

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
AT RICHMOND, JULY 10, 2009

CLERK'S OFFICE  
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DOCUMENT CONTROL

APPLICATION OF

KENTUCKY UTILITIES COMPANY  
d/b/a OLD DOMINION POWER COMPANY

CASE NO. PUE-2009-00029

For an adjustment of electric base rates

ORDER FOR NOTICE AND HEARING

On June 3, 2009, Kentucky Utilities Company d/b/a Old Dominion Power Company ("KU/ODP" or "Company") filed an application with the State Corporation Commission ("Commission") requesting authority to adjust its electric base rates ("Application") pursuant to Chapter 10 of Title 56 (§ 56-232 et seq.) of the Code of Virginia ("Code") and the Rules Governing Utility Rate Applications and Annual Informational Filings (20 VAC 5-201-10 et seq.).

KU/ODP seeks an increase in base rates in the amount of \$12.2 million over present total revenue, or a 21% increase in its total operating revenues, including fuel.<sup>1</sup> This proposed revenue requirement increase reflects a rate of return on rate base of 8.586%, based on a return on equity of 12% and an actual capital structure for the Company as of December 31, 2008.<sup>2</sup> The proposed rate increase would raise the monthly bill of a typical residential customer using 1000 kilowatt-hours of electricity from \$70.05 per month to \$91.64 per month, an increase of \$21.59 or 30.81%.<sup>3</sup>

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<sup>1</sup> Application at 2.

<sup>2</sup> Id.

<sup>3</sup> Application at Schedule 43.

The Company stated in its Application that this is the first rate increase that KU/ODP has sought in over twenty (20) years.<sup>4</sup> The Company asserts that though it has been able to avoid seeking increased revenues by implementing cost-saving measures and other efficiencies, KU/ODP's rate of return has declined over the last five years to an unreasonably low level.<sup>5</sup> Further, the Company asserts that it is in the midst of its most significant building program, along with its sister unit Louisville Gas and Electric Company, to provide additional baseload generation, comply with environmental regulations, and ensure adequate and reliable capacity and energy for KU/ODP customers.<sup>6</sup>

The Company includes in this Application various proposed changes to its present Terms and Conditions on file with the Commission, including provisions implementing a proposed Late Payment Charge and replacing the existing Rural Extension Plan with a new Line Extension Plan.<sup>7</sup> KU/ODP also proposes to implement three new rate schedules, which the Company asserts will more accurately reflect the cost of service and provide enhanced price signals to customers.<sup>8</sup> The proposed Retail Transmission Service (Schedule RTS) is a time-of-day rate with a demand charge billed on a kilovolt ampere basis and is proposed to be applicable to all transmission customers.<sup>9</sup> The proposed Time-of-Day Service (Schedule TOD) is a time-of-day rate that would be optional for certain large power customers.<sup>10</sup> The proposed Excess Facilities

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<sup>4</sup> Application at 2.

<sup>5</sup> Id.

<sup>6</sup> Id. at 4.

<sup>7</sup> Id. at 7-8; Conroy Prefiled Direct Testimony at 6-20.

<sup>8</sup> Application at 6; Seelye Prefiled Direct Testimony at 2-3.

<sup>9</sup> Id.

<sup>10</sup> Application at 6; Seelye Prefiled Direct Testimony at 3.

Charge would apply whenever a customer requests a service arrangement requiring equipment and facilities in excess of those the Company would normally install.<sup>11</sup>

The Company states that while the proposed rate schedules filed with the Application reflect a proposed effective date of July 3, 2009, KU/ODP expects that the Commission will suspend them for 150 days from the date of filing and that the Company will defer putting the proposed rates into effect until November 1, 2009.<sup>12</sup> KU/ODP also states that it will not place its proposed Terms and Conditions and other miscellaneous charges into effect until the Commission enters its final order in this proceeding.<sup>13</sup> Further, KU/ODP states that it will not place its proposed Late Payment Charge or Line Extension Plan into effect until sixty (60) days after the Commission's final order in this case to permit customers time to transition to these particular charges.<sup>14</sup>

The Commission issued an Order on July 2, 2009, suspending the proposed increase in rates, charges, and terms and conditions of service to and through October 31, 2009. Accordingly, the Company may, but is not obligated to, implement the proposed rates, charges, and terms and conditions for service rendered on and after November 1, 2009, on an interim basis, subject to refund with interest.

NOW THE COMMISSION, upon consideration of the Application and the applicable statutes and rules, is of the opinion and finds that this matter should be assigned to a Hearing Examiner to conduct further proceedings pursuant to 5 VAC 5-20-120 A of the Commission's

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<sup>11</sup> Application at 6; Seelye Prefiled Direct Testimony at 3, 41.

<sup>12</sup> Application at 8.

<sup>13</sup> Id.

<sup>14</sup> Id.

Rules of Practice and Procedure. We will direct KU/ODP to give notice to the public of its Application, and we will provide interested persons an opportunity to comment on the Application or to participate as a respondent in this proceeding. The Staff of the Commission will investigate the Application and present its findings and testimony. The Company will be permitted to file testimony in rebuttal to the testimony filed by the respondents and the Staff.

Accordingly, IT IS ORDERED THAT:

(1) As provided by § 12.1-31 of the Code and the Commission's Rules of Practice and Procedure, 5 VAC 5-20-120, *Procedure before hearing examiners*, a Hearing Examiner shall be appointed to conduct further proceedings in this matter on behalf of the Commission and shall issue a final report herein.

(2) A public hearing shall be convened on November 18, 2009, beginning at 4 p.m. and reconvening at 7 p.m. in the John I. Burton High School Auditorium, 109 11th Street, Norton, Virginia 24273, for the sole purpose of receiving testimony from public witnesses on the Company's Application.

(3) A public hearing shall be convened on January 6, 2010, at 10:00 a.m., in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia, to receive the testimony of public witnesses and the evidence from the Company, any respondents, and the Commission's Staff related to the Application.

(4) The Company shall make copies of its Application, as well as a copy of this Order for Notice and Hearing, available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Copies also may be obtained by submitting a written request to counsel for the Company, Kendrick R. Riggs, Esquire, Stoll Keenon Ogden, 1700 PNC Plaza, 500 West Jefferson Street, Louisville, Kentucky 40202. If

acceptable to the requesting party, the Company may provide the Application by electronic means. Copies of the Application and related documents also shall be available for interested persons to review in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday, excluding holidays. Interested persons may also download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

(5) On or before August 7, 2009, the Company shall cause a copy of the following notice to be published as display advertising (not classified) on one occasion in newspapers of general circulation throughout the Company's service territory within Virginia:

NOTICE TO THE PUBLIC OF AN APPLICATION  
BY KENTUCKY UTILITIES COMPANY D/B/A OLD  
DOMINION POWER COMPANY FOR AN ADJUSTMENT  
IN ELECTRIC BASE RATES  
CASE NO. PUE-2009-00029

On June 3, 2009, Kentucky Utilities Company d/b/a Old Dominion Power Company ("KU/ODP" or "Company") filed an application with the State Corporation Commission ("Commission") requesting authority to adjust its electric base rates ("Application") pursuant to Chapter 10 of Title 56 (§ 56-232 et seq.) of the Code of Virginia ("Code") and the Rules Governing Utility Rate Applications and Annual Informational Filings (20 VAC 5-201-10 et seq.).

KU/ODP seeks an increase in base rates in the amount of \$12.2 million over present total revenue, or a 21% increase in its total operating revenues, including fuel. This proposed revenue requirement increase reflects a rate of return on rate base of 8.586%, based on a return on equity of 12% and an actual capital structure for the Company as of December 31, 2008. The proposed rate increase would raise the monthly bill of a typical residential customer using 1000 kilowatt hours of electricity from \$70.05 per month to \$91.64 per month, an increase of \$21.59 or 30.81%.

The Company indicated in its Application that this is the first rate increase that KU/ODP has sought in over twenty (20)

years. The Company asserts that though it has been able to avoid seeking increased revenues by implementing cost-saving measures and other efficiencies, KU/ODP's rate of return has declined over the last five years to an unreasonably low level. Further, the Company asserts that it is in the midst of its most significant building program, along with its sister unit Louisville Gas and Electric Company, to provide additional baseload generation, comply with environmental regulations, and ensure adequate and reliable capacity and energy for KU/ODP customers.

The Company includes in this Application various proposed changes to its present Terms and Conditions on file with the Commission, including provisions implementing a proposed Late Payment Charge and replacing the existing Rural Extension Plan with a new Line Extension Plan. KU/ODP also proposes to implement three new rate schedules which the Company asserts will more accurately reflect the cost of service and provide enhanced price signals to customers. The proposed Retail Transmission Service (Schedule RTS) is a time-of-day rate with a demand charge billed on a kilovolt ampere basis and is proposed to be applicable to all transmission customers. The proposed Time-of-Day Service (Schedule TOD) is a time-of-day rate that would be optional for certain large power customers. The proposed Excess Facilities Charge would apply whenever a customer requests a service arrangement requiring equipment and facilities in excess of those the Company would normally install.

The Company states that while the proposed rate schedules filed with the Application reflect a proposed effective date of July 3, 2009, KU/ODP expects that the Commission will suspend them for 150 days from the date of filing and that the Company will defer putting the proposed rates into effect until November 1, 2009. KU/ODP also states that it will not place its proposed Terms and Conditions and other miscellaneous charges into effect until the Commission enters its final order in this proceeding. Further, KU/ODP states that it will not place its proposed Late Payment Charge or Line Extension Plan into effect until sixty (60) days after the Commission's final order in this case to permit customers time to transition to these particular charges in its Terms and Conditions.

The Commission has suspended KU/ODP's proposed rates and charges to and through October 31, 2009. The Company may, but is not obligated to, implement the proposed rates, charges, and terms and conditions for service rendered on and after

November 1, 2009, on an interim basis subject to refund with interest.

The Commission entered an Order for Notice and Hearing that, among other things, scheduled public hearings to be held in Norton and Richmond, Virginia. A public hearing will be convened on November 18, 2009, beginning at 4 p.m. and resuming at 7 p.m. in the John I. Burton High School Auditorium, 109 11th Street, Norton, Virginia, for the sole purpose of receiving the testimony of public witnesses. The public hearing will resume at 10:00 a.m. on January 6, 2010, in the Commission's Second Floor Courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia, for the purpose of receiving testimony from members of the public and evidence related to the Application from the Company, any respondents, and the Commission's Staff.

Any person desiring to make a statement at any hearing should appear at the hearing location fifteen (15) minutes before the starting time of any session of the hearing and contact the Commission's Bailiff.

The Company's Application and the Commission's Order for Notice and Hearing are available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Copies also may be obtained by submitting a written request to counsel for the Company, Kendrick R. Riggs, Esquire, Stoll Keenon Ogden, 1700 PNC Plaza, 500 West Jefferson Street, Louisville, Kentucky 40202. If acceptable to the requesting party, the Company may provide the Application by electronic means. Copies of the Application and related documents also shall be available for interested persons to review in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday, excluding holidays. Interested persons may also download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

Any interested person may participate as a respondent in this proceeding by filing, on or before September 4, 2009, an original and fifteen (15) copies of a notice of participation as a respondent with Joel H. Peck, Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Pursuant to Rule 5 VAC 5-20-80 of the Commission's Rules of Practice and Procedure, any notice of participation shall set forth: (i) a precise statement of the interest

of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Interested persons shall refer in all of their filed papers to Case No. PUE-2009-00029. A copy of the notice of participation as a respondent must also be sent to counsel for the Company at the address set forth above.

On or before November 4, 2009, each respondent may file with the Clerk of the Commission at the address above an original and fifteen (15) copies of any testimony and exhibits by which it expects to establish its case and shall serve copies of the testimony and exhibits on counsel to the Company at the address set forth above and on all other respondents. In the alternative, testimony and exhibits may be filed electronically as provided by 5 VAC 5-20-140. Respondents shall comply with the Commission's Rules of Practice and Procedure, including: 5 VAC 5-20-140, *Filing and service*; 5 VAC 5-20-150, *Copies and format*; and 5 VAC 5-20-240, *Prepared testimony and exhibits*.

On or before December 30, 2009, any interested person may file with Joel H. Peck, Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, written comments on the Application. On or before December 30, 2009, any interested person desiring to submit comments electronically may do so by following the instructions found on the Commission's website: <http://www.scc.virginia.gov/case>. All such comments shall refer to Case No. PUE-2009-00029.

KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION  
POWER COMPANY

(6) On or before August 7, 2009, the Company shall serve a copy of this Order for Notice and Hearing on the chairman of the board of supervisors and county attorney of each county and upon the mayor or manager (or upon equivalent official) of every city and town in which the Company provides service in the Commonwealth of Virginia. Service shall be made by first class mail to the customary place of business or residence of the person served.

(7) On or before September 4, 2009, the Company shall file with the Clerk of the Commission proof of the notice and service required by Ordering Paragraphs (5) and (6) herein.

(8) On or before December 30, 2009, any interested person may file with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, written comments on the Application. On or before December 30, 2009, any interested person desiring to submit comments electronically may do so by following the instructions found on the Commission's website: <http://www.scc.virginia.gov/case>.

(9) Any interested person may participate as a respondent in this proceeding by filing, on or before September 4, 2009, an original and fifteen (15) copies of a notice of participation with the Clerk of the Commission at the address in Ordering Paragraph (8), and shall simultaneously serve a copy of the notice of participation on counsel to KU/ODP at the address in Ordering Paragraph (4). Pursuant to Rule 5 VAC 5-20-80 of the Commission's Rules of Practice and Procedure, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Interested persons shall refer in all of their filed papers to Case No. PUE-2009-00029.

(10) Within five (5) business days of receipt of a notice of participation as a respondent, the Company shall serve upon each respondent a copy of this Order for Notice and Hearing, a copy of the Application, and all materials filed by the Company with the Commission, unless these materials have already been provided to the respondent.

(11) On or before November 4, 2009, each respondent may file with the Clerk of the Commission an original and fifteen (15) copies of any testimony and exhibits by which it expects to establish its case and shall serve copies of the testimony and exhibits on counsel to the Company and on all other respondents. The respondent shall comply with the Commission's

Rules of Practice and Procedure, including: 5 VAC 5-20-140, *Filing and service*;

5 VAC 5-20-150, *Copies and format*; and 5 VAC 5-20-240, *Prepared testimony and exhibits*.

(12) The Commission Staff shall investigate the Application. On or before December 2, 2009, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of the Staff's testimony and exhibits. The Clerk of the Commission shall promptly mail a copy to all parties.

(13) On or before December 18, 2009, KU/ODP shall file with the Clerk of the Commission an original and fifteen (15) copies of any rebuttal testimony and exhibits and shall serve a copy on the Staff and any respondents.

(14) This matter is continued generally.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Kendrick R. Riggs, Esquire, Stoll Keenon Ogden, 1700 PNC Plaza, 500 West Jefferson Street, Louisville, Kentucky 40202; Lonnie E. Bellar, Vice President of State Regulation and Rates, Old Dominion Power Company, P.O. Box 32010, Louisville, Kentucky 40232; Allyson K. Sturgeon, Senior Corporate Attorney, E.ON U.S. LLC, 220 West Main Street, Louisville, Kentucky 40202; C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia 23219; and a copy shall be delivered to the Commission's Office of General Counsel and Divisions of Energy Regulation, Economics and Finance, and Public Utility Accounting.