

AGREEMENT, STIPULATION, AND RECOMMENDATION

This Agreement, Stipulation, and Recommendation (“Agreement”) is entered into this 30th day of September, 2014 by and between Kentucky Utilities Company (“KU”); Louisville Gas and Electric Company (“LG&E”) (collectively, the “Companies”); Kentucky Industrial Utility Customers, Inc. (“KIUC”); and Wallace McMullen and Sierra Club (“Environmental Group”) (collectively, the “Agreeing Intervenors”) in Case No. 2014-00002 before the Kentucky Public Service Commission (“Commission”), which proceedings are the subject of this Agreement as set forth below:

WITNESSETH:

WHEREAS, on January 17, 2014, the Companies filed with the Commission their Joint Application and Testimony In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Certificates of Public Convenience and Necessity for the Construction of a Combined Cycle Combustion Turbine at the Green River Generating Station and a Solar Photovoltaic Facility at the E.W. Brown Generating Station, and the Commission established Case No. 2014-00002 to review the Companies’ Joint Application;

WHEREAS, KIUC filed a petition to intervene in Case No. 2014-00002 and the Commission granted intervention on January 21, 2014;

WHEREAS, the Attorney General for the Commonwealth of Kentucky (“AG”) filed a petition to intervene in Case No. 2014-00002 and the Commission granted intervention on February 2, 2014;

WHEREAS, the Environmental Group filed a petition to intervene in Case No. 2014-00002 and the Commission granted intervention on March 12, 2014;

WHEREAS, the Companies filed on August 22, 2014 a Notice of Withdrawal of their Application for a Certificate of Public Convenience and Necessity (“CPCN”) for the Construction of the Green River Natural Gas Combined Cycle Facility (“Green River NGCC”);

WHEREAS, with their August 22, 2014 Notice of Withdrawal of their request for a CPCN for Green River NGCC, the Companies filed a Motion for Resumption of Case No. 2014-00002 on the remaining request for a CPCN for the construction of an approximately 10 megawatt (“MW”) solar photovoltaic facility at KU’s E.W. Brown Generating Station in Mercer County, Kentucky (“Brown Solar Facility”);

WHEREAS, by Order of August 29, 2014, the Commission approved the Companies’ August 22, 2014 Notice of Withdrawal and the related request to treat the Companies’ January 17, 2014 Joint Application as amended to remove the CPCN request for Green River NGCC and to move forward with the investigation of the CPCN request for the proposed Brown Solar Facility;

WHEREAS, on September 4, 2014, an informal conference for the purpose of reviewing the status of the case and discussing the possible settlement of issues was conducted by representatives of the Agreeing Intervenors, AG, the Commission Staff, and the Companies at the offices of the Commission;

WHEREAS, the Companies and the Agreeing Intervenors hereto desire to stipulate to and make a recommendation on all issues pending before the Commission in Case No. 2014-00002;

WHEREAS, the adoption of this Agreement will reduce the need for the Commission and the parties to expend significant resources litigating these proceedings, and reduce the possibility of, and any need for, rehearing or appeals of the Commission’s final orders herein;

WHEREAS, the Agreeing Intervenors and the Companies agree that this Agreement, viewed in its entirety, is a fair, just, and reasonable resolution of all the issues in Case No. 2014-00002;

WHEREAS, it is understood by the parties hereto that this Agreement is subject to the approval of the Commission insofar as it constitutes an agreement by some of the parties to the proceedings; and

WHEREAS, it is the position of the parties hereto that this Agreement is supported by sufficient and adequate data and information, and the recommendation herein should be followed by the Commission.

NOW, THEREFORE, for and in consideration of the promises and conditions set forth herein, the parties hereto stipulate and agree as follows:

1. The parties to this Agreement recommend the Commission approve the Companies' Joint Application as amended by the Companies August 22, 2014 Notice of Withdrawal and the Commission's August 29, 2014 Order and grant the relief requested in the amended Joint Application, namely, the issuance of a CPCN for the construction of the Brown Solar Facility at the E.W. Brown Generating Station in Mercer County, Kentucky, by entering all necessary orders on or before December 15, 2014, and approving the Joint Application, as amended, in its entirety.

2. Each party waives all cross-examination of the other parties' witnesses unless the Commission disapproves this Agreement, and each party further stipulates and recommends that the Joint Application, testimony, pleadings, and responses to data requests filed in this proceeding be admitted into the record. The parties stipulate that after the date of this Agreement they will not otherwise contest the Companies' proposals in the hearing of the above-referenced

proceedings regarding the subject matter of the Agreement, and that they will refrain from cross-examination of the Companies' witnesses during the hearing, except insofar as such cross-examination is in support of the Agreement.

3. The signatories hereto agree that the Companies shall use their competitive bidding process for all significant aspects of the construction of Brown Solar Facility including the award of one or more engineering, procurement and construction contracts to qualified contractors and suppliers.

4. The signatories hereto agree that the revenues and expenses associated with the Brown Solar Facility should be treated for ratemaking purposes the same as any other generating resource. In future rate proceedings, the Companies will allocate the revenues and expenses associated with the Brown Solar Facility to the various jurisdictional rate schedules consistent with the Companies' Jurisdictional Separation Study and cost-of-service principles.

5. On June 2, 2014, the Environmental Protection Agency ("EPA") issued a proposed rule to regulate carbon dioxide emissions from electric generating units under Section 111(d) of the Clean Air Act. It is anticipated that the Brown Solar Facility will help the State of Kentucky meet its requirements under the proposed rule. Kentucky's State Implementation Plan ("SIP") under the proposed rule is currently required to be submitted to EPA in June 2016.

6. The signatories hereto agree that making this Agreement shall not be deemed in any respect to constitute an admission by any party hereto that any computation, formula, allegation, assertion, or contention made by any other party in these proceedings is true or valid.

7. The signatories hereto agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein and request the Commission to approve the Agreement.

8. The signatories hereto agree that, following the execution of this Agreement, the signatories shall cause the Agreement to be filed with the Commission by September 30, 2014, together with a request to the Commission for consideration and approval of this Agreement.

9. The signatories hereto agree that this Agreement is subject to the acceptance of and approval by the Commission. The signatories hereto further agree to act in good faith and to use their best efforts to recommend to the Commission that this Agreement be accepted and approved.

10. The signatories hereto agree that if the Commission does not completely accept and approve this Agreement in its entirety and without any conditions, then: (a) this Agreement shall be void and withdrawn by the parties hereto from further consideration by the Commission and none of the parties shall be bound by any of the provisions herein, provided that no party is precluded from advocating any position contained in this Agreement; and (b) neither the terms of this Agreement nor any matters raised during the negotiations shall be binding on any of the signatories to this Agreement or be construed against any of the signatories.

11. If the Commission issues an order adopting this Agreement in its entirety and without additional conditions, each of the parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such order.

12. The signatories hereto agree that this Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their successors and assigns.

13. The signatories hereto agree that this Agreement constitutes the complete agreement and understanding among the parties hereto, and any and all oral statements,

representations, or agreements made prior hereto or contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Agreement.

14. The signatories hereto agree that, for the purpose of this Agreement only, the terms of the Agreement are based upon the independent analysis of the parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation.

15. The signatories hereto agree that neither the Agreement nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation or an administrative action arising out of the implementation of the terms herein or the approval of this Agreement. This Agreement shall not have any precedential value in this or any other jurisdiction.

16. 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 Agreement on behalf of the parties hereto.

17. The signatories hereto agree that this Agreement is a product of negotiation among all parties hereto, and no provision of this Agreement shall be strictly construed in favor of or against any party.

18. The signatories hereto agree that this Agreement may be executed in multiple counterparts.

IN WITNESS WHEREOF, the parties have hereunto affixed their signatures:



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*Counsel for Kentucky Utilities Company
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A handwritten signature in blue ink, appearing to read "Michael L. Kurtz", is written over a horizontal line.

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