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June 15, 2006

VIA HAND DELIVERY

RECEIVED

JUN 15 2006

PUBLIC SERVICE
COMMISSION

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

**Re: In the Matter of Petitions of Kentucky Utilities Company and Blue Grass Energy Cooperative Corporation to be Designated as the Retail Electric Supplier for the New Wal-Mart Store in Cynthiana, Kentucky
Case No. 2006-00214
Our File No.: 400001/358795**

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and ten (10) copies of Kentucky Utilities Company's Response to Motion of Blue Grass Energy Cooperative Corporation for Order Prohibiting Electrical Service to Site of Expanded Wal-Mart Store No. 591 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 two additional copies provided 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,


J. Gregory Cornett

JGC/cja
Enclosures
cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 15 2006

PUBLIC SERVICE
COMMISSION

In the Matter of:

PETITIONS OF KENTUCKY UTILITIES)
COMPANY AND BLUE GRASS ENERGY)
COOPERATIVE CORPORATION TO BE) CASE NO. 2006-00214
DESIGNATED AS THE RETAIL ELECTRIC)
SUPPLIER FOR THE NEW WAL-MART)
STORE IN CYNTHIANA, KENTUCKY)

**KENTUCKY UTILITIES COMPANY'S RESPONSE TO MOTION
OF BLUE GRASS ENERGY COOPERATIVE CORPORATION FOR ORDER
PROHIBITING ELECTRICAL SERVICE TO SITE OF EXPANDED
WAL-MART STORE NO. 591¹**

Kentucky Utilities Company ("KU"), by counsel, hereby responds to the motion of Blue Grass Energy Cooperative Corporation ("BGE") seeking an order prohibiting the extension of any further service to Wal-Mart Store No. 591 in Cynthiana, including temporary service, and for an informal conference to discuss the issues, including the provision of temporary service to this customer.

As set forth in KU's Petition herein, KU is presently providing service to Wal-Mart Stores, Inc. ("Wal-Mart") Store Number 591 at its location on US 27 South in Cynthiana, Kentucky, and has been providing such service since August 1984. That existing store is located entirely and exclusively within territory certified to KU by this Commission, and there is no challenge by BGE to that existing service. Wal-Mart is planning to expand its operations in Cynthiana later this year by constructing a SuperCenter at the same address, located approximately 200 feet behind the existing Store Number 591. The new SuperCenter will

¹ Blue Grass continues to refer to a "new" Wal-Mart store, and the caption of this matter also uses the word "new." As set forth in KU's Petition herein, KU contends that the Wal-Mart Super-Center at issue does not constitute a new electric consuming facility under KRS Chapter 278. Use of the caption identified by the Commission is not intended to, and does not, constitute a waiver of that position by KU.

replace the existing store, and will continue to be referred to as Store Number 591. Part of the land on which the SuperCenter will be located is within the certified territory of BGE, although the rest of the land underlying the proposed SuperCenter will be in KU's certified territory. As noted above, the site of the existing Wal-Mart Store Number 591, which will be demolished and serve as part of the lighted parking lot for the SuperCenter, as well as house a fueling station, is exclusively in KU's certified territory.

By its present motion, BGE is attempting to preclude the extension of service to Wal-Mart in connection with the proposed SuperCenter, including temporary service for construction purposes, pending a final resolution of this case or some agreement of the parties. However, BGE's motion is entirely too broad and, in some respects, premature, and should be denied.

KU has recently been requested to provide temporary service to a construction trailer associated with the construction of the SuperCenter. KU connected that service as requested on June 8, 2006 – well before BGE's motion was filed. Importantly, that trailer is located near the existing Wal-Mart store, entirely within KU's certified territory. KU has the right, pursuant to KRS 278.018, to render service to that trailer. There is no basis for BGE to object to such service, or for the Commission to act to preclude the service. Accordingly, BGE's motion should be denied to the extent that it seeks an order prohibiting KU from serving the construction trailer located in its exclusive certified territory.

With regard to the extension of permanent service, KU contends that it has the right to provide service to the expanded Wal-Mart Store Number 591 SuperCenter, and will seek to provide any such service to the extent that it is requested in the interim while this case is pending.² However, KU has not been requested to actually begin the connection of service to the

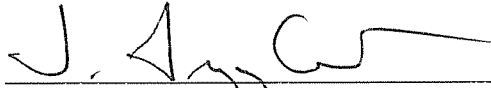
² KU would not object to such service, if in fact rendered, to be without prejudice to the rights of BGE regarding final determination of permanent service rights to be decided by this Commission, similar to that done Case No. 2003-00226.

SuperCenter itself (which is not even constructed) at this time, and has no intention of extending its facilities to provide such service to the SuperCenter absent approval to do so from this Commission. Based on BGE's motion, KU expects that BGE likewise has no intention to begin extension of its facilities in connection with service to the SuperCenter. Therefore, to the extent that BGE's motion is directed to the provision of such service, its motion is premature and should be denied at this time. If and when the provision of service to the SuperCenter, even on an interim basis pending final ruling in this proceeding, becomes an issue, such service can be considered by the Commission at that time.

Finally, BGE has requested an informal conference in this matter to discuss these and other issues. KU does not object to the scheduling of an informal conference and, in fact, itself requested such a conference, for the purpose of establishing a procedural schedule, in a motion sent out yesterday. However, for all of the reasons set forth above, KU does not believe that discussion of extension of service, as raised in BGE's pending motion, should be necessary at that informal conference. In addition, KU does request that any informal conference not be held before June 28, 2006 due to scheduling conflicts on the part of individuals associated with KU who need to be present for that conference.

For all of the reasons set forth above, KU respectfully requests that the Commission enter an order denying BGE's pending motion, and schedule an informal conference on or after June 28, 2006 for the purpose of discussing this matter and establishing a procedural schedule.

Respectfully submitted,



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CERTIFICATE OF SERVICE

It is certified that a true and correct copy of the foregoing was served via U. S. Mail, postage prepaid, this 15th day of June, 2006 upon:

Howard Downing
109 South First Street
Nicholasville, KY 40356
Attorney for Blue Grass Energy
Cooperative Corporation



Counsel for Kentucky Utilities Company