COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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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	)))))))	**CASE NO. 2003-00266**

STIPULATION

Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively, the "Companies") and the Midwest Independent Transmission System Operator, Inc. ("MISO"), each by counsel, stipulate and agree to certain matters regarding operations under the MISO Open Access Transmission and Energy Markets Tariff ("EMT" or "Tariff") as follows:

1. The Companies must designate a minimum MW amount of Network Resources ("DNR") equal to their annual peak load plus applicable Kentucky or ECAR planning reserve margin, using the methodology established by Kentucky or ECAR, as applicable. For the Companies, which have no state or RRO planning reserve margin requirement, MISO will assign its default minimum planning reserve margin (which is 12%) for purposes of satisfying DNR requirements, until the Companies can demonstrate to MISO that a more appropriate state or regional supply adequacy standard is in effect for the Network Load that the Companies serve.

2. Designating DNRs in excess of the minimum MW amount is optional for the Companies.

3. As a part of the Day Ahead scheduling process, the Companies must submit a unit commitment status for all DNRs indicating that the Generation Resource identified as a DNR is either:

a. a Must Run unit (i.e., a self-scheduled price taker);

b. an Economic unit (i.e., will run at a specific economic point of indifference);

c. an Emergency unit (i.e., will run only in a defined Emergency by the Transmission Provider); or,

d. Unavailable (i.e., is offline due to outage or scheduled maintenance).

4. DNRs not receiving a Day Ahead Market commitment schedule at the close of the Day-Ahead Energy Market must provide a unit schedule offer into the MISO's Reliability Assessment Commitment ("RAC").

5. The designation of a particular Generation Resource as a DNR may be for periods of less than one year. New Network Resource designations, and redesignations of former DNRs, must be made in accordance with EMT §§ 30.1 and 30.2 and approved by MISO, subject to satisfaction of MISO's deliverability test as set forth in EMT §69.1.3, as well as the other performance standards found in the MISO EMT, including, but not limited to those provisions of EMT § 29.2.

6. Certain consequences of a Generation Resource being a DNR are, in part, as follows:

a. A Generation Resource is an eligible source for financial transmission rights ("FTRs"), provided the Generation Resource has been designated a DNR as of the applicable registration date for the specified allocation period; and

b. The Generation Resource is subject to the Network Resource Must Offer Requirement set forth in EMT §69.2.

7. The consequences of a Generation Resource not being a DNR are, in part, as follows:

a. The Companies are ineligible to nominate an FTR sourced at that Generation Resource;

b. The Generation Resource is exempt from the Network Resource Must Offer Requirement set forth in EMT §69.2.;

c. The Generation Resource is at risk for being denied DNR status in the future if it fails MISO's deliverability test set forth in EMT §69.1.3 or other performance tests including, but not limited to, the provisions EMT §29.2 at the time of the request; and

d. The Generation Resource may participate in the Real-Time and Day-Ahead Energy Markets.

8. The Companies shall not incur a purchase cost for FTRs allocated in accordance with the MISO Tariff provision governing the annual FTR allocation process in EMT §43. The Companies may purchase FTRs in accordance with the FTR auction procedures set forth in EMT §§ 44 and 45, respectively.

Day-Ahead Energy Market

DNRs in the Day-Ahead Energy Market

9. The Companies have three choices in the Day-Ahead Energy Market for making resources available for purposes of serving their load. They may:

a. Self-schedule (a fixed MW volume, price-taking supply offer);

b. Provide an Offer (a price-sensitive offer subject to MISO's economic Day-Ahead optimization); or

c. Identify the Generation Resource as operating reserve or regulation capacity.

10. The Companies may reflect, in the price offered in the Day-Ahead Energy Market, the risks associated with resource availability and load fluctuations by making an Offer of up to $1,000 per MWh per EMT §39.2.5 f, consistent with the MISO's market monitoring and mitigation procedures contained in Module D of the MISO EMT.

11. As proscribed in Module D of the EMT, the MISO Independent Market Monitor ("IMM") will not mitigate Day-Ahead Energy Market Offers. If the IMM determines that the conduct and impact of such Offers is anti-competitive, the IMM will report Offer information to the Federal Energy Regulatory Commission ("FERC") on a quarterly basis.

12. Generation Offers, of which Self-Scheduled Resources are a subset, do not physically connect Generation Resources to Load.

13. The Companies have three choices in the Day-Ahead Energy Market for Bidding physical Load:

a. Fixed Demand Bid as defined in EMT §1.65 (a fixed-volume, price-taking bid);

b. Price Sensitive Demand Bid as defined in EMT §1.248 (subject to MISO's economic Day-Ahead optimization); and

c. No Day-Ahead Bid (serve from Real-Time Market).

14. The Companies may financially link Load to a Generation Resource by using MISO's financial scheduling software ("finSched") to submit Internal Bilateral Transaction Schedules pursuant to EMT §39.1.3. Such schedules may be submitted until 1200 EST Hours of the Day after the Operating Day pursuant to EMT §39.1.3.

15. The settlement process associated with all of the choices in Stipulations 9 and 13 above includes, as a component, the determination and application of LMPs inclusive of a Marginal Congestion Component and a Marginal Losses Component, as described in EMT §39.3.5.

16. All of the Companies' Load scheduled upon close of the Day-Ahead Energy Market shall be allocated a proportionate share of any Day Ahead Revenue Sufficiency Guarantee Charge calculated pursuant to EMT §39.3.1 c. Real-Time Load deviations from cleared Day-Ahead Schedules shall be allocated any Real-Time Offer Revenue Sufficiency Guarantee charge as described in EMT §40.2.13 and calculated pursuant to EMT §40.3.3 a ii.

17. The Companies are responsible for their own unit commitment costs arising from Self-committing their Generation Resources.

Real-time Energy Market

18. The Companies have three choices in the Real-Time Energy Market for making Generation Resources available for purposes of serving their load. They may:

a. Self-Schedule pursuant to EMT §40.2.3 (a fixed MW volume, price-taking supply offer);

b. Offer a Generation Resource pursuant to EMT §40.2.3 (a price-sensitive offer subject to MISO's economic dispatch optimization); or

c. Identify the Generation Resource as operating reserve or regulation capacity pursuant to EMT § 40.2.5 b.

19. The Companies may reflect, in the price offered in the Real-Time Energy Market, the risk associated with resource availability and load fluctuations up to $1,000 per MWh as

stated in EMT §40.2.3 b ix, consistent with the MISO's market monitoring and mitigation procedures as set forth in Module D in the EMT.

20. The IMM can mitigate real-time offers, consistent with the MISO's market monitoring and mitigation procedures as set forth in Module D of the EMT.

21. All energy cleared in the Real-time Energy Market shall be settled at an LMP price inclusive of a Marginal Congestion Component and a Marginal Losses Component, as described in EMT §§ 40.3 through 40.4.

Other

22. The MISO EMT incorporation of NERC Policy 9 and the MISO EMT RAC process have not yet been reconciled to allow for the Companies to avoid being declared energy deficient during emergency supply conditions when there are no binding transmission constraints in the entire MISO Region and when online Company-owned generation exceeds the Companies' real-time native energy demand.

23. The following costs and revenues may be assessed to the Companies in serving their native load under the EMT, regardless of how energy is scheduled:

a. Congestion costs net of FTR revenues,

b. Losses, net of any refund of Marginal Losses overcollection,

c. Schedule 16 costs,

d. Schedule 17 costs, and

e. Certain uplift charges

Dated: December 7, 2004

Respectfully submitted,

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CERTIFICATE OF SERVICE

hand delivery

I hereby certify that a true copy of the foregoing Stipulation was served via ~~U.S. mail~~, firs~~t-class, postage prepa~~id, this 7th day of December 2004, upon the following persons:

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