

STIPULATION AND RECOMMENDATION

This Stipulation and Recommendation (“Stipulation”) is entered into this 29th day of July 2025 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”); Kentucky Industrial Utility Customers, Inc. (“KIUC”); Southern Renewable Energy Association (“SREA”); and Kentucky Coal Association, Inc. (“KCA”). (Collectively, the Utilities, AG, KIUC, SREA, and KCA are the “Parties.”)

W I T N E S S E T H:

WHEREAS, on February 28, 2025, KU and LG&E filed with the Kentucky Public Service Commission (“Commission”) its Joint Application *In the Matter of: Electronic Application of Kentucky Utilities Company and Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Site Compatibility Certificates* (“Joint Application”), and the Commission has established Case No. 2025-00045 to review KU’s and LG&E’s Joint Application;

WHEREAS, on April 30, 2025, KU filed with the Commission its Application *In the Matter of: Electronic Application of Kentucky Utilities Company for Approval of Its 2025 Compliance Plan for Recovery by Environmental Surcharge Plan* (“Case No. 2025-00105”), and the Commission consolidated Case No. 2025-00105 into Case No. 2025-00045 by Orders dated May 14, 2025, in the records of both cases (for expediency, “this proceeding” or “this case” as used herein refers to the consolidated proceeding);

WHEREAS, the AG; KIUC; Lexington-Fayette Urban County Government (“LFUCG”); Louisville/Jefferson County Metro Government (“Louisville Metro”); Kentuckians for the Commonwealth (“KFTC”), Kentucky Solar Energy Society (“KYES”), Metropolitan Housing

Coalition (“MHC”), and Mountain Association (“MA”) (collectively, the “Joint Intervenors”); SREA, Sierra Club, and KCA have participated as full intervenors in Case No. 2025-00045;

WHEREAS, an in-person informal conference for the purpose of discussing settlement and the text of this Stipulation, attended by representatives of the Parties, Louisville Metro, LFUCG, Joint Intervenors, Sierra Club, and the Commission Staff, took place on July 22 and 23, 2025, during which a number of procedural and substantive issues were discussed, including potential settlement of all issues pending before the Commission in this case;

WHEREAS, the Parties hereto desire to settle all the issues pending before the Commission in this case;

WHEREAS, Louisville Metro and LFUCG take no position on the Stipulation and Recommendation and will not oppose it at the hearing;

WHEREAS, the Joint Intervenors and Sierra Club elected not to join this Stipulation and Recommendation;

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 relief, matters, or issues addressed herein;

WHEREAS, all of the Parties, who represent diverse interests and divergent viewpoints, agree that 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 this proceeding supports 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. CPCN APPROVALS, SITE COMPATABILITY CERTIFICATES, RELATED FINANCIAL MATTERS, AND REPORTING COMMITMENT

1.1. CPCN and Site Compatibility Certificate Approvals. The Parties agree the Commission should issue an order granting the Utilities Certificates of Public Convenience and Necessity (“CPCNs”) and site compatibility certificates pursuant to KRS 278.216 as requested in the Utilities’ application in Case No. 2025-00045, i.e., without condition or modification, for the following:

(A) An approximately 645 MW net summer rating natural gas combined cycle combustion turbine at KU’s E.W. Brown Generating Station (“Brown 12”), including related gas and electric transmission construction at the station;

(B) An approximately 645 MW net summer rating natural gas combined cycle combustion turbine at LG&E’s Mill Creek Generating Station (“Mill Creek 6”), including related gas and electric transmission construction at the station; and

(C) A selective catalytic reduction system at KU’s Ghent Generating Station for Ghent 2 (“Ghent 2 SCR”).

1.2. Withdrawal of Cane Run Battery Energy Storage System (“BESS”) CPCN Request. The Utilities will withdraw their request for the Cane Run BESS without prejudice in this case, but they may re-file a CPCN Application for Cane Run BESS, or a substitute for it, at any time, which would be supported by a competitive procurement process.

1.3. Cost Recovery Review Metrics for Mill Creek 6. The Parties agree that one sufficient Mill Creek 6 cost recovery review metric (not a precondition) is having a total of at least 500 MW of executed electric service agreements under the Utilities' proposed Rate EHLF (Extremely High Load Factor) entered into by the in-service date for Mill Creek 6 in 2031. Support for Mill Creek 6 cost recovery could also be shown in other ways, including, but not limited to, non-Rate EHLF load growth, an increase in off-system sales, the acquisition of municipal or other load, replacing lost capacity if the Ohio Valley Electric Corporation's coal plants close, selling to other utilities or data centers in Kentucky, or selling part of Mill Creek 6 capacity.

1.4. Potential long-term power agreement with another Kentucky utility that is related to Kentucky data center(s) not located in the Utilities' service territories. The Utilities agree to seek Commission approval for any long-term (i.e., longer than one year) sale of capacity, energy, or both to another Kentucky utility for the purpose of serving one or more Kentucky data centers not in the Utilities' service territories. This could include, but not be limited to, joining an application to the Commission by the data-center serving utility for approval of a power purchase agreement under KRS 278.300. Issues that could be addressed in any such proceeding would include: (1) the extent to which the data center serving utility would pay for any direct and indirect incremental costs to provide electric service outside of the Utilities' service territories to the extent consistent with the Utilities' Open Access Transmission Tariff and all other applicable regulatory requirements; (2) the rates, terms and conditions of such an agreement and their relationship to the Utilities' proposed Rate EHLF; and (3) any sharing of revenues above the proposed Rate EHLF until the effective date of new base rates.

1.5. Deferral Accounting Requests. The Parties agree the Commission should approve the following deferral accounting treatment for the Utilities:

(A) As requested in the Utilities' application in Case No. 2025-00045 and without condition or modification, the Utilities will establish regulatory asset(s) for the difference between allowance for funds used during construction ("AFUDC") accrued at the Utilities' weighted average cost of capital and AFUDC accrued using the methodology approved by the Federal Energy Regulatory Commission during the construction periods of Brown 12 and Mill Creek 6.

(B) The Utilities will withdraw their request for a regulatory asset for post-in-service carrying costs ("PISCC"), operating and maintenance expense, property taxes, investment tax credit amortization, and depreciation expense as requested in their Application.

1.6. Reporting Commitment. The Utilities will provide semi-annual in-person construction, economic development, and load forecast updates to the Commission beginning in the second quarter of 2026 and ending in the second quarter of 2032. All Case No. 2025-00045 intervenors may attend such update meetings.

ARTICLE II. MILL CREEK 6 COST RECOVERY MECHANISM

2.1. Mill Creek 6 Cost Recovery Mechanism. The Parties agree the Commission should authorize LG&E to recover all non-fuel costs of Mill Creek 6 through a new Adjustment Clause MC6 (Mill Creek 6 Cost Recovery; attached hereto as Stipulation Exhibit 1).

(A) Costs recovered through Adjustment Clause MC6 will be all non-fuel costs of Mill Creek 6 from its in-service date through its retirement date, including without limitation depreciation, a weighted average cost of capital carrying cost using the most recently approved base rate return on equity appropriately grossed up for income taxes, and all Mill Creek 6 non-fuel operating expenses (including without limitation property taxes). Property taxes for the first year shall be based on the CWIP balance at the first of the year, not the in-service cost. Depreciation

shall be based on the same service life and treatment of interim retirements, interim net salvage, and terminal net salvage approved by the Commission for Brown 12 in a comprehensive base rate proceeding. During each expense month, the weighted average cost of capital will apply to the undepreciated capital cost of Mill Creek 6 (including any future plant additions) and regulatory asset balance for AFUDC, adjusted for accumulated deferred income taxes without any reduction for asset net operating loss accumulated deferred income taxes.

(B) The first expense month for Mill Creek 6 cost recovery through Adjustment Clause MC6 will be the month in which Mill Creek 6 goes in service, and the last expense month will be the month in which Mill Creek 6 retires. Cost recovery for any expense month will be billed in the second month thereafter (the billing month), e.g., for a January expense month, the following March will be the billing month.

(C) Temporary Offset to Cost Recovery through Adjustment Clause MC6. Cost recovery through Adjustment Clause MC6 will be partially and temporarily offset by certain revenues LG&E collects beginning with the in-service date of Mill Creek 6 and ending with the first date on which new electric base rates take effect for LG&E following the in-service date of Mill Creek 6. Such offsetting revenues will consist only of Maximum Load Charge revenues (i.e., all demand charge revenues, including all base, intermediate, and peak demand charge revenues for rate schedules that include such demand charge components) incremental to those then embedded in base rates from (1) customers taking service under Rate EHLF and (2) all Eligible Data Center customers as defined in Section 2.2 (all such revenues are “Offsetting Revenues”). As with cost recovery under Adjustment Clause MC6, Offsetting Revenues collected in an expense month will be credited against costs to be recovered under Adjustment Clause MC6 in the corresponding Billing Month.

(D) The Parties agree the Commission should approve all necessary regulatory deferral accounting required for the operation of Adjustment Clause MC6, including all regulatory asset and liability accounting required to address the delay between each expense month and billing month.

(E) Adjustment Clause MC6 will use the Group 1 and Group 2 methodology for revenue allocation used in LG&E's Environmental Cost Recovery Surcharge.

2.2. Eligible Data Center. For purposes of **ARTICLE II** of this Stipulation and Recommendation only, an "Eligible Data Center" is:

(A) Any centralized facility that is used primarily or exclusively for electronic information services such as the management, storage, processing, and dissemination of electronic data and information (including mining of cryptocurrency) through the use of computer systems, servers, networking equipment, and related components (each, an "Eligible Data Center") where such Eligible Data Center meets the following requirements:

(i) The expected or actual peak of the real-time energy demand of the Eligible Data Center is between 50 MVA and 100 MVA; and

(ii) The expected or actual monthly load factor for the Eligible Data Center is seventy-five percent (75%) or greater.

ARTICLE III. RATE EHLF COMMITMENTS

3.1. Rate EHLF Commitments. Regarding Rate EHLF, which the Utilities proposed in their pending rate proceedings in Case Nos. 2025-00113 and 2025-00114, the Parties agree to the following:

(A) In Case Nos. 2025-00113 and 2025-00114, the Utilities will seek approval to apply Rate EHLF only to new customers, and all Parties will support that proposal; and

(B) The Utilities will file all Rate EHLF electric service agreements with the Commission.

ARTICLE IV. MILL CREEK 2 LIFE EXTENSION

4.1. Environmental Approvals. The Utilities will seek necessary environmental approvals to allow Mill Creek 2 to continue to operate until Mill Creek 6 goes in service.

4.2. Existing Mill Creek 2 Retirement Authority Suffices. The Parties agree, and ask and recommend the Commission's final order in this proceeding to explicitly state, that the Utilities' existing authority to retire Mill Creek 2 suffices for a later retirement. For avoidance of doubt, the Utilities are not withdrawing their existing Mill Creek 2 retirement authority.

4.3. Mill Creek 2 Life Extension. The Parties agree that if the Utilities receive the necessary environmental approvals and the Commission's final order in this case affirms the Utilities' existing authority to delay Mill Creek 2's retirement until Mill Creek 6's in-service date, the Utilities will extend Mill Creek 2's life and continue to seek to maximize its value to customers as it does today, for instance, through economic dispatch and off-system sales.

4.4. Adjustment Clause MC2. The Parties agree the Commission should approve Adjustment Clause MC2 (attached hereto as Stipulation Exhibit 2), which is similar to LG&E's Adjustment Clause ECR (Environmental Cost Recovery Surcharge) and will provide recovery of the incremental Mill Creek 2 stay-open costs LG&E incurs that are not recovered through base rates, including incremental capital expenditures and other costs incurred specifically for this purpose after the date of this Stipulation. The Parties agree the Commission should approve all necessary regulatory deferral accounting required for the operation of Adjustment Clause MC2, including all regulatory asset and liability accounting required to address the delay between each expense month and billing month.

4.5. Analysis of Continued Operations of Mill Creek 2. As part of their 2027 Integrated Resource Plan filing, the Utilities will provide an analysis of the continued operation of Mill Creek 2 beyond 2031. If the analysis determines continued operation of Mill Creek 2 is economical, the Utilities will take the necessary steps to obtain the required approvals to allow Mill Creek 2 to operate beyond 2031. One of the required approvals would be obtaining Commission affirmation that the Utilities' existing Mill Creek 2 retirement authority would extend beyond the in-service date of Mill Creek 6. If such additional life extension would be economical and the Utilities were able to obtain all required approvals, all such life extension costs would be recovered through Adjustment Clause MC2.

4.6. LMAPCD Jurisdiction. Notwithstanding anything contained herein to the contrary, the Parties agree that the Stipulation and Recommendation does not impair, limit, or otherwise interfere with the jurisdiction of the Louisville Metro Air Pollution Control District ("LMAPCD").

ARTICLE V. OTHER COMMITMENTS

5.1. Renewable RFP Commitment. The Utilities commit to issue a request for proposals ("RFP") for renewable energy and energy storage by mid-2026 seeking to procure energy and capacity of utility scale solar, wind, storage, and/or hybrid resources.

5.2. Stakeholder Feedback. Prior to issuing the RFP, the Utilities agree to give intervenors to this proceeding the opportunity to provide feedback on the RFP.

5.3. Contracting Resources. For any cost-effective resources or those needed to serve customer requests (for instance, Green Tariff Option 3) identified in the RFP responses, the Utilities will complete contracting (with appropriate regulatory-out provisions) by mid-2028, and

apply for Commission approval by December 31, 2028, seeking approval for cost-effective resources.

ARTICLE VI. SEEM REPORTING COMMITMENT

6.1. SEEM Reporting Commitment. Beginning in the first quarter of 2026 and ending in the first quarter of 2031, the Utilities will file annual reports on their participation in the Southeast Energy Exchange Market (“SEEM”), including company-specific cost and benefit assessments and underlying data.

ARTICLE VII. ALL OTHER RELIEF TO BE GRANTED AS REQUESTED IN THE UTILITIES’ APPLICATIONS

7.1. 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 Case Nos. 2025-00045 and 2025-00105 should be approved as filed.

ARTICLE VIII. MISCELLANEOUS PROVISIONS

8.1. 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 this case is true or valid.

8.2. 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.

8.3. Following the execution of this Stipulation, the Parties shall cause the Stipulation to be filed with the Commission on July 29, 2025, together with a request to the Commission for consideration and approval of this Stipulation.

8.4. 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 this proceeding, and all Parties will clearly and definitively ask the Commission to accept and approve the Stipulation as such.

8.5. 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.

8.6. 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.

8.7. 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.

8.8. 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.

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

8.10. 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.

8.11. 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.

8.12. 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.

8.13. 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.

8.14. 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.

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

[Signature Pages Follow]

APPENDIX A: LIST OF STIPULATION EXHIBITS

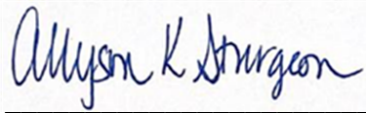
Stipulation Exhibit 1: Adjustment Clause MC6 (Mill Creek 6 Cost Recovery)

Stipulation Exhibit 2: Adjustment Clause MC2 (Mill Creek 2 Incremental Stay-Open Cost Recovery)

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

Kentucky Utilities Company and
Louisville Gas and Electric Company

HAVE SEEN AND AGREED:

By: 
Allyson K. Sturgeon

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

HAVE SEEN AND AGREED:

By: 

J. Michael West

T. Toland Lacy


Angela M. Goad

Lawrence W. Cook

John G. Horne II

Kentucky Industrial Utility Customers, Inc.

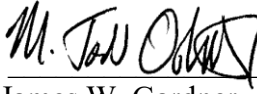
HAVE SEEN AND AGREED:

By: 

Michael L. Kurtz
Jody Kyler Cohn

Lexington-Fayette Urban County Government

HAVE SEEN AND TAKE NO POSITION ON THE
STIPULATION AND RECOMMENDATION
AND WILL NOT OPPOSE IT AT HEARING:

By: 


James W. Gardner

M. Todd Osterloh

Rebecca Price

Louisville/Jefferson County Metro Government

HAVE SEEN AND TAKE NO POSITION ON THE
STIPULATION AND RECOMMENDATION
AND WILL NOT OPPOSE IT AT HEARING:

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

Southern Renewable Energy Association

HAVE SEEN AND AGREED:

By: *23. 2*
Randal A. Strobo
David E. Spenard

Kentucky Coal Association, Inc.

HAVE SEEN AND AGREED:

By: /s/ Matthew R. Malone (with permission)

Matthew R. Malone

William H. May, III