

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2002-00394 DATED January 16, 2004.

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this 19th day of December 2003, by and between Louisville Gas and Electric Company, Inc. ("LG&E") and the Rogers Group, Inc. ("Rogers").

WITNESSETH:

WHEREAS, LG&E is a Kentucky corporation engaged in the generation, transmission and distribution of electricity to the public and subject to the jurisdiction of the Kentucky Public Service Commission ("Commission") pursuant to KRS Section 278.040(2);

WHEREAS, Rogers is an industrial retail customer of LG&E currently purchasing electric service from LG&E under the LG&E's Rate Schedule LP (Large Industrial Power Rate);

WHEREAS, on October 29, 2002, Rogers filed a complaint against LG&E with the Commission, alleging, among other things, that LG&E had erroneously assessed charges totaling \$148,950 against Rogers for unauthorized electric power usage in July 2002, during which period Rogers was operating under and subject to the terms and conditions of LG&E's standard rider for interruptible service, as set forth in Original Sheet No. 13-A of LG&E's tariff ("Interruptible Rider");

WHEREAS, on November 6, 2002, the Commission initiated this proceeding (Case No. 2002-00394) and ordered LG&E to respond to such complaint;

WHEREAS, LG&E filed such response on November 16, 2002, in which LG&E defended its actions as entirely consistent with, and dictated by, the terms of its tariff;

WHEREAS, the LG&E and Rogers engaged in informal settlement discussions in early 2003, after which the parties, along with various members of the Commission staff, participated in an informal conference at the offices of the Commission in which the disputed issues were discussed; and

WHEREAS, LG&E and Rogers, the signatories to this Settlement Agreement negotiated a settlement through compromise resolving all issues raised in Case No. 2002-00394.

NOW, THEREFORE, for and in consideration of the premises and conditions set forth herein, the signatories hereby agree as follow:

ARTICLE 1.0 Rogers' Payment Obligation

Rogers agrees to pay LG&E the sum of \$82,810.20, which sum represents the total dollar amount LG&E credited to Rogers pursuant to the terms of the Interruptible Rider for demand (kW) taken by Rogers in excess of Rogers' contractual firm demand. Upon LG&E's receipt of such amount in full, each party will be placed in the position it occupied *ex ante*, prior to the commencement of interruptible service under the Interruptible Rider. Rogers shall pay such amount to LG&E in equal monthly installments over a period of twenty-seven (27) months, with the additional payment of \$1,810.20 in the 28th month, with the first billing period after the Effective Date of this Agreement, as defined in Section 5.0. Should Rogers fail to render payment of all amounts billed to it under this Article 1.0 in accordance with terms of LG&E's tariff, such failure to pay shall be deemed a default under this Agreement and, unless Rogers cures such default within 30 days after written notice thereof by LG&E, LG&E may, in addition to any other remedies afforded to it at law or in equity, terminate service then

being provided to Rogers under the Interruptible Rider pursuant to Article 3.0 below. In the case of such termination, LG&E will continue to provide service to Rogers pursuant to the terms and conditions of the firm rate schedule then-applicable to Rogers.

ARTICLE 2.0 Equipment Installation

Rogers agrees that, within 30 days after the Effective Date of this Agreement, Rogers shall purchase and install metering or other equipment, jointly identified by LG&E and Rogers, to enhance Rogers' ability to meet the obligations imposed on recipients of interruptible service under the Interruptible Rider, which installation Rogers shall substantiate by written correspondence to LG&E. Rogers' failure to install such equipment within 30 days of the Effective Date of this Agreement shall not invalidate Article 1.0 of this Agreement or otherwise affect Rogers' obligations under Article 1.0; however, if LG&E fails to receive substantiation from Rogers as described herein or otherwise learns at any time that Rogers has not installed (or has removed) equipment jointly identified by LG&E and Rogers, LG&E may suspend service then being provided to Rogers under the Interruptible Rider, pursuant to Article 3.0 below, until such installation is complete and Rogers has substantiated the same in writing to LG&E. During such suspension, service will be provided to Rogers under the terms and conditions of the firm rate schedule then applicable to Rogers.

ARTICLE 3.0 Interruptible Rider

Subject to the terms of this Agreement and the terms and conditions of LG&E's tariff, LG&E agrees to provide service to Rogers under the Interruptible Rider on the Effective Date of this Agreement.

ARTICLE 4.0 Replacement Power Buy-Through Option

LG&E agrees to examine the possibility of making replacement power available to Rogers at times of interruption, pursuant to terms and conditions set forth in a special contract negotiated separately by the parties and approved by the Kentucky Public Service Commission.

ARTICLE 5.0 Effective Date /Commission Approval

This Agreement shall take effect ("Effective Date") on the first business day after the Kentucky Public Service Commission accepts and approves it without modification. Following the execution of this Agreement, the parties shall file it with the Commission, and shall act in good faith and use their best efforts to recommend to the Commission that it be accepted and approved. If so approved, LG&E and Rogers agree to waive their rights to a hearing, and will not file any petitions for hearing or seek judicial appeal. If the Commission does not approve this Agreement as filed, none of the provisions contained herein shall be binding upon the parties or used as an admission by either party in any legal or regulatory proceeding.

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LG&E and Rogers agree that the foregoing Settlement Agreement is reasonable and in the public interest, and should be adopted in its entirety by the Commission.

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

Louisville Gas and Electric Company

By: *Sidney L. "Butch" Cockerill*
Sidney L. "Butch" Cockerill
Director, Revenue Collections
Louisville Gas and Electric Company

The Rogers Group, Inc.

By: *Amuel C. Randazzo*