



STOLL · KEENON · OGDEN
P L L C

2000 PNC PLAZA
500 WEST JEFFERSON STREET
LOUISVILLE, KENTUCKY 40202-2828
502-333-6000
FAX: 502-333-6099
WWW.SKOFIRM.COM

J. GREGORY CORNETT
DIRECT DIAL 502-560-4210
DIRECT FAX 502-627-8710
greg.cornett@skofirm.com

October 18, 2006

VIA HAND DELIVERY

RECEIVED

OCT 18 2006

PUBLIC SERVICE
COMMISSION

Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

**Re: In the Matter of Petitions of Kentucky Utilities Company and Blue Grass Energy Cooperative Corporation to be Designated as the Retail Electric Supplier for the New Wal-Mart Store in Cynthiana, Kentucky
Case No. 2006-00214
Our File No.: 400001/358795**

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and ten (10) copies of the parties' joint Motion to Approve Settlement and tendered Settlement Agreement in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the extra copy of the pleading and return it to me.

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

Very truly yours,


J. Gregory Cornett

JGC/cja
Enclosures
cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

OCT 18 2006

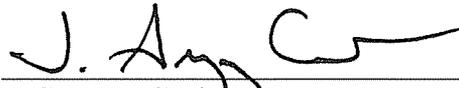
PETITIONS OF KENTUCKY UTILITIES)
COMPANY AND BLUE GRASS ENERGY)
COOPERATIVE CORPORATION TO BE)
DESIGNATED AS THE RETAIL ELECTRIC)
SUPPLIER FOR THE NEW WAL-MART)
STORE IN CYNTHIANA, KENTUCKY)

PUBLIC SERVICE
COMMISSION
CASE NO. 2006-00214

MOTION TO APPROVE SETTLEMENT

Kentucky Utilities Company and Blue Grass Energy Cooperative Corporation hereby jointly move the Commission to approve the settlement reached in this proceeding by the parties, as evidenced by the attached settlement agreement and proposed revised territorial boundary maps. As grounds for this motion, the parties state that the Commission has the authority to approve settlements of this type pursuant to KRS 278.018(6), and state that the agreement they have reached will further the policies of the Certified Territories Act by allowing orderly development of retail electric service to the areas at issue, avoiding wasteful duplication of facilities and unnecessary encumbering of the landscape, preventing the waste of materials and natural resources, and minimizing disputes over electric service in these areas. In addition, the proposed settlement will result in the provision of adequate and reasonable service to the areas at issue and all consumers affected therein. Due to their size, only one copy of the referenced revised maps are being provided. Additional copies can be provided on request if needed.

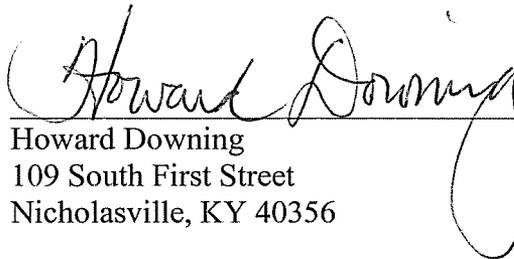
Respectfully submitted,



J. Gregory Corbett
STOLL KEENON OGDEN PLLC
2000 PNC Plaza
500 W. Jefferson Street
Louisville, KY 40202
(502) 333-6000

Allyson K. Sturgeon
Corporate Attorney
E.ON U.S. LLC
220 West Main Street
Louisville, Kentucky 40202
(502) 627-2088

Counsel for Kentucky Utilities Company



Howard Downing
109 South First Street
Nicholasville, KY 40356

Counsel for Blue Grass Energy
Cooperative Corporation

CERTIFICATE OF SERVICE

It is certified that a true and correct copy of the foregoing was served via U. S. Mail, postage prepaid, this 18th day of October, 2006 upon:

David Ozment
Manager of Rates & Compliance
Wal-Mart Stores, Inc.
2001 SE 10th St.
Bentonville, AR 72716-0550



Counsel for Kentucky Utilities Company

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this 18th day of October, 2006, by and between Kentucky Utilities Company ("KU") and Blue Grass Energy Cooperative Corporation ("BGE").

W I T N E S S E T H:

WHEREAS, KU and BGE were parties to an action before the Commission, in Case No. 2006-00214, regarding the provision of service to a Wal-Mart SuperCenter being constructed in Cynthiana, Kentucky;

WHEREAS, an informal conference in Case No. 2006-00214 was held on August, 25, 2006, and both during and after the informal conference the parties, with the knowledge but not the involvement of Commission Staff, engaged in settlement discussions; and

WHEREAS, a unanimous settlement of all issues in the referenced proceeding has been reached by KU and BGE.

NOW, THEREFORE, for and in consideration of the agreements and conditions set forth herein, the parties hereby agree as follows:

Article 1 Amendment of Territorial Boundaries

- 1.01 KU will continue to serve the territory on which the current Wal-Mart in Cynthiana is located and will also serve the territory on which the Wal-Mart SuperCenter in Cynthiana is being constructed.
- 1.02 BGE will serve the territory designated as lots 6 and 7 in the Brannon Crossings development near Nicholasville, Kentucky, as well as lots 1-88

in the residential development known as The Cottages of Alton Station in Anderson County, Kentucky.

- 1.03 KU and BGE will serve those portions in the Cynthiana-Harrison County Industrial Park as identified on the maps attached hereto.
- 1.04 Revised territorial boundary maps reflecting the above-referenced agreements are attached hereto.

Article 2 Effect on Pending Action

- 2.01 The Parties will jointly move the Commission to dismiss Case No. 2006-00214 as settled.
- 2.02 Upon formal Commission adoption and acceptance of the tendered Agreement and Order as a full resolution of all issues arising from the proceedings described in Article 2.01 above, no party will file a petition for rehearing under KRS 278.400 or an appeal under KRS 278.410.
- 2.03 In the event that the Commission declines to approve this Settlement Agreement and the revised maps attached hereto, then this Agreement, and the proposed revised territorial divisions, shall be rendered null and void and the parties will proceed with Case No. 2006-00214 without prejudice.

Article 3 Additional Provisions

- 3.01 This Settlement Agreement shall in no way be deemed to divest the Commission of any jurisdiction under, or to supersede in any way, Chapter 278 of the Kentucky Revised Statutes.

- 3.02 This Settlement Agreement shall inure to the benefit of and be binding upon the parties hereto, their heirs, successors and assigns.
- 3.03 The signatories hereto warrant that they have informed, advised, and consulted with the respective parties hereto in regard to the contents and significance of this agreement and based upon the foregoing are authorized to execute this Settlement Agreement on behalf of the parties hereto.
- 3.04 This Settlement Agreement is a product of negotiation among all the parties, and no provision of this Settlement Agreement shall be strictly construed in favor of or against any party.

IN WITNESS WHEREOF, the parties hereto have hereunto affixed their signatures.

Kentucky Utilities Company

BY: 

J. Gregory Cornett, Counsel

Blue Grass Energy Cooperative Corporation

BY: 

Howard Downing, Counsel

TERRITORIAL CHANGE INFORMATION

(10/98)

Affected Property: Brannon Crossing Shopping Center

Foreign Utility: Blue Grass Energy

Quadrant Map: Nicholasville, KY

Agreement Date: 10/18/06 (date of last signature)

1. 4 Utility signed copies of quadrant (Key) map showing revised territorial line with a note referencing the property/customer, and date of the territorial agreement. (1 mylar copy and 1 paper copy required for filing)

2. 4 Utility signed copies of site map (Plat) and/or territorial agreement showing original and revised territorial boundary. (1 mylar copy and 1 paper copy needed for filing)
The map must include coordinates accurate to within 3 meters for at least four points on the territorial line. It is preferable that these points include the beginning and ending points of the change. We also must provide the coordinate system used: This will be utilizing Global Positioning System (GPS) with the coordinates based upon WGS84.

3. Copies of all written agreements (1 needed - not original).

4. Name of employee who would serve as KU's witness if a hearing is required:
Frank Bryant

5. Name and mailing address of the foreign utility, and the name and title their official who is to receive the Commission stamped quadrant map:
Dan Brewer, CEO
1201 Lexington Road, PO Box 990
Nicholasville, KY 40340-0990

6. The reason(s) for the boundary change (realignment with lot/property lines, closest utility (give details), it is the least cost of providing service to the customer(s), etc.):
Realignment with lot/property lines

7. How does this boundary change promote the purposes of KRS 278.016? (check all that apply)

- Promotes the orderly development of retail electric service
- Avoids wasteful duplication of facilities
- Avoids unnecessary encumbering of the landscape
- Prevents waste of materials and natural resources
- Is necessary for the public convenience and necessity
- Minimizes disputes between retail electric suppliers which may result in inconvenience, diminished efficiency, and higher cost to the consumer

8. Will any retail customer change electric supplier as the result of this boundary change?

- No (Check this if no retail customers were receiving service in affected territory prior to the boundary change.)
- Yes (If yes, provide the information on Attachment 1 for each customer affected.)

TERRITORIAL CHANGE INFORMATION

(10/98)

Affected Property: Cynthiana-Harrison County Industrial Park
Foreign Utility: Blue Grass Energy
Quadrant Map: Shaawhan, KY
Agreement Date: 10/18/06 (date of last signature)

1. 4 Utility signed copies of quadrant (Key) map showing revised territorial line with a note referencing the property/customer, and date of the territorial agreement. (1 mylar copy and 1 paper copy required for filing)

2. 4 Utility signed copies of site map (Plat) and/or territorial agreement showing original and revised territorial boundary. (1 mylar copy and 1 paper copy needed for filing)
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Robby Trimble

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- No (Check this if no retail customers were receiving service in affected territory prior to the boundary change.)
- Yes (If yes, provide the information on Attachment 1 for each customer affected.)

TERRITORIAL CHANGE INFORMATION

(10/98)

Affected Property: Wal-Mart Supercenter-Cynthiana

Foreign Utility: Blue Grass Energy

Quadrant Map: Cynthiana, KY

Agreement Date: 10/18/06 (date of last signature)

1. 4 Utility signed copies of quadrant (Key) map showing revised territorial line with a note referencing the property/customer, and date of the territorial agreement. (1 mylar copy and 1 paper copy required for filing)

2. 4 Utility signed copies of site map (Plat) and/or territorial agreement showing original and revised territorial boundary. (1 mylar copy and 1 paper copy needed for filing)
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- Yes (If yes, provide the information on Attachment 1 for each customer affected.)

TERRITORIAL CHANGE INFORMATION

(10/98)

Affected Property: The Cottages At Alton Station

Foreign Utility: Blue Grass Energy

Quadrant Map: Lawrenceburg, KY

Agreement Date: 10/18/06 (date of last signature)

1. 4 Utility signed copies of quadrant (Key) map showing revised territorial line with a note referencing the property/customer, and date of the territorial agreement. (1 mylar copy and 1 paper copy required for filing)

2. 4 Utility signed copies of site map (Plat) and/or territorial agreement showing original and revised territorial boundary. (1 mylar copy and 1 paper copy needed for filing)
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