Equity ("ROE") to 9.75 percent; 3) revised depreciation rates; 4) updated five-year average for uncollectible debt expense; 5) use of an eight-year average of generator outage expenses, based upon four-years' historical expenses and four-years' forecasted expenses; and 6) adjustment to construction work in progress capital slippage.

- The stipulated level of revenue associated with the LG&E gas operation was adjusted by: 1) removal of AMS cost recovery; 2) reduction of ROE to 9.75 percent; 3) revised depreciation rates; and 4) updated five-year average for uncollectible debt expense.
- The agreed-to revenue allocations are set forth in Exhibits 5 and 6 of the First Stipulation.
- The Basic Service Charge will increase to \$11.50 effective July 1, 2017, and to \$12.25 effective July 1, 2018, for LG&E Electric and KU Rates RS, VFD, RTOD-Energy and RTOD-Demand.
- The Basic Service Charge for LG&E Gas Rates RGS and VFD will increase to \$16.35.
- Current CSR customers may choose between Option A and Option B.
  - Option A reflects the Companies' as-filed proposition.
  - Option B reflects the following modifications to the existing CSR tariff:
    - credits for both Companies of \$6.00 per kVA-month (primary) and \$5.90 per kVA-month (transmission);
    - LG&E may request physical curtailment when more than ten of the utility's primary combustion turbines ("CTs") are being dispatched, irrespective of whether the utility is making off-system sales. A CSR customer may avoid a physical curtailment by buying through at the Automatic Buy-Through Price.
- LG&E agrees to recover costs related to its proposed Transmission Modernization and Steel Service Line Replacement Programs through its GLT mechanism for five years ending June 30, 2022, after which time any remaining costs for such programs will be recovered through base rates.
- LG&E agrees to revise its proposed Rate Substitute Gas Sales Service such that monthly billing demand will be based on the greatest of (1) Maximum Daily Quantity ("MDQ"); (2) current month's highest daily volume

of gas delivered; or (3) 70 percent of the highest daily volume of gas delivered during the previous 11 monthly billing periods.

- LG&E and KU agree to add a voluntary sports-field-lighting rate schedule, Pilot OSL – Outdoor Sports Lighting Service, on a pilot basis limited to 20 participants per company and will utilize a time-of-day rate structure.
- LG&E and KU agree not to split their residential and general service electric energy charges into Infrastructure and Variable components as proposed.
- LG&E and KU agree to file a study in their next rate cases regarding the impacts of 100 percent base demand ratchets for Rate TODS.
- For customers with their own generation, for 60 minutes following a utility-system fault, LG&E and KU agree to not use any demand data for a Rate TODP customer to set billing demand.
- LG&E and KU agree to add an optional pilot tariff for schools subject to KRS 160.325. LG&E's and KU's pilot rate provisions will be available to new participants until the total projected revenue reduction for each company is \$750,000 annually, compared to the projected annual revenues for the participating schools under the rates under which the schools would otherwise be served.
- LG&E and KU agree to file an application no later than December 31, 2017 proposing a two-year extension of the School Energy Managers Program (from July 1, 2018, through June 30, 2020) with a proposed total annual level of funding of \$725,000.
- LG&E and KU agree to fund a study concerning economical deployment of electric bus infrastructure in the Louisville and Lexington areas, as well as cost-based rate structures related to charging stations and other infrastructure needed for electric buses.
- LG&E and KU agree to establish an LED Lighting Collaborative involving Louisville Metro, LFUCG and any other interested parties to these proceedings.
- LG&E agrees to continue its monthly residential Home Energy Assistance (“HEA”) charge at \$0.25 per month, which will remain effective until the effective date of new base rates for LG&E following its next general base rate case.

- LG&E and KU agree to commit to contribute a total of \$1.45 million of shareholder funds per year, which will remain in effect through June 30, 2021. These shareholder funds will be applied as follows:
  - From KU, \$100,000 for Wintercare and \$470,000 for HEA. CAC administers both programs. KU agrees that up to 10 percent of its total contributions to CAC may be used for reasonable administrative expenses.
  - From LG&E, \$700,000 to ACM for utility assistance and \$180,000 for HEA. LG&E agrees that up to 10 percent of its total contributions to ACM may be used for reasonable administrative expenses.

The First Stipulation results in the monthly bill of an average LG&E electric residential customer increasing by \$6.77, or 6.7 percent, and for an average residential gas customer by \$1.47, or 2.44 percent. A summary of the impact of the First Stipulation on LG&E's revenue requirements for its electric and gas operations are as follows.

- **Electric Operations.** The parties agreed in the First Stipulation to reduce LG&E Electric's requested revenue increase from \$94.1 million to \$59.4 million. The adjustments to LG&E Electric's requested revenue requirement are discussed further below.
  - A. **Advanced Metering System.** As previously discussed, LG&E requested that the Commission grant a CPCN to install AMS in its service territory. As part of the First Stipulation, the Companies agreed to withdraw their request for the CPCN and to establish a collaborative to discuss the parties' concerns and seek to address them. In the test year, the cumulative effect of the withdrawal of the CPCN on the revenue requirement of LG&E Electric is a reduction of \$5.2 million.
  - B. **Return on Equity.** The agreement to reduce the ROE to 9.75 percent results in a decrease to LG&E Electric's revenue requirement of \$10.1 million.
  - C. **Depreciation.** LG&E proposed to revise its depreciation rates based upon depreciation studies that were performed by John Spanos of the firm Gannett Fleming Valuation and Rate Consultants, LLC. The parties to the First Stipulation agreed to revise LG&E Electric's proposed depreciation rates,

resulting in a revenue-requirement reduction of \$10.1 million. The revised depreciation rates will also reduce LG&E Electric's environmental cost recovery revenue requirement by \$16.8 million. The impact will be included in the environmental cost recovery filing made for the July 2017 expense month.

- D. Uncollectibles Expense. LG&E Electric proposed to use uncollectible factors based on using a five-year average of write-offs to revenues for the period 2011 through 2015. The First Stipulation uses an updated five-year period, 2012 through 2016, to reduce LG&E Electric's revenue requirement by \$0.3 million.
  - E. Normalize Generation Outage. LG&E Electric proposed \$63.814 million in generation outage expense for the test year, which exceeded its five-year average of \$58.873 million. In the First Stipulation, the parties agreed to use an eight-year average expense, four years of historical expenses and four years of forecasted expenses. This approach reduces LG&E Electric's revenue requirement by \$8.5 million.
  - F. Construction Work In Progress Capital Slippage. The First Stipulation reflects a slippage factor to eliminate over estimation in construction budgeting. The slippage factor reduces LG&E Electric's requested revenue requirement by \$0.4 million.
- **Gas Operations**. LG&E Gas requested a revenue increase of \$13.4 million in its application, but the parties agreed to a reduced revenue increase of \$7.5 million in the First Stipulation. The First Stipulation adjustments to LG&E Gas's requested revenue requirement are discussed further below.
    - A. AMS. The withdrawal of LG&E's request for a CPCN to install AMS reduces LG&E Gas's revenue requirement by \$0.7 million.
    - B. Return on Equity. The parties to the First Stipulation agreed to a ROE of 9.75 percent resulting in a decrease to LG&E Gas's revenue requirement of \$2.9 million.
    - C. Depreciation. The revised depreciation rates in the First Stipulation reduces LG&E Gas's revenue requirement by \$2.9 million.

D. Uncollectibles Expense. The updated write-off period used in the First Stipulation reduces LG&E Gas's revenue requirement by \$0.1 million.

- **First Stipulation Summary**. The table below reflects the impact each First Stipulation adjustment has on LG&E Electric and LG&E Gas.

	LG&E Electric	LG&E Gas
Proposed Revenue Requirement	\$ 94.1 million	\$ 13.4 million
Remove AMS	(5.2) million	(0.7) million
9.75% Return on Equity	(10.1) million	(2.9) million
Revised Depreciation Rates	(10.1) million	(2.1) million
KU Refined Coal Revenues	million	million
Uncollectible Expense	(0.3) million	(0.1) million
Generator Outage Expenses	(8.5) million	million
CWIP Capital Slippage	<u>(0.4) million</u>	<u>million</u>
Stipulated Revenue Requirements	<u>\$ 59.4 million</u>	<u>\$ 7.5 million</u>

## SECOND STIPULATION

The Second Stipulation reflects the agreement of LG&E, AT&T, and KCTA as to the terms and conditions of LG&E's pole and structure attachment charges contained in Tariff PSA. The major substantive areas addressed in the Second Stipulation are as follows:

- Agreement on LG&E's attachment charges for pole-top wireless facilities;<sup>41</sup>
- Agreement on LG&E's attachment charges for mid-pole wireless facilities;<sup>42</sup>
- Amendment of the terms and conditions set forth in LG&E's proposed Tariff PSA rate schedule.<sup>43</sup>

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<sup>41</sup> Second Stipulation, ¶ 1.2.

<sup>42</sup> *Id.* at ¶ 1.3.

<sup>43</sup> *Id.* at ¶ 1.4.

## ANALYSIS AND FINDINGS

The Commission's statutory obligation when reviewing a rate application is to determine whether the proposed rates are "fair, just, and reasonable."<sup>44</sup> While numerous intervenors with significant experience in rate proceedings and collectively representing a diverse range of customer interests have participated in this case, the Commission cannot defer to the parties as to what constitutes fair, just, and reasonable rates. The Commission must review the record, including the two stipulations, and apply its expertise to make an independent decision as to the level of rates, including terms and conditions of service, that should be approved.

To satisfy its statutory obligation in this case, the Commission has performed its traditional ratemaking analysis, which consists of reviewing the reasonableness of each revenue and expense adjustment proposed or justified by the record, along with a determination of a fair ROE.

### FIRST STIPULATION

Based upon its review of the First Stipulation, the attachments thereto, and the case record including intervenor testimony, the Commission finds that, with the modifications discussed below, the First Stipulation is reasonable and in the public interest. With those modifications, the Commission finds that the First Stipulation was the product of arm's-length negotiations among knowledgeable, capable parties and should be approved. Such approval is based solely on the reasonableness of the modified First Stipulation and does not constitute a precedent on any individual issue.

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<sup>44</sup> KRS 278.030(1).

## Employee Retirement Plans

LG&E maintains a Defined Dollar Benefit Retirement Plan for those employees hired prior to January 1, 2006 (“Pre 2006 DDB Plan”).<sup>45</sup> This plan was closed to new participants and was replaced with a Retirement Income Account (“401(k) Plan”) for those employees hired after January 1, 2006.<sup>46</sup> All employees that were hired prior to January 1, 2006, are eligible to participate in both the Pre 2006 DDB Plan and the 401(k) Plan.<sup>47</sup> LG&E contributes 100 percent of the Pre 2006 DDB Plan costs.<sup>48</sup> LG&E also contributes to the 401(k) Plan between 3 percent to 7 percent<sup>49</sup> of eligible employee compensation and a \$0.70 per dollar match for employee contributions up to 6 percent of the employee’s eligible contribution.<sup>50</sup>

The Commission finds that, for ratemaking purposes, it is not reasonable to include both LG&E Pre 2006 DDB Plan contributions and LG&E’s matching contributions to the 401(k) Plan for the following employee categories: exempt, manager, non-exempt, and officer and director personnel. The Commission chooses not to address similar 401(k) Plan company matching contributions for hourly and bargaining unit employees in

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<sup>45</sup> See LG&E’s response to Commission Staff’s Fourth Request for Information (“Staff’s Fourth Request”), Item 6.

<sup>46</sup> Refer to LG&E’s response to Commission Staff’s First Post-Hearing Request for Information dated May 12, 2017, Item 11. Although throughout this proceeding, LG&E made references to two separate post-2016 retirement plans, the Retirement Income Account and the 401(k) Savings Plan, they are actually the same plan.

<sup>47</sup> *Id.*

<sup>48</sup> Response to Staff’s Fourth Request, Item 6.

<sup>49</sup> The percentage contribution rate depends on the employee’s years of service as of January 1 of that year.

<sup>50</sup> Response to Staff’s Fourth Request, Item 6.

this proceeding, as it is not within the Commission's authority to negotiate or modify bargaining agreements. The Commission will not make a distinction between represented and non-represented hourly groups at this time, but will instead provide an opportunity for LG&E to address these excessive costs for both employee classes prior to its next base rate case as rate recovery of these contributions will be evaluated for appropriateness as part of its next base rate case. Employees participating in the Pre 2006 DDB Plan enjoy generous retirement plan benefits, making the matching 401(k) Plan amounts excessive for ratemaking purposes. Accordingly, the Commission denies for recovery 401(k) Plan matching contributions in the amount of \$1,246,499 before gross-up for LG&E's electric operations and \$407,808 before gross-up for LG&E's gas operations.

#### Return on Equity

In its application, LG&E developed its ROE using the discounted cash flow method ("DCF"), the capital asset pricing model ("CAPM"), the empirical capital asset pricing model ("ECAPM"), the utility risk premium ("RP"), and the expected earnings approach.<sup>51</sup> Based on the results of the methods employed in its analysis, LG&E recommended an ROE range for its electric operations of 9.63 percent to 10.83 percent, including flotation cost.<sup>52</sup> LG&E recommended awarding the midpoint of this range, 10.23 percent, to maintain financial integrity, support additional capital investment and recognize flotation costs.<sup>53</sup> Direct testimony regarding ROE was provided by the AG, DOD/FEA, KIUC, and

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<sup>51</sup> Direct Testimony of Adrien M. McKenzie, CFA ("McKenzie Direct Testimony") at 2.

<sup>52</sup> *Id.*, Exhibit No. 2, page 1 of 1.

<sup>53</sup> *Id.* at 5–6.

Louisville Metro and was subject to discovery by the Commission Staff and all parties.<sup>54</sup>

Per paragraphs 2.2(B) and 3.2(B) of the First Stipulation, LG&E and the intervenors agreed that a ROE of 9.75 percent is reasonable for LG&E's electric and gas operations.<sup>55</sup>

The following table presents the recommended ROEs from LG&E and the intervenors and the methods used to support each parties' findings:

<u>Party</u>	<u>Recommendation</u>	<u>Methods</u>
LG&E	10.23%	DCF, CAPM, ECAPM, RP
AG <sup>56</sup>	8.75% (electric) 8.70% (gas)	DCF, CAPM
DOD <sup>57</sup>	9.35%	DCF, CAPM, RP
KIUC <sup>58</sup>	9.0%	DCF, CAPM
Louisville Metro <sup>59</sup>	8.75 % (electric) 8.70% (gas)	DCF, CAPM
<b>FIRST STIPULATION</b>	<b>9.75%</b>	

In the First Stipulation, all parties agreed that the revenue requirement increases for LG&E's electric and gas operations will reflect a 9.75 percent ROE as applied to LG&E's capitalization and capital structure of the proposed electric and gas revenue requirement increases as modified through discovery. As a result, use of a 9.75 percent ROE reduced LG&E's proposed electric and gas revenue requirement increases by \$10.1 million and \$2.9 million, respectively.<sup>60</sup> For the reasons discussed below, the Commission finds a ROE of 9.75 percent to be unreasonable and higher than required by investors in

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<sup>54</sup> Walmart did not provide an ROE analysis, but pointed out that LG&E's proposed ROE was higher than natural trends and that average ROE awards of vertically integrated utilities in 2015 and 2016 was 9.76 percent.

<sup>55</sup> First Stipulation, at 5 and 9.

<sup>56</sup> AG Direct Testimony of Dr. J. Randall Woolridge, at 67.

<sup>57</sup> DOD Direct Testimony of Christopher C. Walters, at 60.

<sup>58</sup> KIUC Direct Testimony of Richard Baudino, at 28.

<sup>59</sup> Louisville Metro Direct Testimony of J. Randall Woolridge, PhD, at 4.

<sup>60</sup> First Stipulation at 5.

today's economic climate, and that this provision of the First Stipulation should be modified.

While the Commission does not rely on individual returns awarded in other states in determining the appropriate ROE for Kentucky jurisdictional utilities, the Commission does find it reasonable to expect that other state commissions, each with its own attributes, evaluate expert witness testimony which uses the same or similar cost-of-equity models as those presented by the parties participating in this rate proceeding, and reach conclusions based on the data provided in the records of individual cases. The Regulatory Research Associates ("RRA") reports introduced into the record of this proceeding<sup>61</sup> summarize the conclusions reached by state utility regulatory commissions, including this Commission, with regard to reasonable ROEs and contain explanatory reference points as to individual circumstances, all of which are available to investors. To the extent that investors' expectations are influenced by such publications, and we believe they are, we also find it appropriate to use that information to put their expectations in context. In fact, in LG&E's rebuttal testimony, LG&E agreed that allowed ROEs by other state commissions provide a general gauge of reasonableness for the outcome of a cost-of-equity analysis.<sup>62</sup>

The Commission takes notes of the fact that average annual ROE awards by state public service commissions for the last two years have ranged from 9.23 percent to 10.55 percent.<sup>63</sup> Furthermore, the average authorized ROEs reported by RRA for the fourth

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<sup>61</sup> See Rebuttal Testimony of Adrien M. McKenzie, CFA at 11.

<sup>62</sup> Id. at 10.

<sup>63</sup> Id., Exhibit 12.

quarter of 2016 was 9.6 percent.<sup>64</sup> Authorized ROE data reported to investors by The Value Line Investment Survey for the specific firms in LG&E's proxy group indicates that state-allowed ROEs for those utilities were in a range of reasonableness of 9.00 to 12.50 percent.<sup>65</sup>

In 2017, the economic environment has shown signs of relative improvement. In response to increased economic growth and low unemployment, the Federal Reserve increased interest rates in March and June 2017, and current outlooks, including comments from government agencies, show that investors anticipate additional interest rate increases.<sup>66</sup> LG&E's own model produces an ROE, less flotation costs and adjustments, in the range of 9.5–10.7 percent.<sup>67</sup> Even with the current uptick in economic conditions, the economy remains in an era of historically low interest rates and slow economic growth. Therefore, irrespective of the agreement by the parties that a 9.75 percent ROE is appropriate for LG&E, the Commission finds that a slightly lower ROE is a better reflection of current economic conditions and investor expectations. Based on the entire record developed in this proceeding, we find that LG&E's required ROE falls within a range of 9.20 percent to 10.20 percent, with a midpoint of 9.70 percent. An ROE of 9.70 should be used for the purpose of base rate revenues and certain tariffs, as discussed later in this Order.

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<sup>64</sup> *Id.*, at 13.

<sup>65</sup> *Id.*, Exhibit 13.

<sup>66</sup> *Id.*, at 8.

<sup>67</sup> McKenzie Direct Testimony, Exhibit No. 2.

This reduction to the ROE from 9.75 percent to 9.70 percent reduces LG&E's net operating income before income taxes by \$641,522 for LG&E's electric operations and by \$187,156 for its gas operations.

#### Revenue Requirement

As discussed above, the Commission finds the First Stipulation to be reasonable only by eliminating LG&E's 401(k) Plan contributions for the following employee categories: exempt, manager, non-exempt and officer and director personnel, and by reducing the ROE from 9.75 percent to 9.70 percent. These modifications decrease the stipulated revenue requirement for LG&E's electric operations from \$59,400,000 to \$56,302,875, a decrease of \$3,097,125. The stipulated revenue requirement for LG&E's gas operations are reduced from \$7,500,000 to \$6,524,016, a decrease of \$975,984. The impact the modifications have on LG&E's stipulated revenue requirements are shown in the table below.

	LG&E	
	Electric	Gas
LG&E's 401(k) Plan	\$ (1,246,499)	\$ (407,808)
ROE from 9.75% to 9.7%	<u>(641,522)</u>	<u>(187,156)</u>
Impact to Net Operating Income Before Taxes	(1,888,021)	(594,964)
Multiplied by: Gross up Factor	1.640408	1.640408
Revenue Requirement Impact	(3,097,125)	(975,984)
Increase per Stipulation	<u>59,400,000</u>	<u>7,500,000</u>
Net Increase Granted by the Commission	<u>\$ 56,302,875</u>	<u>\$ 6,524,016</u>

### Residential Basic Service Charge

The Commission believes an increase to the Residential Basic Service Charge is warranted, and we find the level of the Year 2 charge to be reasonable. We further find that the two-step increase to \$11.50 in Year 1 and to \$12.25 in Year 2 is unnecessary. The total increase in the Residential Basic Service Charge of \$1.50 is a modest increase from the current level, and the Commission sees no reason to complicate the issue by using a two-step method, which could generate confusion among LG&E's residential customers. The First Stipulation is therefore modified with respect to the Residential Basic Service Charge, and the Year 2 charge of \$12.25 should be approved for service rendered on and after July 1, 2017.

### Optional Pilot Rates for Schools Subject to KRS 160.325

At the formal hearing in this matter, the parties were requested to file post-hearing briefs concerning the legality of the proposed school-related pilot rate tariffs, Rates SPS and STOD, with respect to the applicability of KRS 278.035, and to indicate whether they would object to the modification of the First Stipulation to include schools not covered by KRS 160.325. Briefs submitted by KSBA, LG&E, and the AG acknowledged that the inclusion of non-public schools in the pilot tariffs would avoid a possible violation of KRS 278.035. All parties to this proceeding submitted statements indicating that they had no objection to modification of the First Stipulation to include non-public schools in the pilots.

The Commission finds that the First Stipulation should be modified to include schools not covered by KRS 160.325. The inclusion of non-public schools would rectify any potential conflict with KRS 278.035 and would remove any element of preferential treatment of public schools that could be associated with the pilot tariffs. As previously

stated, the pilot rate provisions will be available to new participants until the total projected revenue reduction is \$750,000 annually for LG&E, compared to the projected annual revenues for the participating schools under the rates under which the schools would otherwise be served. The Commission notes that the parties to this proceeding agreed that the other ratepayers would assume the revenue shortfall resulting from the lower rates set forth in the pilot school tariffs. Therefore, the Commission will place a limit on the amount of time the pilot tariffs will be in effect and finds that the pilot tariffs should be effective for three years, or until LG&E files its next rate case, whichever is earlier. In the event that new base rates are not in effect by July 1, 2020, schools participating in the pilot tariffs should be returned to the tariffs under which they were formerly served. In addition, the Commission finds that LG&E should create a regulatory liability to record the difference between what the schools served under the pilot tariffs would have been billed under the pilot tariffs subsequent to July 1, 2020, and the amounts they are billed under the tariffs to which they are returned. The regulatory liability will be addressed in LG&E's next base rate proceeding. We further find that, within 30 days of the date of this Order, KSBA should file with the Commission the process by which KSBA will notify and select those schools, both public and non-public, that would be eligible to participate in the pilot tariffs.

With regard to the data gathered from the schools participating in the pilot tariffs, the Commission finds that LG&E should file reports with the Commission, beginning six months from the date of this Order and every six months thereafter, which set out details concerning monthly load information, individually and in the aggregate, and indicating preliminary findings as conclusions regarding the schools' load characteristics are

reached. In the event that a future proposal is made either to extend the pilot school tariffs or to make them permanent, this load information will be used to determine whether the schools' load characteristics justify a special rate classification.

#### Collaborative Study Regarding Electric Buses

Although this provision will be funded by shareholder contributions and the Commission does not oppose it, this type of provision pertaining to an unrelated business transaction should be negotiated separately between the individual parties and has no bearing on LG&E's rates as found reasonable herein based on the record of this case. It is therefore superfluous to this regulatory proceeding, contributes nothing to the reasonableness of the First Stipulation, and should be omitted from future ratemaking proceedings.

#### LED Lighting and Electric Bus Study Collaboratives

Pursuant to the provisions of the First Stipulation, LG&E commits to engage in good faith with Louisville Metro, LFUCG, and any other interested parties to this proceeding and the KU rate proceeding in a collaborative to discuss issues related to LED lighting and electric bus infrastructure and rates. While the provisions limit participation to only those parties to the instant rate proceeding and the KU rate proceeding, the Commission finds that the collaboratives should also include the Kentucky Department of Energy Development and Independence, whose mission includes creating efficient, sustainable energy solutions and strategies.

#### Tariff Issues

Sheet No. 97 of LG&E's revised Electric tariff, which was filed with the First Stipulation, the Application for Service section, first paragraph, contained revisions that

were not made to the corresponding Application for Service section on Sheet No. 97 of LG&E's Gas tariff. In response to a Commission Staff Request for Information, LG&E had stated that, due to an oversight, it failed to propose the same changes to both tariffs. The Commission finds that LG&E's compliance tariffs that it is directed to file in ordering paragraph 16 should include the same revisions to the Application for Service sections for both its Electric and Gas tariffs.

LG&E proposed a change to its Gas Supply Clause ("GSC") adjustment on six current rate schedules and one proposed rate schedule of its Gas tariff, to remove the GSC rate from each of the rate schedules that would have to change on a quarterly basis when the GSC is revised. LG&E stated that, should the Commission desire this information and require it at the conclusion of this proceeding, it would comply.<sup>68</sup> With respect to the continued inclusion of the GSC rate on its rate schedules, the Commission finds that it is reasonable for LG&E's customers to be able to find the total delivered commodity rate for sales gas on their respective tariff rate schedules, and that the compliance Gas tariff that LG&E is directed to file in ordering paragraph 16 should include no change to the location of the GSC rate on its gas sales rate schedules.

#### Gas Line Tracker Rate Calculation

Exhibit RMC-1 filed with the Stipulation Testimony of Robert Conroy is an Excel spreadsheet that calculates updated GLT rates. The "ROR" tab includes a Return on Equity component of 10 percent instead of the 9.75 percent included in the Settlement Agreement. In response to a Post-Hearing Request for Information, LG&E provided a

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<sup>68</sup> LG&E's Response to Commission Staff's Third Request for Information, Item 32. This statement was reiterated by witness Robert Conroy at the May 9, 2017 hearing in this matter.

revised sheet showing the impact of using the 9.75 percent ROE in the capital structure. In light of the 9.70 percent ROE found reasonable herein, the Commission finds that the GLT rates should be further revised as set out in Appendix B to this Order to reflect the approved ROE. The Commission further finds that the 9.70 ROE should be used in LG&E's future adjustment of its GLT rates until a new ROE is approved or until the expiration of the GLT, whichever comes first.

#### SECOND STIPULATION

As mentioned previously, LG&E proposed certain changes to its pole attachment tariff in its application. LG&E currently offers the use of spaces on its poles for cable television attachments under Tariff CTAC, Cable Television Attachment Charges ("Tariff CTAC"). LG&E proposed to rename Tariff CTAC to Tariff PSA, Pole and Structure Attachment Charges ("Tariff PSA"), and to expand the tariff to include telecommunications wireline and wireless facilities' attachments, which are not currently covered under Tariff CTAC. LG&E also proposed to modify the rates, terms, and conditions of service for attaching wireline and wireless facilities to its poles.

The Second Stipulation includes the modifications proposed in the application, but also includes additional changes in the rates for pole space use and conditions of service for the placement of an attachment on LG&E's poles. As originally proposed, the Tariff PSA's rate schedule contained three charges: 1) an annual charge of \$7.25 for each wireline pole attachment; 2) an annual charge of \$0.81 for each linear foot of duct; and 3) an annual charge of \$84.00 for each wireless facility attachment. AT&T and KCTA did not object to the charge for wireline and duct attachments, but did object to the annual charge for wireless facility attachments. LG&E estimated that wireless facilities occupy

an average of 11.5 feet on its poles, and calculated the \$84.00 wireless facility attachment charge based on the use of 11.5 feet of pole space at \$7.25<sup>69</sup> per foot of pole. AT&T and KCTA did not challenge the \$7.25 per foot factor in the calculation, but argued that wireless facility attachments occupy far less pole space. The Second Stipulation provides for a charge of \$36.25, based upon a wireless facility attached to the top of a pole using five feet of the pole – one foot for the antenna and four feet of clearance above the power space to maintain a safe working distance between the electric facilities on the pole and the pole top antenna. The Second Stipulation also provides for rates for wireless facilities located mid-pole to be established on a case-by-case basis through special contracts. This provision is based upon the lack of requests for mid-pole wireless facilities, which resulted in a lack of evidence upon which to base a uniform rate for mid-pole wireless facilities.

Another modification is the requirement for a pole-loading study. As originally proposed, Tariff PSA required that a pole-loading study be submitted with each application as a safety and reliability measure. KCTA argued that requiring pole-loading studies for every application provides no appreciable safety or reliability benefit to LG&E, while unnecessarily increasing construction costs and preventing timely deployment of wireless facilities. The Second Stipulation provides that an attachment applicant may attach a pole-load study to the application or, in the alternative, assert that a pole's condition does not warrant the need for a pole-loading study. To confirm the assertion, LG&E may perform a visual inspection of the pole to which the facility is proposed to be

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<sup>69</sup> The Commission approved the rate of \$7.25 per foot in Case No. 2014-00371, *Application of Kentucky Utilities Company for an Adjustment of Its Electric and Rates* (Ky. PSC June 30, 2015).

attached. If LG&E determines that a pole-loading study is needed, the attachment applicant has the option of conducting the pole-loading study itself or requesting that LG&E perform the study. The attachment applicant is responsible for the costs of any visual inspection or pole-loading study that LG&E performs. LG&E contends that the proposed revision to Tariff PSA does not sacrifice safety or system reliability.

The Commission finds that the proposed Tariff PSA with the modifications agreed to in the Second Stipulation is reasonable and that the Second Stipulation should be approved in its entirety.

#### OTHER ISSUES

##### Rate Adjustment

In setting the rates shown in Appendix B, the Commission maintained the basic service charges for each class that were included in the First Stipulation, with the exception that the Year 1 Residential Basic Service Charge was not approved as previously discussed, and is therefore not included. The reduction in LG&E's stipulated revenue increase as found reasonable herein was allocated solely to the electric energy charges and gas volumetric charges of those customer classes for which revenue increases were proposed in the First Stipulation. The reduction to each class's proposed revenue increase was approximately in proportion to the increase set forth in the First Stipulation.

##### Electric Vehicle Supply Equipment Calculation

In response to a Post-Hearing Request for Information, LG&E provided a revised sheet showing the impact on the Electric Vehicle Supply Equipment ("EVSE"), Electric Vehicle Charging Service ("EVC"), and Electric Vehicle Supply Equipment ("EVSE-R")

rates of using the 9.75 percent ROE in the capital structure. In light of the 9.70 percent ROE found reasonable herein, the Commission finds that the EVSE rates should be further revised to reflect the approved ROE. The Commission also finds that since the EVSE, EVC, and EVSE-R rates are based, in part, on the General Service (“GS”) energy rate, the rates should be updated for the change in the GS energy rate approved with this Order. The EVSE, EVC, and EVSE-R rates set out in Appendix B to this Order reflect both revisions.

#### Solar Capacity Charge and Solar Energy Credits

In response to a Post-Hearing Request for Information, LG&E provided a revised sheet showing the impact on the Solar Capacity Charge and Solar Energy Credits of using the 9.75 percent ROE in the capital structure and under each of the corrected cost-of-service studies filed by LG&E in this proceeding. In light of the 9.70 percent ROE found reasonable herein, the Commission finds that the Solar Capacity Charge and Solar Energy Credits should be further revised to reflect the approved ROE. The Commission also finds that the Solar Energy Credits should be revised for Rate Schedules RS, VFD, RTOD-E, RTOD-D, and GS using the average of the amounts provided in response to the post-hearing information request,<sup>70</sup> but revised for the change in ROE and using the energy rates approved herein for Rate Schedules PS, TODS, and TODP. The rates set out in Appendix B to this Order reflect the revisions.

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<sup>70</sup> Response to Commission Staff’s First Post-Hearing Request for Information dated May 12, 2017, Item 6, Attachment LG&E-6-1 and Attachment LG&E-6-2.

### Demand-Side Management (“DSM”)

In response to a Commission Staff Information Request, LG&E stated that upon the implementation of new base rates, the DSM Revenue from Lost Sales component of its DSM cost-recovery mechanism would change to zero.<sup>71</sup> The Commission finds that LG&E compliance tariff that it is directed to file in ordering paragraph 16 should reflect this revision to its DSM cost-recovery mechanism.

### Transmission System Improvement Plan

LG&E is currently implementing a Transmission System Improvement Plan (“Transmission Plan”) aimed at reducing outage occurrence and duration and improving overall reliability of service to its customers.<sup>72</sup> LG&E states that the Transmission Plan contains two primary categories of investment: system integrity and reliability.<sup>73</sup> System integrity involves replacement of aging transmission assets to enhance reliability.<sup>74</sup> The reliability component involves several maintenance programs and capital investment in line sectionalization.<sup>75</sup> LG&E will spend approximately \$28 million between the end of the last base-rate-case test period and the end of the forecasted test period (July 1, 2016 –June 30, 2018) on its Transmission Plan.<sup>76</sup> This spending is part of a total of \$511 million

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<sup>71</sup> LG&E’s response to Commission Staff’s Second Request for Information, Item 11.

<sup>72</sup> Direct Testimony of Paul W. Thompson (“Thompson Testimony”) at 25.

<sup>73</sup> *Id.* at 26.

<sup>74</sup> *Id.*

<sup>75</sup> *Id.*

<sup>76</sup> *Id.* at 27.

in transmission capital investments that LG&E and KU project to spend over the five-year period beginning 2017.<sup>77</sup>

In light of the significant investments that LG&E intends to make pursuant to the Transmission Plan, the Commission will require LG&E to file annual reports, over the five-year Transmission Plan period, detailing the progress on the spend out for the reporting period, the criteria utilized by LG&E to prioritize the various transmission projects, the impact on reliability or other benefits to LG&E's customers resulting from such investments, and outlining the expenditures for the following year.

#### Bullitt County Pipeline CPCN

LG&E included in its application information concerning its plans to construct a new natural gas pipeline in Bullitt County. The new 12-inch pipeline is to be approximately 10–12 miles long and is intended to improve reliability by mitigating the exposure of approximately 9,500 customers to a loss of gas supply from a current one-way feed. Additionally, the new pipeline is intended to allow LG&E to serve growth in Bullitt County by providing additional gas supply to existing gas infrastructure in those areas. LG&E plans to commence this project in 2017, with a targeted completion in early 2019. LG&E states that preliminary cost estimates for the project total approximately \$27.6 million.

LG&E did not request a CPCN for the project, stating that it considers it to be an ordinary extension of its existing gas system in the usual course of business, and that a CPCN therefore is not required under KRS 278.020(1) or 807 KAR 5:001 Section 15. In its post-hearing brief, LG&E reiterated its position that the construction qualifies as an ordinary extension of its system in the usual course of business and requested that the

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<sup>77</sup> *Id.*, 26–27.

Commission determine that no CPCN is required. In the alternative, LG&E pointed out that it had provided all the information necessary to support the award of a CPCN, and requested that the Commission grant it the CPCN authority to carry out the construction of the Bullitt County pipeline.<sup>78</sup> Due to the size of the project, and the fact that Duke Energy Kentucky, Inc. requested and was granted a CPCN by the Commission for similar construction in Case No. 2016-00168,<sup>79</sup> the Commission finds that the construction should be the subject of a CPCN finding.

#### LEGAL STANDARD

KRS 278.020(1) provides, in relevant part, that:

No person, partnership, public or private corporation, or combination thereof shall commence providing utility service to or for the public or begin the construction of any plant, equipment, property, or facility for furnishing to the public any services enumerated in KRS 278.010 . . . and ordinary extensions of existing systems in the usual course of business, until that person has obtained from the Public Service Commission a certificate that public convenience and necessity require the service or construction.

807 KAR 5:001, Section 15(2), provides in part:

New construction or extension. Upon application for a certificate that the present or future public convenience or necessity requires, or will require, the construction or extension of any plant, equipment, property, or facility, the applicant, in addition to complying with Section 14 of this administrative regulation, shall submit with its application:

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<sup>78</sup> LG&E May 31, 2017 Post Hearing Brief at 37.

<sup>79</sup> Case No. 2016-00168, *Application of Duke Energy Kentucky, Inc. for a Certificate of Public Convenience and Necessity Authorizing the Construction of a Gas Pipeline from Walton, Kentucky to Big Bone, Kentucky* (Ky. PSC Nov. 28, 2016).

(a) The facts relied upon to show that the proposed construction or extension is or will be required by public convenience or necessity.

To obtain a CPCN, the utility must demonstrate a need for such facilities and an absence of wasteful duplication.<sup>80</sup>

"Need" requires:

[a] showing of a substantial inadequacy of existing service involving a consumer market sufficiently large to make it economically feasible for the new system or facility to be constructed and operated.

...

The inadequacy must be due either to a substantial deficiency of service facilities, beyond what could be supplied by normal improvements in the ordinary course of business; or to indifference, poor management or disregard of the rights of consumers, persisting over such a period of time as to establish an inability or unwillingness to render adequate service.<sup>81</sup>

"Wasteful duplication" is defined as "an excess of capacity over need" and "an excessive investment in relation to productivity or efficiency, and an unnecessary multiplicity of physical properties."<sup>82</sup> To demonstrate that a proposed facility does not result in wasteful duplication, we have held that the applicant must demonstrate that a thorough review of all alternatives has been performed.<sup>83</sup> Selection of a proposal that

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<sup>80</sup> Kentucky Utilities Co. v. Pub. Serv. Comm'n, 252 S.W.2d 885 (Ky. 1952).

<sup>81</sup> *Id.* at 890.

<sup>82</sup> *Id.*

<sup>83</sup> Case No. 2005-00142, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Construction of Transmission Facilities in Jefferson, Bullitt, Meade, and Hardin Counties, Kentucky* (Ky. PSC Sept. 8, 2005).

ultimately costs more than an alternative does not necessarily result in wasteful duplication.<sup>84</sup>

In reviewing the record, the Commission finds that LG&E's construction of the Bullitt County pipeline would not be a wasteful duplication of any existing facilities and is necessary in order for LG&E to accommodate current and expected system requirements for safe and reliable natural gas service. Based upon the record as developed through discovery and being otherwise sufficiently advised, the Commission finds that a CPCN for construction of the pipeline should be approved, and that, no later than 90 days after the completion of the project, LG&E should file with the Commission a statement of the actual costs of the construction. Prior to incurring any long-term financing related to this project, pursuant to KRS 278.300, LG&E is required to seek Commission approval.

#### LG&E Tariffs

Commission regulation 807 KAR 5:011, Section 4(1), requires each utility to include an accurate index of the city, town, village, or district in which its rates are applicable. The first page of LG&E's electric tariffs reference its service as being available "[i]n the nine counties of the Louisville, Kentucky metropolitan area as depicted on territorial maps as filed with the Public service Commission of Kentucky." The first page of LG&E's gas tariffs reference its service being available "[i]n the seventeen counties of the Louisville, Kentucky metropolitan area as depicted on territorial maps as filed with the Public service Commission of Kentucky." Since those maps are not readily available to

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<sup>84</sup> See Kentucky Utilities Co. v. Pub. Serv. Comm'n, 390 S.W.2d, 175 (Ky. 1965). See also Case No. 2005-00089, *Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity to Construct a 138 kV Transmission Line in Rowan County, Kentucky* (Ky. PSC Aug. 19, 2005).

members of the public, LG&E should revise its tariffs to include a list of the communities in which it serves.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by LG&E are denied.
2. LG&E's motions for leave to file the First and Second Stipulations are granted.
3. The First and Second Stipulations, attached hereto as Appendix A, (without exhibits) are approved with the modifications discussed herein.
4. The rates and charges in Appendix B, attached hereto, are fair, just, and reasonable for LG&E to charge for service rendered on and after July 1, 2017.
5. LG&E is granted a CPCN to implement the DA project as described in the application.
6. Within 30 days of the date of this Order, KSBA shall file with the Commission the process by which it will notify and select those schools that are eligible to participate in the pilot tariffs approved herein.
7. LG&E shall file reports with the Commission as directed herein which set out details concerning the pilot school tariffs study.
8. Beginning June 1, 2018, and continuing over the five-year Transmission Plan period, LG&E shall file an annual Transmission Plan report as discussed herein.
9. LG&E is granted a CPCN for the construction of the Bullitt County natural gas pipeline as described in the application and further described in response to discovery.

10. LG&E shall provide copies of any permits related to the Bullitt County pipeline within ten days of obtaining each permit or approval.

11. LG&E shall, no later than 90 days after the completion of the Bullitt County pipeline, file with the Commission a statement of the actual costs of the construction.

12. LG&E shall file a copy of the "as-built" drawings and a certified statement from the engineer that the Bullitt County pipeline construction has been satisfactorily completed in accordance with the plans and specifications within 60 days of substantial completion of the construction certified herein.

13. LG&E shall require the Bullitt County pipeline construction to be inspected under the general supervision of a professional engineer licensed to practice in the Commonwealth of Kentucky in civil or mechanical engineering to ensure that the construction work is done in accordance with the drawings and specifications and in conformity with the best practices of the construction trades involved in the project.

14. LG&E shall notify the Commission one week prior to the actual start of the Bullitt County pipeline construction and at the 50 percent completion point.

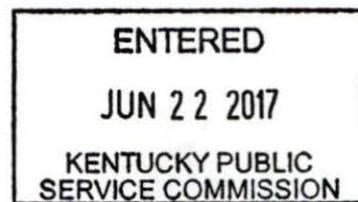
15. LG&E shall not incur any long-term indebtedness associated with the Bullitt County pipeline without applying to the Commission for approval pursuant to KRS 278.300.

16. Within 20 days of the date of this Order, LG&E shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised tariffs, including an index of communities served, as set forth in this Order reflecting that they were approved pursuant to this Order.

17. Any document filed pursuant to ordering paragraphs 6, 7, 8, 10, 11, 12, and 14 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

18. The Executive Director is delegated authority to grant reasonable extension of time for the filing of any documents required by ordering paragraphs 6, 7, 8, 10, 11, 12, and 14 of this Order upon LG&E's showing of good cause for such extension.

By the Commission



ATTEST:

A handwritten signature in blue ink, appearing to read "Adeline R. Mathews".

Adeline R. Mathews

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2016-00371 DATED **JUN 22 2017**

## **STIPULATION AND RECOMMENDATION**

This Stipulation and Recommendation (“Stipulation”) is entered into this 19th day of April 2017 by and between Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (collectively, “the Utilities”); Association of Community Ministries, Inc. (“ACM”); Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (“AG”); Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (“CAC”); United States Department of Defense and All Other Federal Executive Agencies (“DoD”); Kentucky Industrial Utility Customers, Inc. (“KIUC”); Kentucky League of Cities (“KLC”); The Kroger Company (“Kroger”); Kentucky School Boards Association (“KSBA”); Lexington-Fayette Urban County Government (“LFUCG”); Louisville/Jefferson County Metro Government (“Louisville Metro”); Metropolitan Housing Coalition (“MHC”); Sierra Club, Alice Howell, Carl Vogel and Amy Waters (collectively “Sierra Club”); JBS Swift & Co. (“Swift”); and Wal-Mart Stores East, LP and Sam’s East, Inc. (collectively “Wal-Mart”). (Collectively, the Utilities, ACM, AG, CAC, DoD, KIUC, KLC, Kroger, KSBA, LFUCG, Louisville Metro, MHC, Sierra Club, Swift and Wal-Mart are the “Parties.”)

### **WITNESSETH:**

**WHEREAS**, on November 23, 2016, KU filed with the Kentucky Public Service Commission (“Commission”) its Application for Authority to Adjust Electric Rates and For Certificates of Public Convenience and Necessity, *In the Matter of: An Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates and For Certificates of Public Convenience and Necessity*, and the Commission has established Case No. 2016-00370 to review KU’s base rate application, in which KU requested a revenue increase of \$103.1 million;

**WHEREAS**, on November 23, 2016, LG&E filed with the Commission its Application for Authority to Adjust Electric and Gas Rates and For Certificates of Public Convenience and Necessity, In the Matter of: An Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates and For Certificates of Public Convenience and Necessity, and the Commission has established Case No. 2016-00371 to review LG&E's base rate application, in which LG&E requested a revenue increase for its electric operations of \$93.6 million and a revenue increase of \$13.8 million for its gas operations (Case Nos. 2016-00370 and 2016-00371 are hereafter collectively referenced as the "Rate Proceedings");

**WHEREAS**, on February 20, 2017, LG&E filed with the Commission in Case No. 2016-00371 a Supplemental Response to Commission Staff's First Request for Information No. 54 in which LG&E corrected its requested revenue increases for its electric operations to be \$94.1 million and for its gas operations to be \$13.4 million;

**WHEREAS**, the Commission has granted full intervention in Case No. 2016-00370 to the AG, BellSouth Telecommunications, LLC d/b/a AT&T Kentucky ("AT&T"), CAC, Kentucky Cable Telecommunications Association ("KCTA"), KIUC, KLC, Kroger, KSBA, LFUCG, Sierra Club, and Wal-Mart;

**WHEREAS**, the Commission has granted full intervention in Case No. 2016-00371 to ACM, AG, AT&T, DoD, KCTA, KIUC, Kroger, KSBA, Louisville Metro, MHC, Sierra Club, Swift and Wal-Mart;

**WHEREAS**, a prehearing informal conference for the purpose of discussing settlement and the text of this Stipulation, attended by representatives of the Parties and the Commission Staff, took place on April 12, 13, and 17, 2017, at the offices of the Commission, which representatives of AT&T and KCTA also attended on April 12 and 13, and which representatives

of KCTA also attended on April 17, and during which a number of procedural and substantive issues were discussed, including potential settlement of all issues pending before the Commission in the Rate Proceedings;

**WHEREAS**, the Parties hereto unanimously desire to settle all the issues pending before the Commission in the Rate Proceedings, notwithstanding that neither AT&T nor KCTA has agreed with, or entered into, this Stipulation, and therefore neither AT&T nor KCTA is one of the Parties as defined herein;

**WHEREAS**, it is understood by all Parties hereto that this Stipulation is subject to the approval of the Commission, insofar as it constitutes an agreement by the Parties for settlement, and, absent express agreement stated herein, does not represent agreement on any specific claim, methodology, or theory supporting the appropriateness of any proposed or recommended adjustments to the Utilities' rates, terms, or conditions;

**WHEREAS**, the Parties have spent many hours over several days to reach the stipulations and agreements which form the basis of this Stipulation;

**WHEREAS**, all of the Parties, who represent diverse interests and divergent viewpoints, agree that this Stipulation, viewed in its entirety, is a fair, just, and reasonable resolution of all the issues in the Rate Proceedings; and

**WHEREAS**, the Parties believe sufficient and adequate data and information in the record of these proceedings support this Stipulation, and further believe the Commission should approve it;

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

## **ARTICLE I. ADVANCED METERING SYSTEMS**

### **1.1. Withdrawing Request for Certificates of Public Convenience and Necessity**

**and Cost Recovery for Advanced Metering Systems.** The Utilities agree to withdraw their requests for the Commission to grant certificates of public convenience and necessity (“CPCNs”) and to approve cost recovery in these base rate proceedings for the Utilities’ proposed full deployment of Advanced Metering Systems (“AMS”). The Parties agree that the Utilities’ withdrawal of their requests for CPCNs and cost recovery for AMS in these proceedings does not preclude the Utilities from having full AMS deployment considered in future proceedings.

**1.2. AMS Collaborative.** The Parties agree that the Utilities and all interested Parties will participate in an AMS Collaborative to discuss the Parties’ concerns about AMS and to seek to address them. The AMS Collaborative will begin at a mutually agreeable time after these proceedings conclude and will include only those Parties to these proceedings interested in participating in the collaborative. The Parties agree to engage in the collaborative in good faith not to exceed 15 months from the date the Commission issues orders in these proceedings.

## **ARTICLE II. ELECTRIC REVENUE REQUIREMENTS**

**2.1. Utilities’ Electric Revenue Requirements.** The Parties stipulate that the following increases in annual revenues for LG&E electric operations and for KU operations, for purposes of determining the rates of LG&E and KU in the Rate Proceedings, are fair, just and reasonable for the Parties and for all electric customers of LG&E and KU:

LG&E Electric Operations: \$59,400,000.

KU Operations: \$54,900,000.

The Parties agree that any increase in annual revenues for LG&E electric operations and for KU operations should be effective for service rendered on and after July 1, 2017.

**2.2. Items Reflected in Stipulated Electric Revenue Requirement Increases.** The Parties agree that the stipulated electric revenue requirement increases were calculated by beginning with the Utilities' electric revenue requirement increases as presented and supported by the Utilities in their applications in these proceedings and as revised through discovery (\$103.1 million for KU; \$94.1 million for LG&E electric) and adjusting them by the following items, which the Parties ask and recommend the Commission accept as reasonable without modification:

(A) **Removal of AMS Cost Recovery.** Because the Utilities are withdrawing their request for CPCNs and cost recovery for their proposed full deployment of AMS, recovery of AMS costs is being removed from the Utilities' electric revenue requirements. This reduces KU's proposed electric revenue requirement increase by \$6.3 million, consisting of \$3.2 million of operations and maintenance ("O&M") cost and \$3.1 million of carrying cost and depreciation expense. Similarly, this reduces LG&E's proposed electric revenue requirement increase by \$5.2 million, consisting of \$3.0 million of O&M cost and \$2.2 million of carrying cost and depreciation expense.

(B) **Return on Equity.** The Parties agree that a return on equity of 9.75% is reasonable for the Utilities' electric operations, and the agreed stipulated revenue requirement increases for the Utilities' electric operations reflect that return on equity as applied to the Utilities' capitalizations and capital structures underlying their originally proposed electric revenue requirement increases as modified through discovery. Use of a 9.75% return on equity reduces the Utilities' proposed electric revenue requirement increases by \$15.3 million for KU and \$10.1 million for LG&E.

**(C) Revised Depreciation Rates.** The stipulated revenue requirement increases reflect the revised depreciation rates shown in Stipulation Exhibits 1 (KU) and 2 (LG&E electric), which reduce the Utilities' proposed electric revenue requirement increases by \$14.7 million for KU and \$10.1 million for LG&E. In addition to contributing to reducing the Utilities' proposed electric revenue requirement increases in these proceedings, these revised depreciation rates will reduce environmental cost recovery ("ECR") revenue requirements by \$19.1 million for KU and \$16.8 million for LG&E relative to the Utilities' proposed depreciation rates as will be included in the ECR mechanism filings beginning with the July 2017 expense month.

**(D) KU Revenues Resulting from the Refined Coal Project at the Ghent Generating Station.** The stipulated revenue requirement increase for KU reflects a \$9.1 million revenue-requirement reduction related to KU's contract proceeds resulting from KU's Refined Coal project at the Ghent Generating Station. KU discussed this issue at an Informal Conference held at the Commission on March 14, 2017, in the context of Case No. 2015-00264.

**(E) Updated Five-Year Average for Uncollectible Debt Expense.** The stipulated electric revenue requirement increases reflect the use of a five-year average (calendar years 2012-2016) for uncollectible debt expense, which is an update to the five-year average (2011-2015) that was available at the time the Utilities filed their applications in these proceedings. This approach reduces the Utilities' proposed electric revenue requirement increases by \$0.5 million for KU and \$0.3 million for LG&E.

**(F) Eight-Year Average for Generator Outage Expenses; Related Use of Regulatory Accounting.** The Parties agree to use an eight-year average of generator outage expenses in the Utilities' stipulated electric revenue requirement increases, where the average is

of four historical years' expenses (2013-2016) and four years' forecasted expenses (2017-2020). This approach reduces the Utilities' proposed electric revenue requirement increases by \$1.6 million for KU and \$8.5 million for LG&E. Relatedly, the Parties agree to, and ask the Commission to approve, the Utilities' use of regulatory asset and liability accounting related to generator outage expenses that are greater or less than the eight-year average of the Utilities' generator outage expenses. This regulatory accounting will ensure the Utilities may collect, or will have to return to customers, through future base rates any amounts that are above or below the eight-year average embedded in the stipulated electric revenue requirement increases in these proceedings.

(G) **Adjustment Related to Construction Work in Progress Capital.** The Parties agree to adjust the Utilities' proposed electric revenue requirement increases to reflect differences ("slippage") between past projected and historical capital amounts for construction work in progress ("CWIP"). This adjustment reduces the Utilities' proposed electric revenue requirement increases by \$0.7 million for KU and \$0.4 million for LG&E.

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**2.3. Summary Calculation of Electric Revenue Requirement Increases.** The table below shows the calculation of the stipulated electric revenue requirement increases:

Item	KU	LG&E
Proposed electric revenue requirement increases	\$103.1 million	\$94.1 million
Remove AMS	(\$6.3 million)	(\$5.2 million)
9.75% return on equity	(\$15.3 million)	(\$10.1 million)
Revised depreciation rates	(\$14.7 million)	(\$10.1 million)
KU Refined Coal revenues	(\$9.1 million)	n/a
5-year average uncollectible expense	(\$0.5 million)	(\$0.3 million)
8-year average generator outage expense	(\$1.6 million)	(\$8.5 million)
CWIP capital slippage	(\$0.7 million)	(\$0.4 million)
Stipulated electric revenue requirement increases	\$54.9 million	\$59.4 million <sup>1</sup>

### **ARTICLE III. GAS REVENUE REQUIREMENT**

**3.1. LG&E Gas Revenue Requirement.** The Parties stipulate and agree that, effective for service rendered on and after July 1, 2017, an increase in annual revenues for LG&E gas operations of \$7,500,000, for purposes of determining the rates of LG&E gas operations in the Rate Proceedings, is fair, just and reasonable for the Parties and for all gas customers of LG&E.

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<sup>1</sup> Stipulated LG&E electric revenue requirement increase differs from proposed revenue requirement increase less adjustments shown due to rounding.

**3.2. Items Reflected in Stipulated Gas Revenue Requirement Increase.** The Parties agree that the stipulated gas revenue requirement was calculated by beginning with LG&E's gas revenue requirement increase as presented and supported by LG&E in its application in Case No. 2016-00371 and as revised through discovery (\$13.4 million) and adjusting the proposed gas revenue requirement increase by the following items, which the Parties ask and recommend the Commission accept as reasonable without modification:

(A) **Removal of AMS Cost Recovery.** Because the Utilities are withdrawing their request for CPCNs and cost recovery for their proposed full deployment of AMS, recovery of AMS costs is being removed from LG&E's gas revenue requirement. This reduces LG&E's proposed gas revenue requirement increase by \$0.7 million, consisting solely of carrying cost and depreciation expense.

(B) **Return on Equity.** The Parties agree that a return on equity of 9.75% is reasonable for LG&E's gas operations, and the agreed stipulated revenue requirement increase for LG&E's gas operations reflect that return on equity as applied to LG&E's gas capitalization and capital structure underlying its originally proposed gas revenue requirement increase as modified through discovery. Use of a 9.75% return on equity reduces LG&E's proposed gas revenue requirement increase by \$2.9 million.

(C) **Depreciation Rates.** The stipulated gas revenue requirement increase reflects the depreciation rates shown in Stipulation Exhibit 3, which reduce LG&E's proposed gas revenue requirement increase by \$2.1 million.

(D) **Updated Five-Year Average for Uncollectible Debt Expense.** The stipulated gas revenue requirements increase reflects the use of a five-year average (calendar years 2012-2016) for uncollectible debt expense, which is an update to the five-year average

(2011-2015) that was available at the time LG&E filed its application in Case No. 2016-00371.

This approach reduces LG&E's proposed gas revenue requirement increase by \$0.1 million.

**3.3. Summary Calculation of Gas Revenue Requirement Increase.** The table below shows the calculation of the stipulated gas revenue requirement increase:

Item	LG&E Gas
Proposed gas revenue requirement increase	\$13.4 million
Remove AMS	(\$0.7 million)
9.75% return on equity	(\$2.9 million)
Revised depreciation rates	(\$2.1 million)
5-year average uncollectible expense	(\$0.1 million)
Stipulated gas revenue requirement increase	\$7.5 million <sup>2</sup>

#### **ARTICLE IV. REVENUE ALLOCATION AND RATE DESIGN**

**4.1. Revenue Allocation.** The Parties hereto agree that the allocations of the increases in annual revenues for KU and LG&E electric operations, and that the allocation of the increase in annual revenue for LG&E gas operations, as set forth on the allocation schedules designated Stipulation Exhibit 4 (KU), Stipulation Exhibit 5 (LG&E electric), and Stipulation Exhibit 6 (LG&E gas) attached hereto, are fair, just, and reasonable for the Parties and for all customers of LG&E and KU.

**4.2. Tariff Sheets.** The Parties hereto agree that, effective July 1, 2017, the Utilities shall implement the electric and gas rates set forth on the tariff sheets in Stipulation Exhibit 7

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<sup>2</sup> Stipulated gas revenue requirement increase differs from proposed revenue requirement increase less adjustments shown due to rounding.

(KU), Stipulation Exhibit 8 (LG&E electric), and Stipulation Exhibit 9 (LG&E gas) attached hereto, which rates the Parties unanimously stipulate are fair, just, and reasonable, and should be approved by the Commission.

**4.3. Basic Service Charges.** The Parties agree that the following monthly basic service charge amounts shall be implemented on the schedule shown:

Rates	Effective July 1, 2017	Effective July 1, 2018
LG&E and KU Rates RS, VFD, RTOD-Energy, and RTOD-Demand	\$11.50	\$12.25
LG&E Rates RGS and VFD	\$16.35	\$16.35

All other basic service charges shall be the amounts reflected in the proposed tariff sheets attached hereto in Stipulation Exhibits 7 (KU), 8 (LG&E electric), and 9 (LG&E gas).

**4.4. Curtailable Service Riders.** Concerning the Utilities' Curtailable Service Riders ("CSR"), the Parties agree that CSR customers may choose between Options A and B as follows:

(A) Option A: The Utilities' proposed CSR credits and tariff provisions as filed in these proceedings.

(B) Option B: The Utilities' existing CSR tariff provisions with the modifications below:

(i) CSR credits for both Utilities of \$6.00 per kVA-month (primary) and \$5.90 per kVA-month (transmission).

(ii) A Utility may request physical curtailment when more than 10 of the Utilities' primary combustion turbines (CTs) (those with a capacity greater than 100 MW) are being dispatched, irrespective of whether the Utilities are making off-system sales. However, to avoid a physical curtailment a CSR customer may buy through a requested curtailment at the Automatic Buy-Through Price. If all available units have been dispatched or are being

dispatched, the Utilities may request a physical curtailment of the CSR customer without a buy-through option.

(iii) A Utility may request physical curtailment of a CSR customer no more than 20 times per calendar year totaling no more than 100 hours. Any buy-through of a physical curtailment request will not count toward the 100-hour limit or 20-curtailment-request limit, but will count toward the 275 hours of economic curtailments.

(iv) After receiving a physical curtailment request from the Utility where a buy-through option is available, a CSR customer will have 10 minutes to inform the Utility whether the customer elects to buy through or physically curtail. If the customer elects to physically curtail, the customer will have 30 minutes to carry out the required physical curtailment (i.e., a total of 40 minutes from the time the Utility requests curtailment to the time the customer must implement the curtailment). If a customer does not respond within 10 minutes of notice of a curtailment request from the Utility, the customer will be assumed to have elected to buy through the requested curtailment, subject to any prior written agreement with the customer.

(v) After receiving a physical curtailment request from the Utility when no buy-through option is available, a CSR customer will have 40 minutes to carry out the required physical curtailment.

(C) The Utilities will initially assign all existing CSR customers to Option B as described above. Following the initial assignment, a CSR customer may elect Option A at any time, which election will take effect beginning with the customer's first full billing cycle following the election. After a CSR makes its first election or any subsequent election, the

customer must take service under the chosen option for at least 24 full billing cycles before a new election can become effective.

(D) LG&E will permit any customer interested in participating in CSR to give notice of interest by July 1, 2017; after that date, only those customers already participating in LG&E's CSR may continue their participation at their then-current levels. Customers that have given notice of interest on or before July 1, 2017, may elect to begin participating in CSR no later than January 1, 2019. LG&E's existing capacity cap will continue to apply, and all available CSR capacity will be available for participation on a first come, first served basis to those giving notice of interest by July 1, 2017.

(E) KU's CSR will be closed to new or increased participation as of July 1, 2017.

These proposed tariff changes are shown in Stipulation Exhibits 7 (KU) and 8 (LG&E electric) attached hereto.

**4.5. Five-Year Limit to Gas Line Tracker Recovery for Transmission Modernization and Steel Service Line Replacement Programs.** The Parties agree that LG&E will recover costs related to its proposed Transmission Modernization and Steel Service Line Replacement Programs through its Gas Line Tracker ("GLT") cost-recovery mechanism for five years ending June 30, 2022. Absent further action by the Commission concerning recovery of these programs' costs by June 30, 2022, any remaining costs for such programs will be recovered through base rates via a base-rate roll-in effective for service rendered on and after July 1, 2022. These proposed tariff changes are shown in Stipulation Exhibit 9 attached hereto. This provision does not preclude LG&E from seeking Commission approval to recover other appropriate costs through the GLT mechanism.

**4.6. Revisions to Proposed Substitute Gas Sales Service (Rate SGSS).** The Parties agree that LG&E will revise its proposed Rate SGSS such that monthly billing demand will be based on greatest of (1) Maximum Daily Quantity (“MDQ”), (2) current month’s highest daily volume of gas delivered, or (3) 70 percent of the highest daily volume of gas delivered during the previous 11 monthly billing periods. Also, LG&E will revise the provision of Rate SGSS concerning setting the MDQ such that the MDQ for any customer taking service under Rate SGSS when it first becomes effective will be 70% of the highest daily volume projected by LG&E for the customer in the forecasted test year used by LG&E in Case No. 2016-00371. For all other customers that later begin taking service under Rate SGSS, the customer and LG&E may mutually agree to establish the level of the MDQ; provided, however, that in the event that the customer and LG&E cannot agree upon the MDQ, then the level of the MDQ will be equal to 70% of the highest daily volume used by the customer during the 12 months prior to the date the customer began receiving natural gas from another supplier with which the customer is physically connected; in the event that such daily gas usage is not available, then the MDQ will be equal to 70% of the customer’s average daily use for the highest month’s gas use in the 12 months prior to the date the customer began receiving natural gas from another supplier with which the customer is physically connected. In no case will the MDQ be greater than 5,000 Mcf/day. These proposed tariff changes are shown in Stipulation Exhibit 9 attached hereto.

**4.7. Sports Field Lighting Pilot Tariff Provisions.** The Parties agree that the Utilities will add to their electric tariffs a voluntary sports field lighting rate schedule, Pilot Rate OSL – Outdoor Sports Lighting Service, on a limited-participation pilot basis (limited to 20 pilot participants per Utility). The pilot rate uses a time-of-day rate structure. The purpose of the pilot is to determine if sports fields have sufficiently different service characteristics to support

permanent sports field tariff offerings. The proposed tariff provisions are included in the proposed tariff sheets attached hereto as Stipulation Exhibits 7 (KU) and 8 (LG&E electric).

**4.8. Agreement Not to Split Residential and General Service Electric Energy**

**Charges in Tariffs.** The Parties agree that the Utilities will not split their residential and general service electric energy charges into Infrastructure and Variable components as the Utilities had proposed in their applications in these proceedings. The proposed tariff revisions are included in the proposed tariff sheets attached hereto as Stipulation Exhibits 7 (KU) and 8 (LG&E electric).

**4.9. Agreement to File a Study Regarding 100% Base Demand Ratchets for Rate TODS.** The Utilities will file in their next base-rate proceedings a study concerning the impacts of 100% base demand ratchets for Rate TODS.

**4.10. Rate TODP 60-Minute Exemption from Setting Billing Demand Following Utility System Fault.** For customers with their own generation, for 60 minutes immediately following a Utility-system fault, but not a Utility energy spike or a fault on a customer's system, the Utilities will not use any demand data for a Rate TODP customer to set billing demand. This 60-minute exemption from setting billing demand permits customers who have significant onsite generation (i.e., 1 MW or more) that comes offline due to a Utility-system fault to reset and bring back online their own generation before the Utilities will measure demand to be used for billing purposes. The proposed tariff revisions are included in the proposed tariff sheets attached hereto as Stipulation Exhibits 7 (KU) and 8 (LG&E electric).

**4.11. Optional Pilot Rates for Schools Subject to KRS 160.325.** The Parties agree that the Utilities will add to their electric tariffs optional pilot tariff provisions for schools subject to KRS 160.325. The pilot rates will not be limited in the number of schools that may participate, but will be limited by the projected revenue impact to the Utilities. Each utility's

pilot rate provisions will be available to new participants until the total projected revenue impact (reduction) for each Utility is \$750,000 annually compared to the projected annual revenues for the participating schools under the rates under which the schools would otherwise be served. KSBA will be responsible for proposing schools for participation in the pilot rates and the order in which such schools are proposed; the Utilities will calculate and provide to KSBA the projected revenue impact of each proposed school's taking service under pilot rates. The proposed tariff revisions are included in the proposed tariff sheets attached hereto as Stipulation Exhibits 7 (KU) and 8 (LG&E electric).

## **ARTICLE V. TREATMENT OF CERTAIN SPECIFIC ISSUES**

### **5.1. Regulatory Accounting for Over- and Under-Recovery of Regulatory Assets.**

The Parties agree to, and ask the Commission to approve, the Utilities' continued use of regulatory asset accounting for regulatory assets embedded in the Utilities' proposed revenue requirement except that shorter-lived regulatory assets should be credited for the amounts collected through base rates even if such amortization results in changing such a regulatory asset to a regulatory liability with any remaining balances being addressed in the Utilities' next base rate case. This would include the regulatory assets for rate case expenses, 2011 summer storm expenses, and Green River. This will help ensure the Utilities only recover actual costs incurred and do not ultimately over-recover such regulatory assets as they are amortized and recovered through base rates.

### **5.2. Commitment to Apply for School Energy Managers Program ("SEMP")**

**Extension.** The Utilities commit to file with the Commission an application proposing a two-year extension of SEMP (for July 1, 2018, through June 30, 2020). The total annual level of funding to be proposed is \$725,000; prior to filing the application, the Utilities will consult with

KSBA to determine an appropriate allocation of the total annual funds between KU and LG&E. The Utilities commit to file the above-described application with the Commission no later than December 31, 2017.

**5.3. Commitment to File Lead-Lag Study in Next Base-Rate Cases.** The Utilities commit to file a lead-lag study in their next base-rate cases.

**5.4. Collaborative Study Regarding Electric Bus Infrastructure and Rates.** The Utilities commit to fund a study concerning economical deployment of electric bus infrastructure in the Louisville and Lexington areas, as well as possible cost-based rate structures related to charging stations and other infrastructure needed for electric buses. The Utilities commit to work collaboratively with Louisville Metro, LFUCG, and any other interested Parties to these proceedings to develop the parameters for the study, including reasonable cost and timing, and to review the study's results with representatives of Louisville Metro and LFUCG. The collaborative will include only those Parties to these proceedings interested in participating in the collaborative.

**5.5. LED Lighting Collaborative.** The Utilities commit to engage in good faith with Louisville Metro, LFUCG, and any other interested Parties to these proceedings in a collaborative to discuss issues related to LED lighting to determine what LED street lighting equipment and rate structures might be offered by the Utilities. The collaborative will include only those Parties to these proceedings interested in participating in the collaborative.

**5.6. Home Energy Assistance Charges.** The Parties agree that KU will increase its monthly residential charge for the Home Energy Assistance ("HEA") program from the current \$0.25 per month to \$0.30 per month, which shall remain effective through June 30, 2021, regardless of whether the Utilities file one or more base-rate cases during that commitment

period. The Parties further agree that LG&E will continue its monthly residential charge (for gas and electric service) for the Home Energy Assistance (“HEA”) program at \$0.25 per month, which shall remain effective until the effective date of new base rates for the Utilities following their next general base-rate cases. The change to the KU HEA charge is reflected in the proposed tariff sheets attached hereto as Stipulation Exhibit 7.

**5.7. Low-Income Customer Support.** The Utilities commit to contribute a total of \$1,450,000 of shareholder funds per year, which commitment will remain in effect through June 30, 2021, regardless of whether the Utilities file one or more base-rate cases during that commitment period.

(A) The total annual shareholder contribution from KU shall be as follows: \$100,000 for Wintercare and \$470,000 for HEA. CAC administers both programs.

(B) The total annual shareholder contribution from LG&E shall be as follows: \$700,000 to ACM for utility assistance and \$180,000 for HEA.

(C) KU agrees that up to 10% of its total contributions to CAC may be used for reasonable administrative expenses.

(D) LG&E agrees that up to 10% of its total contributions to ACM may be used for reasonable administrative expenses.

(E) None of the Utilities’ shareholder contributions will be conditioned upon receiving matching funds from other sources.

(F) The Utilities commit not to seek reductions to their HEA charges that would become effective before June 30, 2021, for LG&E or KU regardless of whether the Utilities file one or more base-rate cases during that commitment period.

**5.8. All Other Relief Requested by Utilities to Be Approved as Filed.** The Parties agree and recommend to the Commission that, except as modified in this Stipulation and the exhibits attached hereto, the rates, terms, and conditions contained in the Utilities' filings in these Rate Proceedings, as well as the Companies' requests for CPCNs for their proposed Distribution Automation project, should be approved as filed.

#### **ARTICLE VI. MISCELLANEOUS PROVISIONS**

**6.1.** Except as specifically stated otherwise in this Stipulation, entering into this Stipulation shall not be deemed in any respect to constitute an admission by any of the Parties that any computation, formula, allegation, assertion or contention made by any other party in these Rate Proceedings is true or valid.

**6.2.** The Parties hereto agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein and request the Commission to approve the Stipulation.

**6.3.** Following the execution of this Stipulation, the Parties shall cause the Stipulation to be filed with the Commission on or about April 19, 2017, together with a request to the Commission for consideration and approval of this Stipulation for rates to become effective for service rendered on and after July 1, 2017.

**6.4.** This Stipulation is subject to the acceptance of, and approval by, the Commission. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Stipulation be accepted and approved. The Parties commit to notify immediately any other Party of any perceived violation of this provision so the Party may have an opportunity to cure any perceived violation, and all Parties commit to work in good faith to address and remedy promptly any such perceived violation. In all events counsel for all Parties

will represent to the Commission that the Stipulation is a fair, just, and reasonable means of resolving all issues in these proceedings, and will clearly and definitively ask the Commission to accept and approve the Stipulation as such.

**6.5.** If the Commission issues an order adopting this Stipulation in its entirety and without additional conditions, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such order. With regard to this provision, all of the Parties acknowledge that certain of the Parties, and in particular the Sierra Club, are entities with members who are not under a Party's control but who might purport to act for, or on behalf of, the Party. Therefore, the Parties commit to notify immediately any other Party of any perceived violation of this provision so the Party may have an opportunity to cure any perceived violation. All Parties agree that no monetary damages will be sought or obtained from a Party if the Party is not in breach, but rather a non-Party purporting to act for the Party has sought rehearing or appeal of a Commission order adopting this Stipulation in its entirety and without additional conditions.

**6.6.** If the Commission does not accept and approve this Stipulation in its entirety, then any adversely affected Party may withdraw from the Stipulation within the statutory periods provided for rehearing and appeal of the Commission's order by (1) giving notice of withdrawal to all other Parties and (2) timely filing for rehearing or appeal. If any Party timely seeks rehearing of or appeals the Commission's order, all Parties will continue to have the right to withdraw until the conclusion of all rehearsings and appeals. Upon the latter of (1) the expiration of the statutory periods provided for rehearing and appeal of the Commission's order and (2) the conclusion of all rehearsings and appeals, all Parties that have not withdrawn will continue to be bound by the terms of the Stipulation as modified by the Commission's order.

**6.7.** If the Stipulation is voided or vacated for any reason after the Commission has approved the Stipulation, none of the Parties will be bound by the Stipulation.

**6.8.** The Stipulation shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

**6.9.** The Stipulation shall inure to the benefit of and be binding upon the Parties hereto and their successors and assigns.

**6.10.** The Stipulation constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into the Stipulation.

**6.11.** The Parties hereto agree that, for the purpose of the Stipulation only, the terms are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation.

**6.12.** The Parties hereto agree that neither the Stipulation nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation. This Stipulation shall not have any precedential value in this or any other jurisdiction.

**6.13.** The signatories hereto warrant that they have appropriately informed, advised, and consulted their respective Parties in regard to the contents and significance of this Stipulation and based upon the foregoing are authorized to execute this Stipulation on behalf of their respective Parties.

**6.14.** The Parties hereto agree that this Stipulation is a product of negotiation among all Parties hereto, and no provision of this Stipulation shall be strictly construed in favor of or

against any party. Notwithstanding anything contained in the Stipulation, the Parties recognize and agree that the effects, if any, of any future events upon the operating income of the Utilities are unknown and this Stipulation shall be implemented as written.

**6.15.** The Parties hereto agree that this Stipulation may be executed in multiple counterparts.

## **APPENDIX A: LIST OF STIPULATION EXHIBITS**

Stipulation Exhibit 1: KU Depreciation Rates

Stipulation Exhibit 2: LG&E Electric Depreciation Rates

Stipulation Exhibit 3: LG&E Gas Depreciation Rates

Stipulation Exhibit 4: KU Revenue Allocation Schedule

Stipulation Exhibit 5: LG&E Electric Revenue Allocation Schedule

Stipulation Exhibit 6: LG&E Gas Revenue Allocation Schedule

Stipulation Exhibit 7: KU Tariff Sheets

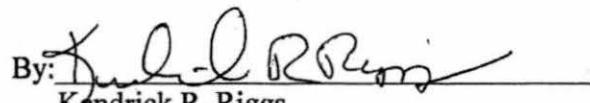
Stipulation Exhibit 8: LG&E Electric Tariff Sheets

Stipulation Exhibit 9: LG&E Gas Tariff Sheets

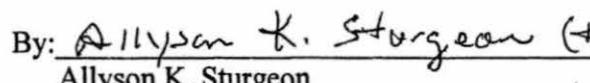
**IN WITNESS WHEREOF**, the Parties have hereunto affixed their signatures.

Kentucky Utilities Company and  
Louisville Gas and Electric Company

HAVE SEEN AND AGREED:

By:   
Kendrick R. Riggs

-and-

By:   
Allyson K. Sturgeon (KRR  
(/permissio)n)

Association of Community Ministries, Inc.

HAVE SEEN AND AGREED:

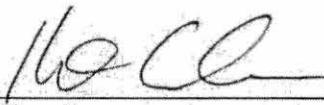
By:

Lisa Kilkelly

Lisa Kilkelly  
Eileen Ordover

Attorney General for the Commonwealth of  
Kentucky, by and through the Office of Rate  
Intervention

HAVE SEEN AND AGREED:

By: 

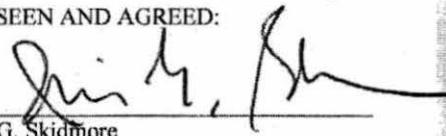
Kent Chandler  
Lawrence W. Cook  
Rebecca W. Goodman

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

HAVE SEEN AND AGREED:

By:

Iris G. Skidmore



United States Department of Defense and All Other  
Federal Executive Agencies

HAVE SEEN AND AGREED:

By: Emily W. Medlyn  
Emily W. Medlyn  
G. Houston Parrish

Kentucky Industrial Utility Customers, Inc.

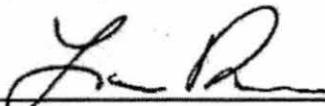
HAVE SEEN AND AGREED:

By: Michael L. Kurtz

Michael L. Kurtz  
Kurt J. Boehm  
Jody Kyler Cohn

Kentucky League of Cities

HAVE SEEN AND AGREED:

By:   
Laura Ross

The Kroger Company

H~~A~~VE SEEN AND AGREED:

By:

  
Robert C. Moore

Kentucky School Boards Association

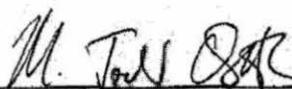
HAVE SEEN AND AGREED:

By: Matthew R. Malone (KRS 158)  
Matthew R. Malone  
William H. May, III  
*(per my signature)*

Lexington-Fayette Urban County Government

HAVE SEEN AND AGREED:

By:

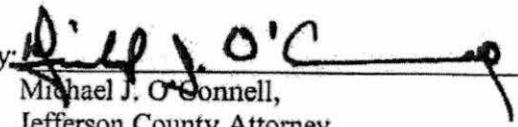
  
James W. Gardner  
M. Todd Osterloh  
David J. Barberie  
Andrea C. Brown  
Janet M. Graham

*Subject to ratification by the Urban County Council*

Louisville/Jefferson County Metro Government

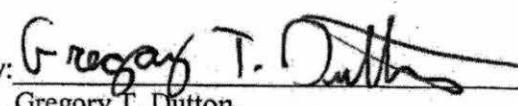
HAVE SEEN AND AGREED:

By:

  
Michael J. O'Connell,  
Jefferson County Attorney

-and-

By:

  
Gregory T. Dutton,  
Counsel for Louisville Metro

Metropolitan Housing Coalition

HAVE SEEN AND AGREED:

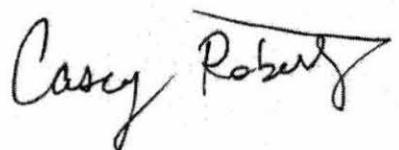
By: Tom FitzGerald (KRR w/  
Tom FitzGerald  
permission)

Sierra Club, Alice Howell, Carl Vogel  
and Amy Waters

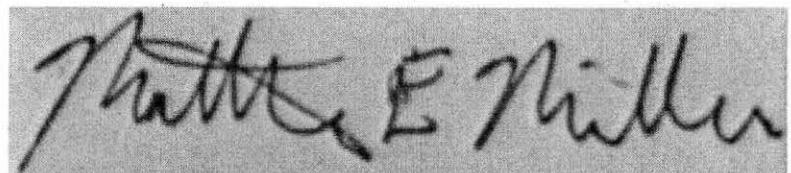
HAVE SEEN AND AGREED:



By: \_\_\_\_\_  
Joe F. Childers



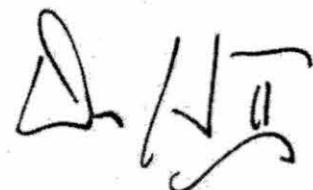
Casey Roberts



Matthew E. Miller

JBS Swift & Co.

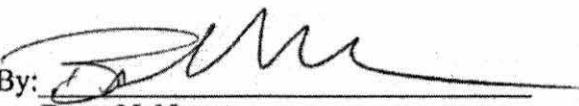
HAVE SEEN AND AGREED:

A handwritten signature consisting of stylized initials "DGH" followed by "Howard, II".

By: \_\_\_\_\_  
Dennis G. Howard, II

Wal-Mart Stores East, LP and Sam's East, Inc.

HAVE SEEN AND AGREED:

By: 

Barry N. Naum

Don C.A. Parker

## **SECOND STIPULATION AND RECOMMENDATION**

This Second Stipulation and Recommendation (“Second Stipulation”) is entered into this first day of May 2017 by and between Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (collectively, “the Utilities”); BellSouth Telecommunications, LLC d/b/a AT&T Kentucky (“AT&T”), and Kentucky Cable Telecommunications Association (“KCTA”). (Collectively, the Utilities, AT&T and KCTA are the “Parties.”)

### **WITNESSETH:**

**WHEREAS**, on November 23, 2016, KU filed with the Kentucky Public Service Commission (“Commission”) its Application for Authority to Adjust Electric Rates and For Certificates of Public Convenience and Necessity, *In the Matter of: An Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates and For Certificates of Public Convenience and Necessity*, and the Commission has established Case No. 2016-00370 to review KU’s base rate application, in which KU requested a revenue increase of \$103.1 million;

**WHEREAS**, on November 23, 2016, LG&E filed with the Commission its Application for Authority to Adjust Electric and Gas Rates and For Certificates of Public Convenience and Necessity, *In the Matter of: An Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates and For Certificates of Public Convenience and Necessity*, and the Commission has established Case No. 2016-00371 to review LG&E’s base rate application, in which LG&E requested a revenue increase for its electric operations of \$93.6 million and a revenue increase of \$13.8 million for its gas operations (Case Nos. 2016-00370 and 2016-00371 are hereafter collectively referenced as the “Rate Proceedings”);

**WHEREAS**, on February 20, 2017, LG&E filed with the Commission in Case No. 2016-00371 a Supplemental Response to Commission Staff’s First Request for Information No. 54 in

which LG&E corrected its requested revenue increases for its electric operations to be \$94.1 million and for its gas operations to be \$13.4 million;

**WHEREAS**, the Commission has granted full intervention in Case No. 2016-00370 to the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (“AG”), AT&T, Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (“CAC”), KCTA, Kentucky Industrial Utility Customers, Inc. (“KIUC”), Kentucky League of Cities (“KLC”), The Kroger Company (“Kroger”), Kentucky School Boards Association (“KSBA”), Lexington-Fayette Urban County Government (“LFUCG”), Sierra Club, Alice Howell, and Carl Vogel, and Wal-Mart Stores East, LP and Sam’s East, Inc. (collectively “Wal-Mart”);

**WHEREAS**, the Commission has granted full intervention in Case No. 2016-00371 to Association of Community Ministries, Inc., AG, AT&T, United States Department of Defense and All Other Federal Executive Agencies, KCTA, KIUC, Kroger, KSBA, Louisville/Jefferson County Metro Government, Metropolitan Housing Coalition, Sierra Club and Amy Waters, JBS Swift & Co., and Wal-Mart;

**WHEREAS**, a prehearing informal conference for the purpose of discussing settlement and the text of a stipulation and recommendation, attended by representatives of the Parties and the Commission Staff, took place on April 12, 13, and 17, 2017, at the offices of the Commission, which representatives of AT&T and KCTA also attended on April 12 and 13, and which representatives of KCTA also attended on April 17, and during which a number of procedural and substantive issues were discussed, including potential settlement of all issues pending before the Commission in the Rate Proceedings;

**WHEREAS**, all parties to these proceedings except AT&T and KCTA reached agreement and entered into a stipulation and recommendation (“First Stipulation”), which the Utilities filed with the Commission on April 19, 2017;

**WHEREAS**, a prehearing informal conference for the purpose of discussing settlement and the text of this Second Stipulation, attended by representatives of the Parties and the Commission Staff, took place on April 25, 2017, at the offices of the Commission, during which a number of procedural and substantive issues were discussed;

**WHEREAS**, it is understood by all Parties hereto that this Second Stipulation is subject to the approval of the Commission, insofar as it constitutes an agreement by the Parties for settlement, and, absent express agreement stated herein, does not represent agreement on any specific claim, methodology, or theory supporting the appropriateness of any proposed or recommended adjustments to the Utilities’ rates, terms, or conditions;

**WHEREAS**, the Parties have spent many hours over several days to reach the stipulations and agreements which form the basis of this Second Stipulation;

**WHEREAS**, the Parties agree that this Second Stipulation, viewed in its entirety, is a fair, just, and reasonable resolution of all the issues addressed herein, and that the First and Second Stipulations, considered together, produce a fair, just, and reasonable resolution of all the issues in the Rate Proceedings; and

**WHEREAS**, the Parties believe sufficient and adequate data and information in the record of these proceedings support this Second Stipulation, and further believe the Commission should approve it;

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

## **ARTICLE I. RATE PSA MODIFICATIONS**

**1.1. Attachment Charges for Wireline Facilities.** The Parties stipulate that an annual attachment charge of \$7.25 for a wireline facility is fair, just, and reasonable. The Commission previously approved this charge in the Utilities' most recent general rate case proceedings, Cases No. 2014-00371 and No. 2014-00372. The Utilities have not proposed to adjust this rate, which assumes that a wireline facility will require one foot of usable pole space. AT&T and KCTA have previously advised the Commission that they have no objections to this rate remaining in effect.

**1.2. Attachment Charges for Pole-Top Wireless Facilities.** The Parties stipulate that a fair, just, and reasonable rate for wireless facilities attached to the top of the Utilities' structures is \$36.25 per year. They agree that for purposes of determining the annual charge, a pole-top wireless facility should be allocated five feet of usable pole space. The Utilities assert that this allocation is based upon the premise that, as the Utilities typically have electric facilities located at or near the top of their distribution poles, a pole top wireless facility, such as an antenna, requires a five foot taller pole to maintain a safe working distance of at least 48 inches between the electric facilities and the pole top antenna. Thus, the Utilities assert that the Wireless Facility owner is responsible for the top 5 feet of the pole: one foot for the antenna and four feet of clearance above the power space. Without adopting the Utilities' assertions set out in the preceding two sentences, AT&T agrees that an allocation of five feet of usable pole space is supported by evidence in the record. As the Commission has previously approved the annual rate of \$7.25 for one foot of pole space, the use of five feet will produce an annual charge of \$36.25.

**1.3. Attachment Charges for Mid-Pole Wireless Facilities.** The Parties stipulate and agree that, given the lack of information regarding the size and characteristic of wireless antennas and other devices that may be attached to an electric utility pole in the communications space, a uniform rate for such attachments cannot be easily developed and that the rate for such attachments should be developed on a case-by-case basis through special contracts until a sufficient number of such attachments have been made to the Utilities' structures to develop a tariffed rate. At the time of their next general rate applications, the Utilities will determine if they have sufficient evidence regarding mid-pole devices to determine whether a uniform rate is appropriate and, if so, revise the PSA Rate Schedule accordingly.

**1.4. Terms and Conditions of Rate PSA.** The Parties stipulate and agree that revisions to the originally proposed version of the PSA Rate Schedule are necessary to afford sufficient flexibility for Attachment Customers to permit them to operate effectively in the unregulated, market-based telecommunications industry. The revised PSA Rate Schedules, which are shown in Exhibits 1 and 2 to this Second Stipulation, with the proposed additions and deletions clearly marked, appropriately balance an Attachment Customer's need for flexibility with the public's interest in reliable and safe electric service. The Parties stipulate that, as revised, the terms and conditions set forth in the proposed PSA Rate Schedule are fair, just, and reasonable, will promote public safety, enhance the reliability of electric service, and ensure fair and uniform treatment of Attachment Customers as well as promote the deployment and adoption of advanced communications services.

## **ARTICLE II. FIRST STIPULATION**

**2.1. No objections.** AT&T and KCTA have reviewed the First Stipulation filed with the Commission on April 19, 2017 and have no objections to it, except to the extent the First

Stipulation's electric tariff exhibits contained PSA Rate Schedules inconsistent with this Second Stipulation and its exhibits, in which case the latter should control.

**2.2. AMS Collaborative.** The Parties agree that the Utilities shall notify AT&T and KCTA if and when it engages in any AMS Collaborative pursuant to the First Stipulation § 1.2 and that AT&T and KCTA may, at their option, participate in any or all phases of the AMS Collaborative.

### **ARTICLE III. MISCELLANEOUS PROVISIONS**

**3.1.** Except as specifically stated otherwise in this Second Stipulation, entering into this Second Stipulation shall not be deemed in any respect to constitute an admission by any of the Parties that any computation, formula, allegation, assertion or contention made by any other party in these Rate Proceedings is true or valid.

**3.2.** The Parties hereto agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein and request the Commission to approve the Second Stipulation.

**3.3.** Following the execution of this Second Stipulation, the Parties shall cause it to be filed with the Commission on or about May 1, 2017, together with a request to the Commission for consideration and approval of this Second Stipulation for rates to become effective for service rendered on and after July 1, 2017.

**3.4.** This Second Stipulation is subject to the acceptance of, and approval by, the Commission. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Second Stipulation and the First Stipulation be accepted and approved. The Parties commit to notify immediately any other Party of any perceived violation of this provision so the Party may have an opportunity to cure any perceived violation, and all Parties

commit to work in good faith to address and remedy promptly any such perceived violation. In all events counsel for all Parties will represent to the Commission that the First and Second Stipulations, taken together, produce a fair, just, and reasonable means of resolving all issues in these proceedings, and will clearly and definitively ask the Commission to accept and approve the First and Second Stipulations as such.

**3.5.** If the Commission issues an order adopting this Second Stipulation in its entirety and without additional conditions, irrespective of whether the Commission approves the terms of the First Stipulation, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to the portions of such order that concern this Second Stipulation. The Parties commit to notify immediately any other Party of any perceived violation of this provision so the Party may have an opportunity to cure any perceived violation. All Parties agree that no monetary damages will be sought or obtained from a Party if the Party is not in breach, but rather a non-Party purporting to act for the Party has sought rehearing or appeal of a Commission order adopting this Second Stipulation in its entirety and without additional conditions.

**3.6.** If the Commission does not accept and approve this Second Stipulation in its entirety and without additional conditions, then any adversely affected Party may withdraw from the Second Stipulation within the statutory periods provided for rehearing and appeal of the Commission's order by (1) giving notice of withdrawal to all other Parties and (2) timely filing for rehearing or appeal. If any Party timely seeks rehearing of or appeals the Commission's order, all Parties will continue to have the right to withdraw until the conclusion of all rehearsings and appeals. Upon the latter of (1) the expiration of the statutory periods provided for rehearing and appeal of the Commission's order and (2) the conclusion of all rehearsings and appeals, all

Parties that have not withdrawn will continue to be bound by the terms of the Second Stipulation as modified by the Commission's order.

**3.7.** If the Second Stipulation is voided or vacated for any reason after the Commission has approved the Second Stipulation, none of the Parties will be bound by the Second Stipulation.

**3.8.** The Second Stipulation shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

**3.9.** The Second Stipulation shall inure to the benefit of and be binding upon the Parties hereto and their successors and assigns.

**3.10.** The Second Stipulation, including its Exhibits, constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into the Second Stipulation.

**3.11.** The Parties hereto agree that, for the purpose of the Second Stipulation only, the terms are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation.

**3.12.** The Parties hereto agree that neither the Second Stipulation nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Second Stipulation. This Second Stipulation shall not have any precedential value in this or any other jurisdiction.

**3.13.** The signatories hereto warrant that they have appropriately informed, advised, and consulted their respective Parties in regard to the contents and significance of this Second

Stipulation and based upon the foregoing are authorized to execute this Second Stipulation on behalf of their respective Parties.

**3.14.** The Parties hereto agree that this Second Stipulation is a product of negotiation among all Parties hereto, and no provision of this Second Stipulation shall be strictly construed in favor of or against any party.

**3.15.** The Parties hereto agree that this Second Stipulation may be executed in multiple counterparts.

**(This space intentionally left blank.)**

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

Kentucky Utilities Company and  
Louisville Gas and Electric Company

HAVE SEEN AND AGREED:

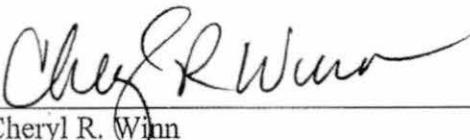
By: Kendrick R. Riggs  
Kendrick R. Riggs

-and-

By: Allyson K. Sturgeon (with  
Allyson K. Sturgeon permission  
(ARR)

BellSouth Telecommunications, LLC d/b/a AT&T  
Kentucky

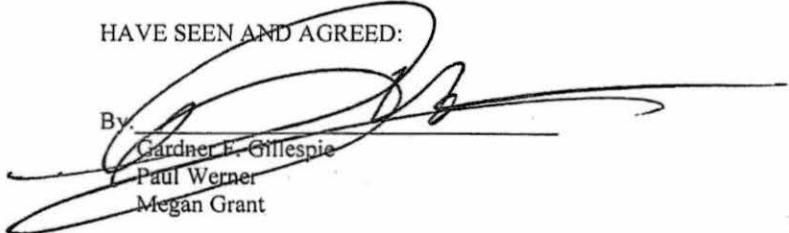
HAVE SEEN AND AGREED:

By:   
Cheryl R. Winn

Kentucky Cable Telecommunications Association

HAVE SEEN AND AGREED:

By:  
Gardner E. Gillespie  
Paul Werner  
Megan Grant



## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2016-00371 DATED **JUN 22 2017**

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

#### SCHEDULE RS RESIDENTIAL SERVICE

Basic Service Charge per Month	\$12.25
Energy Charge per kWh	\$ .09153

#### SCHEDULE RTOD-ENERGY RESIDENTIAL TIME-OF-DAY ENERGY SERVICE

Basic Service Charge per Month	\$12.25
Energy Charge per kWh	\$ .09153
Off Peak Hours	\$ .06653
On Peak Hours	\$ .23263

#### SCHEDULE RTOD-DEMAND RESIDENTIAL TIME-OF-DAY DEMAND SERVICE

Basic Service Charge per Month	\$12.25
Energy charge per kWh	\$ 0.04956
Demand Charge per kW	
Off Peak Hours	\$ 3.51
On Peak Hours	\$ 7.68

#### SCHEDULE VFD VOLUNTEER FIRE DEPARTMENT

Basic Service Charge per Month	\$12.25
Energy Charge per kWh	\$ .09153

SCHEDULE GS  
GENERAL SERVICE RATE

Basic Service Charge per Month – Single Phase	\$ 31.50
Basic Service Charge per Month – Three Phase	\$ 50.40
Energy Charge per kWh	\$ .09935

SCHEDULE PS  
POWER SERVICE

Secondary Service:

Basic Service Charge per Month	\$ 90.00
Demand Charge per kW:	
Summer Rate	\$ 20.21
Winter Rate	\$ 17.56
Energy Charge per kWh	\$ .04047

Primary Service:

Basic Service Charge per Month	\$240.00
Demand Charge per kW:	
Summer Rate	\$ 17.55
Winter Rate	\$ 15.03
Energy Charge per kWh	\$ .03903

SCHEDULE TODS  
TIME-OF-DAY SECONDARY SERVICE

Basic Service Charge per Month	\$200.00
Maximum Load Charge per kW:	
Base Demand Period	\$ 4.61
Intermediate Demand Period	\$ 4.91
Peak Demand Period	\$ 6.70
Energy Charge per kWh	\$ .04029

SCHEDULE TODP  
TIME-OF-DAY PRIMARY SERVICE

Basic Service Charge per Month	\$330.00
Maximum Load Charge per kVA:	
Base Demand Period	\$ 3.01
Intermediate Demand Period	\$ 4.76
Peak Demand Period	\$ 6.49
Energy Charge per kWh	\$ .03797

SCHEDULE RTS  
RETAIL TRANSMISSION SERVICE

Basic Service Charge per Month	\$1,500.00
Maximum Load Charge per kVA:	
Base Demand Period	\$ 1.43
Intermediate Demand Period	\$ 4.82
Peak Demand Period	\$ 6.57
Energy Charge per kWh	\$ .03670

SCHEDULE FLS  
FLUCTUATING LOAD SERVICE

Primary:

Basic Service Charge per Month	\$ 330.00
Maximum Load Charge per kVA:	
Base Demand Period	\$ 2.68
Intermediate Demand Period	\$ 4.24
Peak Demand Period	\$ 5.96
Energy Charge per kWh	\$ .03797

Transmission:

Basic Service Charge per Month	\$1,500.00
Maximum Load Charge per kVA:	
Base Demand Period	\$ 1.27
Intermediate Demand Period	\$ 4.30
Peak Demand Period	\$ 6.03
Energy Charge per kWh	\$ .03671

SCHEDULE LS  
LIGHTING SERVICE

Rate per Light per Month: (Lumens Approximate)

Overhead:

	Fixture Only
<u>High Pressure Sodium:</u>	
16,000 Lumens - Cobra Head	\$13.78
28,500 Lumens - Cobra Head	\$16.17
50,000 Lumens - Cobra Head	\$18.61
16,000 Lumens - Directional	\$14.73
50,000 Lumens - Directional	\$19.44
9,500 Lumens - Open Bottom	\$11.93

<u>Metal Halide</u>			
32,000 Lumens - Directional		\$19.89	
<u>Light Emitting Diode (LED):</u>			
8,179 Lumens - Cobra Head		\$14.36	
14,166 Lumens - Cobra Head		\$17.43	
23,214 Lumens - Cobra Head		\$26.75	
5,007 Lumens - Open Bottom		\$9.48	
<u>Underground:</u>			
	<u>Fixture Only</u>	<u>Decorative Smooth</u>	<u>Historic Fluted</u>
<u>High Pressure Sodium:</u>			
5,800 Lumens - Colonial, 4-Sided		\$21.32	
9,500 Lumens - Colonial, 4-Sided		\$22.08	
16,000 Lumens - Colonial, 4-Sided		\$22.21	
5,800 Lumens - Acorn		\$21.72	
9,500 Lumens - Acorn		\$24.20	
16,000 Lumens - Acorn		\$24.20	
5,800 Lumens - London		\$37.11	
9,500 Lumens - London		\$37.15	
5,800 Lumens - Victorian		\$34.79	
9,500 Lumens – Victorian		\$36.94	
4,000 Lumens - Dark Sky		\$25.33	
9,500 Lumens - Dark Sky		\$25.98	
Victorian/London Bases - Westchester/Norfolk		\$ 3.71	
16,000 Lumens - Cobra Head		\$28.49	
28,500 Lumens - Cobra Head		\$30.81	
50,000 Lumens - Cobra Head		\$36.78	
16,000 Lumens - Contemporary	\$17.42	\$32.18	
28,500 Lumens - Contemporary	\$19.37	\$34.78	
50,000 Lumens - Contemporary	\$23.55	\$40.59	
<u>Metal Halide</u>			
32,000 Lumens - Contemporary	\$21.67	\$32.77	

Light Emitting Diode (LED):

8,179 Lumens - Cobra Head	\$52.66
14,166 Lumens - Cobra Head	\$55.73
23,214 Lumens - Cobra Head	\$65.05
5,665 Lumens - Colonial	\$45.46

SCHEDULE RLS  
RESTRICTED LIGHTING SERVICE

Overhead:

	Fixture Only	Fixture and Wood Pole	Fixture and Ornamental Pole
<u>Mercury Vapor:</u>			
8,000 Lumens - Cobra/O.B.	\$10.50		
13,000 Lumens - Cobra Head	\$11.97		
25,000 Lumens - Cobra Head	\$14.76		
60,000 Lumens - Cobra Head	\$30.17		
25,000 Lumens - Directional	\$16.84		
60,000 Lumens - Directional	\$31.40		
4,000 Lumens - Open Bottom	\$ 8.98		

Metal Halide

12,000 Lumens - Directional	\$13.81	\$16.48	
32,000 Lumens - Directional		\$22.18	\$29.64
107,800 Lumens - Directional	\$42.04	\$45.23	

Wood Pole:

Installed Before 3/1/2010	\$11.32
Installed Before 7/1/2004	\$ 2.15

Underground:

	Fixture Only	Decorative Smooth
<u>High Pressure Sodium:</u>		
16,000 Lumens - Cobra/Contemporary		\$26.96
28,500 Lumens - Cobra/Contemporary		\$29.65
50,000 Lumens - Cobra/Contemporary		\$34.03
5,800 Lumens - Coach/Acorn		\$15.84

9,500 Lumens - Coach/Acorn	\$19.04
16,000 Lumens - Coach/Acorn	\$23.67
120,000 Lumens - Contemporary	\$45.11
9,500 Lumens - Acorn, Bronze	\$25.35
16,000 Lumens - Acorn, Bronze	\$26.94
5,800 Lumens - Victorian	\$21.28
9,500 Lumens - Victorian	\$22.33
5,800 Lumens - London	\$21.44
9,500 Lumens - London	\$22.83
5,800 Lumens - London	\$35.08
9,500 Lumens - London	\$36.02
5,800 Lumens - Victorian	\$34.11
9,500 Lumens - Victorian	\$36.26

Victorian/London Bases:

Old Town	\$ 3.62
Chesapeake	\$ 3.82

Poles:

10' Smooth Pole	\$10.82
10' Fluted Pole	\$12.91

Mercury Vapor:

8,000 Lumens - Cobra Head	\$18.53
13,000 Lumens - Cobra Head	\$20.41
25,000 Lumens - Cobra Head	\$24.43
25,000 Lumens - Cobra (State of KY Pole)	\$23.84

4,000 Lumens - Coach	\$13.39
8,000 Lumens - Coach	\$15.27

Metal Halide:

12,000 Lumens - Contemporary	\$15.44	\$25.91
107,800 Lumens - Contemporary	\$45.01	\$56.09

Incandescent:

1,500 Lumens - Continental Jr.	\$ 9.57
6,000 Lumens - Continental Jr.	\$ 13.93

SCHEDULE TE  
TRAFFIC ENERGY SERVICE

Basic Service Charge per Month	\$4.00
Energy Charge per kWh	\$ .08277

SCHEDULE PSA  
POLE AND STRUCTURE ATTACHMENT CHARGES

Per Year for Each Attachment to Pole	\$ 7.25
Per Year for Each Linear Foot of Duct	\$ .81
Per Year for Each Wireless Facility	\$36.25

RATE CSR-1  
CURTAILABLE SERVICE RIDER

	Transmission	Primary
Demand Credit per kVA	\$ 3.56	\$ 3.67
Non-compliance Charge Per kVA	\$16.00	\$16.00

RATE CSR-2  
CURTAILABLE SERVICE RIDER

	Transmission	Primary
Demand Credit per kVA	\$ 5.90	\$ 6.00
Non-compliance Charge Per kVA	\$ 16.00	\$ 16.00

RC  
REDUNDANT CAPACITY

Charge per kW/kVA per month	
Secondary Distribution	\$ 1.59
Primary Distribution	\$ 1.44

SPECIAL CONTRACTS

Fort Knox

Basic Service Charge per Month	\$330.00
Maximum Load Charge per kVA:	
Base Demand Period	\$ 3.01
Intermediate Demand Period	\$ 4.76
Peak Demand Period	\$ 6.49
Energy Charge per kWh	\$ .03797

Louisville Water Company

Demand Charge per kW:	\$ 12.89
Energy Charge per kWh	\$ .03853

EVSE  
ELECTRIC VEHICLE SUPPLY EQUIPMENT

Monthly Charging Unit Fee:

Single Charger	\$180.46
Dual Charger	\$302.04

EVC  
ELECTRIC VEHICLE CHARGING SERVICE

Fee per Hour	\$ 2.86
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EVSE-R  
ELECTRIC VEHICLE SUPPLY EQUIPMENT

Monthly Charging Unit Fee:

Single Charger	\$132.00
Dual Charger	\$205.15

SSP  
SOLAR SHARE PROGRAM RIDER

Monthly Charge:

Solar Capacity Charge	\$ 6.24
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Solar Energy Credit per kWh of Pro Rata Energy Produced:

RS	\$ .03698
RTOD-Energy	\$ .03698
RTOD-Demand	\$ .03698
VFD	\$ .03698
GS	\$ .03698
PS Secondary	\$ .04047
PS Primary	\$ .03903
TODS	\$ .04029
TODP	\$ .03797

SPS  
SCHOOL POWER SERVICE

Secondary Service:

Basic Service Charge per Month	\$ 90.00
Demand Charge per kW:	
Summer Rate	\$16.73
Winter Rate	\$14.53
Energy Charge per kWh	\$ .04071

STOD  
SCHOOL TIME-OF-DAY SERVICE

Basic Service Charge per Month	\$200.00
Maximum Load Charge per kW:	
Base Demand Period	\$ 4.13
Intermediate Demand Period	\$ 4.64
Peak Demand Period	\$ 6.13
Energy Charge per kWh	\$ .04049

OSL  
OUTDOOR SPORTS LIGHTING SERVICE

Secondary Service:

Basic Service Charge per Month	\$ 90.00
Demand Charge per kW:	
Peak Demand Period	\$ 14.37
Base Demand Period	\$ 4.29

Energy Charge per kWh \$ .04070

Primary Service:

Basic Service Charge per Month	\$240.00
Demand Charge per kW:	
Peak Demand Period	\$ 13.07
Base Demand Period	\$ 3.01

Energy Charge per kWh \$ .03924

UNAUTHORIZED RECONNECT CHARGE

Tampering or Unauthorized Connection or Reconnection Fee:

Meter Replacement Not Required	\$ 70.00
Single Phase Standard Meter Replacement Required	\$ 90.00
Single Phase AMR Meter Replacement Required	\$ 110.00
Single Phase AMS Meter Replacement Required	\$ 174.00

Three Phase Meter Replacement Required \$ 177.00

HEA  
HOME ENERGY ASSISTANCE PROGRAM

Per Month \$ .25

GAS SERVICE RATES

RATE RGS  
RESIDENTIAL GAS SERVICE

Basic Service Charge per Month	\$ 16.35
Distribution Charge per Ccf	\$ .36208

RATE VFD  
VOLUNTEER FIRE DEPARTMENT SERVICE

Basic Service Charge per Month	\$ 16.35
Distribution Charge per Ccf	\$ .36208

RATE CGS  
FIRM COMMERCIAL GAS SERVICE

Basic Service Charge per Month	
Meters < 5000 cf/hr	\$ 60.00
Meters >= 5000 cf/hr	\$ 285.00
 Distribution Charge per Ccf	
	\$ .25058 on peak
	\$ .20058 off peak

Rider TS-2 Gas Transportation Service

Administrative Charge per Month	\$ 550.00
Distribution Charge per Mcf	\$ 2.5058 on peak
	\$ 2.0058 off peak

RATE IGS  
FIRM INDUSTRIAL GAS SERVICE

Basic Service Charge per Month	
Meters < 5000 cf/hr	\$ 165.00
Meters >= 5000 cf/hr	\$ 750.00
 Distribution Charge per Ccf	
	\$ .21929 on peak
	\$ .16929 off peak

Rider TS-2 Gas Transportation Service

Administrative Charge per Month	\$ 550.00
Customer Charge per Month	
Meters >= 5000 cf/hr	\$ 750.00
Distribution Charge per Mcf	\$ 2.1929 on peak
	\$ 1.6929 off peak

RATE AAGS  
AS-AVAILABLE GAS SERVICE

Basic Service Charge per Month	\$ 500.00
Distribution Charge per Mcf	\$ 1.0644

Rider TS-2 Gas Transportation Service

Administrative Charge per Month	\$ 550.00
Customer Charge per Month	\$ 500.00
Distribution Charge per Mcf	\$ 1.0644

RATE DGGS  
DISTRIBUTED GENERATION GAS SERVICE

Basic Service Charge per Month	
Meters < 5000 cf/hr	\$ 165.00
Meters >= 5000 cf/hr	\$ 750.00
Demand Charge per Ccf of Monthly Billing Demand	\$ 1.08978
Distribution Charge per Ccf	\$ .02992

RATE FT  
FIRM TRANSPORTATION SERVICE

Administrative Charge per Month	\$ 550.00
Distribution Charge per Mcf	\$ .4435

RATE SGSS  
SUBSTITUTE GAS SALES SERVICE

Customer Charge per Month	\$ 285.00
Demand Charge per Mcf	\$ 5.9809
Distribution Charge per Mcf	\$ .3593

RATE LGDS  
LOCAL GAS DELIVERY SERVICE

Administrative Charge per Month	\$ 550.00
Basic Service Charge per Month	\$1,310.00
Demand Charge per Mcf	\$ 2.57
Distribution Charge per Mcf	\$ .0388

INTRA-COMPANY SPECIAL CONTRACTS

Customer Charge per Month	\$ 750.00
Demand Charge per Mcf	\$ 10.8978
Distribution Charge per Mcf	\$ .29920

GLT  
GAS LINE TRACKER

	Distribution Projects <u>(\$/delivery point)</u>	Transmission Projects <u>(\$/Ccf)</u>
RGS – Residential Gas Service	\$ .71	.00065
VFD – Volunteer Fire Department Service	\$ .71	.00065
CGS – Commercial Gas Service	\$ 3.53	.00050
IGS – Industrial Gas Service	\$ 43.93	.00020
AAGS – As-Available Gas Service	\$ 43.93	.00020
DGGS – Distributed Generation Gas Service	\$ 43.93	.00020
SGSS – Substitute Gas Sales Service	\$ 3.53	.00050
FT – Firm Transportation	\$ 0.00	.00003
LGDS – Local Gas Delivery Service	\$ 0.00	.00003

HEA  
HOME ENERGY ASSISTANCE

Per Month	\$ .25
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