

TARIFF N.M.S.C.
(Net Merger Savings Credit)

APPLICABLE.

To Tariffs R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., S.G.S., M.G.S., M.G.S.-T.O.D., L.G.S., Q.P., C.I.P.-T.O.D., C.S.- I.R.P., M.W., O.L., and S.L.

RATE.

The Net Merger Savings Credit shall provide for a monthly adjustment to base rates on a rate per KWH of monthly consumption. The Net Merger Savings Credit shall be calculated according to the following formula:

$$\text{Net Merger Savings Credit} = \text{M.S.F.} + \text{B.A.F.}$$

Where:

(M.S.F.) Is the Merger Savings Factor per KWH which is based on the total Company net savings that are to be distributed to the Company's Kentucky retail jurisdictional customers in each 12-month period.

| | Net Savings to be Distributed | Merger Savings Factor (M.S.F.) | Balancing Adjustment Factor (B.A.F.) |
|---------|-------------------------------|--------------------------------|--------------------------------------|
| Year 1* | \$ 1,463,815 | .021¢ per KWH | 0¢ |
| Year 2 | 2,553,660 | .037¢ per KWH | .0007¢ per KWH |
| Year 3 | 3,184,645 | .045¢ per KWH | .0009¢ per KWH |
| Year 4 | 3,695,003 | .051¢ per KWH | .0018¢ per KWH |
| Year 5 | 4,037,167 | .055¢ per KWH | .0030¢ per KWH |
| Year 6 | 4,299,432 | .057¢ per KWH | .0025¢ per KWH |
| Year 7 | 4,504,920 | .059¢ per KWH | .0030¢ per KWH |
| Year 8 | 4,626,369 | .059¢ per KWH | .0035¢ per KWH |
| Year 9 | 5,242,785 | .066¢ per KWH | |

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 9/26/2008
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*The Net Merger Savings Credit will begin in the first full billing month available following thirty days from the consummation of the merger and will continue until the effective date of a Commission order changing the Company's base rates after Year 8 of this tariff.

(B.A.F.) Is the Balancing Adjustment Factor per KWH for the second through the twelfth months of the current distribution year, which reconciles any over-, or under-distribution of the net savings from prior periods. The B.A.F. will be determined by dividing the difference between amounts which were expected to be distributed and the amounts actually distributed from the application of the Net Merger Savings Credit from the previous year by the expected Kentucky retail jurisdictional KWH. The final B.A.F. will be applied to customer billings in the second month following the effective date of a Commission order changing the Company's base rates after Year 8 of this tariff.

TERMS OF DISTRIBUTION.

- The total distribution to the Company's customers will, in no case, be less than the sum of the amounts shown for the first eight years above.
- On or before the 21st of the first month of each distribution year following Year 1, the Company will file with the Commission a status report of the Net Merger Savings Credit. Such report shall include a statement showing the amounts, which were expected to be distributed, and the amounts actually distributed in previous periods, along with a calculation of the B.A.F., which will be implemented with customer billings in the second month of that distribution year to reconcile any previous over-or under-distributions.
- The Net Merger Savings Credit shall be applied to the customer's bill following the rates and charges in effect at the time of service, but before application of the school tax, the franchise fee sales tax or similar taxes.

(T)

DATE OF ISSUE August 24, 2007 DATE EFFECTIVE Service rendered on and after September 27, 2007

ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES
 NAME TITLE

Issued by authority of an Order of the Public Service Commission in Case No. 99-149

PUBLIC SERVICE COMMISSION OF KENTUCKY
 EFFECTIVE 9/27/2007
 PURSUANT TO KAR 5:011 SECTION 9 (1)
 FRANKFORT, KENTUCKY
 ADDRESS
 [Signature]
 Executive Director