

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS)	
AND ELECTRIC COMPANY AND KENTUCKY)	
UTILITIES COMPANY TO TRANSFER)	CASE NO. 2005-00471
FUNCTIONAL CONTROL OF THEIR)	
TRANSMISSION FACILITIES)	

O R D E R

On June 2, 2006, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU"), the applicants herein, filed a stipulation of facts ("Stipulation") which was entered into with the Attorney General's Office ("AG") and the Kentucky Industrial Utility Customers, Inc. ("KIUC"). Both the AG and KIUC have motions for full intervention pending before the Commission.

The Stipulation states that the AG and KIUC support the application in this case and the relief requested therein, which is Commission approval of the transfer of control of the LG&E and KU transmission facilities from the Midwest Independent Transmission System Operator, Inc. ("MISO") to LG&E and KU, for the purpose of terminating their membership in MISO, and to the Tennessee Valley Authority ("TVA") to the extent necessary for TVA to act as Reliability Coordinator for LG&E and KU, and to the Southwest Power Pool, Inc. ("SPP") to the extent necessary for SPP to perform its function as the Independent Transmission Organization for LG&E and KU.

The Stipulation also includes provisions to recognize, for accounting and rate-making purposes, that the MISO exit fee is a reasonable operating expense to be paid

for by ratepayers at the time of the next LG&E and KU base rate cases, subject to offset by the amount by which the MISO costs already included in rates exceed the costs to be incurred for services to be provided by TVA and SPP.

Based on the Stipulation and being otherwise sufficiently advised, the Commission finds that the provisions in the Stipulation relating to the accounting and rate-making treatment of the offset to the exit fee may not be consistent with the findings set forth by the Commission in its May 31, 2006 Order in Case No. 2003-00266.¹ In that Order, the Commission authorized LG&E and KU to exit MISO and to offset the MISO exit fee against the full amount of the MISO Schedule 10 charges included in the existing rates of LG&E and KU, without reference to any reduction for the future costs to be paid to TVA and SPP. The accounting and rate-making provisions of the Stipulation may have the effect of changing the basis upon which the Commission issued its May 31, 2006 Order in Case No. 2003-00266 and, consequently, an investigation and hearing will be necessary to review those provisions of the Stipulation. The Commission further gives notice that one of the issues to be investigated is whether, since the issuance of the May 31, 2006 Order in Case No. 2003-00266, there have been changed circumstances sufficient to justify the Commission's modification in this case of the findings set forth in that Order, or whether the accounting and rate-making provisions of the Stipulation can be considered only if raised in a petition for rehearing, filed pursuant to KRS 278.400, in Case No. 2003-00266.

¹ Case No. 2003-00266, Investigation Into the Membership of Louisville Gas and Electric Company and Kentucky Utilities Company in the Midwest Independent Transmission System Operator, Inc.

IT IS THEREFORE ORDERED that an investigation of the accounting and rate-making provisions of the Stipulation is initiated and a hearing shall be scheduled at a future date.

Done at Frankfort, Kentucky, this 13th day of June, 2006.

By the Commission

ATTEST:


Executive Director