

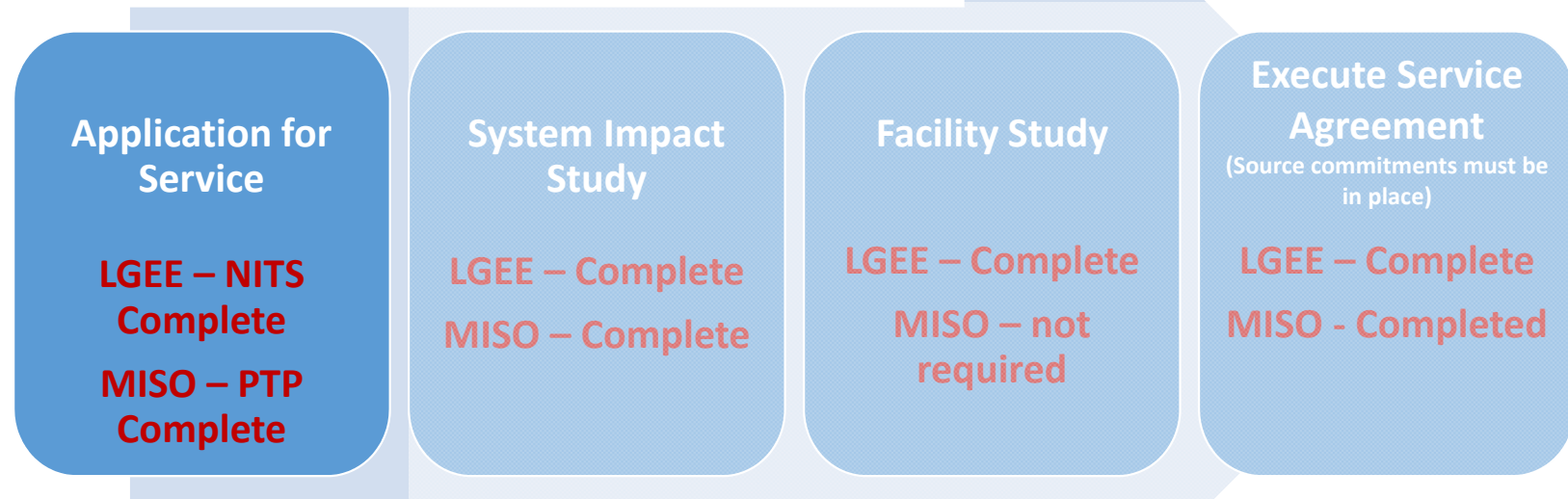
Kentucky Municipal Energy Agency

Transmission Service Update

May 25, 2017

Transmission Service Summary

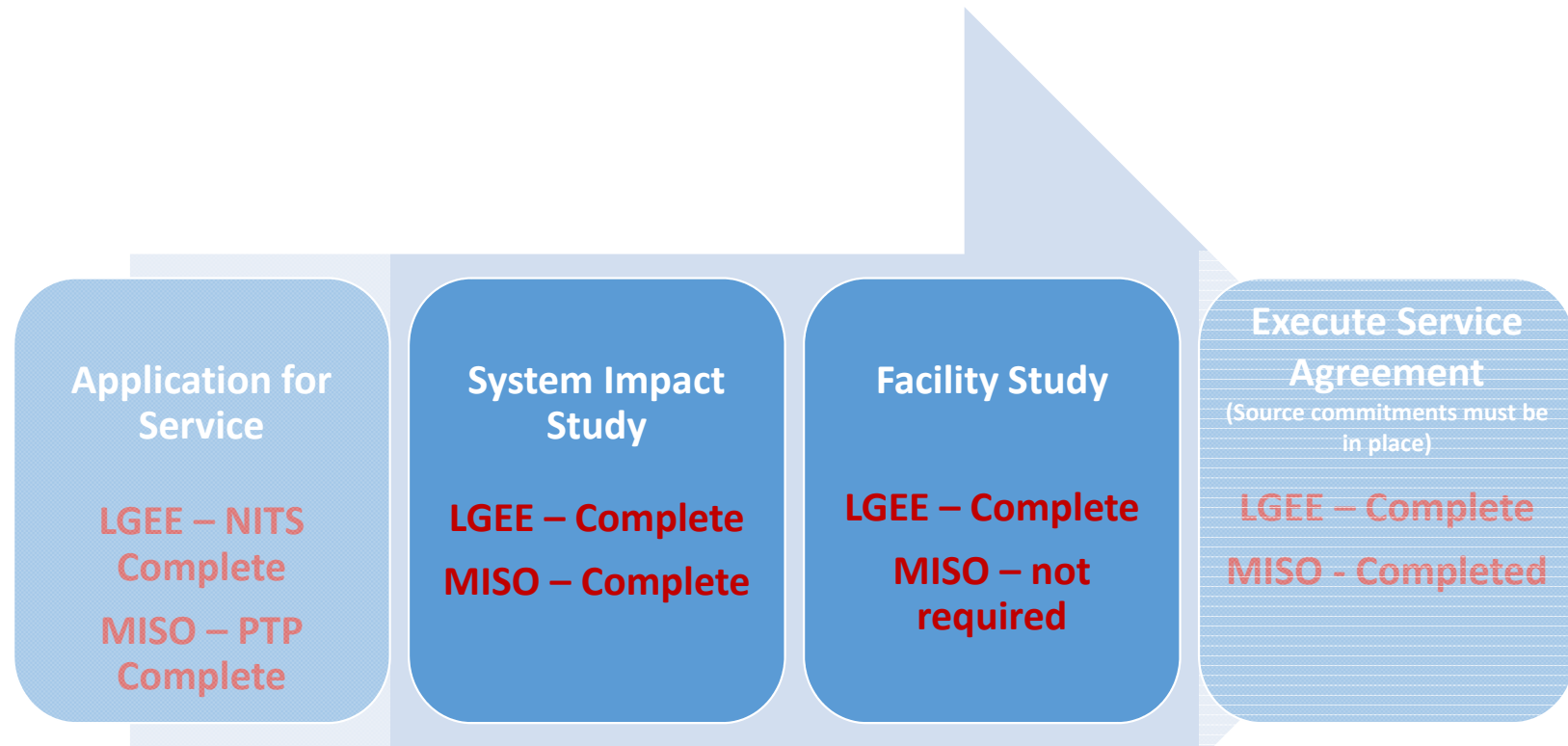
The process for obtaining transmission service is complete. Now working with LGE/KU and MISO to establish creditworthiness requirements and eliminate need for prepayment and/or cash collateral.



1. Application for Service

- a) Application for LGEE Network Integrated Transmission Service (NITS) is complete. Service includes total loads for 22 existing and planned delivery points through 2027. Service arrangements also includes MISO, EEI, and TVA network resources into LGE/KU.
- b) Application for MISO Long-Term Point-to-Point Transmission Service (LT PTP) is complete. MISO resources include BREC PPA and MISO market purchases.

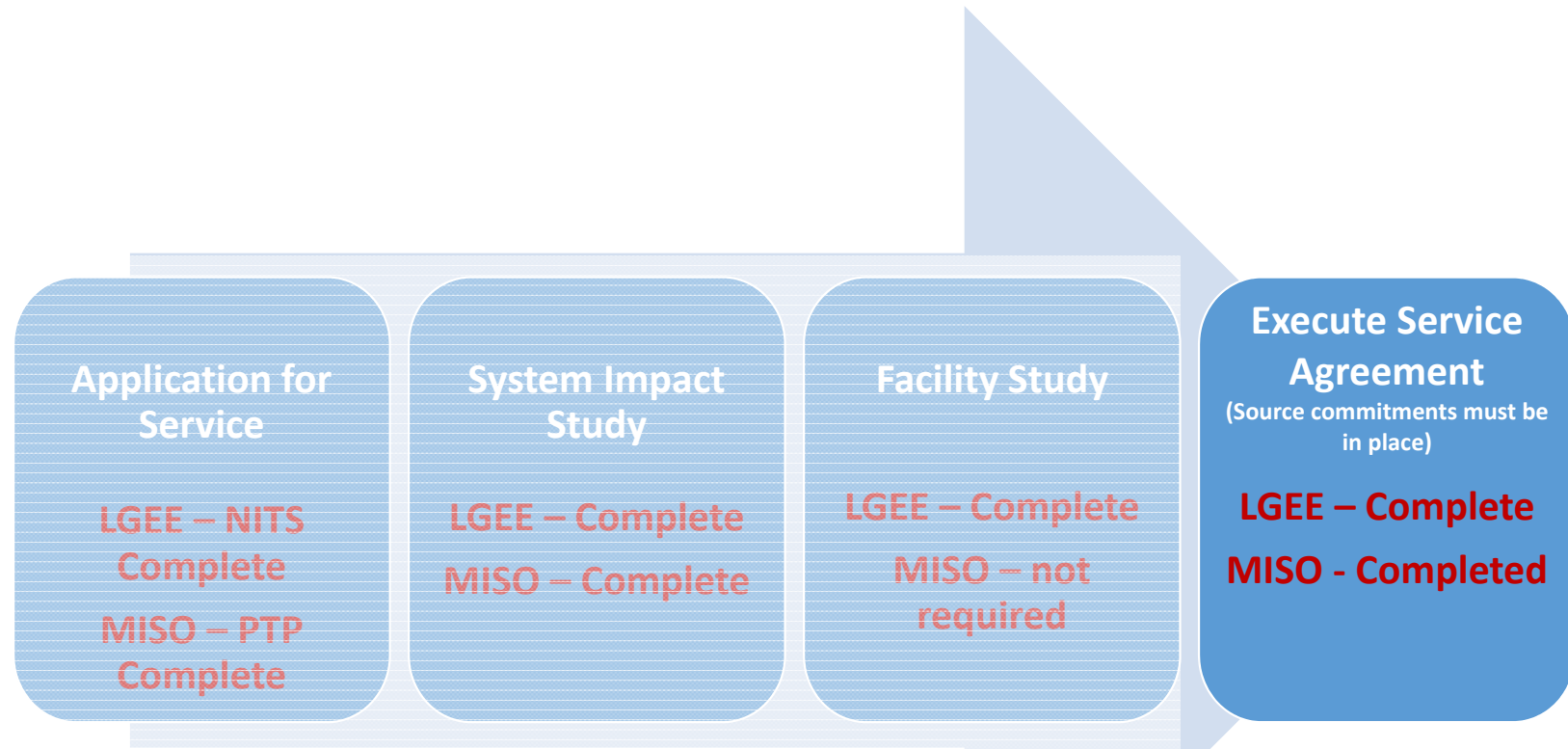
Transmission Service Summary (continued)



2. System Impact Studies and Facility Studies

- a) LGEE System Impact Studies (2) and Facility Studies are complete. Although LGE/KU is required to make system upgrades, no customer-funded improvements were identified
- b) MISO System Impact Studies (2) are complete. No constraints were identified in the studies and service has been granted

Transmission Service Summary (continued)



3. Transmission Service Agreements

- a) LGE/KU – LGE/KU Network Integration Transmission Service (NITS) and Network Operating Agreement (NOA) documents have been executed
- b) MISO – Long-Term Point-to-Point Transmission Service and related Specification Sheets have been executed

KyMEA 69 kV Delivery Points

1	BARBOURVILLE CITY
2	BARDWELL CITY 4KV
3	BEREA NORTH
4	BEREA 2
5	BENHAM CITY 4KV
6	CORBIN 1 NORTH
7	CORBIN 2 SOUTH
8	FALMOUTH 4KV
9	EAST FRANKFORT (To Myrick Main 1)
10	EAST FRANKFORT (To Myrick Main 2)
11	MADISONV GE 12KV
12	MADISONV WEST 12KV
13	MADISONVL EAST 12KV
14	MADISONV HOSPITAL 12KV
15	MADISONV NORTH 4KV
16	MCCOY AVE 12KV
17	PARIS CITY 1 (Scott Street)
18	PARIS CITY 2 (Claysville)
19	PARIS CITY 3 (Vine Street)
20	PARIS CITY 4 (Weaver) [near complete]
21	PROVIDENCE 4KV
22	PROVIDENCE EAST

KyMEA NITS Application – Summary of Designated Network Resources

	Sources by Point of Receipt (POR)	Capacity (MW)	Term	
			Begin	Term Yrs.
1	MISO Sources			
	➤ 2017-2019 Total - Paris & Benham AMP PPAs	20	5/1/2017	2
	➤ 2019-2027 Total - 100 MW BREC - 25 MW MISO Zone 6	125	5/1/2019	8
	➤ 2022-2027 Total - Planned NGCC resource	TBD		
2	EEI Sources ➤ 2019-2022 100 MW Dynegy	100	5/1/2019	3
3	LGE/KU Sources			
	- Paris Generation ⁽¹⁾ - PPS NG Peaking Generation	11 90	5/1/2017 5/1/2019	5 8
4	TVA Sources - SEPA – 8 AR Members ⁽²⁾	32	5/1/2019	8
5	Total KyMEA Sources			
	- 2017-2019	20	5/1/2017	2
	- 2019-2022	347	5/1/2019	3
	- 2022-2027	258	5/1/2022	5

Transmission Service – May 1, 2017

- KyMEA's transmission service began May 1, 2017 for Paris and Benham delivery points. Transmission arrangements include LGE/KU Network Integration Transmission Service and MISO Point-to-Point Transmission Service.
- Paris' power supply arrangements with AMP include market energy purchases in MISO Zone 6 (Indiana Hub) and partial capacity support from hydropower resources (also located in MISO Zone 6).
- Benham's power supply arrangements include market purchases in MISO Zone 6 and community solar projects.
- AMP power supply arrangements with Paris and Benham include a load aggregation, or power pooling agreement, for the two-year period beginning May 1, 2017. The power pooling arrangement is structured to take advantage of scheduling and load balance benefits with respect to MISO and LGE/KU transmission services.

Creditworthiness Requirements

- LGE/KU creditworthiness requirement includes having an investment-grade credit rating, however, modification in LGE/KU's OATT is needed to accept KyMEA's credit rating from Fitch. LGE/KU is in the process of modifying its OATT to accept Fitch credit ratings.
- MISO creditworthiness requirement includes an investment-grade credit rating (Fitch is acceptable) and a comprehensive credit evaluation. MISO completed its credit evaluation this week and granted \$1 million in unsecured credit subject to a KyMEA corporate guaranty.
- Until KyMEA creditworthiness arrangements have been completed,
 - Must prepay for LGE/KU transmission service
 - Must post cash collateral at MISO for 50-days transmission service plus any market transactions
- Significant working capital is required to meet LGE/KU prepayment and transmission service and MISO cash collateral payments. Currently over \$300k.
- After creditworthiness requirements are established, working capital requirements will be reduced

Impact of LGE/KU Prepayment

Date	Action	Amount	Description	Running Balance
25-Apr	KYMEA prepay for May	+\$40K	For May service, including imbalance	\$40K
26-May	KYMEA prepay for June	+\$40K	For June service, including imbalance	\$80K
1-Jun	LG&E/KU deducts for May actuals	-\$32K	For actual May service	\$48K
1-Jun	LG&E/KU deducts for May actuals	-\$3K	For actual May imbalance	\$45K
25-Jun	KYMEA prepay for July	+\$35K	For July service, including imbalance	\$80K
1-Jul	LG&E/KU deducts for June actuals	-\$45K	For actual June service	\$35K
1-Jul	LG&E/KU deducts for June actuals	+\$2K	For actual June imbalance	\$37K
26-Jul	KYMEA prepay for August	+\$43K	For August service	\$80K

Impact of MISO Cash Collateral Payments

Margin Call Due Date	Description	Amount	Running Balance
n/a	Initial cash collateral deposit	\$ 25,000	\$ 25,000
12-May	Margin call for partial billing period	\$ 31,271	\$ 56,271
17-May	Margin call for full 50-day period	\$ 85,188	\$ 141,460
25-May	Margin call for market purchases	\$ 73,286	\$ 214,746

Reference Documents

- LGE/KU Network Integration Transmission Service Agreement (NITSA)
- LGE/KU Network Operating Agreement (NOA)
- MISO Application for Long-Term Firm Point-to-Point Transmission Service
- MISO Specification Sheets for Long-Term Firm Point-to-Point Transmission Service
- NITS Application Detail (OASIS Application Ref. 1231)