

RULES AND REGULATIONS GOVERNING THE SUPPLY OF ELECTRIC SERVICE

General Rules

1. Commission Rules and Regulations. All electric service supplied by the Company shall be in accordance with the applicable rules and regulations of the Public Service Commission of Kentucky.

2. Company Rules and Regulations. In addition to the rules and regulations of the Commission, all electric service supplied by the Company shall be in accordance with these "Rules and Regulations Governing the Supply of Electric Service," which shall constitute a part of all applications and contracts for service.

3. Rates, Rules and Regulations on File. A copy of the rate schedules, rules, and regulations under which electric service is supplied is on file with the Public Service Commission of Kentucky. A copy of such rate schedules, rules, and regulations, together with the law, rules, and regulations of the Commission, is available for public inspection in the office of the Company.

4. Application for Service. A written application or contract, properly executed, may be required before the Company is obligated to render electric service. The Company shall have the right to reject for valid reasons any such application or contract.

All applications for service shall be made in the legal name of the party desiring the service.

Where an unusual expenditure for construction or equipment is necessary or where the proposed manner of using electric service is clearly outside the scope of Company's standard rate schedules, Company may establish special contracts giving effect to such unusual circumstances.

5. Transfer of Application. Applications for electric service are not transferable and new occupants of premises will be required to make application for service before commencing the use of electricity. Customers who have been receiving electric service shall notify the Company when discontinuance of service is desired, and shall pay for all electric service furnished until such notice has been given and final meter readings made by the Company.

6. Deposits. The Company may require a minimum cash deposit or other guaranty to secure payment of bills except for customers qualifying for service reconnection pursuant to 807 KAR 5:006, Section 15, Winter Hardship Reconnection. Service may be refused or discontinued for failure to pay the requested deposit. Interest, as prescribed by KRS 278.460, will be paid annually either by refund or credit to the customer's bills, except that no refund or credit will be made if the customer's bill is delinquent on the anniversary date of the deposit.

The deposit may be waived upon a customer's showing of satisfactory credit or payment history, and residential deposits will be returned after one (1) year, non-residential after three (3) years, if the customer has established a satisfactory payment record for that period. If a deposit has been waived or returned and the customer fails to maintain a satisfactory payment record, a deposit may then be required. The Company may require a

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Victor A. Staffieri

Sr. Vice Pres.-Gen. Counsel and Corporate Secretary

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General Rules (Continued)

deposit in addition to the initial deposit if the Customer's classification of service changes or if there is a substantial change in usage. Upon termination of service, the deposit, any principal amounts, and any interest earned and owing will be credited to the final bill with any remainder refunded to the customer.

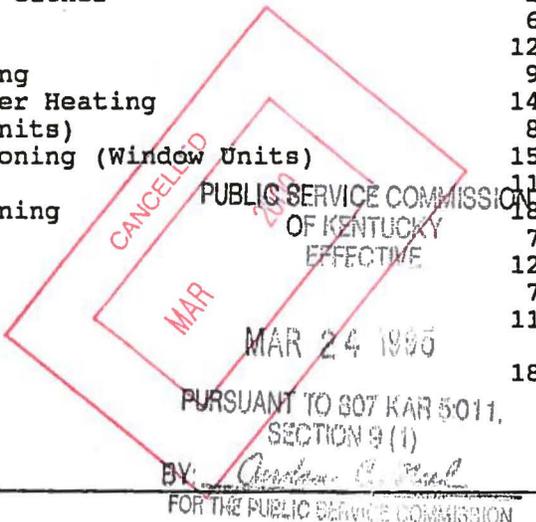
In determining whether a deposit will be required or waived, the following criteria will be considered:

1. Credit worthiness determined by information obtained from an independent credit scoring provider.
2. An irrevocable letter of credit sufficient to cover the amount determined for payment assurance.
3. Length of time the customer has had service with the Company.
4. Whether the customer owns the property.
5. Whether the customer has filed prior bankruptcy proceedings.
6. A security interest in collateral provided by the customer sufficient to cover the amount determined for payment assurance.

If a deposit is held longer than 18 months, the deposit will be recalculated at the customer's request based on the customer's actual usage. If the deposit on account differs from the recalculated amount by more than \$10.00 for a residential customer or 10 percent for a non-residential customer, the Company may collect any underpayment and shall refund any overpayment by check or credit to the customer's bill. no refund will be made if the customer's bill is delinquent at the time of the recalculation.

Residential customers with the same type of service will pay equal deposits according to the following schedule:

<u>Appliances In Use</u>	<u>Deposit</u>
Electric Water Heater	\$ 25.00
Electric Lights, Refrigerator, Small Appliances	45.00
Gas, Include Range, Water Heater/or either	20.00
Electric and Gas (1 and 2 above)	65.00
Electric, Gas Heating	120.00
Electric, Gas, Electric Water Heating	90.00
Electric, Gas Heating, Electric Water Heating	145.00
Electric Air Conditioning (Window Units)	85.00
Electric Heat, Electric Air Conditioning (Window Units)	150.00
Central Air Conditioning	110.00
Space Heat and Central Air Conditioning	180.00
Electric, Electric Water Heating	70.00
Electric Heating Only	120.00
Gas Heating	75.00
Gas, Heating, Air Conditioning	110.00
Maximum Deposit Required	180.00



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General Rules (Continued)

For industrial or commercial accounts, customer deposits shall be based upon actual usage of the customer at the same or similar premises for the most recent 12-month period, if such information is available. If usage information is not available, the deposit will be based on the average bills of similar customers and premises in the system. The deposit amount shall not exceed 2/12 of the customer's actual or estimated annual bill where bills are rendered monthly.

7. Monitoring of Customer Usage. In order to detect unusual deviations in individual customer consumption, the Company will monitor the usage of each customer at least once annually. Should an unusual deviation in the customer's consumption be found which cannot be attributed to a readily identified common cause, the Company will perform a detailed analysis of the customer's monthly meter reading and billing records. If the cause for the usage deviation cannot be determined from analysis of the customer's meter reading and billing records, the Company will contact the customer by telephone or in writing to determine whether there have been changes such as different number of household members or work staff, additional or different appliances, changes in business volume, or known leaks in the customer's service line. Where the deviation is not otherwise explained, the Company will test the customer's meter to determine whether it shows an average error greater than 2 percent fast or slow. The Company will notify the customers of the investigation, its findings, and any refunds or back-billing in accordance with 807 KAR 5:006, Section 10(4) and (5). In addition to the annual monitoring, the Company will immediately investigate usage deviations brought to its attention as a result of its on-going meter reading or billing processes or customer inquiry.

8. Company's Equipment and Installation. The Company will furnish, install, and maintain at its expense the necessary service drop or service line required to deliver electricity to the customer's electric facilities at the voltage contracted for.

The Company will furnish, install, and maintain at its expense the necessary meter or meters. (The term meter as used here and elsewhere in these rules and regulations shall be considered to include all associated instruments and devices, such as current and potential transformers, installed for the purpose of measuring deliveries of electricity to the customer.) Suitable provision for the Company's meter, including an adequate protective enclosure for the same if required, shall be made by the customer. Title to the meter shall remain in the Company, with the right to install, operate, maintain, and remove same. The customer shall protect such property of the Company from loss or damage, and no one who is not an agent of the Company shall be permitted to remove, damage or tamper with the same. The customer shall execute such reasonable form of easement agreement as may be required by Company.

Notwithstanding the provisions of 807 KAR 5:006, PUBLIC SERVICE COMMISSION reasonable time shall be allowed subsequent to customer's service application to enable Company to construct or install the facilities required for such service. In order that Company may make suitable provision for enlargement, extension or alteration of its facilities, each applicant for commercial or

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RULES AND REGULATIONS GOVERNING THE SUPPLY OF ELECTRIC SERVICE

General Rules (Continued)

industrial service shall furnish the Company with realistic estimates of prospective electricity requirements.

9. Customer's Equipment and Installation. The customer shall furnish, install and maintain at his expense all electrical apparatus and wiring to connect with Company's service drop or service line. All such apparatus and wiring shall be installed and maintained in conformity with applicable statutes, laws or ordinances and with the rules and regulations of the constituted authorities having jurisdiction. The customer shall not install wiring or connect and use any motor or other electricity-using device which in the opinion of the Company is detrimental to its electric system or to the service of other customers of the Company. The Company assumes no responsibility whatsoever for the condition of the customer's electrical wiring, apparatus, or appliances, nor for the maintenance or removal of any portion thereof.

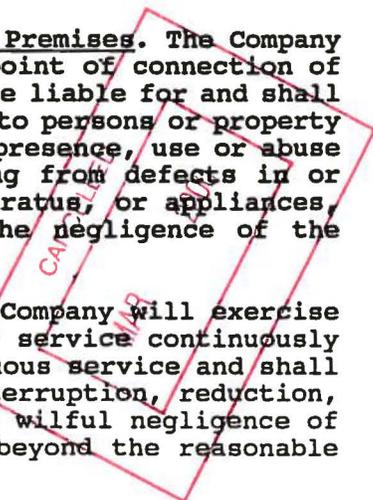
10. Point of Delivery of Electricity. The point of delivery of electrical energy supplied by the Company shall be at the point, as designated by the Company, where Company's facilities are connected with the facilities of the customer, irrespective of the location of the meter.

11. Access to Premises and Equipment. The Company shall have the right of access to the customer's premises at all reasonable times for the purpose of installing, meter reading, inspecting, repairing, or removing its equipment used in connection with its supply of electric service or for the purpose of turning on and shutting off the supply of electricity when necessary and for all other proper purposes. The customer shall not construct or permit the construction of any structure or device which will restrict the access of the Company to its equipment for any of the above purposes.

12. Company Not Liable for Damage on Customer's Premises. The Company is merely a supplier of electricity delivered to the point of connection of Company's and the customer's facilities, and shall not be liable for and shall be protected and held harmless for any injury or damage to persons or property of the customer or of third persons resulting from the presence, use or abuse of electricity on the customer's premises or resulting from defects in or accidents to any of customer's wiring, equipment, apparatus, or appliances, or resulting from any cause whatsoever other than the negligence of the Company.

13. Company Not Liable for Interruptions. The Company will exercise reasonable care and diligence in an endeavor to supply service continuously and without interruption but does not guarantee continuous service and shall not be liable for any loss or damage resulting from interruption, reduction, delay or failure of electric service not caused by the wilful negligence of Company, or resulting from any cause or circumstance beyond the reasonable control of the Company.

14. Character of Service. The Company supplies alternating current with a nominal frequency of 60 cycles per second. Direct current service, which has been supplied to a limited number of customers in a certain area, is not available for any new connection nor for any increase in the capacity of existing direct current loads.



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RULES AND REGULATIONS GOVERNING THE SUPPLY OF ELECTRIC SERVICE

General Rules (Continued)

Company's electric service is supplied at the following nominal voltages and phases:

Secondary Distribution Voltages

Residential Service. Single Phase 120 volts two wire or 120/240 volts three wire.

Commercial and Industrial Service. Single Phase 120/240 volts three wire. Three phase 240 volts three wire, 480 volts three wire, 120/208Y volts four wire or 277/480Y volts four wire.

Primary Distribution Voltages

According to location, 2400/4160Y volts, 7200/12,470Y volts, 13,800 volts, or 34,500 volts.

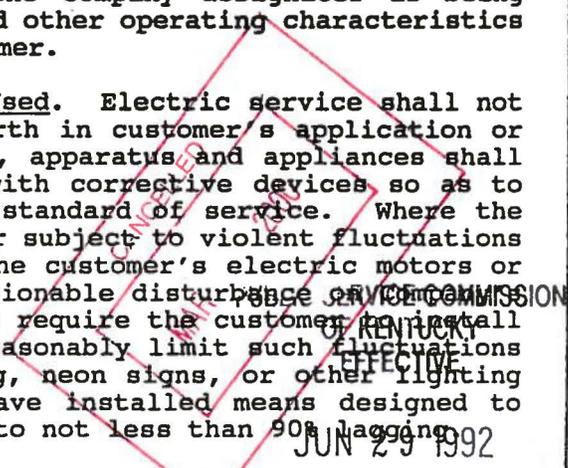
Transmission Line Voltages

69,000 volts, 138,000 volts, or 345,000 volts.

The voltage available to any individual customer shall depend upon the voltage of the Company's lines serving the area in which such customer's electric load is located.

15. Application of Service Voltage Differentials. To be eligible for the rate applicable to any voltage level other than distribution secondary voltage, a customer must furnish and maintain complete substation structure, transformers, and other equipment necessary to take service at the distribution primary or transmission line voltage available at point of connection. In the event the Company is required to provide a transformer station to reduce an available voltage to a lower voltage for delivery to a customer, the customer shall be served at the rate applicable to the lower voltage; provided, however, that if the same rate is applicable to both the available voltage and the delivery voltage, the rate will be applied as though the customer were served at the next lower voltage classification from that of the actual delivery voltage. The available voltage shall be the voltage on that distribution or transmission line which the Company designates as being suitable from the standpoint of capacity and other operating characteristics for supplying the requirements of the customer.

16. Manner in which Service May Be Used. Electric service shall not be used for purposes other than as set forth in customer's application or contract. All of the customer's equipment, apparatus and appliances shall have such characteristics or be equipped with corrective devices so as to enable Company to maintain a satisfactory standard of service. Where the customer's use of service is intermittent or subject to violent fluctuations or where the starting characteristics of the customer's electric motors or other apparatus are such as to cause objectionable disturbance on the system, the Company shall have the right to require the customer to install at his own expense suitable equipment to reasonably limit such fluctuations or starting currents. Fluorescent lighting, neon signs, or other lighting with similar load characteristics shall have installed means designed to correct the power factor of such equipment to not less than 90% lagging.



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RULES AND REGULATIONS GOVERNING THE SUPPLY OF ELECTRIC SERVICE

General Rules (Continued)

When a customer fails to install the necessary facilities on his premises to correct the objectionable conditions or to prevent such objectionable conditions from interfering with Company's supply of satisfactory service to other customers, Company shall have the right to deny service to such customer until the objectionable condition shall have been corrected in a manner satisfactory to Company.

17. Notice to Company of Changes in Customer's Load. The service connections, transformers, meters, and appurtenances supplied by Company for the rendition of electric service to its customers have a definite capacity which may not be exceeded without damage. In the event that the customer contemplates any material increase in his connected load, whether in a single increment or over an extended period, he shall immediately give the Company written notice of this fact so as to enable it to enlarge the capacity of such equipment. In case of failure to give such notice the customer may be held liable for any damage done to meters, transformers, or other equipment of the Company caused by such material increase in the customer's connected load.

18. Permits. The customer shall obtain or cause to be obtained all permits, easements, or certificates, except street permits, necessary to give the Company or its agents access to the customer's premises and equipment and to enable its service to be connected therewith. In case the customer is not the owner of the premises or of intervening property between the premises and the Company's distribution lines the customer shall obtain from the proper owner or owners the necessary consent to the installation and maintenance in said premises and in or about such intervening property of all such wiring or other customer-owned electrical equipment as may be necessary or convenient for the supply of electric service to customer. Provided, however, to the extent permits, easements, or certificates are necessary for the installation and maintenance of Company-owned facilities, the Company shall obtain the aforementioned consent.

The construction of electric facilities to provide service to a number of customers in a manner consistent with good engineering practice and the least public inconvenience sometimes requires that certain wires, guys, poles, or other appurtenances on a customer's premises be used to supply service to neighboring customers. Accordingly, each customer taking Company's electric service shall grant to Company such rights on or across his or her premises as may be necessary to furnish service to neighboring premises, such rights to be exercised by the Company in a reasonable manner and with due regard for the convenience of the customer.

The Company shall make or cause to be made application for any necessary street permits, and shall not be required to supply service under the customer's application until a reasonable time after such permits are granted.

19. Resale of Electric Energy. Electric energy furnished under the Company's standard application or contract is for the use of the customer only and no customer shall resell such energy to any other person, firm, or corporation on the customer's premises or for use on any other premises without the written consent of Company. If energy is resold in accordance with such written consent of Company, the energy may be resold only under one

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RULES AND REGULATIONS GOVERNING THE SUPPLY OF ELECTRIC SERVICE

General Rules (Continued)

of the following two procedures: (1) the monthly bill for electric service shall be divided by the total Kwh's delivered to the customer during the month by LG&E and the resulting cost per Kwh shall then be applied to the Kwh's of energy used by each end-user; or (2) such energy shall be resold at rates which are identical to the rates which would be charged by the Company for like and contemporaneous service.

20. Meter Readings and Bills. Bills for electric service will be rendered monthly unless otherwise specified. A month as referred to herein and in the Company's rate schedules means the period between two consecutive meter readings, such readings to be taken as nearly as feasible thirty days apart.

In the case of opening and closing bills when the total period between regular and special meter readings is less than thirty days the rate blocks and minimum charges of the applicable rate schedules will be prorated on the basis of the ratio of the actual number of days in such period to thirty days.

When Company is unable to read customer's meter after reasonable effort, or when Company experiences circumstances which make actual meter readings impossible or impracticable, customer may be billed on an estimated basis and the billing will be adjusted as necessary when the meter is read.

In the event Company's electric meter fails to register properly by reason of damage, accident, etc., the Company shall have the right to estimate the customer's consumption during the period of failure on the basis of such factors as the customer's connected load and his consumption during a previous corresponding period and during a test period immediately following replacement of the defective meter.

Where the Company serves a customer with both electric and gas service at the same service location, the Company will render a combined bill. Provided, however, a residential customer may request, and the Company will render, separate bills under the following conditions: (1) the customer is being threatened with disconnection for nonpayment or has already been disconnected for that reason and (2) the customer would be able to pay either the gas or electric portion of his bill and thus retain one service.

Bills are due and payable in their net amount at the office of the Company during business hours, or at other locations designated by the Company, within 15 days from the date of rendition thereof. In the event bill is not paid on or before the final day of the 15 day net payment period, the gross bill including forfeited discount or delayed payment charge shall become due and payable at the office of the Company.

Failure to receive a bill does not exempt a customer from these provisions.

21. Readings of Separate Meters Not Combined. For billing purposes each meter upon the customer's premises will be considered separately and readings of two or more meters will not be combined except where combinations of meter readings are specifically provided for in the applicable

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RULES AND REGULATIONS GOVERNING THE SUPPLY OF ELECTRIC SERVICE

General Rules (Continued)

rate schedules, or where Company's operating convenience requires the installation of two or more meters upon the customer's premises instead of one meter.

22. Company's Right to Refuse or Discontinue Service. In accordance with and subject to the rules and regulations of the Public Service Commission of Kentucky, the Company shall have the right to refuse or discontinue to serve an applicant or customer under the following conditions:

- A. When Company's or Commission's rules and regulations have not been complied with. However, service may be discontinued or refused only after Company has made a reasonable effort to induce the customer to comply with its rules and then only after the customer has been given at least 10 days written notice of such intention, mailed to his last known address.
- B. When a dangerous condition is found to exist on the customer's or applicant's premises. In such case service will be discontinued without notice or refused, as the case might be. Company will notify the customer or applicant immediately of the reason for the discontinuance or refusal and the corrective action to be taken before service can be restored or initiated.
- C. When a customer or applicant refuses or neglects to provide reasonable access and/or easements to and on his premises for the purposes of installation, operation, meter reading, maintenance, or removal of Company's property. Customer shall be given 15 days written notice of Company's intention to discontinue or refuse service.
- D. When Applicant is indebted to Company for service furnished. Company may refuse to serve until indebtedness is paid.
- E. When customer or applicant does not comply with state, municipal or other codes, rules and regulations applying to such service.
- F. When directed to do so by governmental authority.
- G. For non-payment of bills. The Company shall have the right to discontinue service for non-payment of bills after the customer has been given at least ten days written notice, separate from his original bill. Cut-off may be effected not less than 27 days after the mailing date of original bills unless, prior to discontinuance, a residential customer presents to Company a written certificate, signed by a physician, registered nurse, or public health officer, that such discontinuance will aggravate an existing illness or infirmity on the affected premises, in which case discontinuance may be effected not less than 90 days from the original date of discontinuance. The Company shall notify the customer, in writing, of state and federal programs which may be available to aid in payment of bills and the office to contact for such possible assistance.

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RULES AND REGULATIONS GOVERNING THE SUPPLY OF ELECTRIC SERVICE

General Rules (Continued)

H. For fraudulent or illegal use of service. When Company discovers evidence that by fraudulent or illegal means a customer has obtained unauthorized service or has diverted the service for unauthorized use or has obtained service without same being properly measured, the service to the customer may be discontinued without notice. Within twenty-four (24) hours after such termination, the Company shall send written notification to the customer of the reasons for such discontinuance of service and of the customer's right to challenge the termination by filing a formal complaint with the Public Service Commission of Kentucky. The Company's right of termination is separate from and in addition to any other legal remedies which the utility may pursue for illegal use or theft of service. The Company shall not be required to restore service until the customer has complied with all rules of the Company and regulations of the Commission and the Company has been reimbursed for the estimated amount of the service rendered and the cost to the Company incurred by reason of the fraudulent use.

23. Temporary and Short Term Service. The customer shall pay the cost of all material, labor and expense incurred by the Company in supplying electric service for any temporary or short term use, in addition to the regular rates for service without prorating of rate blocks or minimum bills for service of less than thirty days in a regular meter reading period.

24. Charge for Disconnecting and Reconnecting Service. A charge of \$14.00 will be made to cover disconnection and reconnection of electric service when discontinued for non-payment of bills or for violation of the Company's rules and regulations, such charge to be made before reconnection is effected. If both gas and electric services are reconnected at the same time, the total charge for both services shall be \$14.00. No charge will be made under this rule 24 for customers qualifying for service reconnection pursuant to 807 KAR 5:006, Section 15, Winter Hardship Reconnection.

Residential and general service customers may request and be granted a temporary suspension of electric service. In the event of such temporary suspension, Company will make a charge of \$14.00 to cover disconnection and reconnection of electric service, such charge to be made before reconnection is effected. If both gas and electric services are reconnected at the same time, the total charge for both services shall be \$14.00.

25. Choice of Optional Rates. When two or more rate schedules are available for the same class of service and the customer is undecided as to which schedule will result in the lowest annual cost, the Company will assist the customer in the choice of the most favorable schedule, the customer then to designate the schedule he desires. In those cases in which the most favorable schedule is difficult to pre-determine, the customer shall be given the opportunity to change to another schedule after the first schedule originally designated; provided, however, that, after the first such change, the Company may not be required to make a change in schedule more often than once in twelve months.

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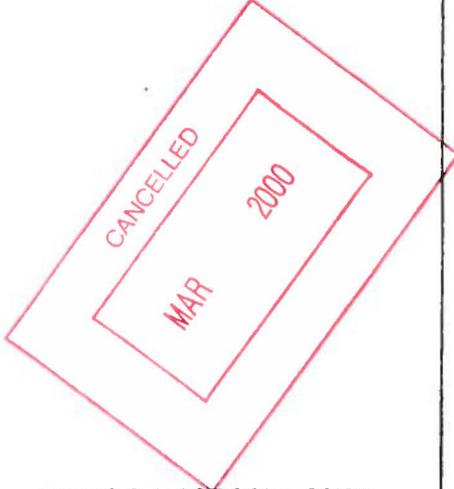
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RULES AND REGULATIONS GOVERNING THE SUPPLY OF ELECTRIC SERVICE

General Rules (Continued)

While the Company will endeavor to assist customers in the choice of the most advantageous schedule, it does not guarantee that customers will at all times be served under the most favorable rate, nor will the Company make refunds representing the difference in charges between the rate under which service has actually been billed and another rate applicable to the same class of service.

26. Charge for Returned Check. When any customer's check tendered in payment of a bill for service is returned by a bank as unpaid, the customer will be charged a fee of \$4.00 to cover the cost of further processing of the account.



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