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PUBLIC SERVICE COMMISSION

Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

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Elizabeth L. Cocanougher
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December 21, 2006

RE: ***In the Matter of Investigation into the Membership of Louisville Gas and Electric Company and Kentucky Utilities Company in the Midwest Independent Transmission System Operator, Inc.*** **Case No. 2003-00266**

Dear Ms. O'Donnell:

On behalf of Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively the "Companies"), I am submitting this letter in compliance with the Commission's ordering paragraph number three of the Commission's May 31, 2006 Order ("May 31 Order") in the referenced proceeding. In ordering paragraph 3, the Companies were ordered to provide notice of the date of the Companies' withdrawal of functional control of their transmission facilities from the Midwest Independent Transmission System Operator, Inc. ("MISO"), as well as of the amount and timing of payment of the withdrawal fee ("Withdrawal Fee"). The Companies respectfully request that the Commission accept this letter and exhibits as complying with the requirements in ordering paragraph 3 of the May 31 Order.[1]

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[1] May 31 Order at page 27. The Companies have previously complied with three of the Commission's four directives in the Mary 31 Order, as follows:

1. LG&E and KU are authorized to withdraw from MISO and reacquire functional control of their transmission facilities.
2. LG&E and KU are authorized to establish for accounting purposes both a regulatory asset for the MISO exit fee, subject to adjustment for future MISO credits, if any, and a regulatory liability upon exiting MISO for the revenues collected which are associated with the MISO Schedule 10 charges included in existing rates.
3. [See page 2 of this filing]
4. In the event that the MISO withdrawal is not accomplished by July 1, 2006, LG&E and KU shall file by July 15, 2006 a status report describing in detail the conditions that still need to be satisfied and the anticipated date the each condition will be satisfied.

Background

On July 17, 2003, the Commission opened an investigation to determine whether the Companies' continuing membership in MISO was in the public interest ("the Investigation"). On May 31, 2006, the Commission issued its Final Order in Case No. 2003-00266, granting the Companies authority to withdraw from membership in MISO. On July 6, 2006, in Case No. 2005-00471 the Commission issued an order ("July 6 Order") granting the Companies authority under KRS 278.218 to transfer the requisite operational control of their transmission assets to the Tennessee Valley Authority ("TVA") and the Southwest Power Pool, Inc. ("SPP"), to act as the Companies' reliability coordinator and independent transmission organization, respectively.

The Companies filed an application with the Federal Energy Regulatory Commission ("FERC") on October 7, 2005 for essentially the same relief as was requested in Case No. 2005-00471.[2] This application was amended on January 10, 2006 (the "Amended FERC Application"). On March 17, 2006, FERC acted on the Companies' petition to withdraw from MISO by issuing its *Order Conditionally Approving Request to Withdraw from the Midwest ISO*.[3] FERC also required the Companies to submit a compliance filing addressing several identified issues. The Companies complied with that directive on April 11, 2006 (the "April 11 Filing") and has made other related submissions, as well.

On July 7, 2006, FERC issued an "Order on Compliance Filing" related to the Companies' April 11, 2006 Filing.[4] That order required E.ON to submit an additional compliance filing, and E.ON did so on July 19, 2006. On August 23, 2006, FERC issued an order accepting the compliance filing, effective on the Companies' exit from MISO.[5]

Notice of Withdrawal Date and Withdrawal Fee

In its May 31 Order approving the Companies' withdrawal from MISO, the Commission ordered as follows:

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[2] *Louisville Gas and Electric Co., et al.*, Docket Nos. EC06-4-000 and ER06-20-000 *et al.*

[3] *Louisville Gas and Electric Co., et al*, 114 FERC ¶ 61,282 (2006).

[4] *E.ON U.S. LLC*, 116 FERC ¶ 61,019 (2006).

[5] *E.ON U.S., LLC*, Letter Order Accepting Compliance Filing, Docket Nos. ER06-20-004 and ER06-20-005 (August 23, 2006).

"3. Within 10 days of withdrawing from MISO, LG&E and KU shall file a written notice which sets forth the date of withdrawal, the amount of the withdrawal fee, and whether such fee was paid in one lump sum or over 5 years."[6]

Date of Withdrawal

The Companies completed their withdrawal from MISO on September 1, 2006. The Companies advised the Commission of this fact in an electronic communication on September 8, 2006.[7]

Amount of Withdrawal Fee

Although the Companies anticipated receiving notice of the Withdrawal Fee prior to the date of withdrawal and anticipated payment occurring within ten business days thereafter, the process took longer than anticipated and now is subject to a pending dispute. The Companies first received notice of the Withdrawal Fee calculation on September 28, 2006, which notice and supporting documentation is attached hereto as Exhibit A. On October 6, 2006, following discussions between the Companies and MISO, the Companies received a revised Withdrawal Fee calculation in the amount of $33,236,362. This calculation is attached hereto as Exhibit B. The Companies forwarded payment to MISO based on that calculation, and advised the Commission of the payment.[8] Soon after the Companies forwarded payment to MISO, however, MISO advised the Companies of a minor error and forwarded a corrected calculation, attached hereto as Exhibit C, which resulted in a final Withdrawal Fee in the amount of $33,236,510.

Timing of Payment

The Companies paid the Withdrawal Fee in full[9] on October 13, 2006, subject to their right to dispute the calculation after thoroughly reviewing the supporting documentation that was forwarded to the Companies prior to and subsequent to payment of the Withdrawal Fee. The Companies wished to complete their analysis of the dispute issue prior to making a formal filing with the Commission.

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6 May 31 Order at page 27.

7 Electronic mail sent by Kent W. Blake to the Commission staff, the Office of the Attorney General and the Kentucky Industrial Utilities Customers, Inc., on September 8, 2006, at 9:08 a.m.

8 Electronic mail communication sent by Kent W. Blake to the Commission staff, the Office of the Attorney General and the Kentucky Industrial Utilities Customers, Inc., on October 13, 2006 at 12:04 p.m.

9 The Companies' payment was followed by a subsequent payment in the amount of $148, which amount represents the difference between the first payment and the subsequently corrected Withdrawal Fee calculation.

Dispute

Prior to payment of the Withdrawal Fee, the Companies and MISO agreed that any dispute regarding calculation of the Withdrawal Fee would be managed pursuant to the terms set forth in the negotiated and unsigned Withdrawal Agreement that was attached to the Companies' Amended FERC Application filed on January 10, 2006. A copy of the Withdrawal Agreement is attached hereto as Exhibit D.

After reviewing the supporting documentation, the Companies determined MISO's calculation of the Withdrawal Fee was in error and forwarded a Notification of Dispute to MISO on December 11, 2006. A copy of the Notification of Dispute is attached hereto as Exhibit E. A copy of the Notification of Dispute was forwarded to the Commission on December 19, 2006.[10] The Companies will continue to keep the Commission apprised of the status and ultimate outcome of the dispute.

Conclusion

The Companies have kept the Commission fully informed with regard to the matters raised in ordering paragraph three of the May 31 Order, and wished to determine whether a dispute regarding calculation of the Withdrawal Fee existed before making a formal compliance filing. The Companies respectfully request that the Commission accept this filing in full compliance with ordering paragraph 3 of the Commission's May 31 Order.

Sincerely,

Elizabeth L. Cocanougher

E. L. Cocanougher

ELC/kmw
Enclosures

cc: All parties of record

[10] Electronic mail communication sent by Kent W. Blake to the Commission staff, the Office of the Attorney General and the Kentucky Industrial Utilities Customers, Inc., on December 19, 2006 at 3:06 p.m.

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Exhibit A

September 28, 2006 notice of Withdrawal Fee

Midwest ISO
We manage power.

SEP 2 2006

September 27, 2006

Ms. Beth Cocanougher, Esquire
E.ON US
220 West Main Street
Louisville, Kentucky 40202

Re: Notification of Withdrawal Obligation Owed

Dear Beth:

Pursuant to the terms of the FERC order authorizing LGE Corporation to withdraw from the Midwest ISO subject to satisfaction of certain conditions, one of which is payment of LGE Corporation's share of the Midwest ISO's financial obligations as of the date of withdrawal (the "Withdrawal Fee"), the Midwest ISO hereby presents LGE Corporation with written notice of the amount of the Withdrawal Fee. Payment is due no later than ten (10) Business Days after delivery of this written notice. The amount of the Withdrawal Fee is $33,230,083 not including LGE Corporation's share of the annual FERC Assessment Fee to be billed in August 2007 based on LGE Corporation's transmission usage during calendar year 2006.

Midwest ISO estimates the FERC Assessment Fee rate for the August 2007 bill to be $0.0456 per demand-based MWh. LGE's estimated transmission usage for 2006, based on eight months actual and four months projected, is approximately 35,000,000 MWh. As such, LGE's estimated share of the annual FERC Assessment Fee to be billed in August 2007 is $1.6 million. Midwest ISO will invoice LGE Corporation for its share of the annual FERC Assessment Fee in August of 2007 based on actual transmission usage for 2006 and the actual FERC Assessment Fee rate.

The attachments to this letter provide additional information on the calculation of the Withdrawal Fee as well as the proposed mechanism to address adjustments and/or credits subsequent to payment of the Withdrawal Fee of $33,230,083.

Regards,

Michael P. Holstein

Michael P. Holstein
Vice President and Chief Financial Officer

Cc: T. Graham Edwards, President and Chief Executive Officer
Stephen K. Kozey, Vice President and General Counsel

EXHIBIT
tabbies
A

Exit Fee Calculation LGE / KU

August 31, 2006 Balance Sheet

	Total	Schedule 10	Schedule 16	Schedule 17	Allocations Sch. 10	Sch. 16	Sch.17	Comments
Accrued Liabilities								
Current portion	$ 26,331,485	$ 12,292,394	$ 1,906,509	$ 12,132,583	46.7%	7.2%	46.1%	source = 2006 budget
Long-term portion	$ 2,788,563	$ 1,301,792	$ 201,904	$ 1,284,868	46.7%	7.2%	46.1%	source = 2006 budget
Subtotal	$ 29,120,048	$ 13,594,185	$ 2,108,412	$ 13,417,450				
Capitalized Leases								
Current portion	$ 3,376,612	$ 1,755,838	$ 135,064	$ 1,485,709	52.0%	4.0%	44.0%	
Long-term portion	$ 15,489,122	$ 8,054,343	$ 619,565	$ 6,815,214	52.0%	4.0%	44.0%	
Subtotal	$ 18,865,734	$ 9,810,182	$ 754,629	$ 8,300,923	52.0%	4.0%	44.0%	
Deferred Revenue								
Current portion	$ 686,656	$ 686,656	$ -	$ -	100.0%	0.0%	0.0%	
Long-term portion	$ 34,097,847	$ 34,097,847	$ -	$ -	100.0%	0.0%	0.0%	
Subtotal	$ 34,784,503	$ 34,784,503	$ -	$ -	100.0%	0.0%	0.0%	
Notes Payable								
Current portion	$ 34,389,168	$ 3,683,942	$ 4,920,592	$ 25,784,634	10.7%	14.3%	75.0%	
Long-term portion	$ 372,154,075	$ 173,505,745	$ 32,288,686	$ 166,359,644	46.6%	8.7%	44.7%	
Subtotal	$ 406,543,243	$ 177,189,687	$ 37,209,278	$ 192,144,278	43.6%	9.2%	47.3%	
Interest Expense								
Accrued Interest	$ 5,878,754	$ 2,740,794	$ 510,050	$ 2,627,910	46.6%	8.7%	44.7%	
Remaining Interest	$ 98,951,997	$ 66,159,053	$ 4,978,038	$ 27,814,906	66.9%	5.0%	28.1%	
Subtotal	104,830,751	68,899,847	5,488,088	30,442,816				
Operating Leases	$ 13,383,187	$ 6,625,920	$ 867,980	$ 5,889,287	49.5%	6.5%	44.0%	
Total Liabilities	$ 607,527,466	$ 310,904,323	$ 46,428,388	$ 250,194,755				
Less: Cash	$ 88,165,732	$ 38,426,560	$ 8,069,457	$ 41,669,715	43.6%	9.2%	47.3%	
Total Financial Obligation	$ 519,361,734	$ 272,477,763	$ 38,358,931	$ 208,525,040				

Billing Determinants - excludes non-TOs		Schedule 10	Schedule 16	Schedule 17
LGE/KU		53,957,880	30,940,199	40,350,498
Midwest ISO Transmission Owners - Total		797,275,596	760,071,428	636,086,349
Company Percentage	5.71%	6.77%	4.07%	6.34%

	LGE Total Exit Fee	Schedule 10	Schedule 16	Schedule 17
Net Exit Fee Obligation	$ 33,230,083	$ 18,440,703	$ 1,561,476	$ 13,227,904
		55.5%	4.7%	39.8%

Notes:
1 Net Exit Fee Obligation does not reflect obligation to pay share of FERC Assessment Fee for FY 2007 based on 2006 MWhs of Transmission Service.
2 Deferred Revenue liability related to ComEd Withdrawal Obligation offset by cash received that is reflected in the Cash balance.
3 Accrued Interest liability offset by cash received to pay accrued interest that is included in the Cash balance.

Midwest ISO - Balance Sheet, August 31, 2006

Assets

Current Assets	
Cash	$88,165,732
Restricted Cash	$275,630,136
Accounts Receivable	$18,347,706
Deferred Regulatory Asset	$28,925,737
Prepayments	$4,804,184
Deposits	$10,824,490
Accounts Receivable - Market Participant	$915,539
Total Current Assets	$427,613,524
Fixed Assets	
Land	$2,157,662
Buildings and Improvements	$32,113,465
Furniture and Fixtures	$3,235,135
Computer Hardware	$56,955,810
Computer Software	$221,763,933
Network Equipment	$967,106
Telecommunications Equipment	$24,015,343
Accumulated Depreciation and Amortization	-$130,950,907
Total Fixed Assets	$210,257,547
Projects in Development	$22,191,776
Net Fixed Assets	$232,449,323
Other Assets	
Deferred Note Offering Fee	$2,823,664
Deferred Regulatory Asset	$113,398,063
Total Other Assets	$116,221,727
Total Assets	$776,284,574

Liabilities and Net Assets

Current Liabilities	
Accounts Payable	$4,587,231
Accrued Liabilities	$26,331,485
Restricted Deposits	$216,437,547
Accrued Interest	$5,878,754
Current Portion of Capitalized Leases	$3,376,612
Reserve for Disputed Amounts	$0
Notes Payable	$34,389,168
Deferred Revenue	$686,656
Market Participant Liability	$57,373,065
FERC Assessment Liability	$2,694,449
Total Current Liabilities	$351,754,967
Long-Term Liabilities	
Accrued Liabilities	$2,788,563
Capitalized Leases, Net of Current Portion	$15,489,122
Deferred Revenue	$34,097,847
Notes Payable	$1,667,365
Notes Payable, Net of Unamortized Discount	$370,486,710
Total Long-Term Liabilities	$424,529,607
Total Liabilities	$776,284,574
Total Liabilities and Net Assets	$776,284,574

Prepared by Midwest ISO

Indirect Allocation Factor (from 2006 budget based on labor only)

	Average	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sch 10	**47.31%**	**47.80%**	**47.75%**	**47.43%**	**47.73%**	**47.36%**	**47.31%**	**47.20%**	**47.34%**	**47.07%**	**47.07%**	**46.95%**	**46.78%**	**47.31%**
Sch 16	**6.64%**	6.19%	6.12%	6.42%	6.38%	6.65%	6.66%	6.70%	6.68%	6.95%	6.95%	6.97%	6.99%	**6.64%**
Sch 17	**46.05%**	46.02%	46.13%	46.15%	45.89%	45.99%	46.04%	46.10%	45.98%	45.99%	45.99%	46.09%	46.23%	**46.05%**

Total base operating expenses - 2006 budget

	Percent													
Sch 10	**46.7%**	6,199,061	6,238,178	6,320,362	6,372,969	6,369,509	6,422,385	6,333,891	6,243,661	6,265,380	6,159,411	6,099,721	6,153,297	75,177,825
Sch 16	**7.2%**	910,306	912,512	953,362	955,197	980,865	988,451	983,072	973,998	1,008,677	996,571	991,043	1,005,772	11,659,827
Sch 17	**46.1%**	6,425,132	6,421,976	6,528,228	6,163,436	6,162,738	6,193,941	6,141,638	6,065,657	6,087,854	5,998,573	5,963,344	6,047,939	74,200,455
Total		13,534,499	13,572,666	13,801,951	13,491,602	13,513,112	13,604,777	13,458,602	13,283,315	13,361,910	13,154,556	13,054,109	13,207,008	161,038,107

Midwest ISO
Schedule of Deferred Revenue - 12 Months Ended August 31, 2006
August 31, 2006
25410

DEFERRED REVENUE - SETTLEMENT 10-A CREDIT BALANCE

	DYPM		EXGN	
	ILLINOIS POWER	**AMEREN**	**COMMONWEALTH EDISON**	**Total**
Beginning			(35,500,000.00)	(35,500,000.00)
Sep-05			71,301.23	71,301.23
Oct-05			59,625.74	59,625.74
Nov-05			34,112.07	34,112.07
Dec-05			25,901.01	25,901.01
Jan-06			47,683.76	47,683.76
Feb-06			39,436.66	39,436.66
Mar-06			38,371.27	38,371.27
Apr-06			38,654.53	38,654.53
May-06			68,603.30	68,603.30
Jun-06			41,762.90	41,762.90
Jul-06			46,063.52	46,063.52
Aug-06			46,351.14	46,351.14
Balance			(34,097,344.46)	(34,097,846.56)

Prepared by Midwest ISO

Notes Payable - August 31, 2006

Short Term

Desc	Principal Balance	Discount Balance	Net Balance	Sch 10 %	Sch 16 %	Sch 17 %	Total %	Sch 10 $	Sch 16 $	Sch 17 $	Total $
IDFA*	71,063	-	71,063	47.3%	6.6%	46.0%	100.0%	33,623	4,716	32,724	71,063
Subtotal	71,063	-	71,063					33,623	4,716	32,724	71,063

Long Term

Desc	Principal Balance	Discount Balance	Net Balance	Sch 10 %	Sch 16 %	Sch 17 %	Total %	Sch 10 $	Sch 16 $	Sch 17 $	Total $
2012	100,000,000	267,163	99,732,837	100.0%	0.0%	0.0%	100%	99,732,837	-	-	99,732,837
2013	100,000,000	-	100,000,000	0.0%	16.0%	84.0%	100%	-	16,000,000	84,000,000	100,000,000
2014	125,000,000	-	125,000,000	59.0%	7.0%	34.0%	100%	73,750,000	8,750,000	42,500,000	125,000,000
2009	80,000,000	-	80,000,000	19.0%	13.0%	68.0%	100%	15,200,000	10,400,000	54,400,000	80,000,000
IDFA*	1,702,540	-	1,702,540	47.3%	6.6%	46.0%	100%	805,543	112,987	784,010	1,702,540
Subtotal	406,702,540	267,163	406,435,377	46.6%	8.7%	44.7%	100%	189,488,380	35,262,987	181,684,010	406,435,377
Total Notes Payable				46.6%	8.7%	44.7%	100.0%	189,522,003	35,267,703	181,716,734	406,506,440

*Allocation based on 2006 labor budget

Current Portion of LT Notes Payable

Desc	Principal Balance	Discount Balance	Net Balance	Sch 10 %	Sch 16 %	Sch 17 %	Total %	Sch 10 $	Sch 16 $	Sch 17 $	Total $
2012	100,000,000	267,163		100.0%	0.0%	0.0%	100%	-	-	-	-
2013	100,000,000	-	15,000,000	0.0%	16.0%	84.0%	100%	-	2,400,000	12,600,000	15,000,000
2014	125,000,000	-		59.0%	7.0%	34.0%	100%	-	-	-	-
2009	80,000,000	-	19,389,168	19.0%	13.0%	68.0%	100%	3,683,942	2,520,592	13,184,634	19,389,168
IDFA*	1,702,540	-		52.2%	4.4%	43.4%	100%	-	-	-	-
Subtotal	406,702,540	267,163	34,389,168	0.9%	14.3%	75.0%	90%	3,683,942	4,920,592	25,784,634	34,389,168
Total Current Portion of Notes Payable				10.7%	14.3%	75.0%	100.0%	3,683,942	4,920,592	25,784,634	34,389,168

Interest Expense - August 31, 2006

Discount Rate 2.202%

(from interest expense detail sheet)

Interest Owed	> 9/1/06 Total	1/1 - 8/31 2006	9/1-12/31 2006	2007	2008	2009	2010	2011
Notes Payable								
2012 Note (6/1/00)	$ 50,312,500	$ 5,833,333	$ 2,916,667	$ 8,750,000	$ 8,750,000	$ 8,750,000	$ 8,750,000	$ 8,750,000
2013 Note (2/28/03)	$ 15,949,999	$ 3,080,000	$ 1,540,000	$ 4,070,000	$ 3,410,000	$ 2,750,000	$ 2,035,000	$ 1,375,000
2014 Note (1/16/04)	$ 24,421,056	$ 3,741,667	$ 1,870,833	$ 5,612,500	$ 4,844,122	$ 4,042,336	$ 3,240,551	$ 2,405,357
2009 Note (10/7/04)	$ 4,632,833	$ 1,925,333	$ 797,208	$ 2,000,542	$ 1,278,542	$ 556,542	$ -	$ -
subtotal notes payable	$ 95,316,389	$ 14,580,333	$ 7,124,708	$ 20,433,042	$ 18,282,664	$ 16,098,878	$ 14,025,550	$ 12,530,357
IDFA	$ 169,145	$ 26,055	$ 13,027	$ 35,030	$ 30,856	$ 26,558	$ 22,131	$ 17,571
Capital Leases								
H&P Investments (Building)	$ 10,522,761	$ 809,864	$ 398,129	$ 1,165,555	$ 1,119,274	$ 1,068,802	$ 1,013,760	$ 953,733
EMC Disk Array	$ -	$ -	$ -					
Charter One Hardware Lease	$ 16,768	$ 27,990	$ 8,995	$ 7,773				
Coach Capital - Capital Lease #1	$ 25,143	$ 32,013	$ 11,233	$ 13,910				
Coach Capital - Capital Lease #2	$ 23,468	$ 29,916	$ 10,516	$ 12,952				
Coach Capital - Capital Lease #3	$ 42,135	$ 42,060	$ 16,906	$ 24,947	$ 283			
Coach Capital - sch #3 (tier 1)	$ 311,989		55,934.89	143,062.56	100,811.21	12,179.86		
Coach Capital - sch #5 (tier 1)	$ 305,721		54,215.44	139,484.87	99,757.38	12,263.22		
Coach Capital - sch #6 (tier 1)	$ 32,713		5,781.02	14,901.44	10,707.57	1,323.42		
Subtotal capital leases	$ 11,280,698	$ 941,842	$ 561,710	$ 1,522,585	$ 1,330,833	$ 1,094,569	$ 1,013,760	$ 953,733
Total Interest Owed	$ 106,766,232	$ 15,548,230	$ 7,699,446	$ 21,990,657	$ 19,644,353	$ 17,220,005	$ 15,061,442	$ 13,501,661

Net Present Value :		Sch 10 %	Sch 16 %	Sch 17 %	Total %	Sch 10 $	Sch 16 $	Sch 17 $	Total $
Notes Payable									
2012 Note	$46,610,348	100.0%	0.0%	0.0%	100%	$ 46,610,348	$ -	$ -	$ 46,610,348
2013 Note	$14,972,903	0.0%	16.0%	84.0%	100%	$ -	$ 2,395,664	$ 12,577,239	$ 14,972,903
2014 Note	$22,761,662	59.0%	7.0%	34.0%	100%	$ 13,429,381	$ 1,593,316	$ 7,738,965	$ 22,761,662
2009 Note	$4,451,549	19.0%	13.0%	68.0%	100%	$ 845,794	$ 578,701	$ 3,027,053	$ 4,451,549
IDFA	$156,825	47.3%	6.6%	46.0%	100%	$ 74,200	$ 10,407	$ 72,217	$ 156,825
Capital Leases									
H&P Investments (Building)	$9,267,082	52.0%	4.0%	44.0%	100%	$ 4,818,882	$ 370,683	$ 4,077,516	$ 9,267,082
EMC Disk Array	$0	52.0%	4.0%	44.0%	100%	$ -	$ -	$ -	$ -
Charter One Hardware Lease	$16,421	52.0%	4.0%	44.0%	100%	$ 8,539	$ 657	$ 7,225	$ 16,421
Coach Capital - Capital Lease #1	$24,575	52.0%	4.0%	44.0%	100%	$ 12,779	$ 983	$ 10,813	$ 24,575
Coach Capital - Capital Lease #2	$22,939	52.0%	4.0%	44.0%	100%	$ 11,928	$ 918	$ 10,093	$ 22,939
Coach Capital - Capital Lease #3	$41,138	52.0%	4.0%	44.0%	100%	$ 21,392	$ 1,646	$ 18,101	$ 41,138
Coach Capital - sch #3 (tier 1)	$300,565	52.0%	4.0%	44.0%	100%	$ 156,294	$ 12,023	$ 132,249	$ 300,565
Coach Capital - sch #5 (tier 1)	$294,481	52.0%	4.0%	44.0%	100%	$ 153,130	$ 11,779	$ 129,571	$ 294,481
Coach Capital - sch #6 (tier 1)	$31,509	52.0%	4.0%	44.0%	100%	$ 16,385	$ 1,260	$ 13,864	$ 31,509
Total Interest Owed NPV	$98,951,997	66.9%	5.0%	28.1%	100%	$ 66,159,053	$ 4,978,038	$ 27,814,906	$ 98,951,997

Midwest ISO
Notes Payable

Note Amount	Issue Date	Rate	Int Payment Freq	Annual Interest	Annual Principal Paid	Due	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06
							Interest Payments ==========>						
$100,000,000	6/1/00	8.75%	SA	$8,750,000		6/1/12						4,375,000	
$100,000,000	2/28/03	4.62%	SA	$4,620,000	$14,285,715	2/28/13		2,310,000					
$125,000,000	1/16/04	4.49%	SA	$5,612,500	$17,857,143	1/16/14	2,806,250						2,806,250
$80,000,000	10/7/04	3.61%	SA	$2,888,000	$20,000,000	10/7/09				1,444,000			
Total Interest Payments				$21,870,500	$52,142,858		2,806,250	2,310,000	0	1,444,000	0	4,375,000	2,806,250
Principal :							Principal Balance ============>						
$100,000,000		8.75%	SA	$8,750,000		6/1/12	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
$100,000,000		4.62%	SA	$4,620,000	$14,285,715	2/28/13	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
$125,000,000		4.49%	SA	$5,612,500	$17,857,143	1/16/14	125,000,000	125,000,000	125,000,000	125,000,000	125,000,000	125,000,000	125,000,000
$80,000,000		3.61%	SA	$2,888,000	$20,000,000	10/7/09	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000
Total Principal Balance				$21,870,500	$52,142,858		405,000,000	405,000,000	405,000,000	405,000,000	405,000,000	405,000,000	405,000,000
Interest Expense							Interest Expense ==============>						
$100,000,000		8.75%	SA	$8,750,000		6/1/12	729,167	729,167	729,167	729,167	729,167	729,167	729,167
$100,000,000		4.62%	SA	$4,620,000	$14,285,715	2/28/13	385,000	385,000	385,000	385,000	385,000	385,000	385,000
$125,000,000		4.49%	SA	$5,612,500	$17,857,143	1/16/14	467,708	467,708	467,708	467,708	467,708	467,708	467,708
$80,000,000		3.61%	SA	$2,888,000	$20,000,000	10/7/09	240,667	240,667	240,667	240,667	240,667	240,667	240,667
Total Interest Expense				$21,870,500	$52,142,858		1,822,542	1,822,542	1,822,542	1,822,542	1,822,542	1,822,542	1,822,542

Interest Expense by Year:

		9/1-12/31
2006	21,705,042	7,124,708
2007	20,433,042	
2008	18,282,664	
2009	16,098,878	
2010	14,025,550	
2011	12,530,357	
2012	5,964,405	
2013	856,786	
2014	0	
	109,896,722	95,316,389

Daily Interest	12/31/2005	Note		2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
23,973	48,880,137	$100,000,000	2012	8,750,000	8,750,000	8,750,000	8,750,000	8,750,000	8,750,000	3,645,833	0	0	56,145,833
12,658	13,125,863	$100,000,000	2013	4,620,000	4,070,000	3,410,000	2,750,000	2,035,000	1,375,000	715,000	55,000	0	19,029,999
15,377	10,994,349	$125,000,000	2014	5,612,500	5,612,500	4,844,122	4,042,336	3,240,551	2,405,357	1,603,571	801,786	0	28,162,723
7,912	3,560,548	$80,000,000	2009	2,722,542	2,000,542	1,278,542	556,542	0	0	0	0	0	6,558,167
	$76,560,897	$405,000,000		21,705,042	20,433,042	18,282,664	16,098,878	14,025,550	12,530,357	5,964,405	856,786	0	109,896,722

Prepared by Midwest ISO

Midwest ISO
Capital Leases
31-Aug-06

Capital Leases		Remaining Payments	Less: Remaining Int.	Aug 31, 2006 Principal Bal.	Sept-Dec 2006	2007	2008	2009	2010 and Future
1 H&P Investments (Building)	total	24,311,280	10,522,762	13,788,518	558,880	1,676,640	1,676,640	1,676,640	18,722,480
Expires February 2021	prin.	13,788,518			160,751 p	511,085	557,366	607,838	11,951,480
3/1/01 - 2/28/2021 $139,720.00	int.	10,522,762			398,129 i	1,165,555	1,119,274	1,068,802	6,771,000
2 EMC disk array	total	-	(12)	12					
Expires February 2006	prin.	12			12 p	-	-	-	-
$287,583/month	int.	(12)			(12) i	-	-	-	-
3 Nat'l Vendor Finance Hardware Lease	total	810,240	16,768	793,472	270,080	540,160			
Expires August 2007	prin.	793,472			261,085 p	532,387	-	-	-
$67,520/month	int.	16,768			8,995 i	7,773	-	-	-
4 Coach Capital Software Lease #1	total	722,223	25,143	697,080	192,593	529,630			
Expires October 2007	prin.	697,080			181,360 p	515,720	-	-	-
$48,148.18/month	int.	25,143			11,233 i	13,910	-	-	-
5 Coach Capital Software Lease #2	total	598,960	23,468	575,492	159,723	439,237			
Expires October 2007	prin.	575,492			149,206 p	426,286	-	-	-
$39,930.66/month	int.	23,468			10,516 i	12,952	-	-	-
6 Coach Capital Software Lease #3	total	947,283	42,136	905,147	222,890	668,670	55,723		
Expires 1/31/08	prin.	905,147			205,984 p	643,724	55,440	-	-
$55,722.52/month	int.	42,136			16,906 i	24,947	283	-	-
7 Coach Capital Sch. #3	total	1,346,742	311,989	1,034,754	126,089	378,266	378,266	464,121	
Expires January, 2009	prin.	1,034,754			70,154 p	235,204	277,455	451,941	-
$31,522.20/month + final month payout	int.	311,989			55,935 i	143,063	100,811	12,180	-
8 Coach Capital Sch. #5	total	1,274,764	305,721	969,043	117,599	352,796	352,796	451,573	
Expires January, 2009	prin.	969,043			63,383 p	213,311	253,039	439,309	-
$29,399.68/month + final month payout	int.	305,721			54,215 i	139,485	99,757	12,263	-
9 Coach Capital Sch. #6	total	134,929	32,713	102,216	12,388	37,165	37,165	48,211	
Expires January, 2009	prin.	102,216			6,607 p	22,264	26,457	46,888	-
$3,097.08/month + final month payout	int.	32,713			5,781 i	14,901	10,708	1,323	-
				Principal Bal					
Total payments		30,146,421	11,280,687	18,865,734	1,660,241	4,622,565	2,500,590	2,640,544	18,722,480
Total principal payments					1,098,543	3,099,980	1,169,757	1,545,976	11,951,480
Total Interest payments					561,699	1,522,585	1,330,833	1,094,569	6,771,000
Ending principal balance - capital leases					17,767,191	14,667,212	13,497,455	11,951,480	-

Interest Payments		Per month 06	for 2 months	Sept-Dec 2006	2007	2008	2009	2010 and Future
1 H&P Investments (Building)	10,522,762	99,532	199,065	398,129	1,165,555	1,119,274	1,068,802	6,771,000
2 EMC Disk Array	(12)	(3)	(6)	(12)				
3 Nat'l City Vendor Fin Hardware Lease	16,768	2,249	4,497	8,995	7,773			
4 Coach Capital Software Lease #1	25,143	2,808	5,616	11,233	13,910			
5 Coach Capital Software Lease #2	23,468	2,629	5,258	10,516	12,952			
6 Coach Capital Software Lease #3	42,136	4,227	8,453	16,906	24,947	283		
7 Coach Capital Sch. #3	311,989	13,984	27,967	55,935	143,063	100,811	12,180	
8 Coach Capital Sch. #5	305,721	13,554	27,108	54,215	139,485	99,757	12,263	
9 Coach Capital Sch #6	32,713	1,445	2,891	5,781	14,901	10,708	1,323	
Total	11,280,687	140,425	280,849	561,699	1,522,585	1,330,833	1,094,569	12,528,241
				1,098,543	3,099,980	1,169,757	1,545,976	6,194,240
Present Value of Min Lease Payments	18,865,734							

[redacted]

Future ====> 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
$ 1,676,640	$ 1,676,640	$ 1,676,640	$ 1,676,640	$ 1,676,640	$ 1,676,640	$ 1,676,640	$ 1,676,640	$ 1,676,640	$ 1,676,640	$ 279,440
$ 1,676,640	$ 1,676,640	$ 1,676,640	$ 1,676,640	$ 1,676,640	$ 1,676,640	$ 1,676,640	$ 1,676,640	$ 1,676,640	$ 1,676,640	$ 279,440
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 953,733	$ 888,271	$ 816,881	$ 739,026	$ 654,121	$ 561,527	$ 460,549	$ 350,427	$ 230,332	$ 99,363	$ 3,010
$ 953,733	$ 888,271	$ 816,881	$ 739,026	$ 654,121	$ 561,527	$ 460,549	$ 350,427	$ 230,332	$ 99,363	$ 3,010
$ 722,907	$ 788,369	$ 859,759	$ 937,614	$ 1,022,519	$ 1,115,113	$ 1,216,091	$ 1,326,213	$ 1,446,308	$ 1,577,277	$ 276,430

Operating Leases - August 31, 2006

Discount Rate	2.20%										
	NPV	2005	thru 8/31 2006	9/1 - 12/31 2006	2007	2008	2009	2010	2011	2012	2013
1 ATAPCO (Conference Center)											
Expires April 15, 2008											
$14,149.33 (5/1/05-4/30/06)	$ -	$ 56,597	$ 56,597	$ -							
$14,559.42 (5/1/06-4/30/07)	$ 113,979		$ 58,238	$ 58,238	$ 58,238						
$14,969.58 (5/1/07-4/30/08)	$ 176,424				$ 119,757	$ 59,878					
2 Thomson, Inc (615 Building Furniture)											
Expires May 31, 2008											
$3,750.00/month	$ 76,152	$ 15,000	$ 30,000	$ 15,000	$ 45,000	$ 18,750					
3 ATAPCO (615 Building)											
Expires April 30, 2008											
$22,425.00 (6/1/05-4/30/06)	$ -	$ 89,700	$ 89,700								
$22,945.00 (5/1/06-4/30/07)	$ 179,626		$ 91,780	$ 91,780	$ 91,780						
$23,465.00 (5/1/07-4/30/08)	$ 276,546				$ 187,720	$ 93,860					
4 ATAPCO (635 Building)											
Expires April 30, 2008											
$29,563.92 (11/1/04-10/31/05)	$ -	$ 59,128									
$30,351.42 (11/1/05-10/31/06)	$ 60,049	$ 60,703	$ 242,811	$ 60,703							
$31,138.83 (11/1/06-10/31/07)	$ 363,004			$ 62,278	$ 311,388						
$31,926.32 (11/1/07-4/30/08)	$ 186,772				$ 63,853	$ 127,705					
5 ATAPCO (655 Building)											
Expires May 31, 2007											
$36,192.50 (1/1/05-5/31/05)											
$36,776.25 (6/1/05-5/31/06)	$ -	$ 147,105	$ 183,881								
$37,360.01 (6/1/06-5/31/07)	$ 328,636		$ 112,080	$ 149,440	$ 186,800						
New facility - office / data center	$ -										
5/1/08 - 4/30/2018											
6 Coach Capital - Operating Lease, Sch. #2											
Expires: September 30, 2006											
$85,923.44/month	$ 84,998	$ 343,694	$ 687,388	$ 85,923							
7 Coach Capital - Operating Lease, Sch. #1											
Expires August, 2008											
$65,801.26/month	$ 1,523,191	$ 263,205	$ 526,410	$ 263,205	$ 789,615	$ 526,410					
8 Coach Capital - Operating Lease, Sch. #4											
Expires August, 2008											
$32,180.36/month	$ 744,922	$ 128,721	$ 257,443	$ 128,721	$ 386,164	$ 257,443					

Operating Leases - August 31, 2006

Discount Rate	2.20%											
	NPV		**2005**	**thru 8/31 2006**	**9/1 - 12/31 2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
9 Ikon Financial Services (B&W Copiers) 3/6/03-3/5/07 $11,520.00/month, until Sept., 2004 changed to 14,418 Ls No. 43707	$ 84,961		$ 57,672	$ 115,344	$ 57,672	$ 28,836						
9a Ikon Financial Services (Color Copiers) 3/6/03-3/5/07 $1,547.90/month Ls No. 43707	$ 9,121		$ 6,192	$ 12,383	$ 6,192	$ 3,096						
10 Ikon Financial Services (Color Copiers) 4/25/03-4/24/06 $892/month	$ -		$ 3,568	$ 3,568								
11 Office Services, LLC (Office in Illinois) 6/1/04-90 Day Ongoing Basis $525/month	$ -		$ 1,575									
MISO St. Paul												
1 Facility 1/1/99 - 12/31/99 $95,255.87 1/1/00 - 12/31/06 $111,636.40 1/1/07 - 12/31/2013 $119,715.35	$ 9,568,137		$ 446,546	$ 893,091	$ 446,546	$ 1,436,584	$ 1,436,584	$ 1,436,584	$ 1,436,584	$ 1,436,584	$ 1,436,584	$ 1,436,584
Agility/Vericenter Sublease Revenue 1/1/02 - 1/31/08 - $23,811/mo	$ (393,332)		$ (95,244)	$ (190,488)	$ (95,244)	$ (285,732)	$ (23,811)					
MAPPCOR Sublease Revenue 6/1/02 - 01/31/08 - $10,417/mo	$ -		$ (41,668)	$ (125,000)		**terminated**						
2 IOS Capital $547.00/month 11/1/00 - 10/1/05 Ls No. 82296	$ -		$ 547									
3 IOS Capital $1,835.00/month 2/28/01 - 1/28/06 Ls No. 960624	$ -		$ 7,340	$ 1,835	$ -							
Total	$ 13,383,187	$ -	$ 1,550,380	$ 3,047,062	$ 1,330,453	$ 3,423,099	$ 2,496,820	$ 1,436,584	$ 1,436,584	$ 1,436,584	$ 1,436,584	$ 1,436,584
Running totals					$ 1,330,453	$ 4,753,552	$ 7,250,372	$ 8,686,956	$ 10,123,540	$ 11,560,124	$ 12,996,709	$ 14,433,293

Final Calculation

Billing Determinants Worksheet
Schedule 10, 16, 17
For the 12 Months Ended August 31, 2006

	Actual 2005 Sept	Actual 2005 Oct	Actual 2005 Nov	Actual 2005 Dec	Actual 2006 Jan	Actual 2006 Feb	Actual 2006 Mar	Actual 2006 Apr	Actual 2006 May	Actual 2006 June	Actual 2006 July	Actual 2006 August	Last 12 Months Total
Schedule 10 Demand MWh - transmission owners only (from NITS log)	66,392,807	62,912,402	57,308,256	63,543,355	63,154,244	53,339,304	56,218,891	54,953,834	78,077,823	74,469,311	87,313,508	79,591,861	797,275,596
Schedule 10 Energy MWh - transmission owners only													
Schedule 16 - FTR MW Volume (from report from market settlements - K. Donald)	56,463,285	60,442,332	59,389,762	66,389,844	62,966,570	57,293,547	62,716,549	62,144,000	64,573,372	64,046,031	70,543,710	73,102,425	760,071,428
Schedule 17 - MWh (Injections) (from report from market settlements)	54,349,672	50,839,475	50,282,061	56,729,556	53,021,481	48,826,934	51,917,466	46,360,903	49,900,480	53,378,242	60,685,486	59,784,594	636,086,349
Total volume	177,205,764	174,194,209	166,980,079	186,662,754	179,142,295	159,459,785	170,852,905	163,458,737	192,551,674	191,893,584	218,542,705	212,488,880	2,193,433,373
LGE :													
Schedule 10 NITS	4,656,240	4,303,296	3,918,240	4,688,688	4,198,392	3,890,880	4,062,240	3,485,520	4,880,640	5,029,200	5,311,416	5,533,128	53,957,880
Schedule 10 Energy MWh													
Schedule 16 - FTR MW Volume	2,336,451	2,483,854	2,344,424	2,551,104	2,550,157	2,310,220	2,571,644	2,332,098	2,424,790	2,953,798	3,024,982	3,056,677	30,940,199
Schedule 17 - MWh (Injections)	3,519,937	2,910,069	3,338,253	3,701,116	3,577,418	3,055,981	3,024,234	2,810,777	3,250,031	3,437,951	3,854,916	3,869,815	40,350,498
LGE Totals	10,512,628	9,697,219	9,600,918	10,940,908	10,325,968	9,257,082	9,658,118	8,628,394	10,555,461	11,420,949	12,191,314	12,459,619	125,248,577
	5.9%	5.6%	5.7%	5.9%	5.8%	5.8%	5.7%	5.3%	5.5%	6.0%	5.6%	5.9%	5.7%

Attachment II

Initial Withdrawal Fee Calculation and Subsequent Adjustments

The calculation of the initial Withdrawal Fee amount of $33,230,083 is per the methodology submitted to FERC as part of the request to authorize withdrawal. A review of the application of that methodology was conducted by LGE Corporation at the offices of the Midwest ISO on September 15, 2006. A list of the issues discussed at this meeting with action items to be completed after the meeting and the action taken follows.

<u>Issues</u>

1) Allocation of Accrued Liabilities to cost recovery schedules

   Midwest ISO used the total operating expense by cost recovery schedule in the 2006 Budget to allocate accrued liabilities. The allocation factors are: (a) Schedule 10 – 46.7 %, (b) Schedule 16 – 7.2%, and (c) Schedule 17 – 46.1%. Operating expenses used for this calculation are exclusive of depreciation, amortization and net interest expenses.

2) Allocation of Cash to cost recovery schedules

   Midwest ISO used the effective weighted average allocation factor for all notes payable, both current and long term, to allocate cash. The allocation factors are: (a) Schedule 10 – 43.6%, (b) Schedule 16 – 9.2%, and (c) Schedule 17 – 47.3%.

3) Mechanism to adjust Withdrawal Fee due to significant changes, if any, in the audited financial statements of the Midwest ISO for calendar year 2006

   Per the terms of a Letter Agreement to be developed and executed by the Midwest ISO and LGE Corporation a mechanism will be provided to adjust the Withdrawal Fee should there be any significant adjustments to the Midwest ISO's audited financial statements as of December 31 2006 relative to the unaudited financial statements as of August 31, 2006 used to calculate the Withdrawal Fee. The proposed mechanism is for the Midwest ISO to disclose to representatives of LGE Corporation any adjustments made between August 31, 2006 and December 31, 2006. The Midwest ISO will also provide a revised Withdrawal Fee calculation based on such adjustments, if any. LGE Corporation will then review the adjustments and revised Withdrawal Fee Obligation. If there are no disputes, then Midwest ISO will issue an invoice for any increase in the Withdrawal Obligation or a credit memo for any decrease in the Withdrawal Obligation to LGE Corporation. Payment of the invoiced amount or the credit amount, if any, will be due ten (10) Business Days after receipt of the invoice or credit memo. Any dispute over the adjustment to the Withdrawal Fee will be pursuant to the dispute resolution provisions of the Letter Agreement.

4) Mechanism for billing LGE Corporation for its share of the credit earned by Commonwealth Edison under Schedule 10-A of the Midwest ISO Tariff

LGE Corporation's share of the credit earned by Commonwealth Edison under Schedule 10-A of the Tariff shall be its share of Schedule 10 financial obligations. That share (the "Commonwealth Edison Schedule 10-A Allocation Factor") is 6.77 percent, which is based on the Schedule 10 demand-based MWhs for Transmission Owners over the period October 1, 2005 through August 31, 2006. On or before February 28 of each year subsequent to a year that Schedule 10-A of the Midwest ISO Tariff is effective, the Midwest ISO will multiply the credit earned by Commenwealth Edison by the Commonwealth Edison Schedule 10-A Allocation Factor to derive LGE Corporation's share of this financial obligation. The Midwest ISO will issue an invoice to LGE Corporation on or before February 28. Payment is due within ten (10) Business Days of receipt of the invoice.

5) Mechanism for crediting LGE Corporation for its share of the Deferred Revenue balance associated with the Commonwealth Edison exit fee upon expiration of the credit available under Schedule 10-A of the Midwest ISO Tariff

Currently Schedule 10-A of the Tariff is effective through December 15, 2013. On or before February 28, 2014 the Midwest ISO will determine the unamortized balance of the Deferred Revenue liability, which is equal to the credit available but not earned by Commonwealth Edison. LGE Corporation's share of the unamortized balance shall be the Commonwealth Edison Schedule 10-A Allocation Factor of 6.77 percent. The Midwest ISO will determine LGE Corporation's share of the unamortized balance by multiplying the balance as of December 15, 2013 by the Commonwealth Edison Schedule 10-A Allocation factor and issue a credit memo to LGE Corporation on or before February 28, 2014. Payment of the credit memo amount will be due within ten (10) Business Days thereafter.

Should FERC accept changes to the Tariff proposed by the Midwest ISO to permit amortization of the Deferred Revenue balance monthly over the period of time from date of acceptance through December 15, 2013, the Midwest ISO will determine LGE Corporation's share of the annual amortization amount by multiplying the amortization amount by the Commonwealth Edison Schedule 10-A Allocation factor. The Midwest ISO will issue a credit memo to LGE Corporation on or before February 28 of the year subsequent to the year the amortization was incurred for LGE's share of the amortization amount. Payment of the credit memo amount will be due within ten (10) Business Days thereafter.

6) Details on the capital lease obligations and associated interest payment obligations included in the Remaining Interest line item

   The detailed capital lease worksheet enclosed with this letter provides a list of the capital lease obligations by lease. The interest payment obligations under each lease are included in the detailed worksheet for the Remaining Interest obligation calculation enclosed with this letter. Copies of the individual capital leases are available for review upon request.

7) Mechanism for adjusting LGE Corporation's share of Schedule 17 financial obligations based on final meter reads submitted as part of the S105 settlement calculations

   The billing determinants used to determine LGE Corporation's share of the Schedule 17 financial obligations will be updated within forty-five (45) days of the date the S105 settlement statement is issued for the August 31, 2006 operating day. The update will reflect any changes to Schedule 17 MWhs for Transmission Owners that were incorporated into either the S55 resettlement or the S105 resettlement for all operating days during the period September 1, 2005 through August 31, 2006. The updated billing determinants will then be used to calculate LGE Corporation's share of the Schedule 17 financial obligations.

   The proposed mechanism is for the Midwest ISO to disclose to representatives of LGE Corporation any adjustments made to the Schedule 17 MWhs. The Midwest ISO will also provide a revised Withdrawal Fee based on such adjustments, if any. LGE Corporation will then review the adjustments and revised Withdrawal Fee obligation. If there are no disputes, then Midwest ISO will issue an invoice for any increase in the Withdrawal Obligation or a credit memo for any decrease in the Withdrawal Obligation to LGE Corporation. Payment of the invoiced amount or the credit amount, if any, will be due ten (10) Business Days after receipt of the invoice or credit memo. Any dispute over the adjustment to the Withdrawal Fee will be pursuant to the dispute resolution provisions of the Letter Agreement.

8) Request for credit to Withdrawal Fee associated with Schedule 17 financial obligations due to payment of Schedule 17 by virtual transactions

   The Midwest ISO has considered LGE Corporation's request for a mechanism to credit its Schedule 17 financial obligation to reflect revenue collected under Schedule 17 from virtual transactions subsequent to the date of withdrawal by LGE Corporation. The Midwest ISO does not agree that a credit is appropriate.

   The methodology used to determine the Withdrawal Obligation is predicated on the assumption that if all Transmission Owners were simultaneously withdraw from the Midwest ISO then the financial obligations outstanding as of the withdrawal date would be allocated to each Transmission Owner based on the ratio of their billing determinants to the total billing determinants for all Transmission Owners. This assumption ensures that one hundred percent (100%) of the financial obligations outstanding as of the withdrawal date are allocated to the parties with a financial obligation under the Tariff and the Transmission Owners Agreement. The vast majority of the virtual transactions that pay a Schedule 17 charge are associated with Market Participants that are not Transmission Owners and have no financial obligation under the Tariff or the Transmission Owners Agreement. As such, their billing determinants were excluded from the calculation of LGE Corporation's Withdrawal Fee.

The Midwest ISO acknowledges the benefit to Transmission Owners resulting from inclusion of virtual transactions in the calculation of Schedule 17, which is a lower rate per MWh than would exist absent a schedule 17 charge paid by virtual transactions. That said, this benefit is one derived from continued membership in the Midwest ISO. Given LGE Corporation's withdrawal, it is not appropriate to provide LGE Corporation with this benefit on an on-going basis subsequent to withdrawal. To provide such a credit would deprive the remaining Transmission Owners that portion of the benefit allocated to LGE Corporation. As such, the Midwest ISO respectfully declines to propose or agree to such a mechanism.

Exhibit B

October 6, 2006 notice of revised Withdrawal Fee calculation in the amount of $33,236,362

Exit Fee Calculation LGE / KU

August 31, 2006 Balance Sheet

	Total	Schedule 10	Schedule 16	Schedule 17	Allocations Sch. 10	Sch. 16	Sch.17	*Comments*
Accrued Liabilities								
Current portion	$ 26,331,485	$ 12,696,967	$ 1,732,193	$ 11,902,325	48.2%	6.6%	45.2%	source = 2006 budget
Long-term portion	$ 2,788,563	$ 1,344,637	$ 183,443	$ 1,260,483	48.2%	6.6%	45.2%	source = 2006 budget
Subtotal	$ 29,120,048	$ 14,041,604	$ 1,915,636	$ 13,162,807				
Capitalized Leases								
Current portion	$ 3,376,612	$ 1,755,838	$ 135,064	$ 1,485,709	52.0%	4.0%	44.0%	
Long-term portion	$ 15,489,122	$ 8,054,343	$ 619,565	$ 6,815,214	52.0%	4.0%	44.0%	
Subtotal	$ 18,865,734	$ 9,810,182	$ 754,629	$ 8,300,923	52.0%	4.0%	44.0%	
Deferred Revenue								
Current portion	$ 686,656	$ 686,656	$ -	$ -	100.0%	0.0%	0.0%	
Long-term portion	$ 34,097,847	$ 34,097,847	$ -	$ -	100.0%	0.0%	0.0%	
Subtotal	$ 34,784,503	$ 34,784,503	$ -	$ -	100.0%	0.0%	0.0%	
Notes Payable								
Current portion	$ 34,389,168	$ 3,683,942	$ 4,920,592	$ 25,784,634	10.7%	14.3%	75.0%	
Long-term portion	$ 372,154,075	$ 173,505,745	$ 32,288,686	$ 166,359,644	46.6%	8.7%	44.7%	
Subtotal	$ 406,543,243	$ 177,189,687	$ 37,209,278	$ 192,144,278	43.6%	9.2%	47.3%	
Interest Expense								
Accrued Interest	$ 5,878,754	$ 2,740,794	$ 510,050	$ 2,627,910	46.6%	8.7%	44.7%	
Remaining Interest	$ 98,951,997	$ 66,159,053	$ 4,978,038	$ 27,814,906	66.9%	5.0%	28.1%	
Subtotal	104,830,751	68,899,847	5,488,088	30,442,816				
Operating Leases	$ 13,383,187	$ 6,625,920	$ 867,980	$ 5,889,287	49.5%	6.5%	44.0%	
Total Liabilities	$ 607,527,466	$ 311,351,742	$ 46,235,612	$ 249,940,112				
Less: Cash	$ 88,165,732	$ 38,426,560	$ 8,069,457	$ 41,669,715	43.6%	9.2%	47.3%	
Total Financial Obligation	$ 519,361,734	$ 272,925,182	$ 38,166,155	$ 208,270,397				

Billing Determinants - excludes non-TOs		Schedule 10	Schedule 16	Schedule 17
LGE/KU		53,957,880	30,940,199	40,350,498
Midwest ISO Transmission Owners - Total		797,275,596	760,071,428	636,086,349
Company Percentage	5.71%	6.77%	4.07%	6.34%

	LGE Total Exit Fee	Schedule 10	Schedule 16	Schedule 17
Net Exit Fee Obligation	$ 33,236,362	$ 18,470,983	$ 1,553,628	$ 13,211,751
		55.6%	4.7%	39.8%

Notes:
1 Net Exit Fee Obligation does not reflect obligation to pay share of FERC Assessment Fee for FY 2007 based on 2006 MWhs of Transmission Service.
2 Deferred Revenue liability related to ComEd Withdrawal Obligation offset by cash received that is reflected in the Cash balance.
3 Accrued Interest liability offset by cash received to pay accrued interest that is included in the Cash balance.

tabbies® EXHIBIT B

Prepared by Midwest ISO

Indirect Allocation Factor (from 2006 budget based on labor only)

	Average	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sch 10	**47.31%**	**47.80%**	**47.75%**	**47.43%**	**47.73%**	**47.36%**	**47.31%**	**47.20%**	**47.34%**	**47.07%**	**47.07%**	**46.95%**	**46.78%**	**47.31%**
Sch 16	**6.64%**	6.19%	6.12%	6.42%	6.38%	6.65%	6.66%	6.70%	6.68%	6.95%	6.95%	6.97%	6.99%	**6.64%**
Sch 17	**46.05%**	46.02%	46.13%	46.15%	45.89%	45.99%	46.04%	46.10%	45.98%	45.99%	45.99%	46.09%	46.23%	**46.05%**

Total base operating expenses - 2006 budget

	Percent													
Sch 10	**46.7%**	6,199,061	6,238,178	6,320,362	6,372,969	6,369,509	6,422,385	6,333,891	6,243,661	6,265,380	6,159,411	6,099,721	6,153,297	75,177,825
Sch 16	**7.2%**	910,306	912,512	953,362	955,197	980,865	988,451	983,072	973,998	1,008,677	996,571	991,043	1,005,772	11,659,827
Sch 17	**46.1%**	6,425,132	6,421,976	6,528,228	6,163,436	6,162,738	6,193,941	6,141,638	6,065,657	6,087,854	5,998,573	5,963,344	6,047,939	74,200,455
Total		13,534,499	13,572,666	13,801,951	13,491,602	13,513,112	13,604,777	13,458,602	13,283,315	13,361,910	13,154,556	13,054,109	13,207,008	161,038,107

Total base operating expenses - 2006 actuals

	Percent													
Sch 10	**49.0%**	4,956,954	6,488,020	6,788,049	5,313,220	6,235,404	5,814,155	5,701,761	7,515,679					48,813,242
Sch 16	**6.0%**	481,143	778,256	673,684	752,170	884,710	752,498	778,279	923,269					6,024,009
Sch 17	**45.0%**	5,178,652	7,151,784	4,523,250	5,195,041	6,117,968	5,558,703	5,326,041	5,742,448					44,793,887
Total		10,616,749	14,418,060	11,984,983	11,260,431	13,238,082	12,125,356	11,806,081	14,181,396					99,631,138

Total base operating expenses - 2006 actuals 8 months, 2006 budget 4 months

	Percent													
Sch 10	**48.2%**	4,956,954	6,488,020	6,788,049	5,313,220	6,235,404	5,814,155	5,701,761	7,515,679	6,265,380	6,159,411	6,099,721	6,153,297	73,491,051
Sch 16	**6.6%**	481,143	778,256	673,684	752,170	884,710	752,498	778,279	923,269	1,008,677	996,571	991,043	1,005,772	10,026,072
Sch 17	**45.2%**	5,178,652	7,151,784	4,523,250	5,195,041	6,117,968	5,558,703	5,326,041	5,742,448	6,087,854	5,998,573	5,963,344	6,047,939	68,891,597
Total		10,616,749	14,418,060	11,984,983	11,260,431	13,238,082	12,125,356	11,806,081	14,181,396	13,361,910	13,154,556	13,054,109	13,207,008	152,408,721

Exhibit C

Final Withdrawal Fee calculation

Exit Fee Calculation LGE / KU

August 31, 2006 Balance Sheet

	Total	Schedule 10	Schedule 16	Schedule 17	Allocations Sch. 10	Sch. 16	Sch.17	*Comments*
Accrued Liabilities								
Current portion	$ 26,331,485	$ 12,696,967	$ 1,732,193	$ 11,902,325	48.2%	6.6%	45.2%	source = 2006 budget
Long-term portion	$ 2,788,563	$ 1,344,637	$ 183,443	$ 1,260,483	48.2%	6.6%	45.2%	source = 2006 budget
Subtotal	$ 29,120,048	$ 14,041,604	$ 1,915,636	$ 13,162,807				
Capitalized Leases								
Current portion	$ 3,376,612	$ 1,755,838	$ 135,064	$ 1,485,709	52.0%	4.0%	44.0%	
Long-term portion	$ 15,489,122	$ 8,054,343	$ 619,565	$ 6,815,214	52.0%	4.0%	44.0%	
Subtotal	$ 18,865,734	$ 9,810,182	$ 754,629	$ 8,300,923	52.0%	4.0%	44.0%	
Deferred Revenue								
Current portion	$ 686,656	$ 686,656	$ -	$ -	100.0%	0.0%	0.0%	
Long-term portion	$ 34,097,847	$ 34,097,847	$ -	$ -	100.0%	0.0%	0.0%	
Subtotal	$ 34,784,503	$ 34,784,503	$ -	$ -	100.0%	0.0%	0.0%	
Notes Payable								
Current portion	$ 34,389,168	$ 3,683,942	$ 4,920,592	$ 25,784,634	10.7%	14.3%	75.0%	
Long-term portion	$ 372,154,075	$ 173,525,521	$ 32,284,267	$ 166,344,287	46.6%	8.7%	44.7%	
Subtotal	$ 406,543,243	$ 177,209,463	$ 37,204,859	$ 192,128,921	43.6%	9.2%	47.3%	
Interest Expense								
Accrued Interest	$ 5,878,754	$ 2,741,106	$ 509,980	$ 2,627,667	46.6%	8.7%	44.7%	
Remaining Interest	$ 98,951,997	$ 66,159,053	$ 4,978,038	$ 27,814,906	66.9%	5.0%	28.1%	
Subtotal	104,830,751	68,900,159	5,488,018	30,442,574				
Operating Leases	$ 13,383,187	$ 6,625,920	$ 867,980	$ 5,889,287	49.5%	6.5%	44.0%	
Total Liabilities	$ 607,527,466	$ 311,371,831	$ 46,231,123	$ 249,924,512				
Less: Cash	$ 88,165,732	$ 38,430,849	$ 8,068,499	$ 41,666,384	43.6%	9.2%	47.3%	
Total Financial Obligation	$ 519,361,734	$ 272,940,982	$ 38,162,625	$ 208,258,127				

Billing Determinants - excludes non-TOs		**Schedule 10**	**Schedule 16**	**Schedule 17**
LGE/KU		53,957,880	30,940,199	40,350,498
Midwest ISO Transmission Owners - Total		797,275,596	760,071,428	636,086,349
Company Percentage	5.71%	6.77%	4.07%	6.34%

	LGE Total Exit Fee	**Schedule 10**	**Schedule 16**	**Schedule 17**
Net Exit Fee Obligation	$ 33,236,510	$ 18,472,053	$ 1,553,485	$ 13,210,972
		55.6%	4.7%	39.7%

Notes:
1 Net Exit Fee Obligation does not reflect obligation to pay share of FERC Assessment Fee for FY 2007 based on 2006 MWhs of Transmission Service.
2 Deferred Revenue liability related to ComEd Withdrawal Obligation offset by cash received that is reflected in the Cash balance.
3 Accrued Interest liability offset by cash received to pay accrued interest that is included in the Cash balance.

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EXHIBIT
C

Prepared by Midwest ISO

LGE EXIT FEE CALC 10_12_06 (3)

September 27, 2006

Notes Payable - August 31, 2006

Short Term

Desc	Principal Balance	Discount Balance	Net Balance	Sch 10 %	Sch 16 %	Sch 17 %	Total %	Sch 10 $	Sch 16 $	Sch 17 $	Total $
IDFA*	-	-	-	47.3%	6.6%	46.0%	100.0%	-	-	-	-
Subtotal	-	-	-					-	-	-	-

Long Term

Desc	Principal Balance	Discount Balance	Net Balance	Sch 10 %	Sch 16 %	Sch 17 %	Total %	Sch 10 $	Sch 16 $	Sch 17 $	Total $
2012	100,000,000	227,575	99,772,425	100.0%	0.0%	0.0%	100%	99,772,425	-	-	99,772,425
2013	100,000,000	-	100,000,000	0.0%	16.0%	84.0%	100%	-	16,000,000	84,000,000	100,000,000
2014	125,000,000	-	125,000,000	59.0%	7.0%	34.0%	100%	73,750,000	8,750,000	42,500,000	125,000,000
2009	80,000,000	-	80,000,000	19.0%	13.0%	68.0%	100%	15,200,000	10,400,000	54,400,000	80,000,000
IDFA*	1,770,818	-	1,770,818	47.3%	6.6%	46.0%	100%	837,848	117,518	815,451	1,770,817
Subtotal	406,770,818	227,575	406,543,243	46.6%	8.7%	44.7%	100%	189,560,273	35,267,518	181,715,451	406,543,242
Total Notes Payable				46.6%	8.7%	44.7%	100.0%	189,560,273	35,267,518	181,715,451	406,543,242

*Allocation based on 2006 labor budget

Current Portion of LT Notes Payable

Desc	Principal Balance	Discount Balance	Net Balance	Sch 10 %	Sch 16 %	Sch 17 %	Total %	Sch 10 $	Sch 16 $	Sch 17 $	Total $
2012	100,000,000	227,575		100.0%	0.0%	0.0%	100%	-	-	-	-
2013	100,000,000	-	15,000,000	0.0%	16.0%	84.0%	100%	-	2,400,000	12,600,000	15,000,000
2014	125,000,000	-		59.0%	7.0%	34.0%	100%	-	-	-	-
2009	80,000,000	-	19,389,168	19.0%	13.0%	68.0%	100%	3,683,942	2,520,592	13,184,634	19,389,168
IDFA*	1,702,540	-		52.2%	4.4%	43.4%	100%	-	-	-	-
Subtotal	406,702,540	227,575	34,389,168	0.9%	14.3%	75.0%	90%	3,683,942	4,920,592	25,784,634	34,389,168
Total Current Portion of Notes Payable				10.7%	14.3%	75.0%	100.0%	3,683,942	4,920,592	25,784,634	34,389,168

Exhibit D

Withdrawal Agreement

WITHDRAWAL AGREEMENT

This WITHDRAWAL AGREEMENT (this "Agreement") is entered into this [___]th day of January, 2006, between Louisville Gas and Electric Company and Kentucky Utilities Company, corporations organized pursuant to the laws of the State of Kentucky (collectively, "LG&E"), and the Midwest Independent Transmission System Operator, Inc., a non-profit, non-stock corporation organized pursuant to the laws of the State of Delaware (the "Midwest ISO"). LG&E and the Midwest ISO may sometimes be referred to herein individually as a "Party" and collectively as the "Parties."

WHEREAS, LG&E owns, among other things, an integrated electric transmission system (the "Transmission System"), over which the Midwest ISO currently provides open access transmission service to customers in the LG&E Control Area (as defined in Section 1.6 of LG&E's Open Access Transmission Tariff, filed with the Federal Energy Regulatory Commission (the "Commission") on October 7, 2005 (the "OATT")); and

WHEREAS, LG&E is currently a member of the Midwest ISO and a signatory to the Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc. (the "Midwest ISO Agreement"); and

WHEREAS, LG&E has a contractual right under the Midwest ISO Agreement to withdraw from the Midwest ISO and the Midwest ISO Agreement pursuant to Article Two, Section X.D of such Midwest ISO Agreement, and pursuant to the procedures provided for in Article Five of the Midwest ISO Agreement; and

WHEREAS, on December 28, 2004, LG&E provided the Midwest ISO with notice required under Article Five, Section I of the Midwest ISO Agreement to allow LG&E to withdraw from the Midwest ISO as of December 31, 2005, or thereafter, subject to the appropriate regulatory approvals; and

WHEREAS, LG&E has sought permission from the Kentucky Public Service Commission and the Commission (collectively, the "Regulatory Authorities") to withdraw from the Midwest ISO; and

WHEREAS, in the event the Regulatory Authorities grant approval for LG&E to withdraw upon terms acceptable to LG&E and LG&E continues the process to withdraw from the Midwest ISO, the Parties seek to memorialize the terms and conditions of LG&E's withdrawal from the Midwest ISO.

NOW, THEREFORE, in consideration of the mutual premises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I
DEFINITIONS

1.1 Unless otherwise defined herein, capitalized terms used in this Agreement shall have the meanings ascribed to them below:

"Agreement" has the meaning given to such term in the recitals.

"Application" means LG&E's application to the Commission in Docket Nos. ER06-20-000 and EC06-4-000 dated October 7, 2005.

"Business Day" means all days except Saturdays, Sundays and days on which banks in the State of Delaware are authorized or required by applicable law to close.

"Claim" means any and all claims, damages, liabilities, demands, obligations, penalties, fines, losses and judgments, whether based on law, contract, tort or other grounds, whether absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured, and whether at law or in equity.

"Commission" has the meaning given to such term in the recitals.

"Conditional Firm Transmission Service" means firm transmission service in which a customer funds transmission upgrades necessary to accommodate the requested level of firm service.

"Credit Fee" has the meaning given to such term in Section 3.2.

"Dispute" has the meaning given to such term in Section 5.1(a).

"LG&E" has the meaning given to such term in the preamble.

"Midwest ISO Agreement" has the meaning given to such term in the recitals.

"OATT" has the meaning given to such term in the recitals.

"Party" or "Parties" has the meaning given to such terms in the preamble.

"Person" means a corporation, a partnership, a limited liability company, an association, a joint-stock company, a trust, an unincorporated organization or any government or political subdivision thereof.

"RDMP" has the meaning given to such term in Section 3.3.

"Regulatory Authorities" has the meaning given to such term in the recitals.

"Representatives" means, in respect of a Party, the officers, directors, employees, agents, advisors or representatives of such Party.

"Transition Plan" has the meaning given to such term in Section 3.8.

"Transmission System" has the meaning given to such term in the recitals.

"True Up Fee" has the meaning given to such term in Section 3.1(c).

"Withdrawal Date" has the meaning given to such term in Section 3.9.

"Withdrawal Fee" has the meaning given to such term in Section 3.1(a).

1.2 Rules of Interpretation and Construction.

(a) Interpretation. In this Agreement, unless a clear contrary intention appears:

(i) the singular number includes the plural number and vice versa;

(ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;

(iii) reference to either gender includes the other gender;

(iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified from time to time in accordance with the terms thereof;

(v) reference to any law means such law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any law means that provision of such law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or re-enactment of such section or other provision;

(vi) reference to any preamble, recital, Article, Section of or Attachment to this Agreement means such Article or Section thereof or preamble, recital or Attachment thereto;

(vii) "hereunder", "hereof", "hereto" and words of similar import shall be deemed references to this document as a whole and not to any particular Article, Section or other provision thereof; and

(viii) "including" (and with the correlative meaning "include") means including without limiting the generality of any description preceding such term.

(b) Legal Representation of the Parties. This Agreement was negotiated by the Parties with the benefit of legal representation, and any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any Party as the drafter shall not apply to any construction or interpretation thereof.

(c) Payments. All payments permitted or required to be made by or on behalf of the Parties under the terms of this Agreement shall be made to the account or accounts designated by the Party to which the payment is owed, by wire transfer, in immediately available funds in the lawful currency of the United States.

ARTICLE II
EFFECTIVENESS; NO ACTIONS AGAINST AGREEMENT

2.1 Effectiveness. The Parties acknowledge and agree that:

(a) Articles II and V and Section 3.1(a) (including any defined terms from Article I referenced in Articles II and V and Section 3.1(a)) shall be effective, and the rights and obligations of the Parties under Articles II and V and Section 3.1(a) (including any defined terms from Article I referenced in Articles II and V and Section 3.1(a)), shall be binding upon the Parties, in each case, as of the date of this Agreement; and

(b) Article III (other than Section 3.1(a)) (including any defined terms from Article I referenced in Article III (other than Section 3.1(a))) shall be effective, and the rights and obligations of the Parties under Article III (other than Section 3.1(a)) (including any defined terms from Article I referenced in Article III (other than Section 3.1(a))), shall be binding upon the Parties, in each case, as of the Withdrawal Date.

(a) 2.2 No Actions Against this Agreement. Each of the Parties agrees that it shall not initiate or pursue, directly or indirectly, any claim, action or proceeding of any kind challenging the validity or enforceability of this Agreement or the substance of any of the provisions of this Agreement. Notwithstanding anything to the contrary in this Section 2.2, participation as to matters at issue in Docket No. EC06-4-000 and Docket No. ER06-20-000 or any other proceeding before the Regulatory Authorities beyond the matters covered in this Agreement, will not constitute a violation of this Section 2.2; provided, however, that nothing in this sentence shall permit either of the Parties to challenge, directly or indirectly, that the Withdrawal Fee Methodology attached hereto as Attachment A is incomplete or does not satisfy Article Five, Section II B of the Midwest ISO Agreement.

ARTICLE III

WITHDRAWAL

3.1 Withdrawal Fee.

(a) On or before the Withdrawal Date, the Midwest ISO shall deliver to LG&E a written statement setting forth the withdrawal fee (the "Withdrawal Fee") calculated in accordance with a methodology accepted by the Commission (the "Withdrawal Fee Methodology"), together with reasonable supporting information as to the inputs to and calculation of the Withdrawal Fee. The Parties acknowledge and agree that the Withdrawal Fee Methodology attached hereto as Attachment A is complete and satisfies Article Five, Section II B of the Midwest ISO Agreement.

(b) No later than ten (10) Business Days after delivery of the written statement setting forth the Withdrawal Fee pursuant to Section 3.1(a), LG&E shall pay, subject to its rights in Section 3.1(e), to the Midwest ISO the Withdrawal Fee; provided, however, that in no event shall LG&E be obligated to pay the Withdrawal Fee before the Withdrawal Date.

(c) On or before the date which is thirty (30) calendar days after the Withdrawal Date, the Midwest ISO shall deliver to LG&E a written statement of the Withdrawal Fee true up calculated in accordance with the provisions of the Withdrawal Fee Methodology (the "True Up Fee"), together with reasonable supporting information as to the inputs to and calculation of the True Up Fee. No later than thirty (30) calendar days after delivery to LG&E of the statement of the True Up Fee, LG&E or the Midwest ISO, as the case may be, shall pay, subject to its rights in Section 3.1(e), to the other Party the True Up Fee.

(d) The Midwest ISO agrees to make available to LG&E, its accountants and other advisers, such information with respect to the inputs to and calculation of the Withdrawal Fee and True Up Fee as LG&E may reasonably request for the sole purpose of confirming same.

(e) Any dispute between the Parties as to the inputs to or the calculation of the Withdrawal Fee or the True Up Fee shall be resolved pursuant to Section 5.1(a).

3.2 Deferred Revenue Balance. The Parties acknowledge and agree that the Withdrawal Fee Methodology will exclude deferred revenue arising from the Schedule 10 credits afforded to Commonwealth Edison after its withdrawal from the Midwest ISO. On or before February [1st] of each calendar year (commencing in the calendar year immediately following the calendar year in which the Withdrawal Date occurs), the Midwest ISO shall deliver to LG&E a written statement of LG&E's proportionate share of such Schedule 10 credits (the "Credit Fee"), together with reasonable supporting information as to the inputs to and calculation of the Credit Fee. No later than ten (10) Business Days after delivery to LG&E of the statement of the Credit Fee, LG&E shall pay, subject to its rights to dispute the inputs to or calculation of the Credit Fee pursuant to Section 5.1(a), to the Midwest ISO the Credit Fee.

3.3 Users Held Harmless. In satisfaction of the requirements of Article Five, Section II.A of the Midwest ISO Agreement, LG&E will implement the Rate De-Pancaking Maintenance Plan ("RDMP") described in Attachment B in accordance with the terms and conditions thereof, as the same may be modified by a final order of the Commission, and any other obligations, provisions, terms and conditions as may be required by a final order of the Commission. Nothing in this Section 3.3 is intended to preclude parties in Docket No. EC06-4-000 and Docket No. ER06-20-000 from raising issues regarding the obligations of LG&E under Article Five, Section II A of the Midwest ISO Agreement.

3.4 Existing Obligations. In satisfaction of the requirements under Article Five, Section II.B of the Midwest ISO Agreement, LG&E shall pay to the Midwest ISO the Withdrawal Fee and the True Up Fee in accordance with Section 3.1. Payment of the fees called for in Section 3.1 shall satisfy LG&E's financial obligations to the Midwest ISO under Article Five, Section II.B of the Midwest ISO Agreement. The Parties agree that they will honor all payments to one another applicable to time periods prior to the Withdrawal Date pursuant to the Midwest ISO Agreement.

3.5 Construction of Facilities. In satisfaction of the requirements under Article Five, Section II.C of the Midwest ISO Agreement, LG&E agrees to construct the new facilities on its system identified in the Midwest ISO Transmission Expansion Plan 2005, which are shown on Schedule 3.5 attached hereto. LG&E agrees to construct new facilities or facility upgrades on its system called for in generator interconnection agreements that are filed with the Commission prior to the Withdrawal Date or relating to Conditional Firm Transmission Service requests where those requests have been accepted or counter-offered by the Midwest ISO. As of the date of this Agreement, those facilities are likewise shown on Schedule 3.5 attached hereto. Other than as provided for in this Section 3.5, the Parties agree that LG&E will have no further obligations in respect of the construction of new facilities pursuant to an approved plan of the Midwest ISO or otherwise in connection with providing transmission service. Nothing in this Section 3.5 precludes an obligation to construct facilities arising from an order of a court or regulatory authority having jurisdiction over the subject matter, or from any requirement or standard related to safety duly promulgated by NERC or its successor organization.

3.6 Other Obligations. The Parties agree that, as of the Withdrawal Date, LG&E and the Midwest ISO shall not have any obligations which need to be renegotiated pursuant to the requirements under Article Five, Section II.D of the Midwest ISO Agreement. It is the intent of the Parties that the Transition Plan address the scope of "Other obligations" covered by Article Five, Section II.D of the Midwest ISO Agreement.

3.7 Credits. LG&E will receive credits against the amounts owed for post-withdrawal transmission services provided by the Midwest ISO to LG&E up to an amount not to exceed the Withdrawal Fee, as adjusted by the True Up Fee. Such credits will be applied only against the amount LG&E pays for transmission services prior to [__________], 2016, and only with respect to the fixed cost component of Schedule 10, 16 and 17 rates. Such credits shall be determined according to the methodology contained in the Midwest ISO OATT and administered through an alternative Administrative Cost Adder described in Attachment C.

3.8 Transition Plan. LG&E and the Midwest ISO will implement the transition plan attached hereto as Attachment D (the "Transition Plan") as expeditiously as practicable in order to facilitate LG&E acquiring operational control of the Transmission System at the earliest possible time after the Withdrawal Date, all in accordance with the terms and conditions of the Transition Plan. If LG&E accepts conditions imposed by the Commission in a final order which substantially alter the terms of the Transition Plan, then LG&E agrees to reimburse the Midwest ISO for the any reasonable costs incurred by Midwest ISO to develop and implement such altered terms of the Transition Plan; provided, however, that LG&E shall retain its right to contest any such costs before the Commission.

3.9 Withdrawal Date. LG&E's withdrawal from the Midwest ISO and the Midwest ISO Agreement shall be effective on the date (the "Withdrawal Date") the Commission designates as the effective date for LG&E's withdrawal from the Midwest ISO and the Midwest ISO Agreement in its order accepting for filing LG&E's Application. Subject to the satisfaction of LG&E's obligations in Article III, the Midwest ISO agrees that all of the requirements under the Midwest ISO Agreement for withdrawal by LG&E from the Midwest ISO and the Midwest ISO Agreement have been satisfied.

3.10 Reversal of Commission's Order Accepting for Filing LG&E's Application.

(a) If, after the Withdrawal Date, the Commission's order accepting for filing LG&E's Application is reversed, then if and when LG&E rejoins the Midwest ISO, the Midwest ISO shall repay to LG&E the Withdrawal Fee, as adjusted by the True Up Fee, together with interest calculated in accordance with Section 3.10(b), net of any amounts paid to LG&E with respect to credits pursuant to Section 3.7, not later than thirty (30) Business Days following receipt of written demand therefor by LG&E. Effective upon such repayment in full, this Agreement shall automatically terminate and be of no further force and effect, except for the provisions of Article IV which shall survive termination of this Agreement.

(b) For purposes of this Agreement, interest shall be calculated based on the rate actually earned by the Midwest ISO.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

Each Party represents and warrants to the other Party as of the date of this Agreement as follows:

(a) it is duly organized, validly existing, and in good standing under the laws of the jurisdiction where it was organized.

(b) Subject to any necessary approvals by federal or state regulatory authorities, it has all necessary limited liability company or corporate power and authority to execute, deliver and perform its obligations under this Agreement, and the execution, delivery and performance by it of this Agreement have been duly authorized by all necessary limited liability company or corporate action on its part.

(c) The execution, delivery and performance by it of this Agreement do not and shall not: (i) violate its organizational documents; (ii) violate any law or government approval applicable to it; or (iii) result in a breach of or constitute a default of any material agreement to which it is a party.

(d) Assuming the due authorization, execution and delivery of this Agreement by the other Party, this Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, or other similar laws affecting the enforcement of creditor's rights generally, and by general principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.

(e) Except as disclosed in writing to the other Party, there is no action, suit or proceeding at law or in equity now pending or, to its knowledge, threatened in writing against it before or by any federal, state, foreign or local court, tribunal or governmental agency or authority that might materially delay, prevent or hinder the performance by it of its obligations hereunder or that might have a material adverse effect on the other Party.

ARTICLE V
MISCELLANEOUS

5.1 Dispute Resolution.

(a) Any controversy, claim or dispute of whatsoever nature or kind between the Parties arising out of or in connection with this Agreement or its validity or interpretation (each a "Dispute") shall be resolved pursuant to the procedures of this Section 5.1.

(b) If a Dispute arises between the Parties, then either Party may provide written notice thereof to the other Party, including a detailed description of the subject matter of the Dispute (the "Dispute Notice").

(c) Within ten (10) Business Days following the date of the Dispute Notice, the most senior executive responsible for the subject matter of the Dispute from each Party shall meet and in good faith attempt to resolve such Dispute. If the senior executives are unable to resolve the Dispute within ten (10) Business Days of meeting or such later date as the senior executives may mutually agree, then the Dispute shall be referred to the Commission for ultimate resolution.

5.2 Governing Law. This Agreement shall be interpreted, construed, and governed by the laws of the State of Delaware, except to the extent preempted by the laws of the United States.

5.3 Notices. Unless otherwise expressly provided for in this Agreement, all communications and notices to a Party in connection with this Agreement shall be in writing or by facsimile, and any such communications or notices shall become effective (a) upon personal delivery thereof, including, by overnight mail or next Business Day or courier service, (b) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, (c) in the case of notice by facsimile, upon transmission thereof, provided that in addition to such transmission a confirmation copy of the notice is also provided promptly by either of the methods set forth in clause (a) or (b) above. All notices provided by the means described in clauses (a), (b) or (c) above shall be addressed as provided below, or to such other address as either Party may designate by written notice to the other Party in accordance with this Section 5.3.

If to the Midwest ISO:

Midwest Independent Transmission System Operator, Inc.
Attention: General Counsel
701 City Center Drive
Carmel, IN 46032
Facsimile: 317-249-5912

If to LG&E:

Louisville Gas and Electric Company
Attention: Mark Johnson
119 North 3rd Street
Louisville, Kentucky 40202
Facsimile: (502) 627-4716

Kentucky Utilities Company
Attention: Mark Johnson
119 North 3rd Street
Louisville, Kentucky 40202
Facsimile: (502) 627-4716

5.4 Amendments. This Agreement may not be amended, supplemented or otherwise modified, other than pursuant to an instrument or instruments in writing executed by the Parties.

5.5 Successors and Assigns. This Agreement shall inure to the benefit of, and be binding upon, each of the Parties and their respective successors and permitted assigns. Except as provided in this Section 5.5, neither Party shall be permitted, by operation of law or otherwise, to assign, transfer, convey or otherwise dispose of in any manner, directly or indirectly, all or any part of its rights, obligations and interest in this Agreement to another Person without the approval of the other Party. Either Party shall be permitted, without the approval of the other Party, to assign, transfer, convey or otherwise dispose of all or any part of its rights, obligations and interest in this Agreement to a Person who has acquired all or substantially all of the Party's facilities by reason of a merger, consolidation, reorganization, sale, spin-off, foreclosure or otherwise.

5.6 No Implied Waivers. The failure of a Party to insist upon or enforce strict performance of any of the specific provisions of this Agreement at any time shall not be construed as a waiver or relinquishment to any extent of such Party's right to assert or rely upon any such provisions, rights or remedies in that or any other instance, or as a waiver to any extent of any specific provision of this Agreement; rather the same shall be and remain in full force and effect.

5.7 Renegotiation. If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, then the Parties shall endeavor in good faith to implement such amendment or amendments to this Agreement as will fully comply with the requirements of such court or regulatory authority and as will restore the relative benefits and obligations of the Parties under this Agreement immediately prior to such holding, modification or condition.

5.8 Third-Party Beneficiaries. None of the provisions of this Agreement are intended for the benefit of any Person other than the Parties, their respective successors and permitted assigns.

5.9 Good Faith Efforts. Each Party agrees that it shall in good faith promptly take all reasonable actions necessary to permit such Party to fulfill its obligations under this Agreement. Where the consent, agreement or approval of any Party must be obtained hereunder, such consent, agreement or approval shall not be unreasonably withheld, conditioned or delayed. Where any Party is required or permitted to act, or omit to act, based on its opinion or judgment, such opinion or judgment shall not be unreasonably exercised.

5.10 Descriptive Headings. The descriptive headings of Articles, Sections and other provisions of this Agreement have been inserted for convenience or reference only and will not define, modify, restrict, construe or otherwise affect the construction or interpretation of any of the provisions of this Agreement.

5.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the Parties has caused its duly authorized representative to execute this Withdrawal Agreement as of the date first above written.

MIDWEST INDEPENDENT TRANSMISSION
SYSTEM OPERATOR, INC.

By: ___________________________________
Name:
Title:

LOUISVILLE GAS AND ELECTRIC COMPANY
and KENTUCKY UTILITIES COMPANY

By: ___________________________________
Name:
Title:

ATTACHMENT A

WITHDRAWAL FEE METHODOLOGY

Basis for Withdrawal Fee Calculation

Article Five, Section II (B) of the Midwest ISO Agreement reads as follows:

"All financial obligations incurred and payments applicable to time periods prior to the effective date of such withdrawal shall be honored by the Midwest ISO and the withdrawing Owner."

The financial obligations incurred as of the Withdrawal Date will primarily be the liabilities on the Midwest ISO's balance sheet of its financial statements as of the Withdrawal Date as well as the liabilities disclosed in the footnotes to such financial statements.

LG&E shall be responsible for a pro rata share of financial obligations based on the ratio of its billing determinants to the total of all other billing determinants. The final allocation of financial obligations to LG&E shall be based on twelve months of billing determinants preceding the Withdrawal Date.

A preliminary forecast of the Withdrawal Fee shall be prepared using actual data as of August 31, 2005. Given that less than twelve months of historical billing determinants will be available for Schedule 16 and Schedule 17 of the Midwest ISO Tariff the Parties agree to use the actual billing determinants for the five month period April 1, 2005 through August 31, 2005 as the basis for the preliminary forecast of the Withdrawal Fee.

A true up calculation shall occur [____] days after the Withdrawal Date to account for the substitution of actual financial obligations as of the Withdrawal Date and the actual billing determinant information for the twelve months preceding the Withdrawal Date in lieu of the financial obligations and billing determinants used for the preliminary forecast of the Withdrawal Fee.

Financial Obligations -- Withdrawal Fee Calculation

The financial obligations of the Midwest ISO shall be taken from the balance sheet of its financial statements as of the Withdrawal Date and shall include all liabilities disclosed in the footnotes to such financial statements. The liabilities on the balance sheet to be used in the calculation of the financial obligations as of the Withdrawal Date shall be those recorded as Long-Term Liabilities as well as any current portion of a liability included as part of Long-Term Liabilities. The financial obligations calculation shall include all capital lease and operating lease obligations incurred as of the Withdrawal Date. Such obligations have payments that extend into the period of time after the Withdrawal Date. The financial obligations shall also include all interest payments owed until maturity on all debt outstanding as of the Withdrawal Date as well as all interest payments owed until maturity on all capitalized lease obligations outstanding as of the Withdrawal Date.

The Midwest ISO will credit the total of all financial obligations outstanding as of the Withdrawal Date with the balance in its Cash and Cash Equivalents account as of the Withdrawal Date.

The calculation described in this section yields an outcome that is consistent with the withdrawal obligations described in the Schedule 10, Schedule 16 and Schedule 17 of the Midwest ISO Tariff under the heading "Payments Applicable to Withdrawing Entities". To illustrate, the withdrawal obligations in Schedule 16 include Deferred Schedule 16 Costs, undepreciated capital expenditures and financing costs associated with the Service (collectively, "Unrecovered Schedule 16 Costs"). This is because the Midwest ISO finances capital expenditures and regulatory assets with debt and collects funds to repay outstanding debt principal from the depreciation charges and amortization charges included on the cost recovery adder. Similar obligations are contained in Schedule 10 and Schedule 17. The example below illustrates the equivalent outcome.

Assume the Midwest ISO borrows $100 million to finance $75 million in capital expenditures and $25 million of pre-operating costs. Further assume the Midwest ISO recovers these costs over a five-year period of time through depreciation and amortization charges, respectfully. After three years the Midwest ISO would have recovered $45 million in cost through depreciation charges and $15 million through amortization charges. The balance of unrecovered costs would be $40 million.

Under the Withdrawal Fee calculation described above the financial liability on the books of the Midwest ISO would be $100 million in outstanding debt offset by $60 million in cash and cash equivalents. The net financial obligation would therefore be $40 million. The end result is the same under both methodologies.

However, the total financial obligations extend beyond the $40 million in this illustrative example because the calculations above did not include the obligation to make interest payments over the life of the debt outstanding as of the Withdrawal Date.

Financial Obligations – Adjustments

The Withdrawal Fee calculation described above is the general approach. Implementation of this general approach will require separation of the financial obligations into three categories: (1) Schedule 10 financial obligations, (2) Schedule 16 financial obligations, and (3) Schedule 17 financial obligations. This separation is necessary because the ratio of LG&E's billing determinants to all other billing determinants under Schedule 10 will be different than its ratio for Schedule 16 and its ratio for Schedule 17.

Calculation Details

The long-term liabilities of the Midwest ISO disclosed on the balance sheet consist of:

- Accrued Liabilities
- Capitalized Leases, Net of Current Portion
- Deferred Revenue
- Notes Payable

The current portion of capitalized leases will need to be added to the total of the long-term liabilities for the purposes of the Withdrawal Fee calculation to obtain the total obligation outstanding as of the Withdrawal Date.

Notes Payable (e.g., debt) is allocated to Schedule 10, Schedule 16 and Schedule 17 per the provisions of Schedule 16 and Schedule 17 of the Midwest ISO Tariff. The allocation of principal and interest by debt instrument is specified under Variable A.5 of Schedule 16 and Schedule 17. Any debt not allocated to Schedule 16 or Schedule 17 is by definition allocated to Schedule 10.

Capitalized Leases, including the current portion, are associated with specific assets and will be allocated based on the allocation of these assets to Schedule 10, Schedule 16 and Schedule 17. Deferred Revenue is associated with the Illinois Power Settlement accepted by the Commission and is allocated exclusively to Schedule 10. Accrued Liabilities will be allocated one half to Schedule 10 and one half to Schedule 17.

Financial obligations disclosed in the footnotes of the Midwest ISO's financial statements include operating lease obligations and interest payments on outstanding debt obligations. The interest payment obligation is allocated as noted above. Operating lease obligations are associated with specific assets and will be allocated based on the allocation of these assets to Schedule 10, Schedule 16 and Schedule 17.

Given that the Withdrawal Fee is to be paid in full as a condition of withdrawal, the Midwest ISO will earn interest on the funds received to pay the Withdrawal Fee. As such, there is a timing difference between when LG&E pays that portion of the Withdrawal Fee associated with interest and lease obligations and when those obligations are due and payable. To account for this timing difference the Midwest ISO will discount the future interest and lease obligations using discount rate equal to the average rate earned on the Midwest ISO's investment account funds over the three-month period prior to the Withdrawal Date.

Cash and Cash Equivalents will be allocated to Schedule 10, Schedule 16 and Schedule 17 in proportion to the allocation of debt to these schedules.

ATTACHMENT B

DE-PANCAKING MAINTENANCE PLAN

LG&E seeks to ensure that their withdrawal from the Midwest ISO and its institution of an Independent Transmission Organization and a Reliability Coordinator is consistent with the Commission's goal of eliminating transmission rate pancaking. LG&E is also cognizant of the fact that, under Article Five, Section II.A of the Midwest ISO Agreement, its withdrawal from the Midwest ISO must not adversely impact existing transmission customers and must hold existing customers harmless from any changes in rates, terms or conditions of existing transmission service. Accordingly, LG&E has proposed a Rate De-Pancaking Maintenance Plan ("RDMP"), in order to ensure that customers continue to enjoy the same de-pancaked rates which currently are in effect between LG&E's zone, the Midwest ISO and the PJM Interconnection. The RDMP proposes to preserve the *status quo* regarding pancake elimination by implementing a system that mirrors the de-pancaked transmission protocols of the Midwest ISO and PJM. Through this commitment, LG&E seeks to ensure that there are as few economic seams between their system and Midwest ISO/PJM as possible.

In this regard, LG&E will provide point-to-point ("PTP") transmission on their system on a "drive through," "drive in" or "drive out" basis – for service between LG&E's system and points within the existing Midwest ISO and PJM systems, as well as through LG&E's system – on a comparable basis, without the imposition of pancaked base transmission rates for virtually all wheels. LG&E proposes several exceptions to this generally applicable rate mechanism which are intended to avoid gaming, as noted below. LG&E will also provide and facilitate network service between points of receipt and points of delivery on LG&E's system and on the Midwest ISO and PJM systems. LG&E refers to such point-to-point and network service provided under the RDMP as "Reciprocity Firm."[1]

LG&E proposes that existing transmission arrangements – both existing Midwest ISO Tariff transmission contracts and GFAs – will enjoy the same service and pricing that such customers receive today. This fact will be true for service which "traverses" LG&E's system and the Midwest ISO/PJM, as well as network and point-to-point arrangements "within" LG&E's transmission system. For new service (*i.e.*, contracts entered into after the Withdrawal Date), LG&E proposes the same de-pancaked service under the RDMP as would be effective today with the exceptions noted below. LG&E's new OATT submitted with LG&E's Application reflects the RDMP proposal described above.

Importantly, LG&E will provide Reciprocity Firm service subject to the Midwest ISO and PJM agreeing that LG&E will receive comparable treatment under the Midwest ISO and PJM tariffs for sales into, through and out of the Midwest ISO and PJM, respectively. In

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[1] For new Reciprocity Firm service initiated after the effective date of the proposed rates, LG&E reserves the right to charge the costs of expansion (where applicable) and losses, in accordance with the OATT. Where applicable, customers would bear the costs of expansion, even if base transmission charges would be waived for such a Reciprocity Firm transaction. LG&E believes such expansion charges, where applicable, are reasonable. It would be inequitable, for example, to ask network customers to bear expansion costs, while at the same time providing Reciprocity Firm customers point to point service for free.

LG&E's discussions with the Midwest ISO, the Midwest ISO has not objected to continuing the de-pancaked rate protocol. As with the current pricing protocols in the Midwest ISO and PJM, LG&E will charge customers for transactions that sink in the LG&E's system or are transmitted wholly "within" LG&E's system.

Under the RDMP, rate pancaking will be eliminated to the same extent and over the same territory as is the case today, with one exception. LG&E propose to charge their applicable PTP rate for transactions that: (i) source within or outside of the Super Region;[2] (ii) sink outside of the Super Region; and (iii) require (x) a withdrawal point scheduled at an interconnection between LG&E and a non-Super Region system (*e.g.*, sink TVA, or sink Duke) or (y) require transmission service through LG&E's control area. LG&E's charging of a PTP rate for these transactions is reasonable because, if LG&E were to remain in Midwest ISO, the Midwest ISO "through and out" rate would be charged for such transactions. LG&E believes that if their PTP rate is not charged for such transactions, the elimination of an "out" charge at LG&E's buses with interconnected utilities (*e.g.*, TVA, Duke) could significantly increase the possibility of gaming.[3]

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2 "Super Region" is defined as the Midwest ISO/PJM footprint.

3 Alternatively, if the Commission does not believe that such charges are appropriate, LG&E would be willing to charge the Midwest ISO out rate at its bus with non-Super Region control areas as long as LG&E receive their appropriate share of revenues from such service.

Source	Sink	Customer Pays	Base Transmission Rate Pancaking Today	Base Transmission Rate Pancaking Under RDMP
LG&E/KU	Midwest ISO/PJM	Midwest ISO/PJM applicable zonal transmission rate (at point-of-delivery)	No	No
Midwest ISO/PJM	LG&E/KU	LG&E/KU zonal rate	No	No
LG&E/KU	Control Area other than Midwest ISO or PJM (where no service involving Midwest ISO/PJM is required and withdrawal point is LG&E/KU-non-Super Region bus)	LG&E/KU zonal rate + applicable sink control area rate	Midwest ISO "out rate" applies + applicable non- Super Region sink control area rate	LG&E/KU zonal rate applies + applicable sink control area rate (LG&E/KU zonal rate "replaces" Midwest ISO "out" rate)
Control Area other than Midwest ISO or PJM (*e.g.*, TVA)	LG&E/KU (where no service involving Midwest ISO/PJM is required, and injection point is LG&E/KU-non-Super Region bus)	Applicable control area rate + LG&E/KU zonal rate	Yes	Yes
LG&E/KU	Control Area other than Midwest ISO or PJM (where withdrawal point is Midwest ISO/PJM bus with non-Super Region control area that is not interconnected to LG&E, *e.g.*, IMO)	Applicable non-Super Region control area sink rate + Midwest ISO "Through and Out" rate	No. Midwest ISO "through and out rate" applies	No. Midwest ISO "through and out rate" applies
Control Area other than Midwest ISO or PJM (*e.g.*, IMO)	LG&E/KU (where service through Midwest ISO/PJM is required)	Applicable non-Super Region control area rates + LG&E/KU zonal rate	Yes	Yes

Control Area other than Midwest ISO or PJM (*e.g.*, IMO)	Control Area other than Midwest ISO or PJM (where service through Midwest ISO/PJM is required and withdrawal point is LG&E/KU-non-Super Region bus)	Applicable non-Super Region control area rates + Midwest ISO "Through and Out" rate + LG&E/KU PTP rate	Midwest ISO "through and out rate" applies	Midwest ISO "through and out rate" and LG&E/KU zonal rate applies (to avoid gaming)
Midwest ISO/PJM	Control Area other than Midwest ISO or PJM requiring service through LG&E/KU (*i.e.*, where non-LG&E/KU path is unavailable)	Applicable MISO/PJM Through and Out Rate	No	No
Midwest ISO/PJM	Control Area other than Midwest ISO or PJM that does not require service through LG&E/KU (*i.e.*, where non-LG&E/KU path is available) but LG&E/KU path is still used	Applicable MISO/PJM Through and Out Rate + LG&E/KU PTP Rate	No	Yes, Customer has optional path where pancaking is not required. (prevents gaming)
Control Area other than Midwest ISO or PJM requiring service through LG&E/KU (*i.e.*, where non-LG&E/KU path is unavailable)	Midwest ISO/PJM	Midwest ISO/PJM applicable zonal PTP base transmission rate (at point-of-delivery)	No	No
Control Area other than Midwest ISO or PJM that does not require service through LG&E/KU (*i.e.*, where non-LG&E/KU path is available) but LG&E/KU path is still used	Midwest ISO	Midwest ISO/PJM applicable zonal PTP base transmission rate (at point-of-delivery) + LG&E/KU PTP Rate	No	Yes, Customer has optional path where pancaking is not required. (prevents gaming)

ATTACHMENT C

ALTERNATIVE ADMINISTRATIVE COST ADDER

[To be provided]

ATTACHMENT D

TRANSITION PLAN

Pursuant to Section 3.8 of the Agreement, the following sets forth the Transition Plan that will allow LG&E to acquire operational control of the Transmission System by the Withdrawal Date.

Actions to be completed sixty (60) days prior to Withdrawal Date (for effectiveness upon the Withdrawal Date, where applicable).

1. The Midwest ISO shall determine which LG&E facilities need to be removed from the Midwest ISO's Available Flowgate Capacity ("AFC") calculation.

2. The Midwest ISO and LG&E shall provide mutual assurances that all existing LG&E Network Service Agreements are appropriately transferred to LG&E (or its Independent Transmission Operator ("ITO")).

3. LG&E shall provide to the Midwest ISO a statement of intention regarding its status in the Midwest ISO market post-withdrawal, *i.e.*, with regard to LG&E's status as a "market participant," "balancing authority," and/or Transmission Provider.

4. The Midwest ISO shall eliminate LG&E from its financial transmission rights ("FTR") market and FTR model, except to the extent that other out-of-region assets and loads are reflected in such models.

5. The Midwest ISO shall model LG&E and all generator or load assets pertaining to LG&E in the Midwest ISO market model as a non-member system, and shall retain all associated bid and offer information as confidential information in the Midwest ISO database as, and for the duration, required by Commission regulations.

Actions to be completed forty-five (45) days prior to Withdrawal Date

1. The Midwest ISO and LG&E shall determine the impact on the Midwest ISO's and LG&E's rates and revenue distribution after the Withdrawal Date.

2. Notice of LG&E's withdrawal from the Midwest ISO shall be posted on the Midwest ISO's OASIS.

Actions to be completed thirty (30) days prior to Withdrawal Date

1. The Midwest ISO shall recalculate the Transfer Participation Factor ("TPF") matrix to reflect the withdrawal of LG&E as a Transmission Owner.

Actions to be completed fourteen (14) days prior to Withdrawal Date

1. LG&E's Reliability Coordinator and ITO will acknowledge readiness to assume responsibility for operation of the LG&E system.

2. LG&E shall confirm that its Reliability Coordinator and ITO are capable of calculating and honoring NNL and ATC for coordinated flowgates and reciprocal coordinated flowgates as required by the Congestion Management Process of the Joint Reliability Coordination Agreement among TVA, PJM and Midwest ISO.

3. LG&E's Reliability Coordinator and ITO will operate LG&E's system in parallel with the Midwest ISO.

4. The Midwest ISO shall transfer to LG&E's Reliability Coordinator and ITO all outage related information regarding the LG&E system extending beyond the Withdrawal Date.

Actions to be completed three (3) hours prior to Withdrawal Date

1. LG&E shall engage in self scheduling of all of its generation to meet its load. LG&E shall maintain information transparency regarding its generation dispatch for the Midwest ISO.

Actions to be completed by Withdrawal Date

1. The Midwest ISO shall remove all generator interconnection requests for units to be located on the LG&E system from the Midwest ISO queue, and shall transfer all relevant information to LG&E and the ITO.

2. The Midwest ISO shall transfer all transmission service requests related to grandfathered agreements to LG&E's ITO.

3. The Midwest ISO shall have made the appropriate FERC filings to revise all (a) electronic information; (b) agreements; (c) the OATT; and (d) corporate documents to reflect the withdrawal of LG&E.

4. The Midwest ISO shall revise all (a) electronic information (including information on the Midwest ISO's OASIS site); (b) agreements; (c) the OATT; and (d) corporate documents to reflect the withdrawal of LG&E.

5. The Midwest ISO shall terminate LG&E's Transmission Owner access from the appropriate electronic (and other) forums.

6. LG&E shall ensure that the NERC registry and book of flowgates is updated to reflect its new Reliability Coordinator and ITO.

7. LG&E will begin posting data related to settlements to the Midwest ISO's Physical Scheduling System ("PSS") as a non-Transmission Owner first-tier utility.

8. The Midwest ISO shall reflect LG&E's change from a Transmission Owner to a first-tier utility within the settlement system.

Actions to be completed thirty (30) days after Withdrawal Date

1. The Midwest ISO shall obtain all MISO-required LG&E Inter-Control Center Protocol ("ICCP") information from LG&E's Reliability Coordinator.

2. The Midwest ISO will continue to have access to LG&E's ICCP information directly from LG&E's data links until such time as the Midwest ISO and LG&E's Reliability Coordinator determine that there is no necessity to maintain the ICCP links. At such time, the Midwest ISO will remove all ICCP data links to LG&E.

SCHEDULE 3.5

CONSTRUCTION OF FACILITIES

MTEP 2005 new facilities:

Interconnection Agreement new facilities or facility upgrades:

Conditional Firm Service Transmission new facilities or facility upgrades:

For TSR 75052130

Loop the existing Ghent (LG&E)-Speed (Cinergy) 345kV line thru the Trimble County substation. (covered in the generation interconnection study)
Construct a 345kV line from Mill Creek to Hardin County.
Construct a 138kV line from West Lexington to Higby Mill.
Construct a 138kV line from West Frankfort to Tyrone.
Re-conductor the 138kV line from Ghent to Owen County Tap
Re-conductor the 138kV line from Hardin County to Etown.
Open the 69kV tie from Shelby County (EKPC) to Shelby County Tap (LG&E)

All prior to Trimble 2 going in service.

Exhibit E

Notification of Dispute

VIA FACSIMILE TRANSMISSION AND OVERNIGHT COURIER SERVICE

December 11, 2006

Mr. Stephen K. Kozey Vice President and General Counsel Midwest ISO 701 City Center Drive Carmel, Indiana 46032	Mr. Michael P. Holstein Vice President and Chief Financial Officer Midwest ISO 701 City Center Drive Carmel, Indiana 46032

Re: Notification of Dispute Regarding Withdrawal Fee

Dear Steve and Mike:

E.ON U.S. LLC ("E.ON"), on behalf of its operating companies Louisville Gas and Electric Company and Kentucky Utilities Company, hereby provides notice of its disagreement with the Midwest Independent Transmission System Operator's ("Midwest ISO") calculation of E.ON's share of the Midwest ISO's financial obligations (the "Withdrawal Fee") that was due as of the date of E.ON's withdrawal from the Midwest ISO. By agreement between the parties, this dispute is being noticed pursuant to the framework set out in the finalized, unexecuted version of the Withdrawal Agreement (the "Withdrawal Agreement") that was filed with the Federal Energy Regulatory Commission on January 10, 2006, as an attachment to E.ON's amended Withdrawal Application.[1]

Specifically, E.ON's disagreement centers around the methodology pursuant to which the Midwest ISO calculated E.ON's share of Schedule 10, 16, and 17 financial obligations under the Midwest ISO's Tariff. In calculating the Withdrawal Fee, the Midwest ISO used a methodology that results in E.ON inequitably subsidizing remaining Transmission Owners and all Midwest ISO Market Participants. In discussions with the Midwest ISO that took place at the Midwest ISO's offices on September 15, 2006, E.ON requested that the Midwest ISO reconsider this issue. The Midwest ISO responded in a letter dated September 27, 2006, that its methodology was:

> "predicated on the assumption that if all Transmission Owners were simultaneously [to] withdraw from the Midwest ISO then the financial obligations outstanding as of the withdrawal date would be allocated to each Transmission Owner based on the ratio of their billing determinants to the total billing determinants for all Transmission Owners. This assumption ensures that

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[1] LG&E Energy, LLC, et al., Amendment to Proposed Withdrawal from the Midwest ISO, Docket Nos. ER06-20-001 and EC06-4-001 (January 10, 2006) ("Amended Withdrawal Application").

EXHIBIT
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> one hundred percent (100%) of the financial obligations outstanding as of the withdrawal date are allocated to the parties with a financial obligation under the Tariff and the Transmission Owners Agreement."

After acknowledging in the September 27, 2006, letter that participants other than Transmission Owners pay a portion of the Schedule charges, the Midwest ISO reasoned that, because these other participants do not have financial obligations under the Tariff or the Transmission Owners Agreement, "it is not appropriate to provide LGE Corporation with this benefit on an on-going basis subsequent to withdrawal."

The Midwest ISO's position, however, neither reflects the agreement between E.ON and the Midwest ISO set out in Attachment A to the Withdrawal Agreement, nor does it reflect the reality that financial contributions to those Schedules are received by the Midwest ISO from participants in addition to the Transmission Owners. Indeed, considering Midwest ISO's agreement with E.ON's assessment that non-Transmission Owner parties make contributions to Midwest ISO that are used to meet the Midwest ISO's financial obligations, E.ON believes the remaining Midwest ISO Transmission Owners and Market Participants -- not E.ON -- are receiving an unwarranted benefit from Midwest ISO's proposed Exit Fee calculation method. In fact, based on historical information, E.ON estimates it has overpaid Midwest ISO approximately $7 million.

Considering the foregoing, E.ON respectfully requests the Midwest ISO to reconsider the matter.

Under the dispute resolution process set out in Section 5.1 of the Withdrawal Agreement, "Within ten (10) Business Days following the date of the Dispute Notice, the most senior executive responsible for the subject matter of the Dispute from each Party will meet and in good faith attempt to resolve such Dispute." Pursuant to this governing process agreed upon by the parties, I ask that you contact me at your earliest convenience to arrange a mutually agreeable time when we can meet to discuss this issue.

For purposes of the notification regarding this matter, I would appreciate it if you would forward any notices and communications to me, with a copy to Beth Cocanougher.

Thank you for your cooperation.

Sincerely,

Martyn Gallus

cc: Elizabeth Cocanougher