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May 3, 2004

VIA HAND DELIVERY

Thomas M. Dorman
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RECEIVED

MAY 04 2004

PUBLIC SERVICE
COMMISSION

RE: Application of Louisville Gas and Electric Company for an Adjustment of its Gas and Electric Rates, Terms and Conditions
Case No. 2003-00433

Application of Kentucky Utilities Company for an Adjustment of its Electric Rates, Terms and Conditions
Case No. 2003-00434

Dear Mr. Dorman:

Enclosed please find and accept for filing the two originals and five copies each of Louisville Gas and Electric Company's and Kentucky Utilities Company's Stipulation with The Kroger Company in the above-referenced matters. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me in the enclosed self-addressed stamped envelope.

Should you have any questions or need any additional information, please contact me at your convenience.

Very truly yours,

Kendrick R. Riggs

KRR/ec

Enclosures

cc: Parties of Record

RECEIVED

MAY 04 2004

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF THE GAS)
AND ELECTRIC RATES, TERMS) CASE NO: 2003-00433
AND CONDITIONS OF LOUISVILLE)
GAS AND ELECTRIC COMPANY)

In the Matter of:

AN ADJUSTMENT OF THE ELECTRIC)
RATES, TERMS AND CONDITIONS) CASE NO: 2003-00434
OF KENTUCKY UTILITIES COMPANY)

STIPULATION

WHEREAS, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively "Companies") filed applications to make general adjustments to the Companies' rates, terms and conditions on December 29, 2003 in Case Nos. 2003-00433 and 2003-00434;

WHEREAS, The Kroger Co. was granted full intervention by the Kentucky Public Service Commission ("Commission") on January 22, 2004;

WHEREAS, the Companies and The Kroger Co. (the "parties") wish to facilitate the disposition of these two proceedings through the submission of a joint stipulation on revenue requirement and rate design issues; and,

NOW THEREFORE, pursuant to 807 KAR 5:001 Section 4(6) the parties stipulate as follows:

1. The Companies will request authority from the Commission to offer experimental time-of-day rate schedules for commercial customers whose maximum monthly demands were greater than 250 KW and less than 2,000 KW during the calendar year 2003 on a revenue-neutral basis. The experimental time-of-day rate schedules will be available to 100 accounts currently served under Rate LC by LG&E, and to 100 accounts currently served under Rate LP by KU.

2. After three years, the Companies will evaluate the performance of the experimental time-of-day rate schedules for the following purposes: (i) to determine the amount of load shifted from the on-peak period to the off-peak period, (ii) to determine the amount of revenue loss from the experimental time-of-day rate schedules, (iii) to evaluate customer acceptance of the experimental time-of-day rate schedules, and (iv) to evaluate the potential for implementing the experimental time-of-day rate schedules as either a permanent demand-side management program or as a standard rate schedule. The Companies shall file a report with the Commission describing their findings within six months after the first three years of implementation of the experimental time-of-day rate schedules. The experimental time-of-day rate schedules shall remain in effect until the rate schedules are terminated by order of the Commission.

3. Any customer-specific costs of offering the experimental time-of-day rate schedules, including but not limited to the additional cost of the metering equipment, meter reading, and customer-specific billing costs, shall be recovered through a monthly facilities charge billed to the participants of the experimental time-of-day rate schedules. The monthly facilities charge shall be \$15.00 per customer per month.

4. The experimental time-of-day rate schedule for customers served under LG&E's Rate LC shall include energy charges corresponding to \$0.0300 per kWh during the designated

on-peak period and \$0.0140 per kWh during the designated off-peak period. These charges are based on an energy charge filed by LG&E of \$0.0240/kWh. Should the Commission approve an energy charge in this proceeding for Rate LC that differs from the one filed by LG&E, the on-peak and off-peak energy charges shall be adjusted pro-rata to reflect the energy charge established by the Commission. During the summer billing months of June through September, the designated on-peak period shall be: weekdays, from 10 A.M. to 9 P.M. Eastern Standard Time (EST) during the four monthly billing periods of June through September. During the winter billing months of October through May, the designated on-peak period shall be: weekdays, from 8 A.M. to 10 P.M Eastern Standard Time (EST) during the eight monthly billing periods of October through May. The designated off-peak period shall be all hours not included during the summer and winter peak periods. The demand and customer charges shall be the same as approved by the Commission for Rate LC.

5. The experimental time-of-day rate schedule for customers served under KU's Schedule LP shall include energy charges corresponding to \$0.0280 per kWh during the designated on-peak period and \$0.0150 per kWh during the designated off-peak period. These charges are based on an energy charge filed by KU of \$0.0220/kWh. Should the Commission approve an energy charge for Schedule LP in this proceeding that differs from the one filed by KU, the on-peak and off-peak energy charges shall be adjusted pro-rata to reflect the energy charge established by the Commission. During the summer billing months of June through September, the designated on-peak period shall be: weekdays, from 10 A.M. to 9 P.M. Eastern Standard Time (EST) during the four monthly billing periods of June through September. During the winter billing months of October through May, the designated on-peak period shall be: weekdays, from 8 A.M. to 10 P.M Eastern Standard Time (EST) during the eight monthly

billing periods of October through May. The designated off-peak period shall be all hours not included during the summer and winter peak periods. The demand and customer charges shall be the same as approved by the Commission for Schedule LP.

6. The non-customer specific costs of modifying LG&E's customer billing system to bill customers under the experimental time-of-day rate schedule will be recovered through a charge per kWh billed to customers taking service under Rate LC determined in the same manner as the DSM Cost Recovery Component of LG&E's Demand-Side Management Cost Recovery Mechanism. The cost of modifying LG&E's customer billing system is estimated to be a total of \$87,150, or \$29,050 annually for three years. The charge would be \$0.00001/kWh.

7. The non-customer specific costs of modifying KU's customer billing system to bill customers under the experimental time-of-day rate schedule will be recovered through a charge per kWh billed to customers taking service under Rate LP determined in the same manner as the DSM Cost Recovery Component of KU's Demand-Side Management Cost Recovery Mechanism. The cost of modifying KU's customer billing system is estimated to be a total of \$87,150, or \$29,050 annually for three years. The charge would be \$0.00001/kWh.

8. LG&E will collect any revenue from lost sales from the experimental time-of-day rate schedule through a charge billed to customers taking service under Rate LC determined in the same manner as the DSM Revenue From Lost Sales Component of LG&E's Demand-Side Management Cost Recovery Mechanism. The Revenue From Lost Sales will be determined annually by comparing billings of customers taking service under the experimental time-of-day rate schedule to billings computed under Rate LC for twelve-month periods.

9. KU will collect any revenue from lost sales from the experimental time-of-day rate schedule through a charge billed to customers taking service under Rate LP determined in

the same manner as the DSM Revenue From Lost Sales Component of KU's Demand-Side Management Cost Recovery Mechanism. The Revenue From Lost Sales will be determined annually by comparing billings of customers taking service under the experimental time-of-day rate schedule to billings computed under Rate LP for twelve-month periods.

10. The experimental time-of-day rate schedules will become effective fourteen weeks after the dates of the Commission's Orders in the above-captioned proceedings.

11. The Kroger Co. shall withdraw the direct testimony submitted by Kevin C. Higgins on behalf of The Kroger Co. in Case Nos. 2003-00433 and 2003-00434 and shall not otherwise contest the Companies' proposals in Case Nos. 2003-00433 and 2003-00434 regarding the application of the Merger Surcredits, the shareholder components of the Merger Surcredits, the VDT Surcredits, the shareholder components of the VDT Surcredits, the Companies' proposed revenue increase, or the Companies' proposed allocation of the rate increase.

The parties submit the foregoing stipulation is a fair, just and reasonable resolution of the issues identified herein and request the Commission to determine the resolution of the issues herein based upon the stipulation.

Dated: May 4, 2004

Respectfully submitted,



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- and -



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