e·on | U.S.

RECEIVED
JUN 08 2010
PUBLIC SERVICE
COMMISSION

Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

E.ON U.S. LLC
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

Lonnie E. Bellar
Vice President
T 502-627-4830
F 502-217-2109
lonnie.bellar@eon-us.com

June 8, 2010

RE: ***Application of Kentucky Utilities Company for an Adjustment of Its Base Rates* – Case No. 2009-00548**

***Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Base Rates* – Case No. 2009-00549**

Dear Mr. DeRouen:

Please find enclosed and accept for filing two original and twenty (20) copies of the motion of Kentucky Utilities Company and Louisville Gas and Electric Company (collectively "Companies"), in the above-referenced matters for leave to file the Stipulation and Recommendation and Testimony of Lonnie E. Bellar thereon.

The orginal counsel signatures for Louisville Gas and Electric Company, Kentucky Utilities Company, Kentucky Industrial Utility Customers, Inc., The Kroger Co., Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc., Association of Community Ministries, Kentucky Cable Telecommunications Association, and Kentucky School Boards Association are included with each original version of the Stipulation and Recommendation. Copies of the signature pages from AARP and Wal-Mart Stores East, LP and Sam's East, Inc. are included in the original versions, and each will file their original signature pages under separate cover with the Commission. Counsel for the United States Department of Defense and Other Federal Executive Agencies will file their original signature pages under separate cover with the Commission.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

Lonnie E. Bellar

cc: Parties of Record

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
JUN 08 2010
PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF BASE RATES	)))	CASE NO. 2009-00548

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS BASE RATES	))))	CASE NO. 2009-00549

JOINT MOTION OF KENTUCKY UTILITIES COMPANY AND LOUISVILLE GAS AND ELECTRIC COMPANY FOR LEAVE TO FILE STIPULATION AND RECOMMENDATION AND TESTIMONY THEREON

Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively, "Companies") hereby move the Public Service Commission ("Commission") for leave to file: (1) the Stipulation and Recommendation reached by and between the Companies and all intervenors to these proceedings except the Attorney General ("AG"); and (2) the testimony of Lonnie E. Bellar on the Stipulation and Recommendation on behalf of the Companies, enclosed herewith. In support of this Motion, the Companies state that they, the Commission staff, and all intervenors in these proceedings (including the AG) met at the Commission on June 2 and 3, 2010, to engage in arm's-length negotiations to resolve the matters at issue in these proceedings, if possible. (All intervenors and Commission staff were given notice of additional discussions and negotiations that were held at the Commission's offices on June 7, 2010, but the AG did not send a representative to those discussions.) The Stipulation and Recommendation that accompanies this Motion is the product of those discussions. It presents a set of stipulated facts and recommendations for the fair, just, and reasonable resolution of all the matters at issue in these proceedings, and is supported by the evidence in the record of these proceedings. All of the parties to these proceedings, except the AG, recommend that the Commission adopt all of the provisions of the Stipulation and Recommendation. The AG continues to dispute and contest the relief requested in the Companies' applications for adjustments in base rates, but does not object to the process by which the Stipulation was reached, the submission of the Stipulation and Recommendation into the records for these cases, or the Commission's consideration of the Stipulation and Recommendation in the disposition of these cases.

The testimony of Lonnie E. Bellar submitted herewith describes the Stipulation and Recommendation and the process by which the parties reached it.

The Companies desire to submit the Stipulation and Recommendation into the record of these proceedings for the Commission's consideration to permit a change in base rates for service rendered on and after August 1, 2010.

WHEREFORE, the Companies respectfully move the Commission to grant them leave to file in these proceedings the enclosed Stipulation and Recommendation and testimony of Lonnie E. Bellar thereon.

Dated: June 8, 2010

Respectfully submitted,

Allyson K. Sturgeon

Kendrick R. Riggs
Deborah T. Eversole
W. Duncan Crosby III
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202-2828
Telephone: (502) 333-6000

Robert M. Watt III
Monica H. Braun
Stoll Keenon Ogden PLLC
300 West Vine Street
Lexington, Kentucky 40507-1801
Telephone: (859) 231-3000

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

Counsel for Louisville Gas and Electric Company and Kentucky Utilities Company

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the above and foregoing Joint Motion was served by hand or by first class United States mail, postage prepaid, to the following persons on the 8th day of June, 2010:

Dennis G. Howard II
Lawrence W. Cook
Paul D. Adams
Assistant Attorneys General
Office of the Kentucky Attorney General
Office of Rate Intervention
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204

David C. Brown
Stites & Harbison PLLC
400 West Market Street, Suite 1800
Louisville, KY 40202-3352

Michael L. Kurtz
David F. Boehm
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202

Iris G. Skidmore
Bates & Skidmore
415 W. Main Street, Suite 2
Frankfort, KY 40601

Lisa Kilkelly
Eileen Ordover
Legal Aid Society
416 W. Muhammad Ali Blvd., Suite 300
Louisville, KY 40202

Laurence J. Zielke
Zielke Law Firm, PLLC
1250 Meidinger Tower
Louisville, KY 40202

Gardner F. Gillespie
Dominic F. Perella
Hogan Lovells US LLP
555 Thirteenth Street, N.W.
Washington, DC 20004

Carroll M. Redford III
Miller, Griffin & Marks, PSC
271 W. Short St., Ste. 600
Lexington, KY 40507

Holly Rachel Smith
Hitt Business Center
3803 Rectortown Rd.
Marshall, VA 20115

James T. Selecky
BAI Consulting
16690 Swingley Ridge Road, Suite 140
Chesterfield, MO 63017

Robert A. Ganton
Regulatory Law Office
U.S. Army Legal Services Agency
901 N. Stuart Street, Suite 525
Arlington, VA 22203-1837

Steven A. Edwards, Esq.
Administrative Law Division
Office of Staff Judge Advocate
1310 Third Avenue Room 215
Fort Knox, KY 40121-5000

Tom FitzGerald
Liz D. Edmondson
Kentucky Resources Council, Inc.
P.O. Box 1070
Frankfort, KY 40602

Matthew R. Malone
William H. May, II
Hurt, Crosbie & May PLLC
The Equus Building
127 West Main Street
Lexington, KY 40507

Allyson K. Sturgeon

Counsel for Kentucky Utilities Company
and Louisville Gas and Electric Company

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF BASE RATES	)))	CASE NO. 2009-00548

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS BASE RATES	))))	CASE NO. 2009-00549

TESTIMONY ON STIPULATION AND RECOMMENDATION OF
LONNIE E. BELLAR
VICE PRESIDENT OF STATE REGULATION AND RATES
KENTUCKY UTILITIES COMPANY AND
LOUISVILLE GAS AND ELECTRIC COMPANY

Filed: June 8, 2010

Q. Please state your name, position and business address.

A. My name is Lonnie E. Bellar. I am the Vice President of State Regulation and Rates for Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively "Companies") and an employee of E.ON U.S. Services Inc., which provides services to the Companies. My business address is 220 West Main Street, Louisville, Kentucky.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to discuss why adopting terms of the Stipulation and Recommendation reached by all parties to these proceedings (except the Attorney General ("AG")) would produce fair, just, and reasonable rates, terms, and conditions for all the parties hereto and for all of the Companies' customers, and to recommend that the Commission incorporate all of the terms of the Stipulation and Recommendation into its final orders in these proceedings.

Overview of Procedural Matters and Stipulation and Recommendation Negotiation Process

Q. Please describe the procedural background and posture of these proceedings.

A. On December 30, 2009, the Companies filed with the Commission their notices of intent to file base rate adjustment applications on or after January 29, 2010. On January 29, 2010, in accordance with their notices of intent, the Companies filed applications in Case Nos. 2009-00548 (KU) and 2008-00549 (LG&E) for increases in base rates for their electric and gas operations, as well as for other modifications of their electric and gas rates, terms, and conditions. Several parties petitioned the Commission for intervention in one or both proceedings. Ultimately, the Commission granted intervention to the AG, Kentucky Industrial Utility Customers, Inc. ("KIUC"), The Kroger Co. ("Kroger"), Kentucky Cable Telecommunications Association ("KCTA"), and Kentucky School Boards Association ("KSBA") in both of the rate proceedings; the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. ("CAC"), and Wal-Mart Stores East, LP and Sam's East, Inc. (collectively, "Walmart") in Case No. 2009-00548 only; and the Association of Community Ministries ("ACM"), United States Department of Defense and Other Federal Executive Agencies ("DOD/FEA"), and AARP in Case No. 2009-00549 only. (Collectively, the Companies, KIUC, Kroger, Walmart, KSBA, CAC, ACM, DOD/FEA, KCTA, and AARP are the "Parties.")

The Parties and the AG have submitted into the records of these proceedings testimony, data requests, and responses to data requests.

Q. Did the Parties, AG, and Commission Staff meet to discuss a possible settlement of these proceedings?

A. Yes. The Parties, AG, and Commission Staff met at the Commission's offices and engaged in arm's-length negotiations on June 2 and 3, 2010, to discuss terms on which it might be possible to reach a unanimous settlement agreement between the Parties and the AG. All Parties, the AG, and Commission staff were given notice of additional discussions and negotiations that were held at the Commission's offices on June 7, 2010, but the AG did not send a representative to those discussions. Although the AG participated in all discussions except those on June 7, ultimately he did not join an agreement between all of the other parties to these proceedings (the Parties). Therefore, the Parties are submitting for the Commission's consideration, and are recommending the Commission to adopt all of the terms of, the Stipulation and

Recommendation attached hereto as Exhibit LEB-1. The Parties recommend the terms of the Stipulation and Recommendation to the Commission as a reasonable "black-box" compromise between the Parties' various interests, and believe that adopting all of its terms as the final resolution of these proceedings would result in fair, just, and reasonable rates, terms, and conditions for all of the Companies' customers. Because the Parties negotiated the Stipulation and Recommendation in a "black-box" manner, they do not recommend any particular element(s) of it in isolation, but rather respectfully submit that all of its terms taken together, if adopted by the Commission, would produce a fair, just, and reasonable result. Recognizing that the Stipulation and Recommendation is the product of compromise and negotiation between the Parties' positions, all of which may reasonably be litigated in future base rate or other cases, the Parties further respectfully request and recommend that if the Commission determines to adopt in its final orders the terms of the Stipulation and Recommendation, it should do so with the explicit caveat that the orders should not be used as precedent, either before the Commission or elsewhere.

Q. What kinds of divergent interests do the Parties represent?

A. The Parties represent the entire spectrum of interests and groups present in the Companies' service territories, and comprise all of the parties to these proceedings except the AG. The Parties represent all major rate classes: residential (CAC, ACM, and AARP), commercial (Kroger and Walmart), and industrial (KIUC). They represent the highly varied interests of low-income customers (CAC and ACM), senior citizens (AARP), school districts (KSBA), businesses (Kroger and Walmart), industrial companies (KIUC), the military (DOD/FEA), and cable television providers (KCTA). None of the intervenor-Parties has an interest in seeing utility rates increase, but they recognize that the Companies provide a valuable service, face real and rising costs, and are entitled to a fair, just, and reasonable return on the equity capital they have invested. Each of the Parties advocated vigorously for its interests, and the Stipulation and Recommendation is a product of hard-fought but good-faith negotiations. Although the Commission certainly must render its final orders in these proceedings on the basis of all the evidence of record, the Parties respectfully request the Commission to adopt the terms of the Stipulation and Recommendation as supported by substantial evidence and as a fair, just, and reasonable resolution of these proceedings.

Revenue Requirements and Rate Design Issues

Q. What revenue requirements does the Stipulation and Recommendation recommend for the Companies' electric and gas utility operations?

A. The Stipulation and Recommendation recommends revenue requirements significantly less than those requested and supported by the Companies, demonstrating the clear effect of arm's-length negotiations between the Parties. The Stipulation and Recommendation recommends increasing KU's current revenue requirement by $98 million (versus KU's requested increase of $135.3 million), increasing the revenue requirement for LG&E's electric operations by $74 million (versus LG&E's requested increase for electric operations of $94.6 million), and increasing the revenue requirement for LG&E's gas operations by $17 million (versus LG&E's requested increase for gas operations of $22.6 million). Though the Companies filed their base rate applications with the objective of increasing their base rates to recover the calculated revenue deficiencies for their respective utility operations, they nevertheless believe that the compromises the Parties reached on revenue requirements and all other issues in these proceedings are fair, just, and reasonable, and recommend that the Commission adopt them in their entirety.

Q. What revenue allocations does the Stipulation and Recommendation recommend?

A. The Stipulation and Recommendation recommends the revenue allocations for KU, LG&E electric, and LG&E gas that are set forth in Stipulation Exhibits 1 (KU), 2 (LG&E electric), and 3 (LG&E gas). These revenue allocations, too, are clearly the product of arm's length negotiations between the Parties. The KU and LG&E electric revenue allocations are a combination of methodologies filed by the KIUC and negotiated in discussions by Kroger and other parties (modified to address the low-income late-payment-charge waiver, discussed below, and cable television attachment charge); the LG&E gas revenue allocation is LG&E's filed allocation (modified to address the low-income late-payment-charge waiver discussed below). These allocations will result in an increase in the average KU residential customer's monthly bill of $8.14 (usage of 1,230 kWh), an increase in the average LG&E residential electric customer's monthly bill of $7.04 (usage of 992 kWh), and an increase in the average LG&E gas customer's monthly bill of $3.62 (usage of 58 Ccf), as shown in Exhibit LEB-2, which is attached hereto.

Q. What range of return on equity does the Stipulation and Recommendation propose for the Companies' utility operations, and what return on equity does it propose for the Companies' Environmental Cost Recovery mechanisms?

A. The Stipulation and Recommendation recommends as reasonable a range of return on equity ("ROE") for the Companies' utility operations of 10.25% - 10.75% in this case, and in connection with the ROE for their Environmental Cost Recovery ("ECR") mechanisms, as described below. This range represents a fair compromise between the Companies' evidence that a fair ROE for its utility operations is 11.5%, KIUC's evidence that a fair ROE for electric operations of LG&E and KU is 9.7%, and the DOD/FEA's evidence that a fair ROE for electric and gas operations of LG&E is 10.35%.

The Stipulation and Recommendation recommends as reasonable that the Companies continue to use the same ROE for their ECR mechanisms. Therefore, effective as of the first expense month after the month in which the Commission enters its final orders in these proceedings, the ROE to apply to the Companies' recovery under their ECR mechanisms should be 10.63%. This represents a fair, just, and reasonable compromise of the Parties' ROE recommendations, as I discussed above.

Q. Does the Stipulation and Recommendation address other issues related to the Companies' rates, terms, and conditions of service?

A. Yes, the Stipulation and Recommendation addresses a number of other issues concerning the Companies' rates, terms, and conditions of service. Perhaps even more so than the matters I have already discussed, these other terms evince the intense negotiations among the Parties that produced the Stipulation and Recommendation.

And it is noteworthy that the provisions of the Stipulation and Recommendation other than those I discussed above, including the proposed tariff sheets attached as Stipulation Exhibits 4, 5, and 6, are more detailed and more cognizant of the needs and concerns of the divergent and specific interests of the Parties than contested orders could be in these proceedings. For example, the revised Curtailable Service Riders, as I describe more fully below, take into account issues and contain a degree of detail that would be exceedingly difficult to achieve without the extended discussions that led to the terms proposed.

Also, there are a number of items in the Stipulation and Recommendation that can only be achieved by the willingness of the Companies to provide them, such as additional shareholder contributions to energy assistance programs. For these reasons, the Companies respectfully recommend that the Commission adopt the terms of the Stipulation and Recommendation in its final orders in these proceedings.

Q. What are some examples of the other issues the Stipulation and Recommendation addresses related to the Companies' rates, terms, and conditions of service?

A. First, the basic service charges (currently called "customer charges") for residential service recommended in the Stipulation and Recommendation are significantly less than those requested in the Companies' applications. For KU and LG&E electric residential service, the Stipulation and Recommendation proposes a monthly basic service charge of $8.50 (the Companies' applications proposed $15.00, the current charge is $5.00). For LG&E residential gas service, the Stipulation and Recommendation proposes a monthly basic service charge of $12.50 and continued use of a distribution cost component (LG&E's application proposed $26.53 in total based on a straight-fixed-variable rate design, the current charge is $9.50 plus a distribution cost component).

Second, the Parties agreed that the Companies' current residential electric customer deposits of $135 should remain unchanged (the Companies' applications proposed $160), the LG&E residential gas customer deposit should be decreased to $115 (it is currently $160, and LG&E's application proposed $115), and that all other customer deposit amounts should be as the Companies proposed in these proceedings. The Companies also clarified in the Stipulation and Recommendation that they will continue their current policy of permitting customers who are required to make a deposit as a condition of reconnection following disconnection for non-payment to pay required deposits in up to four monthly installments upon request.

Third and finally, the Stipulation and Recommendation recommends eliminating the Companies' current Curtailable Service Riders, CSR1, CSR2, and CSR3, replacing them with two new riders, CSR10 and CSR30 (largely as proposed by KIUC). The proposed CSR10 would: (1) require curtailment on ten minutes' notice; (2) require up to 100 hours per year of physical curtailment, plus up to 275 hours per year of additional curtailment with a buy-through option; (3) provide a monthly credit of $5.40/kW for transmission service and $5.50/kW for primary service. The proposed CSR30 would: (1) require curtailment on thirty minutes' notice; (2) require up to 100 hours per year of physical curtailment, plus up to 250 hours per year of additional curtailment with a buy-through option; (3) provide a monthly credit of $4.30/kW for transmission service and $4.40/kW for primary service. The Parties propose to allow additional load of up to 100 MW (beyond each Company's current CSR load) to take service under the new riders for each Company. These and other details are set out in the Stipulation and Recommendation and the proposed tariff sheets in Stipulation Exhibits 4 and 5 thereto.

Q. What other regulatory accounting issues does the Stipulation and Recommendation address?

A. The Stipulation and Recommendation addresses several regulatory accounting issues in these proceedings. First, the Parties recommend, as proposed by the Companies in its Application, that the Commission allow the Companies to recover the costs associated with their 2001 and 2003 environmental compliance plans through their base rates, and to remove said costs from the Companies' monthly environmental surcharge filings effective with the August 2010 expense month after the Commission issues its final orders in these proceedings.

Second, the Parties recommend that the Commission grant LG&E's request, as stated in its Application, to establish and amortize over 24 ¾ years (the remaining term of the related debt agreements) a regulatory asset for the costs associated with the interest rate swap agreement between LG&E and Wachovia Bank, N.A., as discussed in the pre-filed direct testimony of Daniel K. Arbough, and that the amortization should begin in the month after the month in which the Commission enters its Orders in these proceedings.

Third, the Parties recommend that the Commission allow the Companies to amortize over ten years their regulatory assets approved by the Commission concerning the 2008 Wind Storm and 2009 Winter Storm, with such amortization to begin in the month after the month in which the Commission enters its final orders in these proceedings. The ten-year amortization represents a reasonable deviation from well-established past practice due to the unprecedented nature of each of the two storms and the fact that the two storms occurred in a relatively short period of time.

Fourth, the Parties recommend that the Commission allow the Companies to amortize over four years their regulatory assets approved by the Commission concerning the Kentucky Consortium for Carbon Storage ("KCCS"), with such amortization to begin in the month after the month in which the Commission enters its final orders in these proceedings.

Fifth, the Parties recommend that the Commission allow the Companies to amortize over ten years their regulatory assets approved by the Commission concerning the Carbon Management Research Group ("CMRG"), with such amortization to begin in the month after the month in which the Commission enters its final orders in these proceedings.

Sixth and finally, the Stipulation and Recommendation recommends that the Companies be permitted to amortize their actual rate case expenses in these proceedings over a three-year period, with the amortization to begin in the month after the month in which the Commission enters its final orders in these proceedings.

Q. Does the Stipulation and Recommendation contain any provisions concerning billing matters?

A. It certainly does. First, to enhance the predictability of when customers will receive their bills, the Stipulation and Recommendation proposes to have the Companies reduce the targeted window of time in which the Utilities attempt read a customer's meter from the current five days to three days by January 1, 2011.

Second, the Stipulation and Recommendation recommends revising the due date and late-payment charge provisions of the Companies' tariffs to include the word "calendar" to clarify, for example, that bills are due 12 calendar days from the bill's mailing date.

Third, the Stipulation and Recommendation restates the terms of the Companies' FLEX Option to clarify for the Parties what the program is and who is eligible for it. Briefly, it clarifies that the FLEX Option gives eligible customers 28 calendar days, rather than the standard 12 calendar days, from the mailing date of the bill to pay. This allows customers with fixed incomes and a clear history of paying by a certain date to be able to pay their bills after receiving their monthly incomes without penalty. The details of the FLEX Option are set out in Stipulation Exhibit 7.

Fourth, the Stipulation and Recommendation recommends that the date on which the bill was mailed will be printed on each bill beginning on August 1, 2010.

Q. Which provisions of the Stipulation and Recommendation would provide needed assistance to the Companies' low-income customers?

A. The Parties have crafted in the Stipulation and Recommendation a proposal that would effectively waive late-payment charges for the Companies' customers who have genuine financial difficulties. The proposal provides that, beginning October 1, 2010, residential customers who receive a pledge for, or notice of, low-income energy assistance from an authorized agency will not be assessed or required to pay a late payment charge for the bill for which the pledge or notice is received, nor will they be assessed or required to pay a late payment charge in any of the eleven months following receipt of such pledge or notice. The proposal would also grant the Companies a right to audit the program to ensure appropriate application of the waiver, while acknowledging that private information cannot be disclosed by the assistance agencies without authorization from the low-income customers. The Companies believe this provision would be a significant benefit to their most vulnerable customers.

Second, the Stipulation and Recommendation proposes several commitments by the Companies to make shareholder-funded contributions to groups assisting low-income customers. The proposals are:

- An annual matching Wintercare contribution from KU for each of calendar years 2011 and 2012, with each year's contribution not to be less than $100,000.
- For a period of two years beginning February 6, 2011, dollar-for-dollar matching contributions to the Home Energy Assistance ("HEA") program to match HEA funds collected from customers (up to $300,000 per year on a combined-Companies basis).
- For a period of two years following the Commission's final orders in these proceedings, LG&E would continue its current matching contribution to the ACM/Metro Match program, with its contribution to the ACM/Metro Match program for each of the two years not to exceed $225,000 per year, and not contingent upon any other specific party's participation in the program.

Q. How would Kentucky's schools benefit under the terms of the Stipulation and Recommendation?

A. The Stipulation and Recommendation contains a provision that, if adopted by the Commission along with all of the rest of the recommendations in the Stipulation and Recommendation, would re-open the now-frozen KU Rate AES rate schedule to eligible KSBA members' schools in the KU service territory. On the terms more fully set out in the Stipulation and Recommendation, KU would allow eligible schools to migrate to Rate AES where appropriate to the extent of providing up to $500,000 of projected annual savings to such member schools in total.

Q. Do the provisions of the Stipulation and Recommendation address any of the concerns expressed by the Companies' customers with respect to these proceedings?

A. Yes. The Commission hosted and the Companies' attended four public meetings held in locations across the state to allow for public comment on the Companies' proposals to be made part of the record in these proceedings. Additionally public comments were added to the record through customer letters and emails, totaling approximately 200 for LG&E and 125 for KU, submitted to the Commission. Several common themes in customer comments are addressed in the Stipulation and Recommendation as changes to the Companies' original proposal. For example: (1) the overall revenue requirement was significantly reduced; (2) the basic service charge was significantly reduced; (3) an LPC waiver was provided for certain in-need customers; (4) residential electric customers deposits will remain unchanged; (5) incremental shareholder low-income assistance will be provided; and (6) recovery of the regulatory asset for recent storm costs will be spread over ten years.

Q. Have the Parties agreed to recommend that the Commission approve the Companies' applications in these proceedings, as modified by the Stipulation and Recommendation?

A. Yes, the Parties have agreed to recommend that, except as modified by the Stipulation and Recommendation (including its exhibits), the Commission should approve the Companies' proposed rates, terms, and conditions in these proceedings, with the explicit caveat that the Parties recommend that the Commission neither approve nor deny the adjustments to the Companies' electric revenues and expenses associated with the normalization of weather, which was an adjustment the Companies proposed in their rate case applications.

Q. Do you have a recommendation?

A. Yes. LG&E and KU, and all of the intervenors to these proceedings except the AG, respectfully recommend that the Commission approve the Companies' applications in these proceedings as modified by the provisions, terms, and proposals (including exhibits) of the Stipulation and Recommendation. The timing of the approval is important because it avoid the need to put the rates filed with the applications in effect subject to refund, pending a final order by the Commission.

Q. Does this conclude your testimony?

A. Yes.

400001.134411/639468.2

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of E.ON U.S. Services, Inc., and that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

Lonnie E. Bellar

Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 7th day of June 2010.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2010

Exhibit LEB-1
Stipulation and Recommendation

Document is Separately Bound

Summary of Annual Revenue, Percent of Annual Revenue,
Average Bill Increase, and Percent Average Bill Increase
By Class of Service

	Class Increases at Filed Rates				Class Increases at Stipulated Rates			
	Annual Increase	% Annual Increase	Increase in Avg. Bill	% Increase in Avg. Bill	Annual Increase	% Annual Increase	Increase in Avg. Bill	% Increase in Avg. Bill
LG&E								
ELECTRIC								
Residential	$36,859,770	12.19%	$8.92	12.19%	$29,088,259	9.62%	$7.04	9.62%
General Service	$13,879,697	12.18%	$28.11	12.18%	$11,723,222	10.28%	$23.74	10.28%
Power Service	$21,442,743	12.18%	$574.78	12.18%	$18,097,829	10.28%	$485.12	10.28%
Commercial TOD	$5,576,623	12.18%	$5,135.01	12.18%	$4,012,111	8.76%	$3,694.39	8.76%
Industrial TOD	$10,596,615	12.18%	$15,958.76	12.18%	$7,023,181	8.07%	$10,577.08	8.07%
Retail Transmission	$2,464,135	12.19%	$44,002.41	12.19%	$1,631,199	8.07%	$29,128.55	8.07%
Special Contracts	$1,590,095	12.19%	N/A	N/A	$1,314,183	10.07%	N/A	N/A
Lighting	$1,847,743	12.22%	N/A	N/A	$1,527,185	10.07%	N/A	N/A
CTAC	$313,898	73.76%	N/A	N/A	$37,130	8.72%	N/A	N/A
GAS								
Residential	$16,197,217	8.75%	$4.65	8.75%	$12,612,743	6.81%	$3.62	6.81%
Comercial	$5,362,513	6.20%	$17.45	6.20%	$4,175,550	4.83%	$13.59	4.83%
Industrial	$363,149	5.23%	$137.24	5.23%	$282,786	4.07%	$106.87	4.07%
As Available	$0	0.00%	$0.00	0.00%	$0	0.00%	$0.00	0.00%
Firm Transportaion	$0	0.00%	$0.00	0.00%	$0	0.00%	$0.00	0.00%
Special Contracts	$665,390	6.55%	N/A	N/A	$517,740	5.10%	N/A	N/A
KU								
Residential	$58,746,914	13.54%	$11.70	13.54%	$40,846,260	9.41%	$8.14	9.41%
General Service	$16,388,192	10.06%	$17.24	10.06%	$15,356,604	9.42%	$16.16	9.42%
All Electric School	$1,149,071	13.90%	$324.69	13.90%	$778,505	9.42%	$219.98	9.42%
Power Service	$32,024,348	10.44%	$307.14	10.44%	$28,912,414	9.43%	$277.30	9.43%
TOD Power - Sec	$1,075,445	10.79%	$1,636.90	10.79%	$635,679	6.38%	$967.55	6.38%
TOD Power - Pri	$15,516,516	11.09%	$22,784.90	11.09%	$8,989,839	6.43%	$13,200.94	6.43%
Retail Transmission	$7,258,002	9.97%	$19,939.56	9.97%	$2,456,725	3.38%	$6,749.25	3.38%
Industrial Service	$1,872,641	9.87%	$156,053.42	9.87%	$653,050	3.44%	$54,420.83	3.44%
Lighting	$2,065,293	9.84%	N/A	N/A	$1,981,286	9.44%	N/A	N/A
CTAC	$925,107.75	229%	N/A	N/A	$399,973.00	99%	N/A	N/A