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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MAY 31, 2001

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

CASE NO. PUE000569

Ex Parte: Kentucky Utilities
Corporation d/b/a Old Dominion
Power Company; Regional
Transmission Entities

ORDER PRESCRIBING NOTICE AND INVITING
COMMENTS AND/OR REQUESTS FOR HEARING

Sections 56-577 and 56-579 of the Virginia Electric Utility Restructuring Act (the "Restructuring Act"), Chapter 23 (§ 56-576 et seq.) of Title 56 of the Code of Virginia ("Code"), require Virginia's incumbent electric utilities to join or establish regional transmission entities ("RTEs") by January 1, 2001, and to seek authorization from the State Corporation Commission ("Commission") to transfer the management and control of their transmission assets to such RTEs.

Specifically, § 56-577 A of the Restructuring Act states in pertinent part that:

[O]n or before January 1, 2001, each incumbent electric utility owning, operating, controlling, or having an entitlement to transmission capacity shall join or establish a regional transmission entity, which entity may be an independent system operator, to which such utility shall transfer the management and control of its

transmission system, subject to the provisions of § 56-579.

Section 56-579 A 1 of the Restructuring Act provides in pertinent part that:

[N]o such incumbent electric utility shall transfer to any person any ownership or control of, or any responsibility to operate, any portion of any transmission system located in the Commonwealth without obtaining the prior approval of the Commission, as hereinafter provided.

The Commission was directed by § 56-579 A 2 of the Restructuring Act to develop rules and regulations under which incumbent electric utilities owning, operating, controlling, or having an entitlement to transmission capacity within the Commonwealth may transfer all or part of such control, ownership, or responsibility to an RTE. The Commission was directed by § 56-579 B of the Restructuring Act to adopt rules and regulations establishing elements of an RTE structure essential to the public interest. These elements are to be considered by the Commission in determining whether to authorize transfer of control of incumbent electric utilities' transmission assets to RTEs.

On July 19, 2000, the Commission adopted, in Case No. PUE990349, regulations governing incumbent electric utilities' transfer of the ownership or control of transmission assets, or entitlements thereto, to an RTE, 20 VAC 5-320-10 et

seq. (the "RTE Rules"). The RTE Rules require an incumbent electric utility, submitting an application to transfer ownership or control of transmission assets to an RTE, to provide the Commission with information pertaining to the transfer including, but not limited to, the RTE business structure and governance, transmission rate or rates, and the planning, operation, maintenance, and other responsibilities of the various entities participating in the RTE.

On October 16, 2000, Kentucky Utilities Company d/b/a Old Dominion Power Company ("ODP" or the "Company") filed an application for approval of the transfer of operational control of its transmission assets to the Midwest Independent System Operator ("MISO") pursuant to the Restructuring Act and the RTE Rules. In the Company's application, ODP requested that, alternatively to approval, the Commission exempt ODP from the RTE Rules on the basis of the Company's existing agreement with the MISO. ODP had entered into an agreement with the MISO prior to the enactment of the Restructuring Act and the promulgation of the RTE Rules.

ODP asserted that the interests of its Virginia customers are adequately protected within the construct of the already approved MISO. ODP argued that MISO has been recognized by the Federal Energy Regulatory Commission ("FERC") as a Regional

Transmission Organization,¹ and the Company should be exempted because of: (1) the advanced stage of the MISO formation and implementation, and the corresponding inability on the part of ODP to effect any change in MISO structure or governance to satisfy the concerns of the Commission; and (2) the fact that ODP's transmission assets physically located within the Commonwealth of Virginia are not interconnected with the transmission facilities of any other incumbent transmission owning utility and likely will not, in their entirety, be categorized as transmission assets upon the execution of the FERC's seven factor test for MISO participants.

On January 23, 2001, the Company filed with the Commission a copy of its Notice of Withdrawal from the MISO which had been filed with the FERC on January 4, 2001. Certain members of the MISO, Dynegy, Inc. on behalf of Illinois Power Company, Commonwealth Edison Company, and Ameren Corporation, had filed with the FERC to withdraw from the MISO. The Company's Notice of Withdrawal argued that its customers would suffer material adverse effects from the withdrawal of these members. ODP stated that it therefore intended to withdraw from the MISO effective as of the earliest date upon which the departing members withdraw.

¹ The phrases Regional Transmission Entity or RTE and Regional Transmission Organization or RTO may be used interchangeably.

ODP was directed to supplement the Company's filing with the Commission to explain the status of its RTE application pending before the Commission in light of the Company's Notice of Withdrawal from the MISO filed with the FERC. On April 10, 2001, ODP filed a letter with the Commission stating that the settlement, among interested parties regarding the withdrawal of the above named members from the MISO, that was certified to the FERC nullified ODP's Notice of Withdrawal.² ODP stated that it would remain a member of the MISO. ODP therefore requested the Commission proceed with the Commission's review of the Company's application.

NOW UPON CONSIDERATION of the Company's application and its subsequent filings, we are of the opinion that public notice should be given, and that interested persons should have the opportunity to comment and to request a hearing on the application.

Accordingly, IT IS ORDERED THAT:

(1) ODP shall promptly make a copy of its application and other materials available to the public who may obtain copies, at no charge, by making a request in writing to Michael S. Beer,

² At the direction of the FERC, the Chief Administrative Law Judge ("Law Judge") convened settlement proceedings to address issues set forth by interested parties. On April 6, 2001, the Law Judge certified a settlement to the FERC stating it constituted a complete resolution of the issues. 95 FERC ¶ 63,003. The FERC accepted the settlement with certain clarifications and modifications on May 8, 2001. 95 FERC ¶ 61,183.

Vice President, Rates and Regulatory, Kentucky Utilities Company, P.O. Box 32030, Louisville, Kentucky 40232. The application and other materials filed in this docket may also be reviewed during regular business hours at the Commission's Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia.

(2) On or before June 29, 2001, ODP shall publish the following notice as display advertising, not classified, once in newspapers of general circulation throughout its service territory:

NOTICE OF COMMONWEALTH OF VIRGINIA, EX REL.
STATE CORPORATION COMMISSION, EX PARTE:
KENTUCKY UTILITIES CORPORATION D/B/A
OLD DOMINION POWER COMPANY;
REGIONAL TRANSMISSION ENTITIES
CASE NO. PUE000569

On October 16, 2000, Kentucky Utilities Company d/b/a Old Dominion Power Company ("ODP" or the "Company") filed an application with the State Corporation Commission ("Commission") for approval of the transfer of operational control of its transmission assets to the Midwest Independent System Operator ("MISO"). This application was made pursuant to §§ 56-577 and 56-579 of the Virginia Electric Utility Restructuring Act (the "Restructuring Act") and Commission's Regulations Governing Transfer of Transmission Assets to Regional Transmission Entities (the "RTE Rules"). ODP supplemented its application on January 23, 2001, and April 10, 2001.

In the Company's application, ODP requested that, alternatively to approval, the Commission exempt ODP from the RTE Rules on the basis of its existing agreement with the MISO. ODP had

entered into an agreement with MISO prior to the enactment of the Restructuring Act and the promulgation of the RTE Rules. The Company argued that the interests of its customers are adequately protected by the MISO which already has been approved by the FERC.

A copy of the above-referenced application and other materials filed in this docket are available for inspection during regular business hours at the Commission's Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia. Interested persons also may obtain a copy of the application at no charge by making a written request to Michael S. Beer, Vice President, Rates and Regulatory, Kentucky Utilities Company, P.O. Box 32030, Louisville, Kentucky 40232.

On or before July 27, 2001, interested persons may submit written comments or requests for a hearing on the application to Joel H. Peck, Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. All comments or requests for hearing shall refer to Case No. PUE000569, and copies must simultaneously be sent to the Company at the address set forth above. Any requests for hearing shall state why a hearing is necessary and why such issues cannot be adequately addressed in written comments. If no sufficient request for hearing is received, a formal hearing with oral testimony may not be held, and the Commission may make its decision administratively, based upon papers filed in this proceeding.

On or before July 27, 2001, any person filing comments or requests for hearing may also file a notice of participation in accordance with Rule 80 B of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-80 B. A copy of any notice of participation must simultaneously be sent to the Company at the address set forth above.

KENTUCKY UTILITIES COMPANY D/B/A

OLD DOMINION POWER COMPANY

(3) On or before June 29, 2001, the Company shall serve a copy of this Order on the Chairman of the Board of Supervisors of any county and upon the Mayor or Manager of any county, city, or equivalent officials in the counties, towns, and cities having alternate forms of government in their service territories. Service shall be made by first-class mail or delivery to the customary place of business or residence of the person served.

(4) On or before July 27, 2001, interested persons may submit written comments or requests for a hearing on the application to Joel H. Peck, Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. All comments or requests for hearing shall refer to Case No. PUE000569, and copies must simultaneously be sent to the Company at the address set forth in Ordering Paragraph (1) above. Any requests for hearing shall state why a hearing is necessary and why such issues cannot be adequately addressed in written comments. If no sufficient request for hearing is received, a formal hearing with oral testimony may not be held, and the Commission may make its decision administratively, based upon papers filed in this proceeding.

(5) On or before July 27, 2001, any person filing comments or requests for hearing may also file a notice of participation

in accordance with Rule 80 B of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-80 B. A copy of any notice of participation must simultaneously be sent to the Company at the address set forth in Ordering Paragraph (1) above.

(6) On or before August 3, 2001, the Company shall file with the Clerk proof of notice and service as required herein.

(7) On or before August 31, 2001, the Commission Staff shall review the application and shall file a report detailing the results of its investigation.

(8) On or before September 14, 2001, the Company and any interested person may file with the Clerk of the Commission any response to Staff's report.