

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

July 17, 2009

IN RE:

**PETITION OF KENTUCKY UTILITIES COMPANY
FOR APPROVAL OF ADJUSTMENT OF ITS
ELECTRIC RATES, TERMS AND CONDITIONS
OF SERVICE AND REVISED TARIFFS**

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**DOCKET NO.
09-00059**

ORDER APPROVING PETITION

This matter came before Chairman Eddie Roberson, Director Sara Kyle and Director Mary W. Freeman of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a Hearing held on June 29, 2009 for consideration of Kentucky Utilities Company's ("KU" or "Company") Petition for Approval of Its Electric Rates, Terms and Conditions of Service and Revised Tariffs ("Petition") filed on May 1, 2009.

PETITION

On May 1, 2009, the Company filed its Petition, revised tariffs, and pre-filed testimony of Lonnie E. Bellar, KU Vice President of State Regulation and Rates. KU has five residential customers in Fork Ridge, Tennessee. Although KU's costs have increased due to investment in plant, inflation, and fuel price increases, the Petition states that this is KU's first request for a rate change to Tennessee customers in over forty years. KU's current Tennessee tariff contains block rates which result in customers paying on average 1.6 cents per kWh.

KU avers that the cost to serve customers in Fork Ridge, Tennessee is the same as the cost to serve KU's customers in Bell County, Kentucky, many of whom are served off the same distribution line. In order to spare its Tennessee customers the expense of a prolonged rate case,

KU proposes to charge Tennessee customers the same rates as those approved by the Kentucky Public Service Commission ("KPSC") on February 5, 2009. Those rates include a \$5.00 customer charge and an energy charge of 5.716 cents per kWh. KU proposes to phase-in the rate increase over four years using a set of annual multipliers. Based on the proposed multipliers, Tennessee customers would pay the following rates over the four year phase-in:

Year 1: \$2.26 customer charge; \$2.579 cents per kWh

Year 2: \$3.17 customer charge; \$3.625 cents per kWh

Year 3: \$4.09 customer charge; \$4.671 cents per kWh

Year 4: \$5.00 customer charge; \$5.716 cents per kWh

KU does not propose in this proceeding to implement its nearly real time cost recovery mechanisms approved by the KPSC such as the Environmental Cost Recovery or the Fuel Adjustment Clause.

In addition to the standard residential rates, KU proposes to make Demand-Side Management, energy efficiency programs, net metering, and the Green Energy Rider available to Tennessee customers. These programs include: home energy audits, compensation for volunteering to allow KU to shut off air conditioning load during peak demand, incentives for using compact florescent light bulbs, credit for customer-generated renewable energy returned to the grid, and the option to purchase blocks of energy produced from renewable sources.

JUNE 29, 2009 HEARING

Public notice of the Hearing in this matter was issued by the Hearing Officer on June 10, 2009. On the same day, KU sent notice via direct mail to its five Tennessee customers of the proposed rate increase and the Hearing date.¹ During the Hearing held on June 29, 2009, Mr. Lonnie E. Bellar, KU Vice President of State Regulation and Rates, presented testimony and

¹ KU requested – and received – permission from the Authority to use direct mail rather than newspaper publication to notify its Tennessee customers of the proposed rate increase and scheduled Hearing.

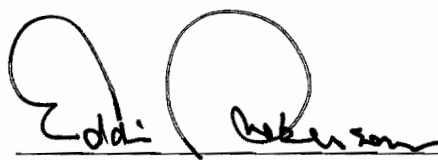
was subject to examination by the panel. The pre-filed testimony was entered into the record without objection. No person sought intervention prior to or during the Hearing

The panel found that the cost to provide electricity to Tennessee customers should not be appreciably different from the cost to serve Kentucky customers along the same distribution line. Because the cost of electric service is similar between the Tennessee and Kentucky customers, the panel found that it is reasonable that all KU residential customers should pay the same base rate. The panel further found that adopting the rates approved for KU by the KPSC is preferable to creating even greater costs for KU (that may be passed on to Tennessee customers) by requiring separate cost studies and full rate case proceedings before the TRA.

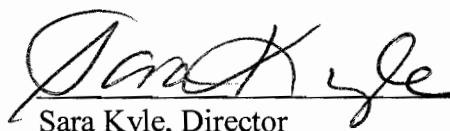
Thereafter, based upon the evidentiary and administrative record as a whole, the panel voted unanimously to approve the Petition. Further, the panel voted to direct the Company to refile the tariffs included with the Petition with an effective date of August 1, 2009.

IT IS THEREFORE ORDERED THAT:

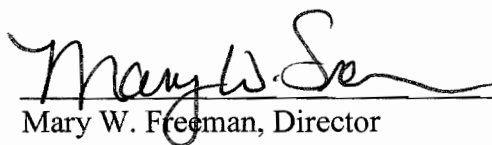
1. Kentucky Utilities Company's Petition for Approval of Its Electric Rates, Terms and Conditions of Service and Revised Tariffs is hereby approved.
2. The Tariff included with the Petition shall be refiled with an effective date of August 1, 2009.



Eddie Roberson, Chairman



Sara Kyle, Director



Mary W. Freeman, Director