

TERMS AND CONDITIONS

Plan for Reduction of Electric Usage During Times of Actual or Potential Fuel Shortages and During Times of Non-Fuel Emergencies Where the Demand for Electric Energy Potentially Exceeds LG&E's Ability to Supply Electric Energy

This Plan is established in recognition of the need for an orderly reduction of electric energy usage by LG&E's customers when LG&E's ability to supply the full normal requirements of such customers is limited or threatened by an actual or potential shortage of fuel for the production of electricity or when a non-fuel emergency reduces LG&E's ability to supply electricity.

1. **APPLICABILITY.** This Plan is applicable throughout the Company's electric service area.
2. **PRIORITY LEVELS.** For the purposes of this Plan, the following priority levels are established:

A. PRIORITY LEVEL I – ESSENTIAL HEALTH AND SAFETY USES. Usages considered essential to the public health and safety which are given special consideration under this Plan shall include:

- a. Hospitals.
- b. Police and fire stations.
- c. Governmental detention facilities.
- d. Communication services used for the transmittal of public information and emergency messages.
- e. Water, sewage and flood pumping facilities.
- f. Life support equipment, such as kidney machines, respirators, etc., used to sustain human life.
- g. National defense facilities.
- h. Transportation facilities used for mass transport of the public.
- i. Food and medicine processing facilities (does not include restaurants or retail food outlets).
- j. Energy services used for the production, transportation, or distribution of fuel supplies.
- k. Any other use of electricity vital to public health and safety as may subsequently be established by the Company, acting under the regulatory jurisdiction of the Commission.

B. PRIORITY LEVEL II – RESIDENTIAL USES. As used in this Plan, "residential uses" refers to electricity uses, not included in Priority Level I or IV, that are used to maintain human living quarters.

C. PRIORITY LEVEL III – COMMERCIAL AND INDUSTRIAL USES. As used in this Plan, commercial and industrial uses are defined as:

- a. "Commercial uses" refers to electricity uses not included in either Priority Levels I, II, or IV that are used primarily in the sale or offering of goods and services. Also included are institutions and local, state, and federal governmental agencies. Commercial uses of electricity for the maintenance of human living quarters, either permanent or temporary, shall be treated as residential for purposes of this Plan.

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Michael S. Beer, Vice President
Louisville, Kentucky

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Louisville Gas and Electric Company

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- b. "Industrial uses" refers to electricity uses not included in either Priority Levels I, II, or IV that are used primarily in a process or processes which create or change raw or unfinished materials into another form or product.

D. PRIORITY LEVEL IV – NONESSENTIAL USES. As used in this Plan, "nonesential uses" shall mean all electricity uses not included in either Priority Levels I, II, or III and shall include, but not be limited to, the following:

- a. Outdoor flood and advertising lighting, except for the minimum level to protect life and property, and a single illuminated sign identifying commercial facilities when operating after dark.
- b. General interior lighting levels greater than minimum functional levels.
- c. Show-window and display lighting.
- d. Parking-lot lighting above minimum functional levels.
- e. Energy use to lower the temperature below 78 degrees during operation of cooling equipment and above 65 degrees during operation of heating equipment.
- f. Elevator and escalator use in excess of the minimum necessary for non-peak hours of use.
- g. Energy use greater than that which is the minimum required for lighting, heating, or cooling of commercial or industrial facilities for maintenance cleaning or business-related activities during non-business hours.
- h. Any other use considered nonessential as may subsequently be established by the Company, acting under the regulatory jurisdiction of the Commission.

3. CURTAILMENT PROCEDURES. In general, instructions and directives with respect to the curtailment or reduction of usage will be issued through mass communications media. Additional notice may be given to large commercial and industrial customers by direct communication. LG&E will give as much notice of required levels of curtailment as practicable, but makes no commitment with respect to the length of notice period.

LG&E will seek the aid of all appropriate local and state governmental agencies in the enforcement of its directives, to ensure that such directives are observed by all customers to which they apply.

Essential health and safety uses listed in Priority Level I will be exempted from the curtailment requirements set forth below, but customers having such uses will be expected to reduce their usage as much as practicable, commensurate with the maintenance of such essential services.

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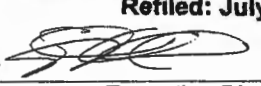
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Curtailment will be implemented as required by circumstances. LG&E will determine, based on the circumstances, the degree of curtailment necessary to protect the integrity of its system and Priority I uses.

4. CURTAILMENT DUE TO FUEL SHORTAGES. Curtailment will be implemented when, in LG&E's judgment, circumstances exist that threaten its fuel supply in such a way as to call into question LG&E's ability to meet its future requirements for electric energy, including, but not limited to, labor actions, mine disasters, and disruption in the modes of transportation. The degree of curtailment will be determined after considering the seriousness of the circumstances prompting its implementation. LG&E will initiate the following actions to curtail uses of electricity in the event of fuel shortages:

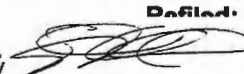
1. The following actions may be initiated concurrently or in any order depending upon conditions present at the time.
 - a. Purchase off-system power as appropriate.
 - b. Reduce LG&E's own uses of electric energy in offices, plants, and other facilities to the extent practical.
 - c. Discontinue all non-firm off-system sales except emergency energy transactions where such energy can be returned within reasonable time periods.
 - d. Curtail interruptible customers.
2. The following actions may be initiated concurrently or in any order depending upon conditions present at the time.
 - a. Utilize generation facilities fired by secondary fuels to the extent such fuels are available.
 - b. Urge all customers to voluntarily conserve electric energy.
3. Discontinue all firm off-system sales.
4. Direct all customers with Priority IV uses to reduce or discontinue those uses of electric energy.
5. Seek approval from appropriate environmental authority to discontinue operation of SDRS systems.
6. Direct all customers with Priority III uses to reduce or discontinue those uses of electric energy.

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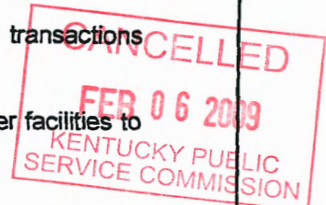
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7. Direct all customers with Priority II uses to reduce or discontinue those uses of electric energy.
8. Implement procedures for interruption of selected distribution circuits on a rotational basis.

5. TERMINATION OF CURTAILMENT DUE TO FUEL SHORTAGE. Curtailment and other measures implemented pursuant to this Plan shall be terminated when (a) normal fuel deliveries have been resumed and there is evidence deliveries will continue indefinitely, and (b) there is reasonable assurance that fuel deliveries are sufficient for normal burn requirements and for restoration of fuel inventories to adequate levels within a reasonable period of time.

6. NON-FUEL EMERGENCIES WHERE LG&E MAY NOT BE ABLE TO SUPPLY THE DEMAND FOR ELECTRICITY. In the event that conditions on LG&E's system threaten its ability to supply the demand for electric energy, LG&E would initiate the following curtailment steps in order to protect system integrity and high priority uses.

1. The following actions may be initiated concurrently or in any order depending upon conditions present at the time.
 - a. Purchase Off-System Power as appropriate.
 - b. Discontinue all non-firm off-system sales except emergency energy transactions where such energy can be returned within reasonable time periods.
 - c. Reduce LG&E's own uses of electric energy in offices, plants, and other facilities to the extent possible.
 - d. Curtail interruptible customers.
 - e. Utilize generation facilities fired by secondary fuels to the extent such fuels are available.
2. Discontinue all firm off-system sales.
3. The following actions may be initiated concurrently or in any order depending upon conditions present at the time.
 - a. Urge all customers to voluntarily conserve electric energy.
 - b. Direct all customers with Priority IV uses to reduce or discontinue those uses of electric energy.



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4. Seek approval from appropriate environmental authority to discontinue operation of SDRS systems.
5. Direct all customers with Priority III uses to reduce or discontinue those uses of electric energy.
6. Direct all customers with Priority II uses to reduce or discontinue those uses of electric energy.
7. Implement procedures for interruption of selected distribution circuits on a rotational basis.

When the frequency on LG&E's system deteriorates below ECAR specified parameters, due to a condition on, either, LG&E's system or the interconnected grid, circuit breakers will automatically interrupt selected circuits. As a result, depending upon the emergency, this event may occur first. However, automatic interruption of load is not deployed on circuits that would affect Priority I uses.

7. TERMINATION OF CURTAILMENT DUE TO NON-FUEL EMERGENCIES.

Curtailement and other measures implemented associated with this plan shall be terminated when system operating conditions indicate that LG&E can reasonably expect to supply future electric energy requirements without further jeopardizing system integrity or high priority uses.

8. **COMPLIANCE.** To the extent practicable, LG&E proposes to monitor compliance with its directives issued pursuant to these rules. A customer found not to be in compliance during a fuel shortage would be warned to reduce usage or face, upon continuing non-compliance and upon one day's written notice, disconnection of electric service for the duration of the emergency. A customer found not to be in compliance during a non-fuel emergency may have its electric service disconnected without prior written notification. Customers not in compliance may be charged \$.50 for each Kilowatt hour used in violation of a curtailment directive. This charge will be applied only to measurable usage that exceeds the amount allowed to be consumed by the customer under the relevant curtailment directive.

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