

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION INTO THE MEMBERSHIP)
OF LOUISVILLE GAS AND ELECTRIC)
COMPANY AND KENTUCKY UTILITIES) CASE NO. 2003-00266
COMPANY IN THE MIDWEST INDEPENDENT)
TRANSMISSION SYSTEM OPERATOR, INC.)

O R D E R

By Order dated July 17, 2003, the Commission initiated this investigation of the membership of Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") in the Midwest Independent Transmission System Operator, Inc. ("MISO"). A number of issues were specifically identified for review in this case, including the costs and benefits to LG&E and KU of membership in MISO and the feasibility of LG&E and KU joining a southern Regional Transmission Organization ("RTO").

Since opening this case, a substantial evidentiary record has been created through discovery, prepared testimony, and two public hearings: one on February 25, 2004; the other on April 8, 2004. Subsequent to the last public hearing, MISO filed with the Federal Energy Regulatory Commission new tariffs to establish day-ahead and real-time energy markets. Due to the timing of the filing of these new MISO tariffs, their impact on the costs and benefits of MISO membership has not been subject to examination and review in this proceeding.

In addition, while LG&E and KU did address the issue of joining a southern RTO, the Commission finds that it may have defined this issue too narrowly. Based on the Commission's recent authorization of Kentucky Power Company d/b/a American Electric Power to join the PJM Interconnection, L.L.C. ("PJM") RTO,¹ LG&E and KU should have an opportunity to address the feasibility of joining PJM, or any other RTO, irrespective of its geographic boundaries.

To ensure that the evidentiary record in this case is fully developed, the Commission finds that LG&E and KU should file supplemental testimony addressing the energy market tariffs that have been filed recently by MISO, as well as the feasibility, including costs and benefits, of joining PJM or any other RTO. The procedural schedule set forth in Appendix A will allow the record to be supplemented on these issues.

IT IS THEREFORE ORDERED that:

1. The evidentiary record in this case is reopened and the procedural schedule set forth in Appendix A hereto shall be followed.
2. LG&E and KU shall file testimony in accordance with the attached procedural schedule on the issues discussed in the findings above.

¹ Case No. 2002-00475, Application of Kentucky Power Company d/b/a American Electric Power, For Approval, to the Extent Necessary, to Transfer Functional Control of Transmission Facilities Located in Kentucky to PJM Interconnection, L.L.C. Pursuant to KRS 278.218 (Order dated May 19, 2004).

Done at Frankfort, Kentucky, this 22nd day of June, 2004.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a horizontal line at the bottom, positioned above the text 'Executive Director'.

Executive Director

Case No. 2003-00266

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2003-00266 DATED JUNE 22, 2004

LG&E and KU shall file direct testimony in verified
prepared form no later than..... July 8, 2004

Intervenor testimony, if any, shall be filed in verified
prepared form no later than..... July 29, 2004

Public hearing(to be scheduled)