



*LG&E Energy LLC.
220 W. Main Street (40202)
P.O. Box 32010
Louisville, Kentucky 40232*

February 9, 2004

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.W.
Washington, DC 20426

Re: Louisville Gas and Electric Company/Kentucky Utilities Company, Standards of Conduct For Transmission Providers (Docket No. RM01-10), Docket No. TS04-____.

Dear Ms. Salas:

Louisville Gas and Electric Company and Kentucky Utilities Company (“LG&E/KU” or “Companies”) hereby submit an original and six (6) copies of the Companies’ Informational Filing as required by FERC Order No. 2004, issued November 25, 2003 in Docket No. RM01-10-000. In accordance with Order No. 2004 and the FERC’s Guidance Order issued January 27, 2004, the Companies state as follows:

I. LG&E/KU are in Substantial Compliance with the Requirements of Order No. 2004.

Although specific textual changes and clarifications are required, LG&E/KU’s existing Standards of Conduct appear to comply in substantial part with the requirements of Order No. 2004. For example, LG&E/KU’s Transmission Function is already structurally and organizationally separate from the Companies’ existing wholesale merchant function, as well as all other “marketing and sales” employees and employees of Energy Affiliates, as defined in Order No. 2004. In addition, the Companies have in place effective firewalls that restrict LG&E/KU’s “marketing and sales” employees and employees of Energy Affiliates from obtaining access to non-public, restricted transmission information.¹

¹ Consistent with existing FERC precedent and policy (and Order No. 2004), LG&E/KU’s “marketing and sales” employees and employees of their Energy Affiliates have access to certain limited generation information necessary to perform generation dispatch functions. Such information does not include information about individual third-party transmission transactions.

II. General Measures LG&E/KU Expect to Take to Come into Compliance with Order No. 2004.²

A. The Companies currently plan to meet the new OASIS or Internet website posting requirements required by Order No. 2004 by June 1, 2004. Specifically, by such date, LG&E/KU propose to post the following information:

- Written procedures implementing the Companies' revised Standards of Conduct, such procedures sufficiently detailed to allow FERC and the Companies' customers to determine that LG&E/KU are in compliance with Order No. 2004;
- Comprehensive organizational charts;
- The names and addresses of the Companies' sales and marketing units and Energy Affiliates³; and
- A complete list of the facilities shared by LG&E/KU's Transmission Function with their marketing or sales units or any Energy Affiliates, including the types of facilities shared and the location of such facilities.

B. As necessary, the Companies will expand and/or revise the language of their existing Standards of Conduct to comply with Order No. 2004, *e.g.*, such language will be expanded to cover "marketing and sales" personnel and employees of "Energy Affiliates," as these terms are defined in Order No. 2004, and will incorporate provisions addressing discounts for transmission service set forth at 18 C.F.R. § 385.5(d).

C. The Companies will distribute written procedures to all Transmission Function employees and employees of market and sales units and Energy Affiliates.

D. The Companies will conduct training of all affected LG&E/KU employees (with the exception of clerical help), including senior management, risk management personnel, "shared" services employees, and field and maintenance personnel. All affected employees will be required to sign an affidavit acknowledging that they have been trained regarding the Standards of Conduct.

² Pursuant to the above-referenced Guidance Order, LG&E/KU identify herein only those general measures that they expect to take (such as providing training to employees on the Standards of Conduct prior to June 1, 2004). Guidance Order at P 4. The Companies are not providing specific details regarding the implementation of these measures (such as the dates that employees will be trained). *Id.*

³ LG&E/KU have sought clarification and/or rehearing of Order No. 2004 to the extent such Order requires the Companies to include within the definition of Energy Affiliate LG&E/KU's foreign parent, which does not participate in any U.S. energy markets (outside its ownership of LG&E/KU). *See Request for Reconsideration or, in the Alternative, Rehearing of Louisville Gas and Electric Co. and Kentucky Utilities Co.*, Docket No. RM01-10-000, filed December 23, 2003.

E. The Companies will designate a Chief Compliance Officer responsible for Standards of Conduct compliance.

III. Structural Changes and/or Organizational Changes LG&E/KU expects to make before June 1, 2004 in Order to Come into Full Compliance with Order No. 2004.

The Companies already comply in substantial part with the organizational requirements of Order No. 2004. As noted above, LG&E/KU's Transmission Function is already structurally and organizationally separate from the Companies' existing wholesale merchant function, as well as all other "marketing and sales" employees and employees of Energy Affiliates, as defined in Order No. 2004. Recognizing that several parties filed requests for clarification on this topic, the Companies expect to complete a review of its organizational structure and implement any necessary changes, in accordance with Order No. 2004 and any subsequent FERC issuances on this requirement.

IV. Projected Costs Necessary to Come Into Compliance with Order No. 2004.

The Companies currently expect to incur between \$100,000 - \$200,000 to train affected employees as described above, maintain necessary training records, and track/enforce compliance with the Companies' revised Standards of Conduct (through a designated compliance officer). Further, the Companies currently expect to incur between \$25,000 - \$50,000 to ensure compliance with the new posting requirements set forth in Order No. 2004 (*e.g.*, development of an electronic bulletin board for the Companies' gas operations). These are estimates and are subject to future revision as implementation progresses.

LG&E/KU thank the FERC for its attention to this matter. Please direct any questions regarding this filing to the undersigned.

Very truly yours,

Linda S. Portasik
Senior Corporate Attorney
Louisville Gas and Electric Company
Kentucky Utilities Company