

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**February 14, 2011**

**IN RE:**

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

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**DOCKET NO.  
10-00223**

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**ORDER APPROVING PETITION**

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This matter came before Director Eddie Roberson, Director Kenneth C. Hill and Director Sara Kyle of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a Hearing held on January 24, 2011 for consideration of Kentucky Utilities Company's ("KU" or "Company") *Kentucky Utilities Company's Petition for Authority to Adjust Rates ("Petition")* filed on December 2, 2010.

**PETITION**

In support of its *Petition*, KU filed the testimony of Lonnie Bellar, Vice President of State Regulation and Rates for KU, and the complete record and final order entered in KU's rate proceeding before the Kentucky Public Service Commission ("KPSC").<sup>1</sup> While KU serves over 500,000 customers in Kentucky and Virginia, KU has only four residential customers remaining in Fork Ridge, Tennessee. The rates for Tennessee customers were last increased in TRA Docket No. 09-00059,<sup>2</sup> effective August 1, 2009 following a rate case proceeding in Kentucky.

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<sup>1</sup> *In the Matter of: Application of Kentucky Utilities Company for an Adjustment of Base Rates*, Case No. 2009-00548.

<sup>2</sup> *In re: Petition of Kentucky Utilities Company for Approval of Adjustment of its Electric Rates, Terms and Conditions of Service and Revised Tariffs*, Docket No. 09-00059.

KU now proposes to increase electric rates of its Tennessee customers to the level of rates recently approved by the KPSC for Kentucky customers, effective August 1, 2010.

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 recently approved by the KPSC. Those rates include an \$8.50 customer charge and an energy charge of 6.805 cents per kWh. KU proposes to phase-in the rate increase over three years using a set of annual multipliers. Based on the proposed multipliers, Tennessee customers would pay the following rates over the three year phase-in:

Year 1: \$5.39 customer charge; 4.315 cents per kWh

Year 2: \$6.95 customer charge; 5.560 cents per kWh

Year 3: \$8.50 customer charge; 6.805 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. KU does, however, continue to make available to its Tennessee customers the Net Metering Service and Green Energy Rider Tariffs.

#### **JANUARY 24, 2011 HEARING**

Public notice of the Hearing in this matter was issued by the Hearing Officer on January 10, 2011. On January 12, 2011, KU sent notice via direct mail to its four Tennessee customers of the proposed rate increase and the Hearing date.<sup>3</sup> During the Hearing held on January 24, 2011, Mr. Lonnie E. Bellar, KU Vice President of State Regulation and Rates,

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<sup>3</sup> 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.

presented testimony and 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.

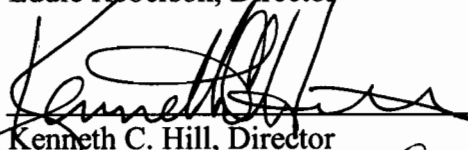
Thereafter, based upon the administrative record and the testimony presented at the Hearing, the panel voted unanimously to approve the *Petition*. Further, the panel voted to direct the Company to re-file the tariffs included with the *Petition*, with an effective date of February 1, 2011.

**IT IS THEREFORE ORDERED THAT:**

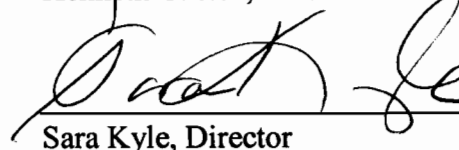
1. *Kentucky Utilities Company's Petition for Authority to Adjust Rates* is hereby approved.
2. The Tariff included with *Kentucky Utilities Company's Petition for Authority to Adjust Rates* shall be re-filed, with an effective date of February 1, 2011.



Eddie Roberson, Director



Kenneth C. Hill, Director



Sara Kyle, Director