



Utilities in Kentucky Availability and Cost

An increasingly competitive business environment compels companies to examine the long-term costs of production and distribution and to focus on regional differences in the net cost of doing business. Among the more significant factors having a direct influence on bottom-line costs is the annual capital that must be committed to utility consumption.

Kentucky enjoys a competitive advantage in the provision of energy, natural gas, and water supply. The state's large coal reserves and their resulting proximity to coal-burning utility plants, its direct location on the interstate natural gas pipeline corridor and an abundant natural water supply derived from an extensive network of rivers, streams, and lakes keep Kentucky's utility costs among the very lowest in the nation. In turn, a large number of utility providers, with oversight by the [Kentucky Public Service Commission](#) (PSC), continue to ensure competitive rates for the consumer. Average annual utility costs and tariff rates for individual providers are available at the PSC.

Kentucky's [Energy and Environment Cabinet](#) (ECC) addresses the energy needs of the state's citizens while developing and overseeing regulations that make certain Kentucky's natural beauty is not harmed. The ECC is made up of three departments: the Department of Environmental Protection, the Department for Natural Resources and the Department for Energy Development and Independence.

In November of 2008, Governor Steven Beshear unveiled the state's first-ever comprehensive energy plan. [Kentucky's 7-Point Strategy for Energy Independence](#) centers on seven primary strategies and strives for a 20 percent cut in greenhouse gas emissions, increased coal research and the creation of 40,000 jobs tied to energy production and conservation by 2025. In addition to the Governor's 7-Point Strategy, a [report](#) on the oil and gas potential of state- and university-owned land was recently released by the Kentucky Geological Survey.

Electric Power

Kentucky's industrial sector electric power costs rank 8th lowest in the nation. The state's average retail price for all sectors is the 4th lowest in the nation.

ELECTRIC POWER COST CENTS PER KILOWATTHOUR

STATE	INDUSTRIAL	COMMERCIAL	RESIDENTIAL	ALL SECTORS
KENTUCKY	4.82	7.29	7.94	6.26
Alabama	6.11	9.87	10.40	8.59
Arkansas	5.89	7.61	9.27	7.60
Georgia	6.67	9.07	9.93	8.84
Illinois	4.54	11.79	11.07	9.26
Indiana	5.46	7.82	8.87	7.09
Michigan	6.74	9.20	10.75	8.94
Mississippi	6.56	10.02	10.39	8.99
Missouri	4.92	6.61	8.00	6.84
N. Carolina	5.54	7.55	9.52	7.96
Ohio	6.19	9.22	10.06	8.39
S. Carolina	5.37	8.42	9.89	7.85
Tennessee	6.29	9.24	8.91	8.18
Virginia	5.82	7.32	9.62	8.00
W. Virginia	4.20	6.08	7.06	5.61
UNITED STATES	6.83	10.36	11.26	9.74

Source: [Energy Information Administration/Electric Power Annual 2008](#) – Figures 7.4 to 7.7.

Power costs in Kentucky vary with the demand load, power usage, service equipment provided, and the distributor providing the services. Cost estimates for specific locations in Kentucky can be provided by the Kentucky Cabinet for Economic Development, upon receipt of detailed electric power requirement figures.

Investor owned electric companies and non-TVA rural electric cooperatives are regulated by the Kentucky Public Service Commission (PSC), including approval of rate schedules. These power distributors are allowed to negotiate lower economic incentive rate contracts with large industrial and commercial customers, subject to approval by the Kentucky PSC. Significant discount rates can be granted for up to five years for both new and expanding operations.

The Kentucky state sales tax (6.0% rate) applies to electric services for non-residential use. According to state statutes, all utility services, including electric, in excess of 3.0% of the cost of production annually for a manufacturer are exempt.

Electric power in Kentucky is distributed by four investor owned electric utilities, twenty-nine municipal electric systems, the [Tennessee Valley Authority](#) and twenty-one rural electric cooperatives, whose service areas can be obtained from the [Kentucky Association of Electric Cooperatives](#). In addition, Berea College, Electric Utility Department serves Berea and parts of Madison County and Electric Energy, Inc. serves a single industrial customer. The investor owned utilities, which account for nearly fifty percent of all sales in the state, are:

[Kentucky Power](#), Ashland, KY, which serves all or parts of 20 counties along the eastern edge of the state.

[Kentucky Utilities Company](#), Lexington, KY, which serves cities and rural areas across Kentucky in 77 of the state's 120 counties. Kentucky Utilities Company is a subsidiary of LG&E Energy Corporation.

[Louisville Gas and Electric Co.](#), Louisville, KY, which serves metropolitan Louisville and areas in six adjoining Kentucky counties. Louisville Gas and Electric Company is a subsidiary of LG&E Energy Corporation

[Duke Energy](#), Newport, KY, which serves portions of five counties in Northern Kentucky, immediately south of Cincinnati, Ohio.

Over ninety percent of Kentucky's electric power is produced by coal-fired power plants, with the balance generated by hydroelectric dams, fuel oil, and natural gas. Kentucky's large reserves of unmined coal ensure abundant supplies of electric power for the foreseeable future.

Natural Gas

Natural gas in Kentucky is available from thirty gas distribution companies, forty-two intrastate pipeline gas companies, and 172 municipal, college, or housing authority providers. Total consumption of natural gas in Kentucky equaled almost 230 billion cubic feet in 2007. The large majority of this volume is obtained from the interstate pipeline system between the Gulf states and the Northeast, which passes directly through Kentucky, thus ensuring a competitive and readily available supply of natural gas. The remainder of the natural gas consumed in the state is produced by wells in the Eastern and Western Kentucky coalfields and in the South central part of the state.

Kentucky's natural gas costs, in the industrial, residential and commercial sectors, are competitive, particularly within the Midwest and Southeast regions of the nation. Annual natural gas prices for all states can be found on the [Energy Information Administration](#) website.

The costs of natural gas vary across Kentucky, depending upon the source of the gas, the

local distributor, the volume of gas used, and the type of service contracts (firm vs. interruptible service). All gas distribution and intrastate gas transmission companies in Kentucky, except municipal systems, are regulated by the Kentucky Public Service Commission (PSC), including approval of rates charged to customers.

Regulated gas companies can offer economic incentive rates for certain large industrial and commercial customers for up to five years, for both new and expanding operations. Gas companies also can offer a discount or waiver of gas main extension costs. The specific discount terms for individual customers are set by contracts negotiated with the gas companies, subject to approval by the PSC.

Industries consistently using large quantities of natural gas may negotiate for transport gas service at costs substantially below normal gas service costs. The company buys gas from the producer through contracts with the local gas distributor. The minimum level of usage required for transport gas service varies with the gas distributor.

The Kentucky state sales tax (6.0% rate) applies to gas services for non-residential use. According to state statutes, all utility services, including gas, in excess of 3.0% of the cost of production annually for a manufacturer are exempt.

Water

An extensive surface water network of rivers, streams, and lakes, complemented by ground water supplies that are very pronounced in certain regions of the state, guarantee an ample supply of water for industrial and commercial use. Treated water is distributed in Kentucky communities by eight investor owned water companies, twenty-two water associations, one hundred twenty-two water districts, and ninety-five municipal water utilities. The types of services and rates charged by water districts, water associations, and investor owned water companies are regulated by the Kentucky Public Service Commission.

Many industries in the state withdraw water directly from Kentucky's extensive network of major rivers, manmade lakes, and ground water supplies. Concentrations of chemical and primary metals industries and electric power plants have developed in Kentucky along the Ohio River to profit from the abundant supplies of surface and ground water and from lower cost barge transportation. Industries withdrawing over 10,000 gallons of water daily from surface or ground water sources must obtain a permit from the [Kentucky Department for Environmental Protection Division of Water](#).

The cost of commercial and industrial water use in Kentucky varies by provider. Costs charged by specific providers are available from the [PSC Tariff Library](#).

The Kentucky state sales tax (6.0%) applies to water consumption for non-residential use.

Sewer

Over ninety municipally operated sewer systems and over seventy sewer utilities provide wastewater and sewerage treatment services in Kentucky. Municipal sewer services are available to most industrial areas of the state, except for sites in underdeveloped or remote areas. Some industrial effluents may require pretreatment before discharge into sewer systems.

Privately operated wastewater treatment plants may be approved by Kentucky's Department for Environmental Protection agency for industries not having access to a municipal sewer system. Generally, package plants can be allowed only when the treated effluent will be discharged into a stream with continuous flow all year long. Such streams are shown as "blue line" streams on official U.S. Geological Survey 7.5 minute topographic maps.

[Construction permits](#) for package wastewater plants must be obtained from the Kentucky Department for Environmental Protection before construction begins. The Department administers the national pollution discharge elimination system (NPDES) in Kentucky, under authority granted by the U.S. EPA. A single application to the Department serves for both state and federal approvals.

For one-stop information and details on application for environmental permits contact:

Department for Environmental Protection
Kentucky Pollutant Discharge Elimination System
200 Fair Oaks Lane
Fourth Floor
Frankfort, Kentucky 40601
Telephone: (502) 564-3410 ext. 477
Fax: (502) 564-0111
<http://www.dep.ky.gov>

The costs of sewer services vary by provider, but frequently parallel the local costs of water service. The Kentucky state sales tax (6.0%) rate applies to sewer services for non-residential use.



Utilities in Kentucky Availability and Cost

Telecommunications

Kentucky is served by one of the most extensive telecommunications networks in the country, providing an important link to information-intensive businesses around the world. Fiber optic, wireless radio, digital microwave, and satellite technologies are integrated into a sophisticated infrastructure capable of handling the most demanding needs. Full statewide deployment of ATM and Frame Relay networks has been completed. This technology provides the flexible bandwidth required for high-speed transport of voice, data, image, and video simultaneously.

Facilities which provide video and teleconferencing opportunities for businesses are located throughout Kentucky. These facilities include [Kentucky Educational Television](#) in Lexington, the [Rural Development Center in Somerset](#), and the [Madisonville Technology/Economic Development Center](#). Many of the state's community and technical colleges also provide facilities for video and teleconferencing.

Working to expand the state's telecommunications network is [ConnectKentucky](#). ConnectKentucky's primary initiative is the *Prescription for Innovation* – Kentucky's comprehensive plan to accelerate technology growth, particularly in the areas of broadband service and technology use. Currently, more than 95% of Kentucky homes can access broadband. Up to date statewide broadband coverage maps can be found for each area in the state via the [mapping](#) section of ConnectKentucky's website. Kentucky's cutting edge technology opens a world of opportunities for any business with telecommunications needs.

February 2010