

Louisville Gas and Electric Company

Original Sheet No. 87
P.S.C. of Ky. Electric No. 6

TERMS AND CONDITIONS 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. The Company may offer customers the option of paying all or a portion of their deposits in installments over a period not to exceed the first three normal billing periods. Service may be refused or discontinued for failure to pay the requested deposit.

Generally, deposits will be required from all customers not meeting satisfactory credit and payment criteria. Satisfactory credit for customers will be determined by utilizing independent credit sources (primarily utilized with new customers having no prior history with the Company), as well as historic and ongoing payment and credit history with the Company. Examples of independent credit scoring resources include credit scoring services, public record financial information, financial scoring and modeling services, and information provided by independent credit/financial watch services. Satisfactory payment criteria with the Company may be established by paying all bills rendered, having no disconnections for nonpayment, having no late notices, having no defaulted credit arrangements, having no returned payments, having no meter diversion or theft of service.

If a non-residential customer fails to maintain a satisfactory payment or credit record, or otherwise becomes a new or greater credit risk, as determined by the Company in its sole discretion, the Company may require a new or additional deposit from the customer. A new or additional deposit may also be required if the customer's classification of service changes or if there is a substantial change in usage.

Interest on deposits will be calculated at the rate prescribed by law, from the date of deposit, and 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. If interest is paid or credited to the customer's bill prior to 12 months from the date of deposit, the payment or credit will be on a prorated basis. Upon termination of service, the deposit, any principal amounts, and interest earned and owing will be credited to the final bill, with any remainder refunded to the customer.

Residential deposits will be retained for a period not to exceed 12 months, provided the customer has met satisfactory payment and credit criteria. Non-residential deposits will be maintained as long as the customer remains on service.

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.

DEPOSIT AMOUNT

Residential electric customers will pay a deposit in the amount of \$120.00, which is calculated in accordance with 807 KAR5:006 Section 7(1)(b). For combination gas and electric customers, the total deposit will be \$240.00.

Non-residential customers' 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

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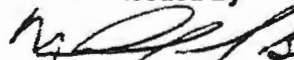
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OF KENTUCKY

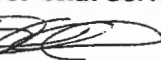
SECTION 9 (1)

Date of Issue: July 20, 2004

Issued By

Date Effective: With Service Rendered


Michael S. Beer, Vice President
Louisville, Kentucky


Executive Director

Issued By Authority of an Order of the KPSC in Case No. 2003-00433 dated June 30, 2004

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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.

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PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
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PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

Date of Issue: July 20, 2004

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Michael S. Beer, Vice President
Louisville, Kentucky

Executive Director

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