

# Franchise Update

- Currently Negotiating:
  - Natural Gas (Columbia Gas and Delta Natural Gas) and
  - Electric (Kentucky Utilities, Blue Grass Energy and Clark Energy)

- Proposal to raise franchise fee by 1% to 4%
- Working with audited utilities on resolving audit issues
  - Kentucky Utilities
  - Columbia Natural Gas
  - Blue Grass Energy

# Draft Audit Issues

- Small amount in unreconciled collections (Kentucky Utilities)
- Still comparing Columbia Gas footprint in Fayette County
- Most audit issues involve interpretation of gross revenues definition
  - what is included in gross revenue

- Recommendation:
  - do not pursue any retroactive amounts associated with broader definition of gross revenues
  - pursue a limited number of additional categories in the next franchise

- Anticipate gross revenues definition being amended to include:
  - some additional limited revenues and
  - to retain existing revenues in the event of future changes in industry

- Current Natural Gas Franchises Expire July 12, 2012
- Current Electric Franchises Expire August 18, 2012
- Ideally will advertise and enter into new franchises prior to Council Break, but in any event no later than the 1<sup>st</sup> Quarter of Fiscal Year 2013

- Franchise fee from 3% to 4%
- Franchise for 5 years with the ability of LFUCG to extend for up to 2 additional periods of 5 years each
- Utilities to appear before Council and provide information related to franchise and services upon request
- Permitting/ROW issues separately addressed in Chapter 17C of Code (incorporated by reference)