

COAL SUPPLY AND BY-PRODUCTS MARKETING PROCUREMENT PROCEDURES
Louisville Gas and Electric Company
Kentucky Utilities Company

A. Definitions:

1. "Agreement" means a legally binding document, in which one party agrees to sell and the other agrees to buy Fuel, fully executed by both Buyer and Seller.
2. "Authority Limit Matrix" – means the then-effective Authority Limit Matrix (ALM), a Company policy to be used in combination with these more detailed procedures, indicating the minimum authority required for specific procurement transactions. Its purpose is to provide an easily accessible source of information with respect to the approval process of the Company (as defined below).
3. "Award Recommendation" means the Company's internal management review and approval process of a recommended Fuel purchase.
4. "Bulk Commodities/Services" means Bulk Commodities (including, but not limited to limestone, ammonia, hydrated lime, and activated carbon) to be used by the Stations and Services (including, but not limited to laboratory services, weighing and sampling services, stockpile surveys, governmental imposition claims assessment and coal pricing information services).
5. "Chief Operating Officer" means the Company's principal officer responsible for business operations.
6. "Company" means LG&E and KU Energy LLC (LKE), including, its operating and service subsidiaries Louisville Gas and Electric Company (LG&E), Kentucky Utilities Company (KU) or LG&E and KU Services Company.
7. "Contract" is an Agreement for Fuel with a term typically one year or greater.
8. "Director" means the Company's Director of Coal Supply and By-Products Marketing.
9. "Department" means the Company's Coal Supply and By-Products Marketing Department.
10. "Direct E-mail" means an e-mail submitted to the individual work e-mail account of a member of the Coal Supply and By-Products Marketing Department.
11. "Distressed Coal" means a limited amount of coal which may be purchased at a price below the current market price of similar quality coal.
12. "Emergency" means extraordinary conditions affecting Fuel production, transportation, or usage; including, but not limited to strikes, lockouts or other labor problems, embargoes, mining impediments, floods, river closures, extreme market conditions and other problems affecting the production or transportation of Fuel, existing and/or forecasted extreme weather conditions, or any other conditions or circumstances that can be reasonably foreseen as impairing the continued supply of Fuel to the Company.

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13. "Environmental Standards" mean the legal requirements for compliance with emission levels or other environmental protection requirements applicable to one or more of the Units.
14. "Formal Solicitation" means the process of soliciting sealed or Secured E-mail bids for the supply of Fuel.
15. "Fuel" means coal, fuel oil, Transportation Services and Bulk Commodities/Services (the latter two as contemplated by Sections J and K) purchased in each case by the Coal Supply and By-Products Marketing Department for use by the Company at one of its Stations.
16. "Informal Bid" means the process of considering unsolicited or solicited oral, Direct E-mail, or written bids for Fuel purchases.
17. "Joint Agreement" is any agreement that is written to supply Fuel to both LG&E and KU owned Units as contemplated in Section D.8. below.
18. "Legal Department" means the Company's legal support function (generally provided through the Office of General Counsel of PPL Services Corporation, an affiliate of the Company.)
19. "Long-Term Purchase" means any purchase of Fuel by the Company where the terms and conditions are incorporated into a Contract with a term of one year or greater.
20. "Purchase Order" is an Agreement for the supply of Fuel with a term typically less than one year.
21. "Sarbanes-Oxley" means the Sarbanes-Oxley Act of 2002 (also known as the Public Company Accounting Reform and Investor Protection Act).
22. "Secured E-mail" means an e-mail submitted to a designated, controlled, secured password protected account.
23. "Spot Purchase" means any purchase of Fuel by the Company where the terms and conditions are incorporated into a Purchase Order or Contract with a term typically of less than one year.
24. "Station" means one of the Company's generating stations.
25. "Supplier" means the seller who is a party to an Agreement and is obligated to comply with the Agreement's terms.
26. "Transportation Services" means the mode(s) of moving Fuel from the point of purchase to the receiving Station, including all related costs and activities (owned/leased equipment, maintenance and repair, barge fleet and cleaning services, blending, transloading, etc.).

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27. "Unit" means a generating unit at a Station.
28. "Vice President – Energy Supply and Analysis" means the Company's principal officer to whom the Director of Coal Supply and By-Products Marketing reports and who in turn reports to the Chief Operating Officer.

B. Fuel Procurement Procedures:

The Company's Coal Supply and By-Products Marketing Procurement Procedures define the process to obtain an adequate and reliable supply of Fuel of sufficient quality that yields the lowest possible cost of electrical energy delivered to the Unit bus bar, consistent with the Company's obligation to provide adequate and reliable service to its customers, to meet operational and Environmental Standards, and to meet any other applicable legal requirements. The Company will use its best efforts to secure its Fuel supply at competitive prices through the use of the Formal Solicitation, Informal Bid, and negotiation process as described in this document. The awarding of Contracts and Purchase Orders will comply with internal business controls including the Authority Limit Matrix, Sarbanes Oxley compliance and Internal Audit Services' recommendations. The Company has detailed internal control procedures covering Contract Management, Receipt of Goods and Payments (including weighing, sampling, and invoice payment), and Coal Inventory (includes Stockpile Surveys).

Implementation and oversight of the fuel procurement process is of highest priority to the Company. The Director of Coal Supply and By-Products Marketing will review the Company's Coal Supply and By-Products Marketing Procurement Procedures annually and update them as appropriate. The Department shall be organized and staffed, and procurement procedures and administration shall be conducted, in an efficient and practical manner consistent with the Company's policies. Fuel shall be purchased at competitive prices considering all material factors, including, but not limited to, quantity needed to maintain an adequate inventory, quality required to meet Unit operating characteristics and Environmental Standards, resulting bus bar energy costs, reliability of the Supplier, diversity of Suppliers, supply regions, and transportation modes, and meeting Emergency or other unusual circumstances affecting market conditions.

C. Organization:

1. Department Structure. The Department shall be organized and staffed to effectively administer the Company's Fuel procurement function.
2. Organizational Responsibility. The Director is responsible for the operations of the Department and reports to the Vice President – Energy Supply and Analysis who is responsible for the Power Supply and Fuel Procurement functions. The Vice President - Energy Supply and Analysis reports to the Chief Operating Officer who has the final responsibility for Fuel procurement. Other departments may be utilized by the Department to the extent the Director, Vice President – Energy Supply and Analysis, and/or Chief Operating Officer consider advisable in the execution of the functions of the Department.

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3. Approval Authority (Award Recommendation). An Award Recommendation will be prepared for all Agreements for the purchase of Fuel. At a minimum, the Award Recommendation will be signed or approved by the Department's Coal Services Administrator, Manager Coal Supply Services, Director, General Manager(s) of the Station(s) that is (are) to receive the Fuel, and the Vice President – Power Production. Additional signatures or approvals may be required in accordance with the Authority Limit Matrix:

Position	Maximum Term	Maximum Tenor	Maximum Notional \$ Amount
Manager Coal Supply Services	1 year	2 years	\$20,000,000
Director, Coal Supply and By-Products Marketing –	1 year	2 years	\$20,000,000
Vice President, Energy Supply and Analysis	3 years	4 years	\$30,000,000
Chief Operating Officer	5 years	6 years	\$40,000,000
President			\$180,000,000
LKE, LG&E and KU Boards (as applicable)			Over \$180,000,000

(ALM version as of January 2023)

4. Reports. The Director will instruct the Department to prepare, maintain and distribute various reports to management and others as deemed necessary for business operations and regulatory requirements.
5. Records. The Department shall maintain the following records:
- a. Open Files. The Department shall maintain within the Department's office area, the following files for at least one year or longer as the Agreement term or other conditions warrant:
- (1) For each current Fuel Supplier, the files will contain:
 - (a) Contract documents, amendments, Purchase Orders, and escalation documentation;
 - (b) General correspondence;
 - (c) Invoices and invoice verification data;
 - (d) Delivery records and quality analyses data;
 - (e) Field inspection reports and other data.
 - (2) A record of transportation units (railroad cars, barges, etc.) owned or leased by the Company.

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- (3) A list containing current Suppliers and known potential Suppliers of Fuel.
- b. Closed Files. The Department shall maintain its closed files in accordance with the Company's record management and retention policy.
6. General Administrative Duties.
- The Department shall subscribe to trade and industry publications and reports of governmental agencies concerning Fuel, Transportation Services, Bulk Commodities/Services, market information and prices. The Department shall use its best efforts to keep current on Fuel market conditions, prices and availability, and other developments relating to Fuel procurement.
- D. Fuel Supply Procedures:**
1. Projections. In conjunction with other departments of the Company, the Department shall prepare an annual projection of Fuel usage and delivered cost for each Station for the number of years required in the Company's planning process.
 2. Long-Term/Spot Mix. Subject to the approvals as set forth herein, the Department shall recommend whether a Long-Term or Spot Purchase is advisable, considering the following factors: (a) the availability of adequate Fuel from qualified Suppliers, (b) the need to have an adequate inventory committed for an existing Unit, changes to an existing Unit, or a planned new Unit, (c) consistent with fuel procurement strategies, (d) the desire to maintain flexibility to market conditions and other factors affecting price and availability, (e) existing and anticipated Environmental Standards, and (f) such other factors as may reasonably affect the implementation of the Company's Coal Supply and By-Products Marketing Procurement Procedures.
 3. Current Requirements. The Department shall continually review and analyze the data available to the Department in order to purchase Fuel in a timely manner to meet the requirements of the Company.
 4. Supplier Qualifications. The Company shall select potential suppliers based on the current supplier list, performance on past and current Fuel Agreements, financial information, market intelligence from industry research, and general knowledge of the industry. No potential qualified supplier shall be preferred or discriminated against because of race, religion, color, sex, age or marital status of the supplier or any of its representatives.

The supplier list is periodically reviewed by the Department to eliminate any suppliers that are known to have gone out of business and to also add any new or existing suppliers that were previously not on the supplier list. The Department reviews the membership lists of several coal associations (for example the Kentucky Coal Association, the Lexington Coal Exchange, the Coal Institute, the American Coal Council, the National Mining Association, etc.) for new suppliers to add to the supplier list and also adds new suppliers based upon field inspection visits. If a supplier is identified that is not on the current supplier list, the

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Department will add the supplier to the list for the next RFQ. Suppliers can be added to the supplier list either by request of the supplier or by the Department.

A notice of a Request for Quotation (RFQ) is published in several Coal Industry Newsletters. The RFQ is initially sent to the suppliers on the current supplier list and posted on the Company website. If a supplier that has not received the RFQ calls and asks to be put on the Department's supplier list, they are automatically added to that list and a copy of the RFQ is sent to that supplier. During the evaluation of the bids, if a new supplier has submitted a bid that is competitive, a new supplier evaluation will be performed to determine the capability of the supplier.

The supplier evaluation is done to determine if a supplier has the ability to deliver the quantity and quality of coal bid at the offered price. An actual site visit may be conducted. The information requested is based upon:

- The volume and term offered by the supplier in response to the RFQ
- Past experience the Company has with the supplier
- The size and financial stability of the supplier
- Past experience the Company has with the type of coal being offered
- Previous knowledge the Company has concerning the source operation (possibly under a different source name)

The data requested may include coal reserve data such as property maps and drill logs, mining plans, listing of all production equipment, coal preparation facilities such as coal preparation plants, weighing, sampling and analysis capabilities on site, mine staffing and organization, past production records, and status of permits. In addition, financial data will be requested, and a supplier credit assessment will be performed in accordance with company policy. If all operational information, financial data, and other results from the site visit evaluation are acceptable, the supplier is approved.

5. Solicitations.

- a. Formal Solicitations. The Company shall purchase its Fuel through sealed-bid solicitations or Secured E-mail. However, the Company reserves the right to request or accept Informal Bids for Fuel purchases as described in Section 5.b., when in its judgment, market conditions or Unit conditions provide an opportunity to obtain Fuel more advantageously or more quickly than through the formal sealed-bid procedures. When the Company foregoes the Formal Solicitation process in favor of the Informal Bid procedure (Section 5.b. below), documentation shall be included in the resulting Contract or Purchase Order file describing the conditions.

A Request for Quotation ("RFQ") number will be assigned to each quotation package. The quotation must be returned to the company address as indicated

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on or before the due date and time, noting on the mailing label the RFQ number. The RFQ number will identify the quotation and ensure the quotation is opened according to the Coal Supply and By-Products Marketing Procurement Procedures.

The RFQ package shall contain the following minimum requirements:

- Instructions to Suppliers on the submission of an RFQ, including time and date the bids are due, correct labeling of bid envelope, signatures required, etc.
- Scope of supply Agreement
- Listing of typical information required from Supplier

Quantity and quality of coal being offered

Bid Price

Length of purchase

Transportation capabilities

Mining capabilities

Severance Tax data

- Company terms and conditions

RFQ's shall be opened on or after the established due date and time within the presence of one or more witnesses from another department. A numbered log shall be kept for logging in the receipt of each sealed envelope or each reply to the Secured E-mail. This numbered log shall be signed by the witnesses noting the bids were all sealed prior to opening and were received prior to the due date and time. Those bids received after the designated time will be returned unopened to the bidder, unless the Director waives this provision.

Upon opening the sealed envelopes, each bid shall be given the log number assigned to it and initialed by the witnesses attending the bid opening.

All candidates shall be given the same opportunity and time frame to respond to the RFQ. Information clarifications shall be shared with all candidates. A copy of the RFQ and the original of the suppliers' bid documents with evidence of the witness signatures shall be maintained within the Department.

The Department's Coal Services Administrator is responsible for entering the bid data into the bid evaluation spreadsheet. The spreadsheet contains data fields such as:

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Supplier's name (from bid)

Mine name and location (from bid)

Fuel loading point, river milepost or rail loadout (from bid)

Annual price in dollars per ton and cents/MMBtu (from bid)

Transportation cost (assigned by the Coal Services Administrator)

Severance Tax paid on the coal offered (from bid)

Calculated total delivered cost (calculated by the Coal Services Administrator)

Calculated evaluated cost (calculated total delivered cost less any severance tax paid on the coal)

Fuel technical specifications (from bid), such as:

BTU per pound

Sulfur content

Moisture content

Ash content

Chlorine content

Size

Arsenic content

Hardgrove Index

Other technical specifications as appropriate

The bids are secured in the Department area.

The Department's Manager Coal Supply Services will independently verify that all bid data is correctly entered into the bid evaluation spreadsheet.

- b. Informal Bids. When, in the Company's judgment, Fuel can be obtained more advantageously or quickly for one or more Stations through the Informal Bid procedures, the Department may solicit offers or accept unsolicited offers from Suppliers by telephone, Direct E-mail, facsimile or otherwise. Although these bids are typically used for Spot Purchases, circumstances may arise that would justify

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the recommendation of a Long-Term Purchase from an Informal Bid process. The Award Recommendation for all such Informal Bid purchases shall include the Department's Fuel Sole Source Award Recommendation form with appropriate signatures.

6. Long-Term Purchases. The Department shall review and analyze each Fuel offer. The evaluation will include, but not necessarily be limited to, the items required by the Company to satisfy operational, Environmental Standards and economic criteria. Based upon the bid evaluation spreadsheet, the Department will evaluate and rank all quotations received by total delivered cost and lowest evaluated cost. Other factors may be considered, including but not limited to, ranking reports generated by a software model that evaluates the impact of different coal qualities on Unit bus bar costs, supplier credit assessment, supplier past performance, diversity of region of supply, diversity of transportation mode, and diversity of suppliers. From this ranking, a short list of bidders may be selected from which the Department intends to conduct further discussions and/or negotiations. The short list may include unsolicited offers. The size of the short list will be determined solely at the Department's discretion. The Department may engage in preliminary negotiations with Suppliers on the short list to determine which offers warrant further consideration. The objective of the negotiations shall be to reach Agreements with Suppliers that provide the Company with favorable terms and conditions, the lowest possible cost of electrical energy delivered to the Unit bus bar and reliable supply consistent with other qualifiers related to supplier reliability, existing and future Environmental Standards, transportation options, etc. A team may be formed to conduct negotiations with bidders on the short list. Generally, this team will consist of two or more representatives from the Department. The terms and conditions outlined in the quotation submitted to the Department by the bidder shall be the basis for beginning negotiations with each potential Supplier. A representative from the Legal Department shall review documents regarding terms and conditions and a representative from the Department (or from the Company's accounting function) shall review documents regarding accounting aspects.

The Department may in some instances perform investigations of the bidders to determine their ability to supply Fuel under the terms and conditions outlined in their proposals. These investigations may include site visits, mine operation audits, audits of financial information, test shipments, or other similar actions intended to determine the bidder's qualification as a Supplier. The Department shall verify the adequacy of the proposed source of supply for coal quantity and quality.

The recommended Supplier(s) shall be selected by the negotiating team based upon the evaluation criteria and the results of the negotiations. The Department's Coal Services Administrator will prepare the Award Recommendation for approval as detailed in Section C.3. This recommendation will document the selection criteria and pertinent factors, and in circumstances where more than one company is selected, the recommendation shall describe the tonnage requirements and other responsibilities of each of the other recommended Suppliers.

7. Spot Purchases. Spot purchases, and resulting Purchase Orders or Contracts, may be made by the Company subject to the limit of authority stated in section C.3. In instances where there exists an opportunity to purchase Distressed Coal or other coal from an Informal Bid, the Manager Coal Supply Services may recommend the purchase of such

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coal to the Director without soliciting proposals through the Formal Solicitation process. The Award Recommendation for all such Fuel purchases shall include the Department's Fuel Sole Source Award Recommendation form with appropriate signatures.

8. Joint Agreements. Joint Agreements shall be made at the discretion of the Department in order to capture economic benefit from the combined purchasing power of LG&E and KU. Such discretion will be based upon the Company's operating requirements, Environmental Standards, inventory levels, and the ability of the Stations to burn similar fuels.
9. Documentation. Contracts and Purchase Orders shall be signed by the Supplier and the Company.

The following documents must be maintained:

- The final list of bidders
- A copy of the bid package
- The bidders' responses with witnesses' signatures
- The bid evaluation summary

E. Agreement Administration:

1. Compliance. The Department shall review and analyze daily business and operational reports to properly administer all Agreements. Coal weighing and sampling is conducted at each individual Station. Coal weights are measured in accordance with industry-accepted methods. Coal sampling and analysis is performed in accordance with Generation Services' System Laboratory procedures. These procedures have been developed in accordance with ASTM standards and cover coal sampling, coal sample preparation, coal sample identification, handling and shipping, and coal analysis on a parameter-by-parameter basis. Coal quantity and quality are reported to the Department through the Fuels Management System.
2. Amendments. A Contract/Purchase Order shall not be materially amended except after analysis by the Department, recommendation of the Director, review by the Legal Department, review by the Department (or otherwise) regarding accounting aspects, and in accordance with the Authority Limit Matrix in C.3.
3. Agreement Administration. The Department shall maintain the necessary data to administer the Agreements. Every Supplier's request for a change outside the existing terms, conditions, or prices must be written and supported by adequate data in conformity with the Agreement. Each request shall be analyzed by the Department against the Agreement provisions and reported with recommendations to the Director.
4. Supplier's Relief. Any Supplier's request or claim for relief from compliance with any provision of the Agreement's terms such as Force Majeure conditions, quality specifications, approval of alternate sources, etc., must be in writing with an adequate

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description of conditions warranting nonperformance. Each request or claim shall be reviewed by the Director and the Legal Department.

5. Inspections. The Director shall cause inspections of mining and other facilities of a Supplier as part of Agreement Administration.

F. Agreement Enforcement:

1. General Enforcement Policy. Supplier obligations under Agreements shall be enforced by the Company to ensure Supplier compliance with the Company's overall procurement policy and to provide for the continuing supply of Fuel.
2. Department Responsibility. Whenever it is determined that a shipment does not meet the Agreement terms or a Fuel Supplier is not complying with the Agreement terms, the Department shall inform the Supplier and direct that subsequent shipments be in compliance.

G. Legal Assistance:

The Department shall have access to, and may receive legal advice from, the Legal Department on all matters relating to Fuel procurement, including Contract, Purchase Order and Agreement documentation, administration and enforcement.

H. Fuel Inventory Levels:

The Company has an obligation to ensure the availability of continuous reliable service to its customers. Decisions affecting Fuel inventory shall be responsive to this obligation.

The Company strives to maintain an adequate inventory to ensure service reliability while allowing for enough flexibility so inventory levels can be responsive to known and anticipated changes in conditions and minimize the risks of unforeseen conditions. Inventory ranges are established based upon forecasted Unit utilization, deliverability risks related to availability of truck, rail and barge capacity and associated transportation infrastructure, fuel quality requirements of the Units, the position of the Unit in the dispatch order, risk of market supply-demand imbalance, and the ability to conduct timely transactions. The general level of inventory is adjusted to meet anticipated conditions (i.e. summer/winter peak load, river lock outages, Unit outages, unloading system outages, etc.).

Coal inventories are monitored on a daily basis and reported monthly in the Department's Monthly Fuels Management Report which is widely distributed within the Company (including members of senior management). An annual physical inventory survey is taken

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and the results of the physical inventory survey are booked by the end of the year in the Fuels Management System.

I. Emergency Procurement:

Any one or more of the procedures described herein may be waived by the Vice President - Energy Supply and Analysis, whenever, Fuel must be purchased due to extraordinary conditions such as strikes, lockouts or other labor problems affecting Fuel production or transportation, embargoes, mining or other problems affecting production or transportation, existing and/or forecast extreme weather conditions, or any other conditions or circumstances that can be reasonably foreseen as impairing the continued supply of Fuel to the Company. When such a purchase is made, documentation of circumstances will be included in the Contract or Purchase Order file.

J. Transportation Services:

Transportation Services bids shall be requested, and Agreements negotiated whenever appropriate. A tariff may be used in lieu of an Agreement if conditions warrant. Consideration shall generally be given to the following factors when considering the need or desirability to make a Transportation Services Agreement:

- Station requirements;
- the locations of potential Fuel Suppliers;
- the most desirable transportation modes available;
- coal unloading and handling system constraints;
- existing transportation routes and transfer points between Suppliers and Stations;
- desirability of maintaining flexibility with different modes of transportation;
- economics;
- other factors which may affect the delivery of Fuel to the Stations.

The process of selecting and contracting for Transportation Services will vary with the mode of transportation being sought. For barge and truck deliveries, the Department will generally use the Company's accepted competitive bidding procedures. In instances where only one rail carrier serves a Station, direct negotiations with the rail carrier serving a particular coal source may be initiated.

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The selections of a transportation Supplier will generally be based upon, but not necessarily limited to, cost, reliability, coal unloading and handling system constraints, and other factors. Transportation Service Agreements must be in writing and signed by all parties, unless provided under an approved tariff. The approval procedures set forth in Section C.3 shall be used for the approval of all Transportation Agreements.

K. Bulk Commodities/Services/Other Fuels:

Bulk Commodities/Services shall be requested, and Agreements negotiated by the Department, whenever appropriate. Associated transportation services related to Section J. such as railcar leases, railcar maintenance and repair, barge maintenance and repair, barge fleetling services, coal blending, and coal transloading services shall also be requested and Agreements negotiated by the Department, whenever appropriate. All of these Bulk Commodities/Services Agreements will abide by the Approval Authority Limits as set forth in Section C.3. above.

Natural Gas. The Power Supply Department is responsible for the purchase of natural gas and associated pipeline transportation for the Stations.

Fuel Oil. Fuel oil is procured on an "as-needed" basis due to the infrequency of use and the nature of the oil market. When the need for fuel oil arises, the Department will solicit suppliers for offers. Purchases are made on the basis of lowest delivered cost and the ability to fill the order..

All documentation will be maintained pursuant to Section D.9 above.

L. Affiliate Transactions:

Transactions and relationships between the Company and its unregulated affiliates are governed by three governmental agencies: the Kentucky Public Service Commission, the Federal Energy Regulatory Commission, and as regards Kentucky Utilities Company, the Virginia State Corporation Commission.

The Company may purchase Fuel from an affiliate only at a price permissible under applicable affiliated restriction rules of the above regulators, if such a transfer is reasonably required by the Company to meet an Emergency and the Company believes in good faith that, under the circumstances, the transaction will be to the advantage of the Company. At the time of the affiliate transaction, the Company will document through the award recommendation process, the pricing basis and the justification for the affiliate transaction. The Company shall report any such purchase in its next recurrent report due to the Commission (Form A or Form B filing, or their successor(s)). All such affiliate transactions must as a minimum, meet the requirements of the Affiliate Transaction Overview, dated May 26, 2003, including the requirements of Kentucky Revised Statutes

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Chapter 278, Kentucky Public Service Commission Sections 2201 through 2219; the Federal Energy Regulatory Commission, 18 CFR 35.44; and Virginia State Corporation Commission, Code of Virginia Title 56 – Chapter 4 and any other applicable affiliate transaction rules.

M. Ethics and Conduct:

The Company recognizes the importance of following the Company's Standards of Integrity to guide the conduct of the Department in the performance of its duties and responsibilities:

The Department shall endeavor to serve the best interests of the Company and its customers in the performance of the Department's duties and responsibilities.

Department staff shall adhere to the ethical standards and policies of the Company.

Each employee involved with the procurement of Fuel will be required to promptly disclose, in writing, any actual or potential conflicts of interest to their supervisor and the LG&E/KU Compliance Department.

N. Penalties For Noncompliance:

All Department employees are required to familiarize themselves with the Coal Supply and By-Products Marketing Procurement Procedures and acknowledge through a process established by management, that they have received, read, understand, accept, and will act in accordance with this document. Failure to comply with any term of the procedures may result in disciplinary action, up to and including discharge.

Key Contact: Manager - Fuels Accounting and Administration

References: Authority Limit Matrix, Records Management and Retention Policy, Standards of Integrity, Reliability Standards, and Affiliate Restriction Regulations

Administrative Responsibility: Director, Coal Supply and By-Products Marketing

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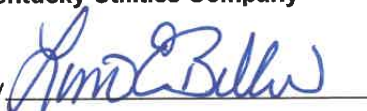
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By



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Chief Operating Officer

By



David Sinclair

Vice President – Energy Supply and Analysis