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September 26, 2008

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Louisville Gas & Electric Company, et al., Docket No. ER06-20-000
The ITO's Semi-Annual Report

Dear Secretary Bose:

The Southwest Power Pool, Inc. ("SPP"), as the Independent Transmission Organization ("ITO") for the Louisville Gas & Electric Company's ("LG&E") and Kentucky Utilities Company's ("KU") systems, hereby submits the ITO's Semi-Annual Report, in accordance with the Federal Energy Regulatory Commission's orders approving the establishment of the ITO and section 12.1.2 of the ITO Agreement in LG&E/KU's Open Access Transmission Tariff ("OATT").¹

The ITO will serve a copy of this report to all Interested Government Agencies and will make the report publicly available by posting it electronically on LG&E/KU's OASIS.

If there are any questions related to this matter, please contact the undersigned at the number listed above.

Respectfully submitted,

/s/ David S. Shaffer
David S. Shaffer

Counsel for the ITO

Attachment

K:\SPP-ITO\Cover letter to ITO semi-annual report Sept 08.doc

¹ See Louisville Gas & Electric Co., et al., 114 FERC ¶ 61,282, order on reh'g, 116 FERC ¶ 61,020, order on compliance, 116 FERC ¶ 61,019 (2006), reh'g denied, 118 FERC ¶ 61,158 (2007).



**Independent Transmission
Organization (ITO) for LG&E/KU
Semi-Annual Report
March 2008 – August 2008**

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1. Overview

1.1 E.ON U.S.

Louisville Gas & Electric Company (LG&E) and the Kentucky Utilities Company (KU) are operating subsidiaries of E.ON US (formerly LG&E Energy LLC), a diversified energy services company that is a wholly-owned subsidiary of E.ON AG. They own, among other things, an integrated electric transmission system which currently provides open access transmission service within the LG&E/KU footprint in accordance with LG&E/KU's Open Access Transmission Tariff (OATT or Tariff) filed with FERC on October 7, 2005, in Docket No. ER06-20-000. Throughout this report, the terms "E.ON" and "LG&E/KU" are used interchangeably to describe the LG&E/KU transmission systems.

1.2 Duties Pursuant to the ITO Agreement

Southwest Power Pool, Inc. (SPP), in its role as the Independent Transmission Organization (ITO) for LG&E/KU, is responsible for processing and evaluating transmission service requests (TSR), performing System Impact Studies (SIS), granting or denying TSRs, evaluating and implementing electronic tags, and overseeing the generator interconnection process and expansion planning function. SPP has been deemed by FERC to be an independent and appropriate entity to facilitate the ITO functions. While SPP is physically removed from the LG&E/KU footprint, due diligence by LG&E/KU established that core competencies such as experience, personnel, and infrastructure, along with SPP computer software, allow SPP to perform these functions in a highly effective manner. In accordance with the ITO Agreement and LG&E/KU OATT, SPP provides independent, non-discriminatory, open access transmission service on the LG&E/KU transmission system. LG&E/KU maintains ownership of its transmission system and is ultimately responsible for providing adequate transmission service to its customers with SPP performing key transmission related functions set forth in the Tariff and the ITO Orders.

1.3 ITO Semi-Annual Report Requirements

Pursuant to Attachment P of LG&E/KU's OATT, "The ITO shall report in writing to FERC every six (6) months (commencing on the six-month anniversary of the effective date of the Tariff and every six (6) months thereafter) to address (i) any concerns expressed by stakeholders and the ITO's response to same and (ii) any issues or Tariff provisions that hinder the ITO from performing its functions and responsibilities under this Attachment P and the other provisions of the Tariff." In addition, the ITO is also required to assess and report on instances of possible transmission hoarding.

2. ITO Reporting

2.1 Stakeholder Process

Attachment P and the ITO Agreement require the ITO to conduct and oversee the LG&E/KU Stakeholder Process. The Stakeholder Process provides a forum for interested parties to raise concerns and discuss with ITO management issues related to the ITO's tariff administration functions.

During the current reporting period, the ITO held one stakeholder meeting in Louisville, KY on May 22-23, 2008. This meeting was attended by twenty-nine (29) participants. The agenda, meeting presentations, and meeting notes can be found on SPP's website at:

http://www.spp.org/publications/2008_May_Stakeholders_Meeting_Minutes.pdf

2.2 SIS, Facilities Studies (FS) and Feasibility Analysis Service (FAS)

2.2.1 Overview

Pursuant to Attachment P, the ITO is responsible for processing and evaluating all TSRs. In accordance with the procedures contained in the LG&E/KU OATT, the ITO analyzes TSRs and determines on a non-discriminatory basis whether a SIS is needed. If a SIS is required, the ITO informs the customer as soon as practical and tenders a SIS Agreement within 30 days of receipt of the customer's completed application. The customer must execute and return the SIS Agreement to the ITO within 15 days, or the customer's application shall be deemed withdrawn and the customer's deposit returned with interest. Upon receipt of the SIS Agreement, the ITO shall use due diligence to complete the SIS within 60 days. The ITO will notify the customer if it cannot complete the SIS in 60 days and also provide an estimated time of completion and reason for the extended time frame.

Where applicable, the ITO has 30 days from the SIS completion date to tender to the customer a FS Agreement, under which the customer agrees to reimburse the ITO and LG&E/KU for actual FS costs. The customer must execute and return the FS Agreement to the ITO within 15 days, or the customer's application shall be deemed withdrawn and the customer's deposit returned with interest. Upon receipt of the FS Agreement, and subject to the ITO's oversight, LG&E/KU shall use due diligence to complete the FS within 60 days. The ITO will notify the customer if LG&E/KU cannot complete the FS in 60 days and also provide an estimated time of completion and reason for the extended time frame. Within 30 days of the completion of the FS, the customer must

execute a Service Agreement or request filing of an unexecuted Service Agreement provided that the required resources are acceptable to LG&E/KU and are equivalent to the cost of the new facilities.

Pursuant to section 2.3 of the LG&E/KU Tariff and Attachment R, a customer requesting new Point-to-Point (PTP) or Network Integration Service (NITS) may request that the ITO or its designee (LG&E/KU or another third party) perform a FAS. The FAS is a preliminary study of the costs of and time required to construct any upgrades or new facilities related to the new service request. A customer wanting a FAS must pay a flat rate fee and will receive the results within 30 days of executing a Feasibility Analysis Agreement. Due to the preliminary nature of the study, the FAS is not binding on either the customer, LG&E/KU, or the ITO.

2.2.2 SIS, FS, and FAS Statistics

Table 1 lists the number of SIS requested during the current reporting period.

Table 1
SIS Requested (Date in Queue)
Reporting Period Ending August 31, 2008

Mar	Apr	May	Jun	Jul	Aug
0	0	3	2	1	2

Table 2 illustrates the current status of all SIS that have been received during the current reporting period.

Table 2
SIS and Status
Reporting Period Ending August 31, 2008

SIS Number	Oasis Number	Point of Receipt	Point of Delivery	MW Requested	Oasis Status
LGE-2008-005	1448560	LGEE	LGEE	6	WITHDRAWN
LGE-2008-006	1451326	LGEE	LGEE	6	STUDY
LGE-2008-007	1451754	LGEE	LGEE	4	ACCEPTED
LGE-2008-008	1465193	LGEE	LGEE	5	ACCEPTED
LGE-2008-009	1466515	LGEE	LGEE	1	STUDY *

LGE-2008-010	1489336	PJM	LGEE	100	STUDY*
LGE-2008-011	1490208	LGEE	LGEE	8	STUDY *
LGE-2008-012	1490209	LGEE	LGEE	13	STUDY *

* These studies remain in the study queue as of the end of the reporting period.

Table 3 shows that the ITO completed eight (8) SIS during the current reporting period:

Table 3

**SIS COMPLETED
 Reporting Period Ending August 31, 2008**

SIS Number	Oasis Number	Point of Receipt	Point of Delivery	MW Requested	Oasis Status
LGE-2007-032	1387387	TVA	LGEE	71	CONFIRMED
LGE-2008-001	1395739	LGEE	LGEE	5	CONFIRMED
LGE-2008-002	1405708	LGEE	LGEE	165	CONFIRMED
LGE-2008-003	1405710	LGEE	LGEE	165	CONFIRMED
LGE-2008-004	1407420	MISO	LGEE	204	CONFIRMED
LGE-2008-006	1451326	LGEE	LGEE	6	FS STUDY In Progress
LGE-2008-007	1451754	LGEE	LGEE	4	CONFIRMED
LGE-2008-008	1465193	LGEE	LGEE	5	CONFIRMED

Table 4 shows that the ITO had one (1) SIS withdrawn and one (1) retracted prior to completion during the current reporting period

Table 4

**RETRACTED / WITHDRAWN SIS FOR REPORTING PERIOD
 Reporting Period Ending August 31, 2008**

SIS Number	Oasis Number	Point of Receipt	Point of Delivery	MW Requested	Oasis Status
LGE-2007-033	1389233	LGEE	LGEE	20	RETRACTED
LGE-2008-005	1448560	LGEE	LGEE	6	WITHDRAWN

Table 5 shows that one (1) FS was completed by E.ON for the LG&E/KU transmission system from March 1 through August 31, 2008.

Table 5
Summary of Completed FS
Reporting Period Ending August 31, 2008

Oasis Number	Point of Receipt	Point of Delivery	MW Requested	Start Date	Stop Date
1451326	LGEE	LGEE	6	10/1/2009	10/1/2014

Table 6 shows that one (1) FAS was requested during the last reporting period and illustrates the status of all FAS that have been processed during the current reporting period.

Table 6
Summary of FAS
Reporting Period Ending August 31, 2008

FAS Number	Point of Receipt	Point of Delivery	MW Requested	Start Date	Stop Date	Status
LGE-2008-001	LGEE	LGEE	5	10/1/2009	11/1/2014	Confirmed

2.2.3 Stakeholder Concerns

2.2.3.1 TVA Reliability Coordinator (RC) Attendance at Stakeholder Meetings – At the May stakeholder meeting, stakeholders raised a few questions relating to the RC function and asked to have representation by TVA at the stakeholder meetings. Both LG&E/KU and the ITO agreed to encourage TVA to attend future stakeholder meetings.

2.2.3.2 Redundant Service Options – At the November 2007 stakeholder meeting, several stakeholders expressed their desire to request redundant service options (dual-backup feeds). Multiple feeds into each service point reduce the probability of service outages. E.ON is investigating transmission service arrangements and OATT changes to address this stakeholder concern. Until these changes are formalized, these types of requests will be handled on a case by case basis. The ITO will continue to monitor this initiative and report to the stakeholders as progress is made.

2.3 Expansion Planning

2.3.1 Overview

Pursuant to Attachment P, the ITO is responsible for reviewing and approving all planning activities. The ITO completed a multi-faceted review of all activities, policies, and inputs impacting the 2007 E.ON U.S. Transmission Expansion Plan. The ITO is currently in the process of developing its report of this independent assessment.

2.3.2 Other Planning Activities

E.ON released a new version of its Transmission System Planning Guidelines along with a new document outlining E.ON's System Operating Limits Methodology on July 1, 2008. These documents have been posted on the LG&E/KU's OASIS page.

2.4 Large Generator Interconnection Procedures (LGIP)

2.4.1 Overview

An interconnection customer shall submit to the ITO an interconnection request in the form of Appendix 1 of the LGIP. Requests for interconnection shall be subject to an Interconnection Feasibility Study, an Interconnection SIS, and an Interconnection FS. Under the LGIP, the ITO is to use reasonable efforts to complete the Interconnection Feasibility Study within forty-five (45) days, the Interconnection SIS within ninety (90) days, and the Interconnection FS within ninety (90) or one hundred eighty (180) days depending on the cost estimate. For all studies, the ITO is to notify the interconnection customer if the study will not be completed within the time required and provide an estimated completion date and an explanation of the reasons why additional time is required.

2.4.2 Interconnection Statistics

As shown by Table 7, the ITO has worked on four (4) requests for interconnection service during the current reporting period.

**Table 7
 Summary of Interconnection Requests
 Reporting Period Ending August 31, 2008**

LGE-LGI-2007-001	Central City	KY	LGEE	1/12/2015	750	Steam	FS Complete. ITO to deliver Interconnection Agreement

LGE-LGI-2007-002	Central City	KY	LGEE	6/1/2014	610	Combined Cycle	SIS In progress
LGE-LGI-2007-004	Henderson County	KY	LGEE	3/31/2011	640	Combined Cycle	SIS In progress
LGE-LGI-2008-001	Wise Co	KY/VA	LGEE	12/01/2011	150	Wind	Feasibility Study set to begin.

2.4.3 Stakeholder Concerns

There were no stakeholder concerns raised regarding the LGIP process during this reporting period.

3. ITO Performance

In this section of the report, the ITO will address how its ability to perform its functions and responsibilities during the current reporting period has been impacted by issues under the LG&E/KU OATT. In addition, this section will contain operational results of the ITO's processing of TSRs to assess the ITO's performance of its tariff administration function.

3.1 Proposed Tariff Changes

3.1.1 Order No. 890 Compliance Filing

On June 24, 2008, the Commission issued an order accepting and modifying proposed amendments to the LG&E/KU Tariff in compliance with Order No. 890. In particular, the Commission determined that LG&E/KU's proposed provisions for cluster studies were deficient. The Commission also rejected LG&E/KU's tariff language that rollover rights only apply to transmission service agreements with a term of five years or longer. The Commission held that this language could not go into effect until after LG&E/KU's Attachment K is accepted. The Commission did accept LG&E/KU's tariff provisions for late transmission study penalty revenue distribution.

3.1.2 Order No. 890-A Compliance Filing

On March 17, 2008, E.ON filed amendments to LG&E/KU's OATT in compliance with the requirements of Order No. 890-A. The provisions of the revised tariff impose additions to the existing ITO responsibilities. The ICT has presented to E.ON Management a thorough assessment of the ITO's new resource needs and is negotiating in good faith to amend the ITO Agreement accordingly.

3.1.3 Clustering Studies

On July 24, 2008, E.ON made a compliance filing to the Commission's June 24, 2008, order. In doing so, E.ON proposed tariff language describing the procedure for customers to request that the ITO cluster their SIS and FS requests for transmission service with other similar requests. Under this procedure, the clustered SIS and FS studies will be treated as a single study and the costs of the study will be allocated in equal shares to each of the TSRs to be studied.

3.2 TSRs

Transmission customers that want to submit TSRs on the LG&E/KU system must access the LG&E/KU OASIS node at <http://sppoasis.spp.org/OASIS/LGEE>. Requests may be submitted by completing the electronic form in accordance with the provisions in the Standards and Communication Protocols of LG&E/KU's OATT. The following four figures provide pertinent data on the use of the LG&E/KU transmission system during the current reporting period.

Figure 1 provides a comparison of confirmed versus total TSRs on the LG&E/KU transmission system for the period of March 1, 2008 through August 31, 2008. Collected data illustrates an 88.03% overall confirmation rate during this time period.

Figure 1

Total (Firm-Non Firm) Requests/Confirmations
 March 1, 2008 - August 31, 2008

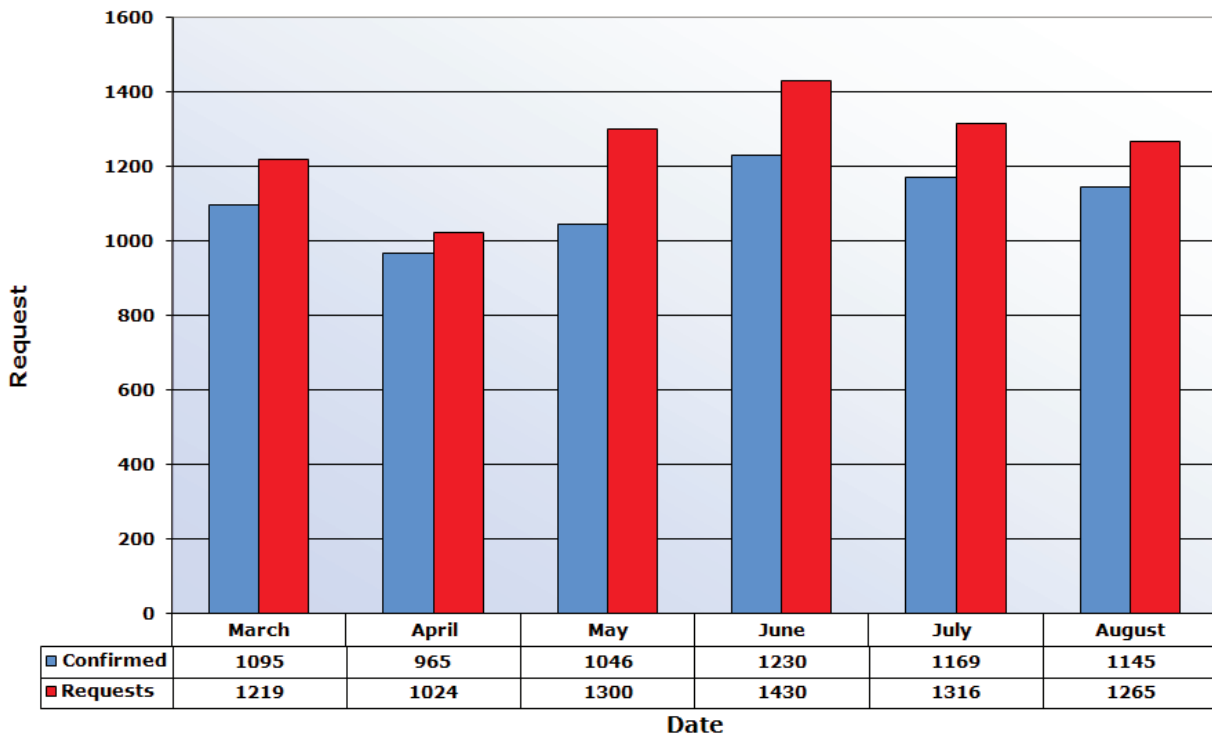
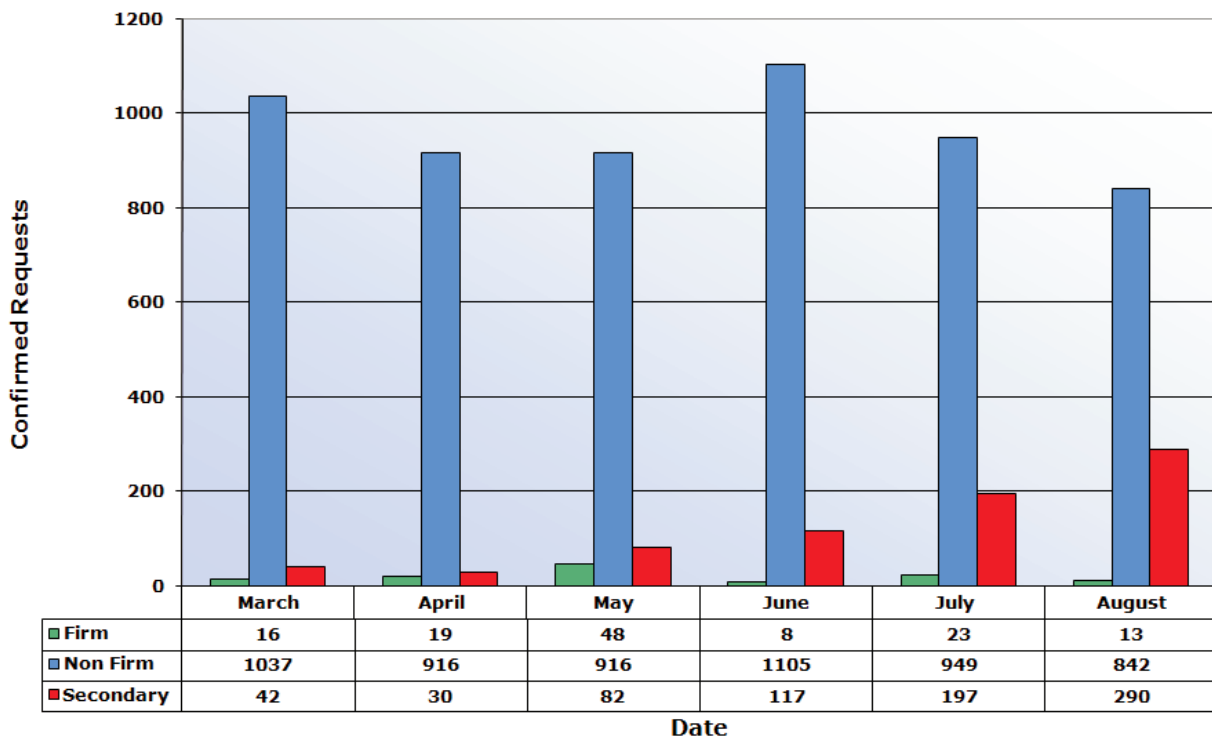


Figure 2 shows TSRs by type (Firm, Non-Firm and Secondary) that were submitted and confirmed by the ITO for the current reporting period.

Figure 2

Request Type / Confirmed Requests
 March 1, 2008- August 31, 2008



The following figures (Figures 3 and 4) illustrate confirmed versus total requests for each particular path for both Firm and Non-Firm TSRs for the current reporting period.

Figure 3

Firm Requests by Path
 March 1, 2008 - August 31, 2008

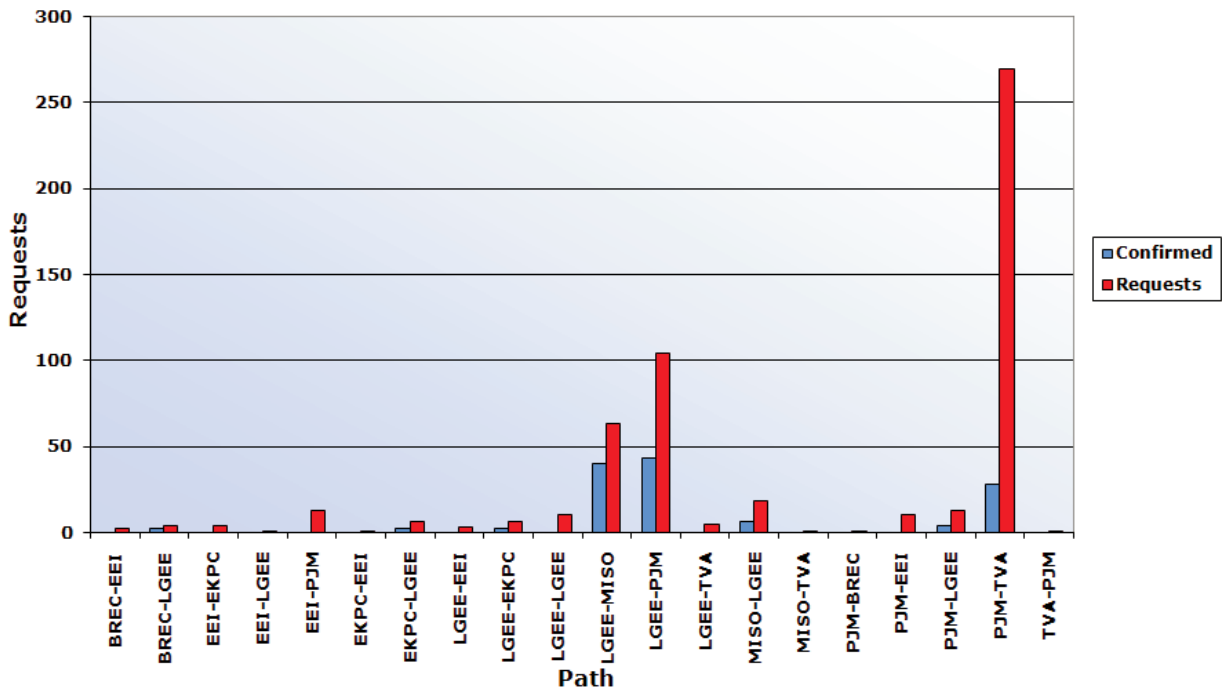
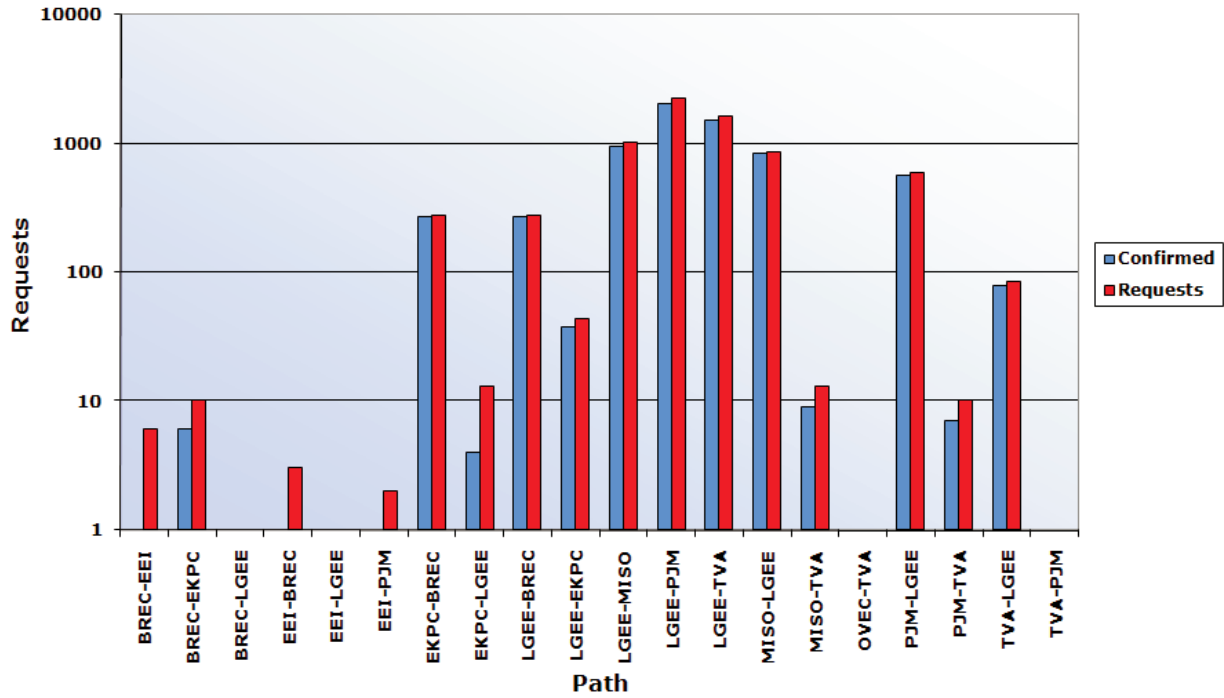


Figure 4

Non-Firm Requests by Path
 March 1, 2008 - August 30, 2008



4. Transmission Hoarding

The ITO is charged with identifying activities by Market Participants that could potentially result in transmission capacity hoarding on the LG&E/KU system. Pursuant to section 4.1 of Appendix 1 to Attachment P of LG&E/KU's OATT, the ITO compiles monthly data on unscheduled reservations and redirected capacity to identify recurring instances that could have a potentially detrimental market impact. In addition, the ITO tracks and reports potentially detrimental scheduling practices under the following criteria: redirected firm reservations, withdrawn firm reservations, unconfirmed reservations, retracted reservations, and annulled reservations.

For the current reporting period, the ITO found no data where Firm capacity was redirected. Paths that had no data involving the identified criteria are not listed in the respective tables below:

Table 8 shows in MWh's the amount of unscheduled Firm service by month and by path.

Table 8

Unscheduled Firm Capacity (MWh's) per Month by Path
Reporting Period ending August 31, 2008
(All values presented in MWh)

Path	Data	March	April	May	June	July	August	Total
BREC-LGEE	Sum of Reserved	384	0	0	0	0	0	384
	Sum of Scheduled	276	0	0	0	0	0	276
	Sum of Reserved Not Used	108	0	0	0	0	0	108
EKPC-LGEE	Sum of Reserved	0	3864	1152	0	0	0	5016
	Sum of Scheduled	0	2123	743	0	0	0	2866
	Sum of Reserved Not Used	0	1741	409	0	0	0	2150
LGEE-EKPC	Sum of Reserved	18600	18000	18600	18000	18600	18600	110400
	Sum of Scheduled	0	149	48	0	0	0	197
	Sum of Reserved Not Used	18600	17851	18552	18000	18600	18600	110203
LGEE-MISO	Sum of Reserved	115152	120240	175608	89376	88536	88536	677448
	Sum of Scheduled	80779	62684	99124	56814	55743	51527	406671
	Sum of Reserved Not Used	34373	57556	76484	32562	32793	37009	270777
LGEE-PJM	Sum of Reserved	55824	90504	104184	37440	38688	132432	459072
	Sum of Scheduled	26580	37453	58861	16021	18617	61734	219266
	Sum of Reserved Not Used	29244	53051	45323	21419	20071	70698	239806
MISO-LGEE	Sum of Reserved	0	0	0	72000	74400	81600	228000
	Sum of Scheduled	0	0	0	10402	12677	20720	43799
	Sum of Reserved Not Used	0	0	0	61598	61723	60880	184201
PJM-LGEE	Sum of Reserved	0	0	0	0	74400	81600	156000
	Sum of Scheduled	0	0	0	0	49	9021	9070
	Sum of Reserved Not Used	0	0	0	0	74351	72579	146930
PJM-TVA	Sum of Reserved	0	0	38544	84312	0	7992	130848
	Sum of Scheduled	0	0	16496	28713	0	7507	52716
	Sum of Reserved Not Used	0	0	22048	55599	0	485	78132
TVA-LGEE	Sum of Reserved	46128	44640	46128	44640	46128	46128	273792
	Sum of Scheduled	0	0	0	0	0	0	0
	Sum of Reserved Not Used	46128	44640	46128	44640	46128	46128	273792

Table 9 shows the amount in MW's of retracted Firm service by month and by path.

Table 9

**Retracted Firm Capacity (MW's) per Month by Path
 Reporting Period Ending August 31, 2008**

Path	March	April	May	June	July	August
LGEE-MISO	1	0	0	0	0	0
LGEE-PJM	0	0	0	0	55	0
MISO-LGEE	0	0	100	0	200	0
PJM-BREC	0	0	0	0	0	78
PJM-EEI	0	609	0	0	0	0
PJM-TVA	0	0	4487	2461	222	723
TVA-PJM	0	0	0	97	0	0

Table 10 shows the amount in MW's of withdrawn Firm service by month and by path.

Table 10

**Withdrawn Firm Capacity (MW's) per Month by Path
 Reporting Period Ending August 31, 2008**

Path	March	April	May	June	July	August
BREC-LGEE	4	0	0	0	0	0
LGEE-MISO	81	0	103	0	0	0
LGEE-PJM	0	0	0	0	7	5
MISO-LGEE	0	0	0	0	100	105
PJM-EEI	0	100	0	0	0	0
PJM-LGEE	0	0	0	0	100	0
PJM-TVA	0	0	480	0	0	57