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January 27, 2005

VIA HAND DELIVERY

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

RECEIVED

JAN 27 2005

PUBLIC SERVICE
COMMISSION

RE: In the Matter of the 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

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and ten copies of Louisville Gas and Electric Company's and Kentucky Utilities Company's Reply to Response to LG&E/KU's Objection to the Midwest ISO's 1/21/05 Supplemental Data Responses 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: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

JAN 27 2005

**INVESTIGATION INTO THE)
MEMBERSHIP OF LOUISVILLE)
GAS AND ELECTRIC COMPANY)
AND KENTUCKY UTILITIES)
COMPANY IN THE MIDWEST)
INDEPENDENT TRANSMISSION)
SYSTEM OPERATOR, INC.)**

PUBLIC SERVICE
COMMISSION

CASE NO. 2003-00266

**REPLY OF KENTUCKY UTILITIES COMPANY AND
LOUISVILLE GAS AND ELECTRIC COMPANY IN FURTHER SUPPORT OF
OBJECTION TO THE MIDWEST INDEPENDENT SYSTEM OPERATOR, INC.'S
SUPPLEMENTAL DATA RESPONSES**

The Midwest System Operator, Inc. ("MISO") has filed a response to the previously-filed objection of Louisville Gas and Electric Company and Kentucky Utilities Company (collectively the "Companies") to certain supplemental data responses filed by MISO. That response, however, fails to adequately respond to the Companies' objection and also misinterprets the scope of that objection.

MISO's Supplemental Response No. 2

MISO contends that its "supplemental" response to Data Request No. 2 should be permitted because it was "directly responsive" to the Companies' request. That contention is inaccurate. In Supplemental Request No. 2(b) the Companies asked for any other analyses or studies which had been "obtained, conducted or performed" at MISO's direction. The Companies did not request or direct MISO to perform any additional such analyses or studies. Nonetheless, the "supplemental" response provided by MISO did not include other studies which had previously been performed but not produced. To the contrary, MISO commissioned and

provided an additional cost-benefit analysis with results that are significantly different than those contained in the previously-filed analysis.

It is clear, therefore, that the additional analysis filed by MISO, and the testimony of Dr. McNamara which accompanies it, is not responsive to the Companies' supplemental data requests. Also, as explained in the Companies' original Objection, that additional testimony is not permitted by the Commission's procedural schedule. Moreover, MISO itself acknowledges, at pages 3-4 of its Response, that the newly-filed cost-benefit analysis continues to include "the same generating units used in its earlier studies" filed in this proceeding. As the Companies have detailed in other filings in this case, the inclusion of a number of those generating units in MISO's analysis creates significant errors in the results. For example, MISO contends that its cost-benefit study was intended to depict the benefits of the state of Kentucky. If that is the case, the BREC *load* should have been included to offset the generation revenues. Recognition of the BREC load would have significantly reduced the off-system sales depicted in the cost/benefit study. Thus, this additional analysis by MISO has no probative value in that it makes the same errors as did MISO's previous studies. For all of those reasons, MISO's Supplemental Response No. 2 should be stricken from the record.

MISO's Supplemental Response No. 47

MISO's Response also takes issue with the Companies' purported objection to Supplemental Response No. 47. MISO has misinterpreted the Companies' objection. As a point of clarification, the Companies have only objected to, and only seek to strike, MISO's Supplemental Response No. 2, for all of the reasons previously stated.

WHEREFORE, for all of the foregoing reasons, the Companies request that the Commission strike MISO's Supplemental Response No. 2 to the December 7, 2004 Data Requests from the record in this proceeding or, alternatively, allow responsive testimony from

the Companies on February 4, 2005.¹ The sooner the Commission enters an order in this investigation granting the Companies their requested relief, the more rapidly they can apply to the Federal Energy Regulatory Commission for an order to withdraw as well.

Dated: January 27, 2005

Respectfully submitted,



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¹ MISO has not objected to that alternative relief. See MISO's Response, page 3.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Reply was served electronically and via U.S. mail, first-class, postage prepaid, this 27th day of January 2005, upon the following persons:

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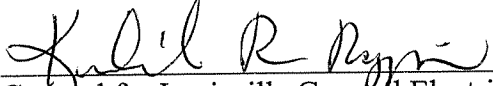
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