

SQF

Small Capacity Cogeneration and Small Power Production Qualifying Facilities

APPLICABLE:

In all territory served.

AVAILABILITY OF SERVICE

This rate and the terms and conditions set out herein are available for and applicable to Company's purchases of energy only from the owner of qualifying cogeneration or small power production facilities of 100 KW or less (such owner being hereafter called "Seller") installed on Seller's property to provide all or part of its requirements of electrical energy, or from which facilities Seller may elect to sell to Company all or part of such output of electrical energy.

Company will permit Seller's generating facilities to operate in parallel with Company's system under conditions set out below under Parallel Operation.

Company will purchase such energy from Seller at the Rate, A or B, set out below and selected as hereafter provided, and under the terms and conditions stated herein. Company reserves the right to change the said Rates, upon proper filing with and acceptance by the jurisdictional Commission.

RATE A: TIME-DIFFERENTIATED RATE

- 1. For summer billing months of June, July, August and September, during the hours 9:01 A.M. thru 10:00 P.M. weekdays exclusive of holidays (on-peak hours), 5.582 cents per KWH.
- 2. For winter billing months of December, January and February, during the hours 7:01 A.M. thru 10:00 P.M. weekdays exclusive of holidays (on-peak hours), 3.351 cents per KWH.
- 3. During all other hours (off-peak hours) 2.607 cents per KWH.

C
6/30/2008

Determination of On-Peak and Off-Peak Hours: On-peak hours are defined as the hours of 9:01 A.M. through 10:00 P.M., E.D.T. (8:01 A.M. through 9:00 P.M., E.S.T.), Mondays through Fridays exclusive of holidays (under 1 above), and the hours of 7:01 A.M. through 10:00 P.M., E.D.T. (6:01 A.M. through 9:00 P.M., E.S.T.), Mondays through Fridays exclusive of holidays (under 2 above). Off-peak hours are defined as all hours other than those listed as on-peak (under 3 above). Company reserves the right to change the hours designated as on-peak from time to time as conditions indicate to be appropriate.

RATE B: NON-TIME-DIFFERENTIATED RATE

For all KWH purchased by Company,

PUBLIC SERVICE COMMISSION
OF KENTUCKY
3.071 cents per KWH
EFFECTIVE
6/30/2006
PURSUANT TO 807 KAR 5:011

Date of Issue: May 26, 2006
Canceling First Revision of
Original Sheet No. 40
Issued September 8, 2004

Issued By

Date Effective June 30, 2006

John R. McCall
By

John R. McCall, Executive Vice President
General Counsel, and Corporate Secretary
Louisville, Kentucky

Executive Director