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June 20, 2006

VIA FEDERAL EXPRESS

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

RECEIVED
JUN 21 2006
PUBLIC SERVICE
COMMISSION

**RE: In the Matter of the Application of Louisville Gas and Electric Company and
Kentucky Utilities Company for Authority to Transfer Functional Control of
Their Transmission System**
Case No. 2005-00471

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and ten copies each of a Joint Motion in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me in the enclosed self-addressed stamped envelope.

Should you have any questions or need any additional information, please contact me at your convenience.

Very truly yours,

Kendrick R. Riggs

KRR/ec

Enclosures

cc: All persons of record requesting intervention
Kent W. Blake (w/encl)
Elizabeth L. Cocanougher (w/encl)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
JUN 2 2006
PUBLIC SERVICE
COMMISSION

In the Matter of:

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

JOINT MOTION FOR RECONSIDERATION

Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU) (collectively, the “Companies”), the Kentucky Office of the Attorney General by and through his Office of Rate Intervention (AG), and the Kentucky Industrial Utility Customers, Inc. (KIUC) (collectively, “Movants”), hereby move the Kentucky Public Service Commission (“Commission”) to reconsider its June 13, 2006 order in this proceeding, and to issue an order by July 6, 2006, resolving this proceeding such that the Companies may proceed with their plans to withdraw from the Midwest Independent Transmission System Operator, Inc. (“MISO”) effective September 1, 2006, consistent with the terms contained herein. As grounds for their Joint Motion, the Companies, AG, and KIUC state as follows:

On May 31, 2006, the Commission issued a final order (“May 31 Order”) in Case No. 2003-00266¹ (“Investigation”), concluding its nearly three-year long investigation of the Companies’ membership in MISO. In the May 31 Order, the Commission granted the Companies the authority to withdraw from MISO and to establish a regulatory asset in the amount of the Companies’ MISO exit fee and establish a regulatory liability for the amount of

¹ *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.*

Schedule 10 costs that were included in the test year of the Companies' last base rate case once the Companies cease to incur such expenses.

On June 2, 2006, the Companies, AG, and KIUC filed in this proceeding a Stipulation, which provided for, among other things, a "fair, just and reasonable" accounting and rate-making treatment of the MISO exit fee by partially offsetting the regulatory liability to be established for Schedule 10 costs with the like-kind service costs the Companies will incur once they exit MISO to compensate the Tennessee Valley Authority (TVA) and the Southwest Power Pool, Inc. (SPP), for reliability coordination and independent transmission tariff administration services, respectively. During the weeks prior to the May 31 Order, the Companies, AG, and KIUC had carefully negotiated and executed the Stipulation for the purpose of expediting this proceeding by providing the Commission a reasonable, prudent, and mutually agreeable resolution of all of the issues in this case.

On June 13, 2006, however, the Commission issued an order in this proceeding ("June 13 Order") initiating an investigation and setting for hearing the issue of whether the May 31 Order's accounting treatment of the MISO exit fee and Schedule 10 charges is consistent with the Stipulation's accounting and rate-making treatment of the same items, as well as the TVA and SPP costs. The June 13 Order further stated that the Stipulation's accounting and rate-making provisions "may have the effect of changing the basis upon which the Commission issued its May 31, 2006 Order in Case No. 2003-00266."² That Order seems to indicate that the Commission's reading of the terms in Section 2 of the Stipulation is not only inconsistent with the findings in the May 31 Order, but may cause the Commission to reconsider other components of its May 31, 2006 Order. Although the Companies have filed a motion for an informal conference with Commission Staff for the purpose of discussing the issues in this case, e-mail

² June 13 Order at 2 (emphasis added).

correspondence from Commission Staff counsel indicates that it may not be possible to hold the conference until the second or third week of July. The Movants therefore submit this motion to resolve this concern and allow the Companies to proceed with their operational withdrawal from MISO by July 7.³

The Movants believe there is no conflict between the May 31 Order and the Stipulation; rather, the accounting and rate-making provisions of the Stipulation give effect to and complement the May 31 Order, including those Stipulation provisions concerning TVA and SPP costs. Nonetheless, because the Movants strongly believe that this matter should be resolved as quickly as possible to implement the Commission's decisions in the Investigation, they are willing to withdraw the accounting and rate-making portions of the Stipulation; and the Companies are willing to amend their Third Amended Joint Application to remove all rate-making-related discussion and requests,⁴ provided that such action eliminates the need for the investigation and hearing referenced in the June 13 Order, and further, that any other matters are capable of resolution in an order to be issued no later than July 6, 2006.

The timing of the requested order is crucial. As the Commission is aware, the Companies and MISO have established an agreed methodology for calculating the MISO exit fee and procedures to affect the Companies' operational exit from MISO.⁵ The Companies' June 14,

³ The Motion is made without waiver of, or prejudice to, the terms of the Stipulation or the positions of the signatories thereto should the Commission issue an order denying this Joint Motion.

⁴ Specifically, this would involve withdrawing all of Stipulation ¶ 2 and amending the Third Amended Joint Application to remove the second textual paragraph of page 1, as well as requesting paragraph number 2 on page 12.

⁵ See Amended Application (February 3, 2006) for the agreement concerning methodology for calculation of Exit Fee between the Companies and MISO; See June 5, 2006 Joint Letter from MISO and the Companies to FERC concerning agreed upon procedures for effecting the operational withdrawal from MISO (copy distributed the attendees at the June 7, 2006 Informal Conference at the KPSC).

2006 filing of schedules with MISO is part of the agreed-upon operational withdrawal procedures, and is fully revocable through the close of business on July 7, 2006.⁶

On June 14, 2006, the Companies submitted to MISO schedules (which took multiple days to prepare) informing MISO that it should not include the Companies' generation and transmission facilities in the Day 2 market models for the quarter beginning September 1, 2006; in other words, the Companies informed MISO that they expect to exit MISO effective September 1. The Companies may rescind this request no later than close of business on July 7, 2006, if they wish to remain participants in MISO's security constrained economic dispatch operations after August 31, 2006. The Companies will rescind this request if necessary, but believe it is in the Companies' and their customers' best interest to resolve this matter as expeditiously as possible, complete the Companies' exit from MISO and obtain the needed services from TVA and SPP. Thus the Movants believe it is of great import that the Commission issue the requested order by July 6, 2006 to provide the necessary clarity and assurance that the Companies require if they are to proceed with their plans.

WHEREFORE, Louisville Gas and Electric Company, Kentucky Utilities Company, the Kentucky Office of the Attorney General, and the Kentucky Industrial Utilities Customers, Inc., respectfully request that the Commission reconsider its June 13, 2006 order in this proceeding, and issue an order by July 6, 2006, authorizing:

1. granting the Companies the relief recommended in the Stipulation and requested in the Third Amended Joint Application, except for the terms concerning rate-making of any kind; and subject to the receipt of a statement from the Companies

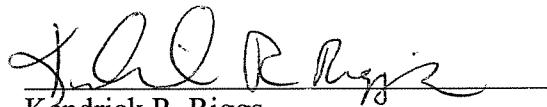
⁶ The next opportunity will not occur until September 15, 2006 when the Companies can submit their schedules to MISO in order to achieve a complete operational withdrawal on December 1, 2006.

that the scope of any FERC-approved market-based rate authority for the Companies to be effective upon exit from MISO will not result in a material diminution of the market-based rate authority the Companies already possess or that which the Companies proposed in their May 24, 2006 FERC filing.⁷

2. canceling the investigation into, and hearing on, the proposed Stipulation; and
3. clarifying the process the Commission will use to complete its review of and decision on the Companies' Application, as amended, by July 6, 2006.

Dated: June 20, 2006

Respectfully submitted,



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⁷ *LG&E Energy Marketing, Inc., et al.*, Docket No. ER06-1046-000.



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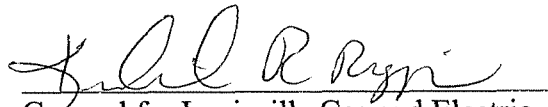
CERTIFICATE OF SERVICE

The undersigned hereby certifies that an original and ten copies of this Joint Motion was hand delivered on the 20th day of June 2006 to Elizabeth O'Donnell, Executive Director, Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601, and that a copy of this motion was mailed to:

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