

RIDER DIR

DEVELOPMENT INCENTIVE RIDER

GENERAL

Under the terms of this Rider, qualifying customers are required to enter into a Special Contract with the Company which Special Contract shall be subject to approval by the Kentucky Public Service Commission. The Development Incentive Rider consists of two separate programs designed to encourage development and/or redevelopment within the Company's service territory. These two programs are the Economic Development Program and the Urban Redevelopment Program. Each of these programs is described below.

PROGRAM DESCRIPTIONS

Economic Development (ED) Program

Available, at the Company's option, to non-residential customers receiving service under the provisions of one of the Company's non-residential tariff schedules. The ED Program is available for load associated with initial permanent service to new establishments, expansion of existing establishments, or new customers in existing establishments who make application to the Company for service under the ED Program of this Rider and the Company approves such application. The new load applicable under the ED Program must be a minimum of 1,000 kW at one delivery point. To qualify for service under the ED Program, the customer must meet the qualifications as set forth below. Further, the customer must have applied for and received economic assistance from the State or local government or other public agency before the Company will approve a Service Agreement under the ED Program. Where the customer is new to the Company's service area or is an existing customer expanding:

- 1) the Company would expect the customer employ an additional workforce in the Company's service area of a minimum of twenty-five (25) full-time equivalent (FTE) employees per 1,000 kW of new load. Employment additions must occur following the Company's approval for service under this Rider, and;
- 2) the Company would expect that the customer's new load would result in capital investment of one million dollars (\$1,000,000) per 1,000 kW of new load, provided that such investment is accompanied by a net increase in FTE employees employed by the customer in the Company's service area. This capital investment must occur following the Company's approval for service under this Rider.

The Company may also consider applying the ED Program to an existing customer who, but for economic incentives being provided by the State and/or local government or public agency, would leave the Company's service area. In this event, the customer must agree, at a minimum, to retain the current number of FTE employees.

The ED Program is not available to a new customer which results from a change in ownership of an existing establishment. However, if a change in ownership occurs after the customer enters into a Special Contract for service under the ED Program, the successor customer may be allowed to fulfill the balance of the Special Contract under the ED Program. The ED Program is also not available for renewal of service following interruptions such as equipment failure, temporary plant shutdown, strike, or economic conditions. The ED Program is not available for load shifted from one customer to another within the Company's service area.

Issued by authority of an Order of the Kentucky Public Service Commission dated December 21, 2006 in Case No. 2006-00172.

PROGRAM DESCRIPTIONS (Contd.)

Urban Redevelopment (UR) Program

Applicable to new customers locating in an existing building of 25,000 square feet or more, which has been unoccupied and/or remained dormant for a period of two years or more, as determined by the Company. The new customer load must be a minimum of 500 kW at one delivery point. In addition, the requested service necessary to serve the new load must not result in additional investment in distribution or transmission facilities by the Company, excepting that minor alterations in the service supplied which can be accomplished feasibly and economically may be allowed.

The UR Program is not available for renewal of service following interruptions such as equipment failure, temporary plant shutdown, strike, or economic conditions. The UR Program is also not available for load shifted from one establishment to another in the Company's service area. However, if a change of ownership occurs after the customer enters into a Special Contract under the UR Program, the successor customer may be allowed to fulfill the balance of the Special Contract under the UR Program.

NET MONTHLY BILLING

The customer shall comply with all terms of the standard tariff rate under which the customer takes service except that the customer's total bill for electric service, less any rate adjustment rider amounts as shown on the standard service tariff, shall be reduced by up to fifty (50) percent for a period of twelve (12) months. The customer will pay the full amount of the riders so indicated. The customer may request an effective date of the Rider which is no later than twelve (12) months after the Special Contract is approved and signed by the Company. All subsequent billings shall be at the appropriate full standard service tariff rate.

TERMS AND CONDITIONS

The Service Agreement shall specify, among other things, the voltage at which the customer will be served, a description of the amount and nature of the new load and the basis on which the customer requests qualification under this Rider. The customer must affirm that the availability of this Rider was a factor in the customer's decision to locate the new load or retain current load in the Company's service area.

For customers entering into a Service Agreement under this Rider due to expansion, the Company may install, at customer's expense, metering equipment necessary to measure the new load to be billed under the provisions of this Rider separate from the customer's existing load which shall be billed under the applicable standard tariff schedule.

Following the effective date of the Special Contract, the customer must maintain a minimum demand in accordance with the Service Agreement and maintain a monthly average load factor of 40 percent. Failure to do so will result in the customer being billed a minimum bill based on the minimum demand specified in the Service Agreement and a monthly average load factor of 40 percent.

The customer shall continue to take service from the Company at the same or greater demand and usage levels for a period of at least two (2) years following the twelve (12) month incentive period. The customer shall be billed monthly for two (2) years following the twelve (12) month incentive period based on the greater of: (a) its actual monthly demand and usage levels; or (b) its average demand and usage levels during the twelve (12) month incentive period.

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TERMS AND CONDITIONS (Contd.)

The terms of this rider do not prevent the Company from offering different terms under a special contract if the Company deems it appropriate. The Company is not obligated to extend, expand or rearrange its facilities if it determines that existing distribution/transmission facilities are of adequate capacity to serve the customer's load.

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to the Company's General Terms and Conditions currently in effect, as filed with the Kentucky Public Service Commission.

Issued by authority of an Order of the Kentucky Public Service Commission dated December 21, 2006 in Case No. 2006-00172.

Issued: December 22, 2006

Effective: January 2, 2007

Issued by Sandra P. Meyer, President