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September 22, 2010

RECEIVED

SEP 22 2010

PUBLIC SERVICE
COMMISSION

VIA HAND DELIVERY

Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

RE: Application of Kentucky Utilities Company and Louisville Gas and Electric Company to Retain Southwest Power Pool, Inc. to Perform Independent Transmission Organization Functions
Case No. 2010-00237

Dear Mr. DeRouen:

On August 3, 2010, I and other representatives of Kentucky Utilities Company and Louisville Gas and Electric Company (collectively, the "Companies") met with the Commission Staff in an informal conference at the Commission to discuss the Companies' application in the above-referenced proceeding. In the informal conference, there was discussion concerning a possible waiver of a federal preemption defense to Commission jurisdiction over the additional cost of the proposed Independent Transmission Organization ("ITO") contract between the Companies and the Southwest Power Pool, Inc. ("SPP"), for the term of the proposed contract. Having fully considered the matter, the Companies hereby commit for the term of the proposed ITO agreement (as defined in Section 4 thereof) not to assert that the Federal Energy Regulatory Commission's ("FERC") jurisdiction legally preempts the Commission from disallowing recovery in retail rates of the compensation the Companies will pay to SPP under the proposed ITO agreement that exceeds \$4 million per year; however, the Companies shall retain the right to assert that the charges are reasonable and appropriate.

The Companies respectfully request an order from the Commission in this proceeding on or before October 8, 2010.

Jeff DeRouen
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If you have any questions or concerns, please contact me at your first convenience.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kendrick R. Riggs". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

Kendrick R. Riggs

KRR/ec

cc: Allyson K. Sturgeon, Senior Corporate Attorney
Kentucky Utilities Company and Louisville Gas and Electric Company

Lonnie E. Bellar, Vice-President of State Regulation
Kentucky Utilities Company and Louisville Gas and Electric Company