

STIPULATION AND RECOMMENDATION

This Stipulation and Recommendation (“Stipulation”) is entered into this 19th day of April 2021 by and among Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (collectively, “the Utilities”); Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (“AG”); United States Department of Defense and All Other Federal Executive Agencies (“DoD”); Kentuckians for the Commonwealth (“KFTC”); Kentucky Industrial Utility Customers, Inc. (“KIUC”); Kentucky Solar Energy Society (“KYES”); Kentucky Solar Industries Association, Inc. (“KYSEIA”); The Kroger Co. (“Kroger”); Lexington-Fayette Urban County Government (“LFUCG”); Louisville/Jefferson County Metro Government (“Louisville Metro”); Mountain Association (“MA”); Metropolitan Housing Coalition (“MHC”); Sierra Club; and Walmart Inc. (“Walmart”). (Collectively, the Utilities, AG, DoD, KFTC, KIUC, KYES, KYSEIA, Kroger, LFUCG, Louisville Metro, MA, MHC, Sierra Club, and Walmart are the “Parties.”)

W I T N E S S E T H:

WHEREAS, on November 25, 2020, KU filed with the Kentucky Public Service Commission (“Commission”) its Application for Authority to Adjust Electric Rates, a Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit, *In the Matter of: Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates, a Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit* (“KU’s Application”), and the Commission has established Case No. 2020-00349 to review KU’s Application, in which KU requested a revenue increase of \$170.1 million;

WHEREAS, on November 25, 2020, LG&E filed with the Commission its Application for Authority to Adjust Electric and Gas Rates, a Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit, *In the Matter of: Electronic Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates, a Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit* (“LG&E’s Application”) (collectively, KU’s Application and LG&E’s Application are the “Applications”), and the Commission has established Case No. 2020-00350 to review LG&E’s Application, in which LG&E requested a revenue increase for its electric operations of \$131.1 million and a revenue increase of \$30.0 million for its gas operations (Case Nos. 2020-00349 and 2020-00350 are the “Rate Proceedings”);

WHEREAS, the AG, DoD, KFTC, KIUC, KYSES, KYSEIA, Kroger, LFUCG, MA, Sierra Club, and Walmart have participated as full intervenors in Case No. 2020-00349;

WHEREAS, the AG, DoD, KFTC, KIUC, KYSES, KYSEIA, Kroger, Louisville Metro, MHC, Sierra Club, and Walmart have participated as full intervenors in Case No. 2020-00350;

WHEREAS, a remote and in person prehearing informal conference for the purpose of discussing settlement and the text of this Stipulation, attended by representatives of the Parties and the Commission Staff, took place on April 15 and 16, 2021, during which a number of procedural and substantive issues were discussed, including potential settlement of all issues pending before the Commission in the Rate Proceedings;

WHEREAS, the Parties hereto unanimously desire to settle all the issues pending before the Commission in the Rate Proceedings except as explicitly noted in Section 5.8 herein;

WHEREAS, it is understood by all Parties hereto that this Stipulation is subject to the approval of the Commission, insofar as it constitutes an agreement by the Parties for settlement, and, absent express agreement stated herein, does not represent agreement on any specific claim, methodology, or theory supporting the appropriateness of any proposed or recommended adjustments to the Utilities’ rates, terms, or conditions;

WHEREAS, the Parties have spent many hours over several days to reach the stipulations and agreements which form the basis of this Stipulation;

WHEREAS, all of the Parties, who represent diverse interests and divergent viewpoints, agree that, though certain issues have been reserved for litigation at hearing as set out in Section 5.8, this Stipulation, viewed in its entirety, is a fair, just, and reasonable resolution of their issues resolved in this Stipulation; and

WHEREAS, the Parties believe sufficient and adequate data and information in the record of these proceedings support this Stipulation, and further believe the Commission should approve it without modifications or conditions;

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

ARTICLE I. STAY-OUT COMMITMENT

1.1. Four-Year Stay-Out Commitment. The Utilities commit to a base-rate “stay out” until July 1, 2025, such that any changes from base rates approved in Case Nos. 2020-00349 and 2020-00350 shall not take effect before that date. Therefore, the Utilities may file base-rate applications during 2024, but the proposed base rates shall not take effect before July 1, 2025.

1.2. Stay-Out Exceptions.

(A) Each of LG&E and KU will retain the independent right to seek the approval from the Commission of the deferral of: (1) extraordinary, nonrecurring expenses that could not have been reasonably anticipated or included in the Utilities' planning; (2) expenses resulting from statutory or administrative directives that could not have been reasonably anticipated or included in the Utilities' planning; (3) expenses in relation to government or industry-sponsored initiatives; or (4) extraordinary or nonrecurring expenses that, over time, will result in savings that fully offset the costs.

(B) The Utilities will retain the right to seek emergency rate relief under KRS 278.190(2) to avoid a material impairment or damage to their credit or operations.

(C) The provisions of Section 1.1 shall not apply, directly or indirectly, to the operation of any of the Utilities' cost-recovery surcharge mechanisms and riders at any time during the term of Section 1.1, including any base-rate roll-ins, which are part of the normal operation of such mechanisms.

(D) If a statutory or regulatory change, including but not limited to federal tax reform, affects KU's or LG&E's cost recovery, KU or LG&E may take any action either or both deem necessary in their sole discretion, including, but not limited to, seeking rate relief from the Commission.

ARTICLE II. ELECTRIC REVENUE REQUIREMENTS

2.1. Stipulated Items Used to Adjust Utilities' Electric Revenue Requirements. The Parties stipulate the following adjustments to the annual electric revenue used to determine the base rate increase. For purposes of determining fair, just and reasonable electric rates for LG&E

and KU in the Rate Proceedings the parties stipulate the adjustments below. The overall base rate electric revenue requirement increases resulting from the stipulated adjustments are:

LG&E Electric Operations: \$77,300,000; and

KU Operations: \$115,900,000.

The Parties stipulate that increases in annual revenues for LG&E electric operations and for KU operations should be effective for service rendered on and after July 1, 2021.

2.2. Items Reflected in Stipulated Electric Revenue Requirement Increases. The Parties agree that the stipulated electric revenue requirement increases described in Section 2.1 were calculated by beginning with the Utilities' electric revenue requirement increases as presented and supported by the Utilities in their Applications (\$170.1 million for KU; \$131.1 million for LG&E electric) as subsequently adjusted by the Utilities' update filings (reducing the requested revenue increases by \$0.2 million for KU and \$2.7 million for LG&E) and adjusting them as described in Section 2.2. The Parties ask and recommend the Commission accept these adjustments as reasonable without modification, except for those adjustments, if any, resulting from items included in Section 5.3:

(A) **Return on Equity.** The Parties stipulate a return on equity of 9.55% for the Utilities' electric operations, and the stipulated revenue requirement increases provided above for the Utilities' electric operations reflect that return on equity as applied to the Utilities' capitalizations and capital structures underlying their originally proposed electric revenue requirement increases as subsequently adjusted by the Utilities' update filings and the capitalization effects of the adjustment in Section 2.2 (B). Use of a 9.55% return on equity reduces the Utilities' proposed electric revenue requirement increases by \$16.7 million for KU and \$11.0 million for LG&E. The Parties agree that, effective as of the first expense month after the

Commission approves this Stipulation, the return on equity that shall apply to the Utilities' recovery under their environmental cost recovery mechanism is 9.35% for all environmental compliance plans.

(B) **Depreciation Rates.** Rather than use the depreciation rates the Utilities proposed in their Applications for Mill Creek 1 and 2 and Brown 3 generation units, the Utilities will continue to use their currently approved depreciation rates for ratemaking purposes unless and until changed in later Commission proceedings. The other proposed depreciation rates as filed in the Utilities' applications shall be approved for ratemaking purposes. This adjustment, which includes the associated impact of all depreciation adjustments on the Utilities' capitalization and the amortization of excess accumulated deferred income taxes, reduces the Utilities' proposed electric revenue requirement increases by \$33.0 million for KU and \$36.5 million for LG&E. A complete set of agreed depreciation rates for the Utilities is attached as Stipulation Exhibit 1.

(C) **Updated Pension and Other Post-Employment Benefits ("OPEB") Expense.** The Parties agree that the Utilities will use the updated 2021 pension and OPEB projections as the new test year estimate for purposes of calculating the revenue requirement. The adjustment to update the pension and OPEB expense amounts will reduce the Utilities' proposed electric revenue requirement increases by \$3.9 million for KU and \$3.0 million for LG&E.

(D) **Update Long-Term Debt Rate to Reflect Lower Coupon Rates for New Long-Term Debt in Forecasted Test Year.** The Parties agree that the coupon rate for new long-term debt included in the Utilities' forecasted test year should be reduced from 3.70% to 3.40%. This adjustment reduces the Utilities' proposed electric revenue requirement increases by \$0.4 million for KU and \$0.6 million for LG&E.

2.3. Summary Calculation of Electric Revenue Requirement Increases. The table below shows the calculation of the stipulated electric revenue requirement increases as adjusted from the revenue requirement increases requested in the Utilities’ Applications:

Item	KU (\$M)	LG&E Electric (\$M)
Filed electric revenue requirement increases as adjusted ¹	169.9	128.4
9.55% return on equity	(16.7)	(11.0)
Continue to use current depreciation rates for MC 1 and 2 and Brown 3	(33.0)	(36.5)
Updated pension and OPEB expense	(3.9)	(3.0)
Updated long-term debt rate	(0.4)	(0.6)
Electric revenue requirement increases after stipulated adjustments	115.9	77.3

ARTICLE III. GAS REVENUE REQUIREMENT

3.1. Stipulated Items Used to Adjust LG&E’s Gas Revenue Requirement. The Parties stipulate the following adjustments to the annual gas revenue requirement used to determine the base rate increase. For purposes of determining fair, just, and reasonable gas rates the Parties stipulate the adjustments below. Effective for service rendered on and after July 1, 2021, the stipulated adjustments result in an increase in annual base rate revenues for LG&E gas operations of \$24,200,000.

¹ See KU’s and LG&E’s Updated Responses to PSC 1-56 dated Feb. 26, 2021; KU Schedule M-2.1; LG&E Schedule M-2.1-E. The “Filed electric revenue requirement increases as adjusted” values shown in the table result from subtracting the updated revenue requirement increase differences shown in KU’s and LG&E’s Updated Responses to PSC 1-56 from the unadjusted total revenue requirement increases shown in KU Schedule M-2.1 and LG&E Schedule M-2.1-E.

3.2. Items Reflected in Stipulated Gas Revenue Requirement Increase. The Parties agree that the stipulated gas revenue requirement increase described in Section 3.1 was calculated by beginning with LG&E's gas revenue requirement increase as presented and supported by LG&E in its Application (\$30.0 million) as subsequently adjusted by LG&E's update filing (increasing the requested revenue requirement by \$3.0 million) and adjusting the proposed gas revenue requirement increase as described in this Section 3.2. The Parties ask and recommend that the Commission accept these adjustments as reasonable without modification, except for those adjustments, if any, resulting from items included in Section 5.3.

(A) **Return on Equity.** The Parties stipulate to a return on equity of 9.55% for LG&E's gas operations, and the stipulated revenue requirement increase for LG&E's gas operations reflects that return on equity as applied to LG&E's gas capitalization and capital structure underlying its originally proposed gas revenue requirement increase. Use of a 9.55% return on equity reduces LG&E's proposed gas revenue requirement increase by \$3.4 million. The Parties agree that, effective as of the first expense month after the Commission approves this Stipulation, the return on equity that shall apply to the Utilities' recovery under their gas line tracker (GLT) mechanism is 9.35% for all capital expenditures recovered therein.

(B) **Updated Pension Expense.** The Parties agree that LG&E will use the updated 2021 pension and OPEB projections as the new test year estimate for purposes of calculating the revenue requirement. The adjustment to update the pension and OPEB expense amounts will reduce LG&E's proposed gas revenue requirement increase by \$1.0 million.

(C) **Update Long-Term Debt Rate to Reflect Lower Coupon Rates for New Long-Term Debt in Forecasted Test Year.** The Parties agree that the coupon rate for new long-term debt included in the Utilities' forecasted test year should be reduced from 3.70% to 3.40%.

This adjustment reduces the proposed revenue requirement increase for LG&E’s gas operations by \$0.2 million.

(D) **Inline Inspection Normalization Adjustment.** The Parties agree that inline inspection expenses included in the forecasted test year for LG&E’s gas operations should be reduced to a 2021-2025 normalized level. This adjustment reduces the proposed revenue requirement increase for LG&E’s gas operations by \$4.2 million.

3.3. Summary Calculation of Gas Revenue Requirement Increase. The table below shows the calculation of the stipulated gas revenue requirement increase as adjusted from the revenue requirement increase requested in LG&E's Application:

Item	LG&E Gas (\$M)
Filed gas revenue requirement increase as adjusted ²	33.0
9.55% return on equity	(3.4)
Updated pension expense	(1.0)
Updated long-term debt rate	(0.2)
Gas inline inspection expense normalization	(4.2)
Gas revenue requirement increase after stipulated adjustments	24.2

ARTICLE IV. REVENUE ALLOCATION AND RATE DESIGN

4.1. Revenue Allocation and Rate Design. The Parties hereto agree that the allocations of the increases in annual revenues and the rate design for KU and LG&E electric operations, as well as the allocation of the increase in annual revenue and the rate design for LG&E

² See LG&E’s Updated Response to PSC 1-56 dated Feb. 26, 2021; LG&E Schedule M-2.1-G. The value shown in the table results from subtracting the updated revenue requirement increase difference shown in LG&E’s Updated Response to PSC 1-56 from the unadjusted total revenue requirement increase shown in LG&E Schedule M-2.1-G.

gas operations, as set forth on the schedules designated Stipulation Exhibit 2 (KU), Stipulation Exhibit 3 (LG&E electric), and Stipulation Exhibit 4 (LG&E gas) attached hereto, are fair, just, and reasonable.

4.2. Tariff Sheets. The Parties hereto recommend to the Commission that, effective July 1, 2021, the Utilities shall implement the electric and gas rates set forth on the tariff sheets in Stipulation Exhibit 5 (KU), Stipulation Exhibit 6 (LG&E electric), and Stipulation Exhibit 7 (LG&E gas) attached hereto, excepting only the issues to be addressed at hearing set out in Section 5.8 below.

4.3. Residential Basic Service Charges to Remain at Current Levels. The Parties agree that the current Basic Service Charges approved by the Commission in Case Nos. 2018-00294 and 2018-00295 for residential gas and electric service shall remain unchanged.

ARTICLE V. TREATMENT OF CERTAIN SPECIFIC ISSUES

5.1. Scheduled Plant Outage Expense Adjustment. The Parties agree to use the Utilities' normalized level of plant outage expenses as filed effective with the change in base rates on July 1, 2021. Effective July 1, 2021, the Utilities will not establish any regulatory assets or liabilities to account for the differences between actual plant outage expenses and those to be embedded in base rates established in these proceedings.

5.2. Advanced Metering Infrastructure (“AMI”) Ratemaking. The Parties agree to the following ratemaking-related items regarding the Utilities' proposed AMI deployment:

(A) The Utilities will record their investment in the AMI project as Construction Work In Progress (“CWIP”) and accrue an allowance for funds used during construction (“AFUDC”) during the implementation period, currently projected to be approximately 5 years.

(B) The Utilities will record a regulatory liability until their first base rate proceedings following AMI implementation or other proceedings to address the AMI revenue requirement following AMI implementation to the extent their actual meter reading and field service expenses are less than the forecast test period level embedded into base rates during these current proceedings. The Utilities also will include in this regulatory liability, until their first base rate proceedings following AMI implementation or other proceedings to address the AMI revenue requirement following AMI implementation, the cost of capital effect during the implementation period for the reduction in net book value and increase in accumulated deferred income taxes for meters replaced and retired during the AMI implementation. The Utilities commit to keep detailed records to document the savings created by AMI that will be recorded in the regulatory liability.

(C) The Utilities will record a regulatory asset during the AMI implementation period comprising three components: (1) operating expenses associated with the project implementation; (2) the remaining net book value of electric meters replaced and retired as part of this project less any excess depreciation recovered in base revenues after the electric meters are replaced and retired; and (3) the difference between AFUDC accrued at the Utilities' weighted average cost of capital and that calculated using the methodology approved by the Federal Energy Regulatory Commission.

(D) For tax purposes, depreciation will begin as the AMI meters, network and systems are put into service at interim dates during the implementation period. Book depreciation expense will be recorded when the entire project is placed in service for the benefit of customers.

(E) The Utilities will seek AMI cost recovery in the first base rate case proceedings following AMI implementation if necessary; otherwise, if no base rate adjustment is required, the Utilities will make a separate filing to address the AMI revenue requirement impact

and set the amortization periods for associated regulatory assets and liabilities following AMI implementation. The Parties agree it is reasonable to amortize the AMI-related depreciation of the capital and initial software/networking assets, including meters, over a 15-year period.

(F) The Utilities will maintain current data use and customer service disconnection policies, and will address possible changes to such policies, if any, in their first base rate case proceedings following AMI implementation or other proceedings to address the AMI revenue requirement following the implementation of the AMI project.

(G) The Utilities will use the amortization of the regulatory assets and liabilities associated with the AMI project to address the up-front cost of and long-term benefit from the AMI project to try to achieve the result that customers will not sustain an increase in the combined revenue requirements associated with implementing the AMI project.

(H) The Parties recognize and agree that in approving this AMI ratemaking proposal the Commission is not foregoing its authority to review the costs, regulatory assets, and regulatory liabilities for ratemaking purposes in future base rate cases or other regulatory proceedings.

(I) The Parties agree that the Utilities' requested AMI-related certificates of public convenience and necessity and other AMI-related relief requested in the Utilities' Applications should be granted.

(J) The Utilities agree to work with Walmart and other interested Parties to improve the functionality of customer usage data, including evaluating the potential for (i) implementing Green Button Connect My Data functionality and (ii) allowing customers with multiple locations to obtain their usage data through a single download.

5.3. Electric Plant Retirements and Retirement Rider. The Parties agree that the Utilities remain responsible for retirement decisions regarding electric plant, and in particular regarding electric generating units and stations. Also, the Parties recognize that using depreciation rates as agreed in this Stipulation for Mill Creek Unit 1, Mill Creek Unit 2, and E.W. Brown Unit 3 could result in significant remaining net book value and uncollected decommissioning costs for these generating assets retired after the date of this Stipulation. Therefore, the Utilities shall be authorized to recover the Retirement Costs of such retired assets and other site-related assets that will not continue in use through a Retired Asset Recovery Rider (attached hereto as Stipulation Exhibits 8 (KU) and 9 (LG&E)) until the Retirement Costs are fully recovered. “Retirement Costs” include the net book value, materials and supplies that cannot be used economically at other plants owned by the Utilities, and decommissioning or removal costs and salvage credits, net of related accumulated deferred income tax (“ADIT”). Related ADIT shall include the tax benefits from tax losses.

(A) The Retirement Costs exclusive of ADIT are to be recorded as regulatory assets. The Retirement Costs inclusive of ADIT shall be recovered on a levelized basis, including a weighted average cost of capital carrying cost using the most recently approved base rate return on equity. The recovery period for each retired generating unit shall be ten years from the retirement date of the unit.

(B) The Retired Asset Recovery Rider will include a credit for the depreciation expense and rate of return component for each retired unit embedded in base rates at that time, but no credit for any other expense embedded in base rates.

(C) The Utilities will use best efforts to minimize the cost of dismantling and to maximize salvage credits.

(D) The Retired Asset Recovery Rider will use the Group 1 and Group 2 methodology for revenue allocation used in the Utilities' Environmental Cost Recovery Surcharges.

5.4. Lighting Issues.

(A) As shown in Stipulation Exhibit 6 (LG&E electric), LG&E will implement a one-time LED conversion fee of \$260.00 under Rate LS rather than the filed one-time conversion fee of \$277.29. This lower conversion fee, along with the stipulated LG&E LS & RLS rates, is expected to support Louisville Metro to reach its goal of converting all non-LED fixtures to LED fixtures over a multi-year period, subject to negotiations between LG&E and Louisville Metro regarding the number of fixture conversions per year.

(B) As shown in Stipulation Exhibit 5 (KU) and Stipulation Exhibit 6 (LG&E electric), the Utilities will reduce their proposed monthly LED conversion fees under Rate LS to \$3.29 for KU and \$4.62 LG&E.

(C) As shown in Stipulation Exhibit 5 (KU) and Stipulation Exhibit 6 (LG&E electric), the Utilities will add a new LED offering to Rate LS to replace their current 100W HPS Cobra offering.

(D) The Utilities commit to conduct a competitive bidding process for street lighting fixtures every five years and will complete such a competitive bid process prior to the Utilities' filing of the next general adjustment of base rates.

(E) The Utilities commit to have their information technology personnel work with their LFUCG and Louisville Metro counterparts to explore opportunities to allow streetlight outage notifications from LFUCG and Louisville Metro to flow more directly through to the Utilities.

5.5. Coal Mining Economic Development Options. The Utilities agree to work with their coal-mining customers regarding possible economic development options under the Utilities' existing tariffs. Any such option will ensure that the new rate will provide a contribution to the recovery of fixed costs and will be flexible and time-limited. To the extent any such mutually agreed economic development options require Commission approval, the Utilities commit to seek the necessary approval.

5.6. Stakeholder Process to Consider Peak-Time Rebates and an On-Bill Financing Program. The Utilities commit to engage in a stakeholder process using the Utilities' existing DSM Advisory Committee for their next DSM filings to consider and evaluate Peak-Time Rebates and an on-bill financing program.

5.7. Low-Income Assistance. The Utilities' current annual shareholder contributions for low-income assistance (i.e., contributions to Association of Community Ministries, Inc. ("ACM"), Home Energy Assistance ("HEA"), and Wintercare) will be increased by the same percentages as the overall increases in revenue requirements resulting from these proceedings.

5.8. Issues Explicitly Not Addressed by this Stipulation and to Be Addressed at Hearing. The Parties agree that the Utilities' net metering proposals (Riders NMS-1 and NMS-2) and qualifying facility tariff provisions (Riders SQF and LQF) are not addressed by this Stipulation and may be addressed by any or all Parties at hearing in these proceedings. Because these issues are to be addressed at hearing, the related electric tariff sheets (Sheet Nos. 55-55.3, 56-56.1, 57, 58, and 108-108.5) are not included in Stipulation Exhibit Nos. 5 and 6.

5.9. All Other Relief Requested by Utilities to Be Approved as Filed. The Parties recommend to the Commission that, except as modified in this Stipulation and the exhibits attached hereto, all other relief requested in the Utilities' filings in these Rate Proceedings, including

without limitation all rates, terms, conditions, certificates of public convenience and necessity, regulatory waivers, and deferral accounting, should be approved as filed or as later corrected or amended by the Utilities in their responses to data requests.

ARTICLE VI. MISCELLANEOUS PROVISIONS

6.1. Except as specifically stated otherwise in this Stipulation, entering into this Stipulation shall not be deemed in any respect to constitute an admission by any of the Parties that any computation, formula, allegation, assertion or contention made by any other party in these Rate Proceedings is true or valid.

6.2. The Parties agree that the foregoing Stipulation represents a fair, just, and reasonable resolution of the issues addressed herein and request that the Commission approve the Stipulation.

6.3. Following the execution of this Stipulation, the Parties shall cause the Stipulation to be filed with the Commission on or about April 19, 2021, together with a request to the Commission for consideration and approval of this Stipulation for rates to become effective for service rendered on and after July 1, 2021.

6.4. This Stipulation is subject to the acceptance of, and approval by, the Commission. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Stipulation be accepted and approved. The Parties commit to notify immediately any other Party of any perceived violation of this provision so the Party may have an opportunity to cure any perceived violation, and all Parties commit to work in good faith to address and remedy promptly any such perceived violation. In all events, counsel for all Parties will represent to the Commission that the Stipulation is a fair, just, and reasonable means of resolving all issues in these

proceedings that are the subject of this Stipulation and will clearly and definitively ask the Commission to accept and approve the Stipulation as such.

6.5. If the Commission issues an order adopting this Stipulation 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.

6.6. If the Commission does not accept and approve this Stipulation in its entirety, then any adversely affected Party may withdraw from the Stipulation within the statutory periods provided for rehearing and appeal of the Commission's order by (1) giving notice of withdrawal to all other Parties and (2) timely filing for rehearing or appeal. If any Party timely seeks rehearing of or appeals the Commission's order, all Parties will continue to have the right to withdraw until the conclusion of all rehearings and appeals. Upon the latter of (1) the expiration of the statutory periods provided for rehearing and appeal of the Commission's order and (2) the conclusion of all rehearings and appeals, all Parties that have not withdrawn will continue to be bound by the terms of the Stipulation as modified by the Commission's order.

6.7. If the Stipulation is voided or vacated for any reason after the Commission has approved the Stipulation, none of the Parties will be bound by the Stipulation.

6.8. The Stipulation shall in no way be deemed to affect or diminish the jurisdiction of the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

6.9. The Stipulation shall inure to the benefit of and be binding upon the Parties hereto and their successors and assigns.

6.10. The Stipulation constitutes the complete agreement and understanding among the Parties, 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 the Stipulation.

6.11. The Parties agree that, for the purpose of the Stipulation only, the terms 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.

6.12. The Parties agree that neither the Stipulation nor any of its terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the terms herein, the approval of this Stipulation, or a Party's compliance with this Stipulation. This Stipulation shall not have any precedential value in this or any other jurisdiction.

6.13. The signatories hereto warrant that they have appropriately informed, advised, and consulted their respective Parties in regard to the contents and significance of this Stipulation and based upon the foregoing are authorized to execute this Stipulation on behalf of their respective Parties.

6.14. The Parties agree that this Stipulation is a product of negotiation among all Parties hereto, and no provision of this Stipulation shall be strictly construed in favor of or against any Party. Notwithstanding anything contained in the Stipulation, the Parties recognize and agree that the effects, if any, of any future events upon the operating income of the Utilities are unknown and this Stipulation shall be implemented as written.

6.15. The Parties agree that this Stipulation may be executed in multiple counterparts.

[Signature Pages Follow]

APPENDIX A: LIST OF STIPULATION EXHIBITS

Stipulation Exhibit 1:	Depreciation rates for KU and LG&E
Stipulation Exhibit 2:	KU Electric Revenue Allocation and Rate Design Schedules
Stipulation Exhibit 3:	LG&E Electric Revenue Allocation and Rate Design Schedules
Stipulation Exhibit 4:	LG&E Gas Revenue Allocation and Rate Design Schedules
Stipulation Exhibit 5:	KU Tariff Sheets (except Sheet Nos. 55-55.3, 56-56.1, 57, 58, and 108-108.5)
Stipulation Exhibit 6:	LG&E Electric Tariff Sheets (except Sheet Nos. 55-55.3, 56-56.1, 57, 58, and 108-108.5)
Stipulation Exhibit 7:	LG&E Gas Tariff Sheets
Stipulation Exhibit 8:	KU Retired Asset Recovery Rider (Rider RAR)
Stipulation Exhibit 9:	LG&E Retired Asset Recovery Rider (Rider RAR)


IN WITNESS WHEREOF, the Parties have hereunto affixed their signatures.

Kentucky Utilities Company and
Louisville Gas and Electric Company

HAVE SEEN AND AGREED:

By: 
Kendrick R. Riggs

-and-

By: 
Allyson K. Sturgeon

Attorney General for the Commonwealth of
Kentucky, by and through the Office of Rate
Intervention

HAVE SEEN AND AGREED:

By: 

Lawrence W. Cook

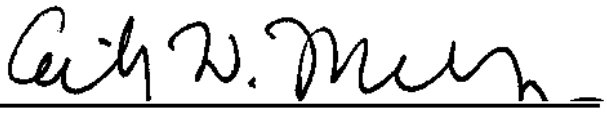
J. Michael West

Angela M. Goad

John G. Horne II

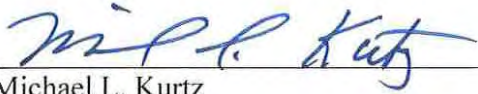
United States Department of Defense and All Other
Federal Executive Agencies

HAVE SEEN AND AGREED:

By: 
Emily W. Medlyn
G. Houston Parrish

Kentucky Industrial Utility Customers, Inc.

HAVE SEEN AND AGREED:

By: 

Michael L. Kurtz
Kurt J. Boehm
Jody Kyler Cohn

Kentuckians for the Commonwealth,
Kentucky Solar Energy Society,
Mountain Association, and
Metropolitan Housing Coalition

HAVE SEEN AND AGREED:

A handwritten signature in black ink, appearing to read 'Tom FitzGerald', written over a horizontal line.

By: _____
Tom FitzGerald

Kentucky Solar Industries Association, Inc.

HAVE SEEN AND AGREED:

By: David E. Spenard

Randal A. Strobo
Clay A. Barkley
David E. Spenard

The Kroger Co.

HAVE SEEN AND AGREED:

By: Robert C. Moore
Robert C. Moore

Lexington-Fayette Urban County Government

HAVE SEEN AND AGREED:

By: M. Todd Osterloh
James W. Gardner
M. Todd Osterloh

Susan Speckert
David J. Barberie

Subject to approval of the Urban County
Council

Louisville/Jefferson County Metro Government

HAVE SEEN AND AGREED:

By:  _____


James W. Gardner
M. Todd Osterloh

Jeff Derouen
Lauren Givhan

Subject to approval of Louisville Metro

Sierra Club

HAVE SEEN AND AGREED:


By: 

Joe F. Childers

Matthew E. Miller

Walmart Inc.

HAVE SEEN AND AGREED:

By: 

Don C.A. Parker
Carrie H. Grundmann
Barry N. Naum