



Cabinet for Economic Development

# 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 has long enjoyed a competitive advantage in the provision of energy, natural gas, and water supply. The state's large coal reserves and proximity to coal-burning utility plants, a 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 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 Steve Beshear unveiled the state's first-ever comprehensive energy plan. Governor Beshear's energy plan, [Intelligent Energy Choices for Kentucky's Future](#), centers on seven primary strategies and sets a goal for the state to have 25 percent of Kentucky's energy needs met by reductions through energy efficiency, conservation and the use of renewable resources by 2025. The plan will provide 30,000- 40,000 new Kentucky jobs as a result of the booming diversified energy sector. An Executive Summary of the strategy can be found at <http://energy.ky.gov/Energy%20Plan/Executive%20Summary.pdf>.

## Electric Power

Kentucky's industrial sector electric power costs rank 6<sup>th</sup> lowest in the nation. The state's average retail price for all sectors is the 3<sup>rd</sup> lowest in the nation.

### ELECTRIC POWER COST CENTS PER KILOWATTHOUR

STATE	INDUSTRIAL	COMMERCIAL	RESIDENTIAL	ALL SECTORS
KENTUCKY	4.91	7.63	8.37	6.52
Alabama	5.96	10.05	10.66	8.83
Arkansas	5.76	7.56	9.14	7.57
Georgia	6.12	8.94	10.13	8.81
Illinois	4.33	11.31	11.27	9.17
Indiana	5.81	8.32	9.50	7.62
Michigan	6.99	9.24	11.60	9.40
Mississippi	6.61	9.50	10.22	8.85
Missouri	5.42	6.96	8.54	7.35
N. Carolina	5.99	7.98	9.99	8.48
Ohio	6.71	9.65	10.67	9.01
S. Carolina	5.79	8.74	10.44	8.42
Tennessee	6.76	9.61	6.32	8.69
Virginia	6.91	8.06	10.61	8.93
W. Virginia	5.24	6.77	7.90	6.65
UNITED STATES	6.70	10.26	11.51	9.83

Source: [Energy Information Administration/Electric Power Annual 2009](#) – Figures 7.4 to 7.7.



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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 rate (6.0%) applies to electric services for non-residential use. According to state statutes, all utility services, including electric, in excess of 3 percent of the cost of production annually for a manufacturer are exempt.

Electric power in Kentucky is distributed by four investor-owned electric utilities, 30 municipal electric systems, the [Tennessee Valley Authority](#) and 26 rural electric cooperatives, whose service areas can be obtained from the [Kentucky Association of Electric Cooperatives](#). The investor-owned utilities, which account for nearly 50 percent of all sales in the state, are:

- [AEP Kentucky Power](#), Ashland, KY, serves all, or parts, of 20 counties along the eastern edge of the state.
- [Kentucky Utilities Company](#), Lexington, KY, 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, 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, serves portions of five counties in Northern Kentucky, immediately south of Cincinnati, Ohio.

Over 90 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**

Kentucky's natural gas cost, in the industrial, residential and commercial sectors are competitive, particularly within the Midwest and Southeast regions of the nation. In 2009, Kentucky's industrial sector natural gas prices ranked 12<sup>th</sup> lowest in the United States, and ranked 2<sup>nd</sup> lowest when compared with states in the eastern United States.

Natural gas in Kentucky is available from 28 gas distribution companies, 43 intrastate pipeline gas companies, and 171 municipal, college, or housing authority providers. Total consumption of natural gas in Kentucky equaled over 206 billion cubic feet in 2009. 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.

**NATURAL GAS COST  
DOLLARS PER THOUSAND CUBIC FEET**

<b>STATE</b>	<b>INDUSTRIAL</b>
<b>KENTUCKY</b>	<b>6.05</b>
<b>Alabama</b>	<b>6.48</b>
<b>Arkansas</b>	<b>8.47</b>
<b>Georgia</b>	<b>6.21</b>
<b>Illinois</b>	<b>7.31</b>
<b>Indiana</b>	<b>6.91</b>
<b>Michigan</b>	<b>9.63</b>
<b>Mississippi</b>	<b>6.53</b>
<b>Missouri</b>	<b>9.55</b>
<b>N. Carolina</b>	<b>8.66</b>
<b>Ohio</b>	<b>8.93</b>
<b>S. Carolina</b>	<b>6.06</b>
<b>Tennessee</b>	<b>7.08</b>
<b>Virginia</b>	<b>7.14</b>
<b>W. Virginia</b>	<b>5.55</b>
<b>UNITED STATES</b>	<b>5.33</b>

Source: [Energy Information Administration, Natural Gas Prices, 2009](#)

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 rate (6.0%) applies to gas services for non-residential use. According to state statutes, all utility services, including gas, in excess of 3 percent of the cost of production annually for a manufacturer are exempt.



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### 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, 22 water associations, 117 water districts, and 92 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, man-made 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 rate(6.0%) applies to water consumption for non-residential use.

### Sewer

Over 90 municipally operated sewer systems and over 70 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.

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

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  
Fax: (502) 564-0111  
<http://water.ky.gov>

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