

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT FILING OF LOUISVILLE GAS )  
AND ELECTRIC COMPANY AND KENTUCKY )  
UTILITIES COMPANY OF A SPECIAL ) CASE NO. 2007-00449  
CONTRACT FOR FIRM GAS SALES AND )  
FIRM TRANSPORTATION SERVICE )

O R D E R

On October 1, 2007, Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) (jointly “Applicants”) submitted a proposed special contract for Firm Gas Sales and Firm Transportation between LG&E’s Gas Distribution Business and LG&E’s and KU’s Electric Generation Businesses. They proposed that the special contract become effective November 1, 2007. Finding that additional information was required to determine the reasonableness of the proposed contract, the Commission established this proceeding and suspended the operation of the contract up to and including March 31, 2008.

To support the reasonableness of the contract and in response to data requests, the Applicants submitted additional information concerning LG&E’s cost to provide service to KU. They state that the proposed transaction is in compliance with the affiliate transaction requirements of KRS 278.2207 as the costs are based on the cost-of-service study that was developed by The Prime Group LLC and used in LG&E’s last general rate case.<sup>1</sup>

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<sup>1</sup> Case No. 2003-00433, An Adjustment of the Gas and Electric Rates, Terms, and Conditions of Louisville Gas and Electric Company (Order dated June 30, 2004).

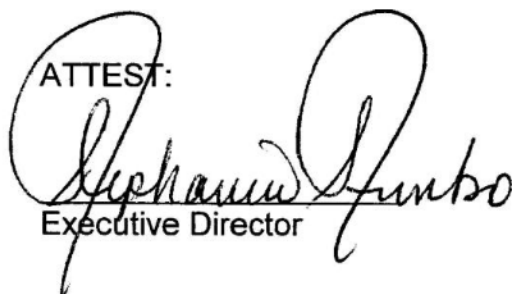
Having reviewed the record and being otherwise sufficiently advised, the Commission finds that the contract is reasonable, that it is in compliance with the affiliate transaction statutes, and that it should be approved.

IT IS THEREFORE ORDERED that the Applicants' proposed special contract for Firm Gas Sales and Firm Transportation is approved effective on and after the date of this Order.

Done at Frankfort, Kentucky, this 11<sup>th</sup> day of April, 2008.

By the Commission

Commissioner Clark Abstains.

ATTEST:  
  
Executive Director