UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

City of Falmouth, Kentucky | Docket No. EL18-____

PETITION FOR DECLARATORY ORDER AND PETITION FOR EXEMPTION FROM FILING FEE

The City of Falmouth, Kentucky ("Falmouth") respectfully requests that the Commission issue a declaratory order to confirm that when Falmouth changes power suppliers on May 1, 2019, from Kentucky Utilities Company ("KU") to a new power provider, Falmouth will be able to continue to obtain transmission service over the facilities of East Kentucky Power Cooperative ("EKPC") at the same rates, and under the same terms and conditions, as would have applied for deliveries to Falmouth's load, had it remained a power supply customer of KU.

Currently, Louisville Gas and Electric Company ("LG&E") and KU ("LG&E/KU") are jointly the transmission customer for deliveries over the EKPC system from the LG&E/KU – EKPC interface to approximately 100 MW of loads for whom KU is the power provider. One of those loads is Falmouth's approximately 4 MW load. Falmouth reimburses LG&E/KU for all of the charges for that transmission service to Falmouth. LG&E/KU has informed Falmouth that it no longer wishes to serve as the transmission customer for the deliveries to Falmouth over the EKPC system after Falmouth is no longer buying its electricity from KU, and Falmouth is fully willing to become its own transmission customer. In this petition, Falmouth merely seeks confirmation that it may continue purchasing the same transmission service over the

EKPC system on the same terms as the other 96 MW of loads, after it switches power providers.

The issuance of the requested order will enable Falmouth and its new power provider, the newly-formed Kentucky Municipal Energy Agency ("KyMEA"), to collaborate with PJM Interconnection, LLC ("PJM") and EKPC in the establishment and filing, as applicable, with this Commission of new agreements to replicate the existing transmission-related agreements, simply substituting Falmouth (or KyMEA, as its agent) as the transmission customer instead of LG&E/KU. Falmouth seeks a declaratory order as an accommodation to PJM, which Falmouth understands is reluctant to file for Falmouth an unexecuted network service agreement replicating that of LG&E/KU without first having some assurance that the Commission will accept it. In addition, this procedure will provide a forum for EKPC to raise any objections or concerns it may have regarding the continuation of the existing transmission service in Falmouth's name.

The existing agreements cover "[t]he load served by the Utilities [LG&E/KU] utilizing EKPC's transmission system."[1] While Falmouth's load will continue to be a network transmission customer load served by LG&E/KU under LG&E/KU's Open Access Transmission Tariff ("OATT"), it will no longer be a load served by KU for power supply purposes. In order for Falmouth to take transmission service directly from EKPC and PJM, Falmouth requests that the Commission issue a declaratory order confirming that Falmouth's load can be served under new agreements with PJM and

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[1] Stipulation § 2.1, *Application of E. Ky. Power Coop., Inc. to Transfer Functional Control of Certain Transmission Facilities to PJM Interconnection, LLC*, Case No. 2012-00169 (Ky. Pub. Serv. Comm'n Dec. 20, 2012), https://psc.ky.gov/PSCSCF/2012%20cases/2012-00169/20121220_PSC_ORDER.pdf ("KPSC Order"). The appendix to the Order contains the Stipulation and Recommendation which will be cited as "Stipulation" in this document. A copy of the KPSC Order and Stipulation is included as Exhibit A to this pleading for convenience.

EKPC on the same terms as will apply to LG&E/KU's other loads connected to the EKPC transmission system under the existing agreements. As proposed by Falmouth, the new agreements will have no financial or other impact on PJM or EKPC, because the service from the LG&E/KU – EKPC interface to Falmouth will be the same as before, and the compensation to PJM and EKPC for that service over the EKPC transmission system will remain the same as would have applied to Falmouth's load, had it remained a power supply customer of KU.

I. COMMUNICATIONS

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II. BACKGROUND AND STATEMENT OF FACTS

A. Description of Petitioner

The City of Falmouth, Kentucky owns and operates a municipal electric system in northern Kentucky. It currently purchases requirements power and bundled transmission service from KU, as described below.[2] In the spring of 2014, in accordance with the

[2] Falmouth's current agreement is KU's Falmouth Rate Schedule FERC No. 189 (Oct. 31, 2016), available in the Commission's eTariff system at https://etariff.ferc.gov/TariffBrowser.aspx?tid=799 ("KU Contract").

terms of its KU Contract, Falmouth provided KU five years' notice to terminate the agreement, effective April 30, 2019. Falmouth is a member of KyMEA, with whom it has signed an all requirements power supply contract, with deliveries to begin on May 1, 2019.

B. Existing Transmission Service to Falmouth's Load

For decades, Falmouth has been a requirements customer of KU with bundled transmission service. KU procures the transmission service necessary to deliver energy to Falmouth's load and is responsible for paying the rates for such services to the transmission providers.[3] Falmouth reimburses KU for KU's costs of this transmission service through separate line items on KU's invoices passing through the applicable charges. In addition to reimbursing KU for the applicable cost of network service on the LG&E/KU grid, Falmouth reimburses KU for charges incurred by KU for delivery service over the EKPC transmission system, which LG&E/KU has procured for the loads of Falmouth and other KU customers that require service over the EKPC transmission system.[4] Falmouth is the only KU wholesale requirements customer that requires transmission service over the EKPC system.

EKPC's and LG&E/KU's transmission systems are intertwined, as evidenced by the fact they share some 67 interconnection points. Over the years, to avoid duplication of facilities, they have maintained reciprocal transmission agreements. As of 2013, LG&E/KU served approximately 100 MW of its load, including Falmouth's 4 MW load,

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[3] KU Contract § 3.1.3 ("[KU] shall procure such transmission service and Ancillary Services necessary to deliver Requirements Electric Service to the Delivery Point(s) and shall be responsible for paying the rates for such service(s) to the Transmission Provider.").

[4] A copy of a sample KU invoice showing Falmouth's reimbursements for the LG&E/KU network service, the PJM network service, and the EKPC ancillary services is attached as Exhibit B to this petition.

using EKPC's transmission system under EKPC's OATT. Conversely, EKPC served approximately 450 MW of its load using LG&E/KU's transmission system under LG&E/KU's OATT.[5]

When EKPC requested permission in 2012 from the Kentucky Public Service Commission to transfer its transmission assets to PJM, LG&E/KU and the Kentucky Attorney General expressed concern that EKPC's integration into PJM would impose new costs and risks on LG&E/KU's customers that use EKPC's transmission system.[6] The proceeding before the Kentucky Commission was resolved by a settlement agreement among LG&E/KU, EKPC, the Kentucky Attorney General, and PJM.[7] A stated objective of the Stipulation was to insulate LG&E/KU's load "from the effects of EKPC's integration into PJM by maintaining arrangements comparable to those that existed prior to EKPC's integration into PJM."[8] The Stipulation provides for LG&E/KU's load on the EKPC system, including Falmouth's load, to remain "electrically outside of the PJM region and PJM markets"[9] by being pseudo-tied into the LG&E/KU Balancing Area.[10]

To accomplish this, the Stipulation provides that LG&E/KU makes payments for transmission service over the EKPC facilities under Schedules 7, 8, and/or Attachment 24

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[5] E. Ky. Power Coop., Inc., Revisions to the PJM OATT, OA & RAA re EKPC Integration at 10, *PJM Interconnection, L.L.C. & E. Ky. Power Coop., Inc.*, Docket Nos. ER13-1177-000, ER13-1178-000, ER13-1179-000 (Mar. 28, 2013), eLibrary No. 20130328-5210 ("Application").

[6] KPSC Order at 8-9.

[7] The Kentucky Public Service Commission approved the Stipulation, finding "that the terms, conditions, and commitments contained therein are reasonable and should be accepted as a complete resolution and satisfaction of the issues raised in [that] case by KU/LG&E." KPSC Order at 18.

[8] Stipulation § 2.1.5.

[9] Application at 11.

[10] Stipulation § 2.1.1.

of the PJM Tariff at the EKPC zonal transmission rate that is calculated based on EKPC's transmission revenue requirements in effect at the time. In recognition of the LG&E/KU load being treated as outside of the PJM BA, the Stipulation provides PJM shall not charge LG&E/KU any other rates or charges that are assessed on load that is within the PJM Markets pursuant to the PJM Tariff. This provision applies only to charges for transmission service for the load and does not address costs that may develop in furtherance of possible future unknown Commission policies or requirements.[11]

To implement these unique requirements for PJM's provision of network service to the LG&E/KU load, PJM and LG&E/KU entered into a Network Integration Transmission Service Agreement ("NITSA") with non-conforming provisions applicable to the service to Falmouth's load and the other LG&E/KU loads connected to EKPC's facilities. The non-conforming NITSA incorporates the terms of the Stipulation.[12] A copy of the NITSA is attached hereto as Exhibit C for convenient reference. As part of a broader joint integration filing, PJM and LG&E/KU filed the NITSA and its incorporated Stipulation with this Commission on March 28, 2013. The Commission accepted the filing by letter order.[13]

The Stipulation also provided that EKPC would contract separately with LG&E/KU to provide Ancillary Services according to the same terms and conditions as set forth in Schedule 1 (Scheduling, System Control, and Dispatch Service) and Schedule

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[11] *Id.* § 2.1.3.

[12] PJM Service Agreement No. 3518, Att. F (Mar. 28, 2013), available in the Commission's eTariff System at https://etariff.ferc.gov/TariffBrowser.aspx?tid=1734.

[13] *E. Ky. Power Coop., Inc. & PJM Interconnection, LLC*, Docket Nos. ER13-1177-000, ER13-1178-000, and ER13-1179-000, Letter Order (May 22, 2013), eLibrary No. 20130522-3038; *reh'g denied*, 144 FERC ¶ 61,067 (2013).

2 (Reactive Power Supply and Voltage Control From Generation or Other Sources Service) of EKPC's then-current OATT.[14] After some initial disagreement between LG&E/KU and EKPC over the proper implementation of the Ancillary Services charges pursuant to the Stipulation, they reached a settlement and entered into an Ancillary Service Agreement. Under that agreement, EKPC reserved its right to modify its rates for Ancillary Services established in Schedules 1 and 2 to be paid by LG&E/KU "based only on EKPC's costs, not PJM costs," as was provided in the Stipulation.[15] FERC approved the settlement agreement by order issued May 8, 2014.[16]

To summarize, two types of charges currently apply to transmission service over EKPC facilities to Falmouth's load in accordance with the Stipulation: (1) transmission access charges payable to PJM under the PJM Tariff; and (2) Ancillary Services Schedule 1A rates and Schedule 2 rates payable to EKPC under the Ancillary Service Agreement between LG&E/KU and EKPC. The same charges apply to LG&E/KU's other 96 MW of load connected to the EKPC transmission system.

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[14] Stipulation § 2.1.4. Upon the integration of EKPC's transmission facilities into PJM, EKPC's OATT was terminated and superseded by PJM's Tariff. *E. Ky. Power Coop., Inc.*, 144 FERC ¶ 61,063, P 17 (2013).

[15] E. Ky. Power Coop., Inc., Offer of Settlement, Att. A, Ancillary Service Agreement at 6, *E. Ky. Power Coop., Inc.*, Docket Nos. ER13-1177-000 et al., ER13-1570-000, ER13-68-000 (Aug. 2, 2013), eLibrary No. 20130802-5185 ("Offer of Settlement"). "EKPC will charge to LG&E/KU hereunder the same rates as the Federal Energy Regulatory Commission ('FERC') from time to time has accepted for filing or has otherwise permitted to go into effect." *Id.* Att. A § 3.0. The rates are tied to Ancillary Services Schedule 1A rates and Schedule 2 rates that EKPC had on file with FERC. *Id.* Att. A §§ 3.1 & 3.2. Pursuant to the Commission's finding "that the Schedule 1 and Schedule 2 services are not jurisdictional services because these services are to be provided by EKPC, an exempt utility, pursuant to a separate, bilateral contract between EKPC and LG&E/KU," 144 FERC ¶ 61,067, P 18, the Ancillary Service Agreement was filed for informational purposes only. Offer of Settlement at 6-7. A copy of the Ancillary Service Agreement is attached as Exhibit D to this petition.

[16] *E. Ky. Power Coop., Inc.*, 147 FERC ¶ 61,097 (2014).

Falmouth currently reimburses KU for both these charges for service over the EKPC facilities. They are passed through to Falmouth pursuant to Appendix H to its all requirements contract with KU, which provides:[17]

EKPC AND PJM TRANSMISSION CHARGES

> The transmission rates for [KU]'s use of the Eastern [sic] Kentucky Power Cooperative ("EKPC") transmission system to serve [Falmouth] shall be the rates for Network Integration Transmission Service ("NITS") and Ancillary Services on file at FERC, as they may be updated from time to time. As of the Effective Date, the applicable NITS rates are filed by the PJM Interconnection, LLC ("PJM") for the EKPC Zone, and the applicable Ancillary Services Schedule 1A and Schedule 2 rates are filed by EKPC.

As noted above, Falmouth is the only KU wholesale customer requiring delivery over the EKPC system. As a result, Falmouth is the only KU wholesale requirements customer that pays for PJM and EKPC transmission charges in addition to LG&E/KU's OATT charges.

C. Proposed Transmission Service to Falmouth's Load After KyMEA Becomes its Power Supplier

Falmouth has already arranged for network service from LG&E/KU, commencing May 1, 2019, when it begins purchasing power from KyMEA, for delivery to LG&E/KU's interface with EKPC.[18] For service over the EKPC transmission system, Falmouth proposes to continue to compensate PJM and EKPC on the same basis as currently applies for service to Falmouth and LG&E/KU's other loads, and as will apply

[17] KU Contract, App. H.

[18] It is anticipated that KyMEA will contract for all transmission services on Falmouth's behalf. KyMEA has already obtained network transmission service on the LG&E/KU transmission system to serve the loads of Falmouth and KyMEA's other all requirements members, effective May 1, 2019. Falmouth is listed as a delivery point in the LG&E/KU NITSA and Network Operating Agreement with KyMEA, designated as Service Agreement Nos. 18 and 19, respectively, under the LG&E/KU OATT. *Louisville Gas and Elec. Co.*, Docket No. ER17-1510-000, Letter Order (June 13, 2017), eLibrary No. 20170613-3016.

to the remaining LG&E/KU loads in the future. In other words, Falmouth will pay the same charges for service on the EKPC system as will apply to the remaining LG&E/KU loads connected to the EKPC system, as those charges are updated from time to time – nothing more and nothing less.

Importantly, KyMEA will pseudo-tie Falmouth's load into the LG&E/KU BA, just as LG&E/KU does now, and just as is contemplated for loads under applicable provisions of the Stipulation. The only change will be that KyMEA (as Falmouth's agent), rather than LG&E/KU, will be the customer for transmission service from the LG&E/KU interface to Falmouth using EKPC's transmission system.

III. PETITION FOR DECLARATORY ORDER

Falmouth seeks a Commission declaration that it may continue to pay for service over the EKPC transmission system on the same basis as will apply to the remaining LG&E/KU loads connected to EKPC's system in accordance with the terms of the Stipulation after it begins purchasing power from KyMEA on May 1, 2019.

A. All of the considerations supporting the Commission's acceptance of the terms of the existing transmission service arrangements and the incorporated Stipulation will continue to apply to deliveries to Falmouth's load.

The Commission accepted the existing non-conforming transmission service arrangements for service to Falmouth and other LG&E/KU loads connected to the EKPC transmission system in 2013. The economic and policy reasons supporting that acceptance apply with equal force to justify continuing service to Falmouth on the same terms after it changes energy providers.

Among the factors relied upon by the Kentucky Public Service Commission in adopting the Stipulation and presented by EKPC and PJM in support of their filing of the non-conforming NITSA (with the incorporated Stipulation) under the PJM Tariff for service to Falmouth and other LG&E/KU loads are the following:

- The loads connected to EKPC's transmission system are "pseudo-tied into the LG&E/KU Balancing Area, and therefore shall be electrically outside of the PJM region and PJM markets."[19]

- The loads are "not treated as being within the PJM markets by virtue of EKPC's integration into PJM."[20]

- "The Stipulation is in general intended to hold KU/LG&E harmless from any cost increases or other adverse effects they might incur as a result of EKPC joining PJM."[21]

- Because the loads are in the LG&E/KU BA and not in the PJM markets, the transmission customer is charged for transmission service under the PJM Tariff, but PJM does not charge the customer any other rates or charges that are assessed on load that is within the PJM Markets.[22]

- PJM advised FERC that the non-conforming terms of the LG&E/KU Load NITSA were necessary to incorporate into the NITSA by reference the Stipulation, and that the revisions to the *pro forma* NITSA were "required to address the unique circumstances of the NITS for the LGE/KU Load."[23]

These factors support the continuation of deliveries to Falmouth over the EKPC transmission system under the terms of the Stipulation after Falmouth changes energy providers. Nothing relevant to the deliveries to Falmouth will change. The only change will be the identity of the energy provider, which has no bearing on the appropriate terms for the delivery of that energy. Falmouth's load will continue to be pseudo-tied into the LG&E/KU BA and will remain outside of the PJM markets. Falmouth's load, like the

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[19] Application at 11 (*citing* KPSC Order at 10).

[20] Stipulation § 2.1.

[21] KPSC Order at 10.

[22] Application at 11; Stipulation §§ 2.1.2, 2.1.3.

[23] Application at 11; Stipulation § 2.1.3. Falmouth anticipates that following issuance of the requested declaratory order, a substantially similar NITSA with the same non-conforming terms will be filed for the Commission's review and acceptance.

rest of the LG&E/KU load that is pseudo-tied out of the PJM Balancing Authority, will not benefit from PJM's Day 2 market, and pursuant to the Stipulation, should be protected from incurring new and inapplicable charges as a result of EKPC's joining PJM. Service to Falmouth under the terms of the Stipulation should continue in furtherance of that objective. Stated differently, the Commission has already accepted non-conforming NITSA provisions for deliveries to Falmouth, and Falmouth has been receiving transmission service pursuant to those Commission-accepted provisions since 2013. Falmouth is merely requesting that the Commission state its willingness that the same non-conforming NITSA provisions will be accepted when Falmouth changes power suppliers from KU to KyMEA.[24]

B. It is just and reasonable for Falmouth to continue taking transmission service under the terms of the Stipulation.

The existing transmission arrangements applicable to LG&E/KU loads connected to the EKPC transmission system are just and reasonable. They provide transmission service "comparable to [that which] existed prior to EKPC's integration into PJM"[25] so as to insulate LG&E/KU's customers, including Falmouth, from the effects of EKPC's decision to join PJM.

The Commission's decision in *Entergy Services*[26] confirms the principle that Falmouth should continue to benefit from the Stipulation after its power supply agreement with KU terminates. In *Entergy Services*, one of Entergy's operating

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[24] Although the Ancillary Service Agreement between LG&E/KU and EKPC is non-jurisdictional, Falmouth also commits to enter into an identical agreement with EKPC for the ancillary services EKPC currently provides.

[25] Stipulation § 2.1.5.

[26] *Entergy Servs. Inc.*, Op. No. 547, 154 FERC ¶ 61,173, *on reh'g*, 156 FERC ¶ 61,112 (2016), *affirmed sub nom. Ark. Pub. Serv. Comm'n v. FERC*, 891 F.3d 377 (D.C. Cir. 2018) ("*Entergy Services*").

companies, Entergy Arkansas, entered into a settlement agreement in 2008 with Union Pacific Railroad Company for below-market-rate fuel transportation. Although Entergy Arkansas was the only Entergy operating company that signed the settlement agreement, the other Entergy operating companies in Mississippi, Louisiana, and Texas also received the benefits of the settlement agreement, because the Entergy operating companies participated collectively in a System Agreement that provided for all of their generation and transmission to be planned and operated under a coordinated and single system. When Entergy Arkansas filed to withdraw from the System Agreement in 2013, the Commission held that Entergy's operating companies in Mississippi, Louisiana, and Texas should continue to receive the benefits of the 2008 settlement agreement, even though the System Agreement would no longer be the mechanism by which the benefits would be distributed.

Falmouth's situation is directly analogous to that of the non-Arkansas Entergy operating companies. In that case, Entergy Arkansas entered into a settlement agreement with Union Pacific, and the remaining Entergy operating companies benefitted from that settlement agreement initially through the System Agreement and continuing after Entergy Arkansas withdrew from the System Agreement. In this case, LG&E/KU and the Kentucky Attorney General entered into a settlement agreement with EKPC and PJM, and Falmouth benefitted from that settlement agreement through the non-conforming PJM NITSA and the EKPC Ancillary Service Agreement. Following *Entergy Services*, Falmouth is entitled to continue receiving the benefits of the settlement agreement after changing energy providers.

C. The existing transmission service to Falmouth is not pre-Order 888 "grandfathered" service

As noted, the existing transmission service for deliveries to Falmouth under the terms of the Stipulation was accepted by the Commission, despite the fact that the terms of the NITSA did not conform to the standard provisions of the PJM Tariff. This reflects, among other things, that the loads being served are pseudo-tied into the LG&E/KU Balancing Area and do not participate in the PJM Day 2 market. This non-conforming service should not be confused with transmission service under agreements that pre-dated Order 888, which the Commission has treated as "grandfathered" arrangements. Upon termination of grandfathered agreements, the Commission has encouraged the transition to standard OATT service.[27]

Here, by contrast, both LG&E/KU and EKPC had already been providing each other transmission service under post-Order 888 OATTs before EKPC decided to join PJM. The non-conforming NITSA provisions implementing the Stipulation were accepted on their own merits during the post-Order 888 era, unlike non-conforming grandfathered agreements that are generally tolerated only so long as they remain in effect. Likewise, Falmouth's bundled KU Contract for years has provided for the pass-through of LG&E/KU and EKPC/PJM post-Order 888 OATT charges. Therefore, Falmouth's decision to exercise its right to terminate its KU Contract is not the

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[27] *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888-A, 62 Fed. Reg. 12,274 at 12,276-77 (Mar. 14, 1997), FERC Stats. & Regs. ¶ 31,048 at 30,178 (1997), *order on reh'g*, Order No. 888-B, 62 Fed. Reg. 64,688 (Dec. 9, 1997), 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff'd in part and remanded in part sub nom. Transmission Access Policy Study Grp. v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002); *see also, e.g.*, *S.C. Elec. & Gas Co.*, 162 FERC ¶ 61,024, P 3 (2018); *S. Cal. Edison Co.*, 146 FERC ¶ 61,136, P 24 (2014).

termination of a pre-Order 888 grandfathered contract for service using the EKPC system, which might imply a requirement to transition to standard PJM Tariff service. Instead, it is merely the exercise of Falmouth's right to purchase power from an alternative supplier, with no change in the nature of the needed delivery service using the EKPC system or in the circumstances described above that have already been found to justify the non-conforming NITSA and related services for the Falmouth and other loads.

D. The Falmouth load is not a new load in the EKPC zone of PJM.

Falmouth's change to a new power provider does not make Falmouth's load a new load in the EKPC zone of PJM that might be expected to request routine service under the PJM Tariff. Falmouth's load already exists on the PJM/EKPC system (albeit pseudo-tied into the LG&E/KU BA, as it will continue to be). Falmouth's load will need the identical service from the LG&E/KU interface to Falmouth using the EKPC system as it currently receives. This is not a situation of a new wholesale load appearing on the EKPC system that would participate in the PJM Day 2 market and typically be subject to all of the provisions of the PJM Tariff.

E. Continuation of non-conforming service to the Falmouth load does not establish a precedent for new loads.

Granting Falmouth's petition would not create a precedent for new transmission customers within EKPC's zone to seek non-conforming service from PJM. Unlike Falmouth, new transmission customers in EKPC's zone of PJM would not be within the scope of the Stipulation, which pertains to a specific set of loads (including Falmouth's) that were within the LG&E/KU Balancing Area and were granted permission to remain in the LG&E/KU BA after EKPC joined PJM. New loads seeking transmission in EKPC's zone are outside that scope.

F. Preventing Falmouth from continuing to take transmission service under the EKPC NITSA would be unduly discriminatory.

As noted, LG&E/KU has arranged for transmission services on the EKPC transmission system pursuant to the Stipulation for approximately 100 MW of load, approximately 4 MW of which is Falmouth's load. Falmouth's load is identically situated to the other 96 MW of load that takes transmission service under the existing transmission arrangements in accordance with the Stipulation. After Falmouth switches power suppliers on May 1, 2019, Falmouth's load will remain similarly situated to that 96 MW of load, because the identity of the power supplier is not a relevant distinction for the purpose of taking transmission service. The transmission service Falmouth currently receives from the LG&E/KU – EKPC interface to Falmouth will remain the same after the seller of the electricity that is being transmitted changes from KU to KyMEA. Since Falmouth's load will continue to be similarly situated to LG&E/KU's remaining load,[28] and because LG&E/KU's remaining load will continue to take transmission service under the terms of the Stipulation, it would be unduly discriminatory to force Falmouth to take transmission service under different terms.[29]

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[28] Each of KyMEA's other all requirements members is directly connected to the LG&E/KU transmission system, and all of KyMEA's load will be within the LG&E/KU BA. KyMEA has already obtained network transmission service over the LG&E/KU transmission system for these loads, including Falmouth's, effective May 1, 2019. KyMEA has also obtained, or will obtain, transmission service to deliver any power from KyMEA's resources located outside the LG&E/KU BA. The only missing delivery arrangement is for the service from the LG&E/KU–PJM interface to Falmouth over EKPC facilities.

[29] *See, e.g.*, *Indep. Market Monitor for PJM v. PJM Interconnection, LLC*, 155 FERC ¶ 61,059, P 30 (2016) ("As the Commission has held, a finding of undue discrimination may be supported by a showing that there is a difference in rates or services among similarly situated entities that is not justified by some legitimate factor."); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,148, P 40 (2010) ("The Commission has determined that discrimination is undue when there is a difference in rates or services among similarly situated customers that is not justified by some legitimate factor."); *Iberdrola Renewables, Inc. v. Bonneville Power Admin.*, 137 FERC ¶ 61,185 (2011), *review denied sub nom. Nw. Requirements Utils. v. FERC*, 798 F.3d 796 (9th Cir. 2015) (finding that Bonneville Power's Environmental Redispatch Policy resulted in noncomparable transmission service and unfair treatment of non-federal generating resources connected to Bonneville's transmission system which were similarly situated to federal hydroelectric and

G. Preventing Falmouth from continuing to take transmission service under the terms of the Stipulation would be anticompetitive.

Denying Falmouth the ability to continue taking service under the terms of the Stipulation merely because it is changing power suppliers would be anticompetitive. If transmission arrangements are not independent of the identity of the energy provider, customers are placed at risk that incumbent transmission service providers can interfere with open competition among energy suppliers by imposing additional transmission costs on a customer based on whether it chooses to purchase energy from one supplier instead of another. That would invite the improper exercise of vertical market power and would have precisely the kind of anticompetitive impact that Order 888 and its progeny were designed to protect against.[30] The Commission should confirm that Falmouth is entitled to continue its transmission service under the same terms and conditions as will apply to LG&E/KU's remaining loads on the EKPC transmission system, regardless of the power supplier it chooses.

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thermal resources for purposes of transmission curtailments); *Transwestern Pipeline Co.*, Op. No. 238-A, 36 FERC ¶ 61,175, 61,433 (1986) ("Undue discrimination is in essence an unjustified difference in treatment of similarly situated customers").

[30] Under Order 888 and Section 205 and 206 of the Federal Power Act, 16 U.S.C. §§ 824d, 824e, the Commission must ensure that, with respect to any transmission in interstate commerce or any sale of electric energy for resale in interstate commerce by a public utility, no person is subject to any undue prejudice or disadvantage. *See Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, 61 Fed. Reg. 21,539 at 21,560 (May 10, 1996), FERC Stats. & Regs. ¶ 31,036 at 31,669 (1996), *clarified*, 76 FERC ¶ 61,009 (1996), *modified*, Order No. 888-A, 62 Fed. Reg. 12,274 (Mar. 14, 1997), FERC Stats. & Regs. ¶ 31,048 (1997), *order on reh'g*, Order No. 888-B, 62 Fed. Reg. 64,688 (Dec. 9, 1997), 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff'd in part and remanded in part sub nom. Transmission Access Policy Study Grp. v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002). In Order 888, the Commission acknowledged that "[i]t is in the economic self-interest of transmission monopolists, particularly those with high-cost generation assets, to deny transmission or to offer transmission on a basis that is inferior to that which they provide themselves," and that it is the Commission's duty to "eradicate unduly discriminatory practices." *Id.* at 31,682.

H. In the alternative, the Commission may conclude that Falmouth is entitled to continuing service under the existing agreements.

The existing NITSA among LG&E/KU, EKPC, and PJM indisputedly applies to Falmouth's load today. That NITSA—by its own terms—will continue to apply to Falmouth's load after Falmouth changes energy suppliers. Falmouth prefers to take service in its own name (or that of its agent), and it understands that LG&E/KU would prefer to no longer be involved in the contractual arrangements for transmission service to Falmouth over the EKPC system, which is why Falmouth is requesting that the Commission issue a declaratory order allowing Falmouth to take the same service under a new agreement with the same rates, terms, and conditions. However, the Commission could alternatively declare that Falmouth is entitled to continue service under the existing agreements.

The existing agreements are for transmission services. Those services, again, should be independent of who is selling the energy that is being delivered. That distinction is demonstrated in the agreements themselves. KU is the party to Falmouth's existing bundled requirements service contract. KU is the seller of the power, but the transmission services are provided to Falmouth by and through LG&E/KU, i.e., the operating companies of LG&E and KU that collectively offer transmission services over the combined LG&E/KU grid under a single, unified OATT, and have jointly arranged for the needed transmission service using the EKPC system.

The transmission services provided for in the Stipulation and in the implementing PJM NITSA and EKPC Ancillary Service Agreement are for delivery services to the loads of LG&E/KU. Accordingly, Section 2.1 of the Stipulation addresses "the load served by the Utilities utilizing EKPC's transmission system (the "the Utilities' Load")."

The Stipulation's preamble states that LG&E and KU are collectively referenced as "the Utilities." Nothing in the Stipulation, the PJM NITSA, or the EKPC Ancillary Service Agreement states that the delivery services are only available so long as the load continues to purchase its energy from KU. Such a provision would be illegal, because it would violate the regulatory requirements cited above that transmission service must be available on a non-discriminatory basis, without regard to whose energy is being transmitted.

It is indisputable that Falmouth's load, which has been served under the existing PJM and EKPC agreements since 2013, is within the group of loads currently covered by those agreements, including the incorporated Stipulation. There is no reason for the Commission to presume that the term "Utilities' Load" in the Stipulation was intended to be interpreted to include an anticompetitive restriction that the Stipulation's specified transmission services to that Load would be available only for so long as a customer continued to buy from KU the energy to be transmitted. Nor is such an inference supported by the provision in Section 2.1.2 that the "Utilities" shall pay for the service, because the "Utilities" currently pay for the service, but Falmouth completely reimburses all charges, just as it would in the future if service continues under the existing agreements. Though not the preferred outcome, it would be reasonable for the Commission to conclude that Falmouth's transmission load could continue to be served under the existing agreements, subject to the requirement that Falmouth continue to fully reimburse LG&E/KU for all charges incurred, which Falmouth commits that it would do.

IV. PETITION FOR EXEMPTION FROM FILING FEE

Falmouth hereby petitions for exemption from the $27,130 filing fee that would otherwise apply to this petition for declaratory order.[31] As a municipality, Falmouth is exempt from the fee pursuant to 18 C.F.R. § 381.108.

V. CONCLUSION

For the reasons stated above, Falmouth requests that the Commission issue a declaratory order confirming that, after changing power suppliers on May 1, 2019, Falmouth can continue taking transmission service over the EKPC system at the same rates, and under the same terms and conditions, as will apply from time to time in the future to the remaining LG&E/KU loads connected to the EKPC transmission system, in accordance with the terms of the Stipulation. To the extent the replicating agreements in Falmouth's (or its agent's) name are FERC-jurisdictional, they will be filed and be subject to Section 205 review by the Commission.

In the alternative, the Commission could determine that Falmouth's transmission load is entitled to continue to be served under the existing agreements, subject to the requirement that Falmouth continue to fully reimburse LG&E/KU for all charges incurred.

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[31] 18 C.F.R. § 381.302 (prescribing fees for petitions for issuance of a declaratory order).

Respectfully submitted,

/s/ *Thomas C. Trauger*

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June 20, 2018

EXHIBIT A

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. TO TRANSFER FUNCTIONAL CONTROL OF CERTAIN TRANSMISSION FACILITIES TO PJM INTERCONNECTION, LLC	)))))	CASE NO. 2012-00169

ORDER

On May 3, 2012, East Kentucky Power Cooperative, Inc. ("EKPC") filed an application seeking approval, pursuant to KRS 278.218, to transfer functional control of certain transmission facilities to the PJM Interconnection, L.L.C. ("PJM") effective June 1, 2013. EPKC is organized under KRS Chapter 279 as an electric generating and transmission cooperative and is a utility subject to the jurisdiction of the Commission.[1] Intervention in this case was requested by, and granted to: the Attorney General's Office, Rate Intervention Division ("AG"); PJM; Gallatin Steel Company ("Gallatin Steel"); and Kentucky Utilities Company and Louisville Gas and Electric Company ("KU/LG&E").

By Order dated June 7, 2012, the Commission established a procedural schedule for this case which included two rounds of discovery on EKPC, the opportunity for intervenors to file testimony, one round of discovery on intervenors, and a public hearing. Informal conferences were held at the Commission's offices on October 12,

[1] KRS 279.210(1).

19, and 26, 2012. A public hearing was held at the Commission's offices on November 7, 2012, and EKPC has requested the Commission to issue a decision in this case by December 31, 2012, to provide adequate time for EKPC to complete the preliminary steps needed to accomplish the transfer of control by June 1, 2013.

Standard of Review

EKPC's application is subject to the Commission's jurisdiction under KRS 278.218, which governs a change in ownership or control of assets of an electric utility where those assets have an original book value of $1,000,000 or more. That statute provides, in part, that "[t]he commission shall grant its approval if the transaction is for a proper purpose and is consistent with the public interest."[2] While the statute does not define "public interest," the Commission has, in the context of a transfer of a utility, interpreted the "public interest" as follows:

> [A]ny party seeking approval of a transfer of control must show that the proposed transfer will not adversely affect the existing level of utility service or rates or that any potentially adverse effects can be avoided through the Commission's imposition of reasonable conditions on the acquiring party. The acquiring party should also demonstrate that the proposed transfer is likely to benefit the public through improved service quality, enhanced service reliability, the availability of additional services, lower rates or a reduction in utility expenses to provide present services. Such benefits, however, need not be immediate or readily quantifiable.[3]

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[2] KRS 278.218(2).

[3] Case No. 2002-00018, *Application for Approval of the Transfer of Control of Kentucky-American Water Company to RWE Aktiengesellschaft and Thames Water Aqua Holdings GmbH*, at 7 (Ky. PSC May 30, 2002).

This standard establishes a two-step process: First, there must be a showing of no adverse effect on service or rates; and second, there must be a demonstration that there will be some benefits.[4]

While the application in this case involves the transfer of functional control of utility assets, rather than a transfer of ownership of a utility, the same criteria apply in determining whether the proposed transfer satisfies the "public interest" standard.

EKPC's Application

EKPC has almost 3,100 MW of generation and 2,800 miles of transmission lines. It provides generating and transmission service at wholesale to, and is owned by, its 16 member electric distribution cooperatives who, in turn, provide retail electric service to approximately 521,000 customers in 87 Kentucky counties. PJM is a regional transmission organization ("RTO") that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia. PJM also operates an energy market and a capacity market. The energy market sets a market price for electricity by matching supply and demand for both a day-ahead and a real-time market. The capacity market uses a three-year planning horizon to create a long-term price signal for the cost of capacity needed to reliably serve load within the PJM system.

EKPC has been a member of PJM since 2005 for purposes of participating in its energy market and to reserve transmission service within the PJM region. This has allowed EKPC the ability to purchase and sell energy in PJM and to reserve firm and

[4] Case No. 2002-00475, *Application of Kentucky Power Company d/b/a American Electric Power, for Approval, to the Extent Necessary, to Transfer Functional Control of Transmission Facilities Located in Kentucky to PJM Interconnection, L.L.C. Pursuant to KRS 278.218* (Ky. PSC Aug. 25, 2003).

nonfirm transmission service. EKPC's current PJM membership is in its capacity as an "Other Supplier" under the PJM Operating Agreement and as an electric utility under the terms of PJM's Open Access Transmission Tariff ("OATT"). EKPC now requests authority to fully integrate into PJM by transferring to it functional control of all of EKPC's transmission lines and substations that operate at 100 kv and above. If the Commission approves the transfer, EKPC will be required to execute the PJM Transmission Owners Agreement and the PJM Reliability Assurance Agreement, transfer functional control of 100 kv and above transmission assets to PJM, and participate in the PJM markets. EKPC will then have the option of changing its membership status to either a Transmission Owner or a Generation Owner in PJM.

EKPC states that over the past decade it had periodically assessed whether to join a RTO, but concluded that membership would not be cost-effective. Then in 2010, the Commission hired Liberty Consulting Group ("Liberty") to conduct a focused management audit of EKPC. One of the audit findings was that the benefits of membership in a RTO could now well outweigh any costs, and Liberty recommended that EKPC hire an independent consultant to perform a detailed assessment of the costs and benefits of a RTO membership.

As a result, in 2010, EKPC engaged ACES Power Marketing ("ACES") to conduct a preliminary directional analysis of various energy- and capacity-market scenarios. ACES, which provides energy-trading and risk-management services, is owned by EKPC and 18 other power supply cooperatives, and for some years has performed power-marketing functions for EKPC. The ACES analysis concluded that fully integrating into PJM was economically advantageous.

EKPC then decided to engage another independent consultant to provide a more detailed analysis of RTO costs and benefits. After conducting a competitive bidding process, EKPC retained Charles River Associates ("CRA") in 2011 to conduct a second review, which was independent of the ACES directional analysis. The CRA Report, dated March 20, 2012, concluded that the net expected economic benefit of EKPC joining PJM, based on a 10-year present value, was $142 million. The CRA Report was based on an EKPC load forecast performed in 2010 and refreshed in 2011.[5] In accordance with the requirements of the Rural Utilities Service ("RUS"), EKPC began to perform a new load forecast in 2012, which indicated some changes from the refreshed 2010 forecast. A copy of EKPC's interim 2012 forecast was sent to CRA with a request that it supplement its March 20, 2012 Report to reflect this most recent forecast, updated assumptions related to bilateral seasonal capacity swaps, and reduced costs for PJM's Regional Transmission Expansion Plan due to the termination of two major projects.[6] The CRA Supplemental Report, dated September 10, 2012, affirmed all of CRA's prior findings, but reflected a decrease to $131.9 million for the 10-year present value benefits of joining PJM.

CRA concluded that EKPC could achieve three key benefits from membership in PJM:

1. Trade benefits consisting of more efficient commitment and dispatch of EKPC's generating resources leading to lower adjusted production costs for EKPC (i.e., fuel, variable operations and maintenance expenses, and emission costs). By

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[5] EKPC Supplemental Response to AG Data Request Item 31, p.1 of 12, filed Sept. 10, 2012.

[6] *Id.* at 2 of 12.

decreasing impediments to trade and fully participating in PJM's integrated regional energy market, EKPC will be able to purchase more power at lower costs to substitute for higher-cost generation on its own system;

2. Impacts on PJM's capacity market resulting from EKPC being a winter-peaking utility while PJM is a summer-peaking system, which creates advantageous peak-load diversity for EKPC relative to PJM as a whole, results in significantly less planning reserves needed by EKPC, and produces cost savings by maintaining a lower reserve margin. EKPC also requests authority to bid its customers' interruptible load into the PJM demand-response program to provide additional revenue; and

3. Avoided long-term, firm point-to-point transmission charges of approximately $7.5 million annually that EKPC is currently paying.

EKPC also identified three major challenges it must face as a result of not being a fully integrated member of an RTO. First, operating as a stand-alone dispatch control area and balancing authority is becoming increasingly challenging for EKPC, which is surrounded by PJM to the north and east, KU and LG&E to the west, and the Tennessee Valley Authority ("TVA") to the south. Without a RTO membership, EKPC would have to rely upon its own resources or those of its neighbors to match generation to load, which is not always the most economic choice due to transmission constraints.

Second, the cost of securing firm transmission access to regional energy markets is increasing. For EKPC to engage in the sale of excess energy or to make economic energy purchases, it must ensure the availability of a reliable and firm transmission path between the market and the EKPC system. To secure this requisite transmission path, EKPC purchased 400 MW of long-term, firm point-to-point transmission service to facilitate importing power to meet its reserve and economic purchase needs. Maintaining this 400 MW transmission path costs EKPC approximately $7 million per year.

Third, EKPC must maintain an adequate amount of capacity reserve in order to safely and reliably operate its system. Currently, for planning purposes, EKPC has an internal target to maintain a 12 percent capacity reserve margin on its winter peak load, or approximately 360 MW. In addition, EKPC must carry operating reserves during all periods of time. EKPC currently relies on the TEE Contingency Reserve Sharing Group ("TCRSG"), along with TVA, KU, and LG&E, to meet the North American Electric Reliability Council imposed contingency reserve standards. As part of this arrangement, EKPC must hold back 94 MW of reserves it could otherwise sell on the market. This reserve sharing limits EKPC's fleet-wide plant optimization, making its generation dispatch less optimal.

In addition to identifying these three challenges that would be ameliorated by membership in PJM, EKPC indicated that there were a number of non-quantifiable benefits of PJM's membership. They include being better positioned to respond to future federal environmental and regulatory requirements and the structural protections in place to safeguard the integrity and stability of the PJM markets.

Positions of the Parties

AG

The AG is of the opinion that EKPC has met its burden of establishing that the proposed transfer of its transmission assets to PJM is for a proper purpose and is consistent with the public interest. The AG notes that the proposed transfer will not adversely affect EKPC's level of service, but rather will save ratepayers money while allowing the EKPC system to become more efficient and reliable. The AG also recognizes the concerns expressed by KU/LG&E (as discussed below) and recommends that EKPC, PJM, and KU/LG&E develop mutually satisfactory conditions upon which all may agree and which will ensure that no harm will result to the transmission or rates for either utility's members or ratepayers.

Gallatin Steel

Gallatin Steel also supports EKPC's request, asserting that the transfer of control of certain of EKPC's transmission facilities to PJM is for a proper purpose and consistent with the public interest. Gallatin Steel notes that EKPC's full integration into PJM would result in multiple benefits, including lower adjusted production costs due to more efficient generation resource commitment and dispatch, significantly lower planning reserves, and avoided long-term firm point-to-point transmission charges. Gallatin Steel takes no issue with the conclusions in the CRA Report that EKPC would achieve an estimated net benefit should it fully integrate into PJM.

KU/LG&E

KU/LG&E have taken no position on the issue of whether EKPC should or should not be authorized to join PJM. Rather, KU/LG&E have focused exclusively on the potential impacts to the KU/LG&E system and to their respective ratepayers in the event that EKPC becomes a full member of PJM.

EKPC's and KU's systems are heavily interconnected, given the geographic proximity of the two systems and the fact that the companies share 67 interconnection points between their transmission systems. The companies also use each other's facilities to serve their respective customers through numerous load interconnection points. KU/LG&E serve over 100 MW (peak) of their native-load using EKPC's transmission system. EKPC serves approximately 450 MW of its native-load customers' load using KU/LG&E's transmission system. EKPC and KU/LG&E are signatories to a Network Integration Transmission Service Agreement which provides for KU/LG&E to pay EKPC formula rates to use EKPC's transmission system. The EKPC formula rates are set forth in EKPC's OATT, which is under the exclusive jurisdiction of the Federal Energy Regulatory Commission ("FERC"). Currently, KU/LG&E pay cost-based rates under EKPC's transmission tariff that are calculated using EKPC's transmission-asset rate base. KU/LG&E include these transmission costs in their base rates.

Although KU/LG&E do not object to EKPC's full integration into PJM, KU/LG&E contend that EKPC's full membership in PJM will increase EKPC's transmission rates by changing the calculation methodology to reflect PJM costs and requirements. This will impose new costs and risks on KU/LG&E and their customers unless EKPC and PJM commit to hold KU/LG&E harmless from the impacts of this transaction. KU/LG&E also expressed concerns over the potential negative impact on the TCRSG as a result of EKPC's decision to fully join PJM, and they recommend that if the transaction is approved it should be conditioned on a requirement that EKPC and PJM develop a plan for how EKPC can fulfill its obligations as a member of TCRSG, and require that the plan be completed and vetted with LG&E/KU and TVA.

Stipulation and Recommendation

A Stipulation and Recommendation ("Stipulation") dated November 2, 2012, was filed in the record on November 7, 2012. The Stipulation relates solely to the issues raised by KU/LG&E, and was signed by, and agreed to by, KU/LG&E, EKPC, PJM and the AG. The remaining party to this case, Gallatin Steel, did not agree to the Stipulation, but did sign it as "Hav[ing] No Objection."[7] The Stipulation is in general intended to hold KU/LG&E harmless from any cost increases or other adverse effects they might incur as a result of EKPC joining PJM. The Stipulation provides, in pertinent part, as follows:

1. KU/LG&E, EKPC, and PJM shall work together, subject to FERC approval, to keep the KU/LG&E load served by the EKPC transmission system as part of the KU/LG&E balancing authority by use of a pseudo-tie between PJM and KU/LG&E, with each party bearing its own cost to implement this arrangement;

2. KU/LG&E shall pay for transmission service provided by EKPC for deliveries to the KU/LG&E load in accordance with the terms of the PJM OATT applicable to the EKPC pricing zone, subject to change based on EKPC's revenue requirements;

3. PJM shall not charge KU/LG&E any other rates or charges that are assessed on load in the PJM markets;

4. KU/LG&E will contract with EKPC for ancillary services at the terms and conditions set forth in EKPC's OATT, Schedules 1 and 2, subject to change based on EKPC's costs, not PJM's costs;

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[7] A copy of the Stipulation is attached to this Order as an Appendix and is incorporated herein.

5. EKPC and PJM will work with KU/LG&E and TVA to develop a plan for how EKPC can continue to fulfill its reserve obligation as a member of TCRSG after it becomes a member of PJM;

6. If FERC does not approve the requisite terms of the Stipulation, EKPC agrees to not unilaterally pursue integration into PJM, but EKPC will work in good faith with KU/LG&E to achieve a resolution acceptable to all parties, FERC, and the Commission;

7. EKPC's load served from the KU/LG&E transmission system is within the PJM balancing authority, will be treated as EKPC zonal load, and will pay the KU/LG&E OATT;

8. EKPC and PJM agree to maintain the current interconnection agreement with KU/LG&E, including the amended September 2011 interconnection agreement between EKPC and KU/LG&E;

9. PJM agrees to recognize and honor flowgates identified by LG&E and KU to their reliability coordinator, TVA;

10. PJM agrees to provide KU/LG&E with modeling information and results of analyses related to critical contingencies identified in network integration studies for EKPC; and

11. The Commission shall retain jurisdiction following EKPC's transfer of transmission assets to monitor and enforce the provisions of the Stipulation and shall have jurisdiction over PJM for purposes of enforcing PJM's commitments to the extent not inconsistent with FERC jurisdiction and to the extent any requisite FERC approvals have been granted.

Commission Findings

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that EKPC has filed a significant amount of evidence, consisting of expert testimony and financial analysis, to support its application to join PJM. EKPC filed the CRA Report and Supplemental Report to demonstrate that the benefits of membership in PJM outweigh the costs. CRA performed its cost/benefit analysis using existing state-of-the-art modeling tools: GE MAPS, a dispatch model which estimates the locational marginal price, as well as the North American Electricity and Environment Model ("NEEM"), which takes into account environmental requirements and likely plant retirements. The NEEM modeling outputs (which include fuel cost and variable operation and maintenance costs) were used as inputs into the GE MAPS modeling of prices at different locations in the PJM system.

CRA also utilized their own extensive experience in estimating costs and benefits of RTO membership. CRA used the study period 2013-2022, based upon that experience, and projected costs and benefits on an annual basis throughout the study period, as well as cumulatively for the 10-year period on a net present value basis.

As described in the Supplemental Report, CRA estimated $40 million in trade benefits over the study period. In general, this is the benefit of being able to sell excess generation into the PJM Market, taking into account the production costs associated with that generation as well as the benefit associated with being able to buy needed generation or generation that is less expensive than EKPC can generate at any given time.

CRA also estimated positive PJM capacity market impacts for EKPC by participating in PJM's Reliability Pricing Model ("RPM"). Under the RPM forward market construct, PJM annually conducts an auction in May for generation owners to make capacity available three years in advance of the delivery year and for load serving entities to buy capacity as needed for that delivery year. Thus, in May 2013, PJM will conduct a capacity auction for the June 2016 – May 2017 delivery year. The capacity auction includes not only generation capacity but also demand response and transmission assets as resources. As a participant in RPM, EKPC may bid its entire generation capacity into the market and receive the market price for that generation, while simultaneously purchasing at the market price the generation needed to serve its load. Alternatively, EKPC can elect to self-supply its generation needs by participating under a Fixed Resource Requirement ("FRR") for capacity. Under the FRR, EKPC can use its own generation and any capacity available to it under bilateral contracts to meet its load, with any capacity shortfall or excess being bought or sold in the PJM capacity market at market prices.

EKPC has requested authorization to participate under RPM, although the two other Kentucky jurisdictional utilities in PJM, Duke Energy Kentucky, Inc. and Kentucky Power Company, have always participated under FRR. EKPC notes that it is a winter-peaking utility and now must meet a 12 percent generation planning reserve requirement, which currently equates to 360 MW, in both the winter and the summer season. However, PJM is a summer peaking system and, if EKPC becomes a member of PJM and participates in RPM, EKPC will be required to hold a much smaller planning reserve requirement of 2.8 percent, which currently equates to 70 MW, during the summer season only. The ability to maintain a lower reserve margin is expected to produce additional revenue for EKPC, since any generating capacity in excess of its load and reserve margin can be sold at the PJM capacity market price. These capacity market benefits are substantial, and are expected to yield $137 million over the study period.

In addition to the benefit of EKPC's seasonal load diversity with the PJM system, EKPC will be allowed to maintain a lower reserve margin as a participant under RPM. If EKPC participates under FRR, it would be required to hold back an additional three percent of its reserve requirement, thereby reducing the amount of generation capacity it could sell for delivery into the PJM summer peaking market. This additional hold back of three percent is estimated to reduce EKPC's capacity market benefits by $3 million to $9 million annually.

Due to the three-year future delivery year structure for RPM, capacity auctions for the 2013-2014, 2014-2015, and 2015-2016 delivery years have already taken place. Thus, upon joining PJM, EKPC will be required to initially participate in FRR. Although existing PJM rules require a FRR participant to provide five years notice before switching to RPM, EKPC and PJM will seek a waiver from FERC to allow EKPC to switch at the start of the 2016 RPM auction year.

The final area of benefits to accrue to EKPC is the elimination of the long-term firm point-to-point transmission charges that are associated with the annual reservation of 400 MW of transmission capacity on the PJM system. This transmission capacity currently is needed by EKPC to economically meet its load requirements during certain times of the year. As a member of PJM, EKPC will be entitled to receive transmission service without paying this $7.5 million annual charge, resulting in estimated benefits of $56.1 million over the 2013-2022 study period.

The cost of RTO membership includes annual administrative charges payable to PJM and FERC. Over the 10-year study period, these amount to $35 million to PJM and $7.7 million to FERC. EKPC is also expected to incur one-time costs and ongoing costs for equipment and personnel needed to interface with PJM, for a total of $5.6 million over the study period. Finally, there will be net transmission costs estimated at $53 million over the study period. This category is comprised of two components: EKPC's share of costs for the expansion of transmission facilities throughout the entire PJM region; and EKPC's share of transmission revenues allocated to transmission owning members in PJM for firm point-to-point transmission service. Both of these components are calculated on a pro rata basis to all members.

In summary, CRA estimates that over the 10-year study period, EKPC will see a net economic benefit of approximately $131.9 million associated with membership in PJM. Subject to rounding, as set forth in the CRA Supplemental Report, the estimated cost and benefit values, expressed on a net present value basis, are summarized in the table below:[8]

[8] *Id.* at 11 of 12.

Category	Costs	Benefits
Administrative Costs	$48.3 Million	
Transmission Costs	$53.0 Million	
Trade Benefits		$40.0 Million
Capacity Benefits		$137.0 Million
Avoided PTP Transmission Charges		$56.1 million
Subtotal	$101.3 Million	$233.1 Million
Net Benefits		$131.9 Million

The Commission finds that EKPC has demonstrated that membership in PJM will not have an adverse impact on its rates or quality of service, and that there will be substantial benefits from cost savings in each of the years covered by the study period, including PJM planning years 2016-2023 in which EKPC seeks to participate in RPM. Consequently, EPKC's request to transfer functional control of its transmission assets to PJM effective June 1, 2013 is for a proper purpose, is consistent with the public interest, and should be approved. The Commission will, therefore, authorize EKPC to execute the PJM owners Agreement and the PJM Reliability Assurance Agreement, copies of which were attached to the EKPC's application as Exhibits 5 and 6, and all other documents and agreements necessary to effectuate EKPC's full integration into PJM. We will also approve EKPC's participation in RPM, with the caveat discussed below relating to annual reporting and reviews.

The Commission further finds that approval of EKPC's Application will not diminish the Commission's jurisdiction or authority with respect to: (1) the Commission's review and prescription of rates for EKPC based upon the value of EKPC's property used to provide electric service; (2) EKPC's obligation of to file any Integrated Resource Plans or any other information required under Commission statute, regulation, or Order; (3) EKPC's obligation to provide bundled generation and transmission service to its members; and (4) EKPC's obligation to obtain any Certificate of Public Convenience and Necessity or Site Compatibility Certificate that may be required prior to commencing construction of an electric generation or transmission facility. In addition to needing Commission approval to join PJM, EKPC also needs approval of FERC and will seek the consent of the RUS. To properly keep the Commission fully informed, EKPC should file a report by the seventh day of each month, beginning with February 2013, describing the prior month's actions related to its efforts to join PJM. The monthly reports should include the status of FERC proceedings and RUS review, copies of any other agency decisions approving, approving with conditions, or denying membership in PJM, and the date that either functional control of EKPC's transmission assets are transferred to PJM or the proposed transfer is terminated.

EKPC has requested that, in conjunction with membership in PJM, each of its customers' interruptible loads under contact and under its Direct Load Control program be authorized to be included in PJM's Demand Response program as of the date of membership. The Commission recognizes that EPKC is not requesting authority for the retail customers who participate by contract or tariff in an interruptible load control program to participate, either directly or through a third party, in any PJM Demand Response program. Rather, the request is for authorization for EKPC, as the generation supplier, to be the participant in the PJM Demand Response programs so that EKPC can bid into PJM the interruptible load that is available to EKPC under contract or tariff.

The Commission recognizes that the PJM Demand Response program can be an effective planning tool with potential benefits for both EKPC and PJM, and we encourage EKPC to have a dialogue with its customers to utilize this tool in such a way as to maximize those benefits. We find that EKPC's participation in the PJM Demand Response program on behalf of its 16 member cooperatives and their retail customers is reasonable, provided that each existing or new interruptible load contract or tariff has been filed with and accepted or approved by the Commission. In the event that EKPC determines in the future that it will be beneficial to its system to allow retail interruptible customers to participate, directly or through third parties, in the PJM Demand Response program, EKPC and its member cooperatives will need prior Commission approval of new contracts or amendments to existing contracts and tariffs.[9] EKPC should review all existing interruptible contracts and its two existing tariffs, designated as Section D–Interruptible Service and Section F–Voluntary Interruptible Service, to ensure compliance with the terms of this Order and the PJM Demand Response program and file revisions as appropriate or needed within 30 days.

With respect to the Stipulation, the Commission finds that the terms, conditions, and commitments contained therein are reasonable and should be accepted as a complete resolution and satisfaction of the issues raised in this case by KU/LG&E. The Commission commends the parties, particularly PJM, for their diligent efforts to work in a collaborative manner to structure an agreement that will ensure no adverse impacts to KU/LG&E, while preserving for EKPC all of the benefits that are projected to accrue from membership in PJM. The Commission also recognizes that on December 5, 2012,

[9] The same requirement for Commission approval of retail customer participation in PJM Demand Response was imposed in Case No. 2010-00203, *Application of Duke Energy Kentucky, Inc. for Approval to Transfer Functional Control of Its Transmission Assets from the Midwest Independent Transmission System Operator to the PJM Interconnection Regional Transmission Organization* (Ky. PSC Dec. 22, 2010)

EKPC filed notice that KU/LG&E and TVA have now determined that once EKPC joins PJM, EKPC's continued participation in the TCRSG, as provided for in Article III of the Stipulation, should be terminated. EKPC's notice, which included confirming letters from KU/LG&E and TVA, states that EKPC has given the requisite six months' notice to withdraw from the TCRSG as requested by KU/LG&E and TVA due to their concerns that there are North American Electric Reliability Corporation compliance risks associated with PJM's performance of EKPC's reserve obligations.

EKPC's withdrawal from the TCRSG constitutes a modification of the Stipulation. While the evidence of record indicates that EKPC and LG&E/KU have agreed to the modification, the record does not indicate agreement by the other parties to the Stipulation. Consequently, we will conditionally accept the Stipulation, subject to the filing of documentation that all of the parties have agreed to the modification.

EKPC's membership in PJM does create some degree of risk, particularly with respect to EKPC being granted sufficient transmission rights to be able to serve its own load without having to pay higher prices for energy due to transmission congestion. Consequently, the Commission will require EKPC to file by May 31 of each year a comprehensive report setting forth in detail the amount of transmission rights awarded and purchased; a description of hedging plans and strategies to address transmission congestion and market prices for capacity and energy; a breakdown by category of the prior years' benefits and costs of PJM membership; and a projection of future benefits and costs reflecting the most recent PJM capacity auction results. Based on the Commission's annual review of these reports, actions may be taken as necessary to ensure that EKPC's continued membership in PJM is beneficial to its members and consumers, and that EKPC is participating in PJM in a manner that maximizes all available RTO benefits.

Finally, the Commission finds that the bulk of the trade benefits that EKPC expects to accrue as a member of PJM will flow back to its 16 member cooperatives and their retail customers through the Fuel Adjustment Clause. However, absent a base rate case filing by EKPC, there is no existing mechanism to flow back to customers the capacity market benefits. While we recognize that the capacity market benefits will not actually increase EKPC's revenues until June 2016 and thereafter, those benefits are expected to be more than three times the trade benefits. For this reason, the Commission finds that EKPC's membership in PJM should be conditioned upon EKPC agreeing to file, no later than November 30, 2015, an application for approval of a rate mechanism to flow back to customers the capacity market benefits expected to accrue from membership in PJM. EKPC's Chief Executive Officer should file within seven days of the date of this Order, a letter accepting and agreeing to be bound by this condition.

IT IS THEREFORE ORDERED that:

1. EKPC's request to transfer functional control of its transmission facilities operated at 100 kv and above to PJM is approved subject to the filing, within 10 days of the date of this Order, of: (a) the letter from EKPC's Chief Executive Officer agreeing to file, no later than November 30, 2015, a rate mechanism to flow back to customers the PJM capacity market benefits; and (b) documentation that all parties agree to modify the Stipulation to allow EKPC to withdraw from the TCRSG.

2. The Stipulation, dated November 2, 2012, as modified by the December 5, 2012 filing to extinguish any obligation arising under Article III, is incorporated herein and is conditionally approved subject to the filing of the documentation discussed in Ordering paragraph 1.

3. EKPC shall file within 30 days of the date of this Order any appropriate or needed amendments to existing special contracts or tariffs to reflect that EKPC is authorized to bid any customer's interruptible load into the PJM Demand Response program.

4. Any customer on the EKPC system that seeks to participate directly or through a third party in the PJM Demand Response program shall do so under the terms of an EKPC special contract or tariff that has been approved by the Commission.

5. EKPC shall file monthly status reports as described in the findings above until it has fully integrated into PJM or the transaction is terminated.

6. By May 31 of each year, EKPC shall file with the Commission the comprehensive report detailing transmission rights, hedging strategies, and PJM benefits and cost as more fully described in the findings above.

7. The reports required to be filed by EKPC pursuant to Ordering paragraphs 5 and 6 shall reference the number of this case and shall be retained in EKPC's general correspondence file.

By the Commission

ENTERED

DEC 20 2012

KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Executive Director

Case No. 2012-00169

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00169 DATED DEC 20 2012

STIPULATION AND RECOMMENDATION

This Stipulation and Recommendation is entered into this 2nd day of November 2012 by and among Louisville Gas and Electric Company ("LG&E"); Kentucky Utilities Company ("KU") (LG&E and KU are hereafter collectively referenced as "the Utilities"); East Kentucky Power Cooperative, Inc. ("EKPC"); Office of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG") and PJM Interconnection, L.L.C., ("PJM") in the proceeding involving the above parties, which are the subject of this Stipulation and Recommendation, as set forth below. (The Utilities, EKPC, AG and PJM are referred to collectively herein as the "Parties.")

W I T N E S S E T H:

WHEREAS, EKPC filed on May 3, 2012, with the Kentucky Public Service Commission ("Commission") its Application *In the Matter of: The Application of East Kentucky Power Cooperative, Inc. to Transfer Functional Control of Certain Transmission Facilities to PJM Interconnection, L.L.C.*, and the Commission has established Case No. 2012-00169;

WHEREAS, the Utilities, AG and PJM have been granted intervention by the Commission in this proceeding;

WHEREAS, informal conferences, attended in person or by teleconference by representatives of the Parties and Commission Staff took place on October 12, 19, and 26, 2012, at the offices of the Commission, during which a number of procedural and substantive issues were discussed, including terms and conditions related to the issues pending before the Commission in this proceeding that might be considered by all Parties to constitute reasonable means of addressing their concerns;

WHEREAS, the Parties desire to recommend to the Commission that it enter its Order setting the terms and conditions that the Parties believe are reasonable as stated herein;

WHEREAS, it is understood by all Parties that this agreement is a stipulation among the Parties concerning all matters at issue in these proceedings pursuant to 807 KAR 5:001, Section 4(6);

WHEREAS, the Parties have spent many hours to reach the stipulations and agreements that form the basis of this Stipulation and Recommendation;

WHEREAS, the Parties, who represent diverse interests and divergent viewpoints, agree that this Stipulation and Recommendation, viewed in its entirety, is a fair, just and reasonable resolution of all the issues in this proceeding; and

WHEREAS, the Parties recognize that this agreement constitutes only an agreement among, and a recommendation by, themselves, and that all issues in this proceeding remain open for consideration by the Commission at the formal hearing in this proceeding.

NOW, THEREFORE, in consideration of the premises and conditions set forth herein, the Parties hereby stipulate, agree, and recommend as follows:

ARTICLE I. Agreement to Support EKPC's Integration Into in PJM

Section 1.1. Subject to all of the commitments and conditions contained herein, all Parties agree to support EKPC's request to integrate into PJM.

ARTICLE II. Maintenance of the Utilities' Load Outside of the PJM Markets

Section 2.1. The load served by the Utilities utilizing EKPC's transmission system (the "the Utilities' Load") has been, and the Utilities desire that it continue to be, part of the Utilities' Balancing Authority ("BA") and not treated as being within the PJM markets by virtue of EKPC's integration into PJM. The Utilities and EKPC, in coordination and cooperation with each other and with PJM, and subject to approval by the Federal Energy Regulatory

Commission ("FERC"), shall keep the Utilities' Load outside of PJM as set forth in this Section.

Section 2.1.1. The Utilities' Load shall be pseudo-tied between PJM and the Utilities, so that such load will be in the Utilities' BA. The Utilities, EKPC, and PJM shall cooperate in good faith to determine the specific metering and related equipment and protocols in order to implement the pseudo-tying of the Utilities' Load between PJM and the Utilities' BA. Except as otherwise agreed between PJM and EKPC, each party shall bear its own costs to implement such arrangements, and in no events shall Utilities be responsible for costs incurred by PJM.

Section 2.1.2. The Utilities shall pay for transmission service on the EKPC transmission system for deliveries to the Utilities' Load in accordance with the terms of the PJM Open-Access Transmission Tariff ("OATT"), i.e., the EKPC Transmission Pricing Zone rate, subject to all other provisions of this Article II. The Utilities will be billed by and shall make payments to PJM for such service. The Utilities understand and acknowledge that the EKPC zonal rate, and thus the rate payable by the Utilities, is subject to change in accordance with EKPC's rights under the PJM Tariff and applicable laws and regulations, but such changes shall not contravene any provision in this Article II and will be calculated based on EKPC's transmission revenue requirements using PJM-prescribed and FERC-approved rate calculation methodologies.

Section 2.1.3. Because the Utilities' Load will be in the Utilities' BA and not in the PJM markets, PJM shall not charge the Utilities with any other rates or charges that are assessed on load that is within the PJM Markets pursuant to the PJM tariff, including, but not limited to Regional Transmission Expansion Plan, locational marginal prices, congestion, and administrative costs. This provision applies only to charges for transmission service for the Utilities' Load and does not address costs that may develop in furtherance of possible future, unknown FERC policies or requirements.

Section 2.1.4. With respect to Ancillary Services Schedules 1 (Scheduling, System Control and Dispatch Service) and 2 (Reactive Supply and Voltage Control from Generation or Other Sources Service), the Utilities will contract with EKPC to supply such services to the Utilities, who will purchase them based upon the terms and conditions as currently set forth in Schedules 1 and 2 of EKPC's current Open Access Transmission Tariff. EKPC reserves its right to modify the rates for Schedules 1 and 2, and thus the charges payable by the Utilities; however, any such change shall be based only on EKPC's costs and not PJM's costs.

Section 2.1.5. The objective of this Article is to insulate the Utilities' Load from the effects of EKPC's integration into PJM by maintaining arrangements comparable to those that existed prior to EKPC's integration into PJM. If the FERC does not approve all of the terms of this Stipulation and Recommendation that require FERC approval, EKPC shall not unilaterally pursue its integration efforts; rather, recognizing the importance of EKPC fully integrating into PJM on or before June 1, 2013, EKPC and the Utilities shall work with all good faith, best efforts, and reasonable speed to negotiate and achieve modified means by which EKPC may fully integrate into PJM on terms acceptable to the Parties, the Commission, and FERC. If the Parties cannot agree upon such means in a timely manner, each Party reserves its right to make such proposals to the Commission and FERC as it deems appropriate and to protest and contest proposals by the other Party.

Section 2.1.6. The Utilities, EKPC and PJM acknowledge and agree that the EKPC load served from the Utilities' transmission system ("EKPC Load") is within the PJM BA and will be treated as EKPC zonal load. EKPC shall pay for transmission service on the Utilities' transmission system for deliveries to the EKPC Load in accordance with the Utilities' OATT; however, the Utilities shall not charge or allocate to EKPC Load the cost of any transmission project outside the Utilities' service territory arising from regional transmission expansion or planning associated with the Utilities' involvement in the Southeastern Regional Transmission Planning

("SERTP") group, which is the Utilities' planned means of complying with FERC Order No. 1000 and related policies or requirements. This provision applies only to charges for transmission service for EKPC Load and does not address costs that may develop in furtherance of possible future, unknown FERC policies or requirements. In the event Utilities' involvement in the SERTP is not a successful means of complying with FERC Order No. 1000 and related policies or requirements, EKPC reserves the right to challenge the Utilities' subsequent means of complying with FERC Order No. 1000 and related policies or requirements to the extent such subsequent means of compliance would result in increased charges or rates being assessed to the EKPC Load within the PJM BA and treated as EKPC zonal load.

Section 2.2. Any intervention by the Utilities into EKPC's filings with FERC relating to EKPC's integration into PJM shall be in support of these filings with FERC and shall not contest these arrangements or otherwise be of an adversarial nature; however, the Utilities reserve the right to oppose EKPC or PJM concerning any issue(s) that have not arisen in this proceeding, as well as to contest any deviation from EKPC's planned integration into PJM according to the terms of EKPC's application in this proceeding as modified or conditioned by the terms of this Stipulation and Recommendation. For the purposes of this provision, the following issues shall be deemed to have arisen in this proceeding (in addition to those that have actually arisen in this proceeding):

1. EKPC's request to shorten time to be eligible to participate in the Reliability Pricing Model ("RPM") market from 5 years to 3 years;
2. Filing of PJM-EKPC Network Integration Transmission Service ("NITS") Agreement;
3. Transfer of existing EKPC OATT, Point-to-Point, and NITS service agreements and interconnection agreements to the PJM tariff;
4. EKPC revenue requirements (rate) filing and ancillary services filing;
5. Notice of cancellation of EKPC's current OATT; and
6. PJM tariff amendments necessary to reflect EKPC's integration (adding EKPC as a pricing zone, EKPC's rates).

Section 2.3. EKPC agrees to engage in a good faith review of any FERC proceeding filed by the Utilities, either individually or in concert with other utilities, seeking approval of the SERTP as the Utilities' means of complying with FERC Order No. 1000 and related policies or requirements. If, following such review, EKPC agrees with the filing, it will intervene to support the Utilities' application in that proceeding insofar as it is consistent with the provisions and intent of this Stipulation and Recommendation.

Section 2.4. Concerning load switching for maintenance and restoration purposes, the Utilities and EKPC will continue to address load switching on the same terms as exist today.

ARTICLE III. EKPC's Contingency Reserve Sharing Group ("CRSG") Participation

Section 3.1. EKPC and PJM agree to work with the Utilities and TVA to develop a plan for how EKPC can fulfill its obligations (currently 94 MW of reserves) as a member of the CRSG. The Utilities acknowledge that EKPC and PJM have begun this effort. EKPC, the Utilities, and PJM agree to work with all good faith and best practices with TVA to complete the plan timely, with a target completion date of December 31, 2012.

Section 3.2. EKPC and PJM further commit to use all good faith and best practices to resolve all disputes or issues that arise with TVA or the Utilities concerning the CRSG.

Section 3.3. EKPC, PJM, and the Utilities agree that the continuation of the CRSG is contingent upon NERC Standards as they exist today. If NERC Standards change that adversely impact any member of the CRSG, then that party or parties may exercise their rights to withdraw under the current CRSG agreement.

Section 3.4. Immediately upon TVA's issuance of its notice of withdrawal from the CRSG, the provisions of this Article III shall cease to be of any effect, and any and all obligations between any of the Parties to this Stipulation and Recommendation created solely by this Article III shall immediately end.

ARTICLE IV. Transmission System Operations

Section 4.1. EKPC and PJM agree to maintain the current interconnection agreement with the Utilities. PJM agrees that the amended September 2011 interconnection agreement entered into between EKPC and the Utilities does not have to be terminated. PJM can file the interconnection agreement with FERC with a PJM Service Agreement on it as part of the integration. This will ensure continued effective coordination of the Utilities' and EKPC's systems.

Section 4.2. EKPC and the Utilities further agree to operate and coordinate their 69 kV systems according to operating guides, procedures, and practices, written and unwritten, that exist today and impact the Utilities. This provision shall not conflict with the provisions of Section 4.1.

Section 4.3. PJM agrees to recognize and honor flowgates the Utilities identify to their RC, TVA.

The Joint Reliability Coordination Agreement Among and Between Midwest Independent System Operator, Inc.("MISO"), PJM Interconnection, LLC, and Tennessee Valley Authority ("JRCA"), revised May 1, 2009, is in effect as between PJM and TVA. (MISO has withdrawn from the JRCA.) The JRCA addresses the process by which a transmission entity, like the Utilities, identifies flowgates to be included in the Congestion Management Process, the required testing to verify the impacts of the flowgates, the requirements for data exchange to ensure that the identified flowgates are included in models, and the methods by which congestion management is implemented in real time operations.

PJM is committed via the JRCA to recognize and honor flowgates that the Utilities identify to TVA, the Utilities' Reliability Coordinator, if those identified flowgates pass the required testing that is specified in the FERC-approved Congestion Management Process, which is an attachment to the JRCA.

ARTICLE V. PJM Network Integration Study

Section 5.1. PJM agrees to provide to the Utilities modeling information and results of analyses related to critical contingencies identified in network integration studies for EKPC. PJM and EKPC further agree to work with the Utilities in a cooperative way, using all good faith and best practices, to supply to the Utilities such input, modeling, and analytical data concerning the EKPC network integration study as the Utilities reasonably request to understand and analyze any potential impacts to their system that EKPC's full integration into PJM may cause. EKPC, PJM, and the Utilities agree to follow all applicable Critical Energy Infrastructure protocols in their data exchanges. PJM commits to work with the Utilities to ensure a thorough understanding of analyses performed and to discuss alternative measures to mitigate planning criteria violations identified.

ARTICLE VI. Kentucky Public Service Commission's Ongoing Jurisdiction

Section 6.1. The Commission shall retain jurisdiction following the transfer of control from EKPC to monitor and enforce these commitments.

Section 6.2. The Commission shall have jurisdiction over PJM for the limited purpose of enforcing PJM's commitments as set forth in this Stipulation and Recommendation to the extent not inconsistent with the jurisdiction of the FERC; however, the Commission shall have no authority to enforce any *commitment of PJM that is subject to acceptance by FERC* but which acceptance FERC denies.

ARTICLE VII. Miscellaneous Provisions

Section 7.1. Except as specifically stated otherwise in this Stipulation and Recommendation, the Parties agree that making this Stipulation and Recommendation shall not be deemed in any respect to constitute an admission by any Party hereto that any computation, formula, allegation, assertion, or contention made by any other Party in these proceedings is true or valid.

Section 7.2. The Parties agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein and are consistent with the public interest for purposes of approving EKPC's full membership in PJM pursuant to KRS 278.218.

Section 7.3. The Parties agree that, following the execution of this Stipulation and Recommendation, the Parties shall cause the Stipulation and Recommendation to be filed with the Commission by November 2, 2012, together with a recommendation that the Commission enter its Order on or before December 31, 2012, implementing the terms and conditions herein.

Section 7.4. Each signatory waives all cross-examination of the other Parties' witnesses unless the Commission disapproves this Stipulation and Recommendation, and each signatory further stipulates and recommends that the application, testimony, pleadings, and responses to data requests filed in this proceeding be admitted into the record (subject to all pending Petitions for Confidential

Treatment and all applicable Confidentiality Agreements) and approved as filed, except as modified by this Stipulation and Recommendation. The Parties stipulate that after the date of this Stipulation and Recommendation they will not otherwise contest EKPC's application in this proceeding, as modified by this Stipulation and Recommendation, during the hearing in this proceeding, and that they will refrain from cross-examination of all witnesses during the hearing, except insofar as such cross-examination supports the Stipulation and Recommendation or EKPC's application subject to the commitments and conditions of this Stipulation and Recommendation.

Section 7.5. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Stipulation and Recommendation be accepted and fully incorporated into any Order approving EKPC's application in this proceeding.

Section 7.6. If the Commission issues an Order adopting all of the terms and conditions recommended herein, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such Order.

Section 7.7. The Parties agree that if the Commission does not implement all of the terms recommended herein in its final Order in this proceeding, or if the Commission in its final Order in this proceeding adds or imposes additional conditions or burdens upon the proposed transfer of control or upon any or all of the Parties that are unacceptable to any or all of the Parties, then: (a) this Stipulation and Recommendation shall be void and withdrawn by the Parties from further consideration by the Commission and none of the Parties shall be bound by any of the provisions herein, provided that no Party is precluded from advocating any position contained in this Stipulation and Recommendation; and (b) neither the terms of this Stipulation and Recommendation nor any matters raised during the settlement negotiations shall be binding on any of the Parties to this Stipulation and Recommendation or be construed against any of the Parties.

Section 7.8. The Parties agree that this Stipulation and Recommendation shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

Section 7.9. The Parties agree that this Stipulation and Recommendation shall inure to the benefit of, and be binding upon, the Parties, their successors and assigns.

Section 7.10. The Parties agree that this Stipulation and Recommendation constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations, or agreements made prior hereto or contemporaneously herewith, shall be null and void, and shall be deemed to have been merged into this Stipulation and Recommendation.

Section 7.11. The Parties agree that, for the purpose of this Stipulation and Recommendation only, the terms are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation. The Parties further agree that the resolution proposed herein is in accordance with law, for a proper purpose, and is consistent with the public interest, all as contemplated by KRS 278.218.

Section 7.12. The Parties agree that neither the Stipulation and Recommendation nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the terms herein. This Stipulation and Recommendation shall not have any precedential value in this or any other jurisdiction.

Section 7.13. The signatories hereto warrant that they have informed, advised, and consulted with the Parties they represent in this proceeding in regard to the contents and significance of this Stipulation and Recommendation, and based upon the foregoing are authorized to execute this Stipulation and Recommendation on behalf of the Parties they represent.

Section 7.14. The Parties agree that this Stipulation and Recommendation is a product of negotiation among all Parties, and that no provision of this Stipulation and Recommendation shall be strictly construed in favor of, or against, any Party.

Section 7.15. The Parties agree that this Stipulation and Recommendation may be executed in multiple counterparts.

IN WITNESS WHEREOF, the Parties have hereunto affixed their signatures.

East Kentucky Power Cooperative, Inc.

HAVE SEEN AND AGREED:

Mark David Goss, Counsel

Louisville Gas and Electric Company
and Kentucky Utilities Company

HAVE SEEN AND AGREED:

Kendrick R. Riggs, Counsel
Allyson K. Sturgeon, Counsel

Office of the Attorney General of the
Commonwealth of Kentucky, by and through
his Office of Rate Intervention

HAVE SEEN AND AGREED:

Jennifer B. Hans, Assistant Attorney General

PJM Interconnection, L.L.C.

HAVE SEEN AND AGREED:

Jason R. Bentley, Counsel

Gallatin Steel Company

HAVE SEEN AND HAVE NO OBJECTION:

Michael L. Kurtz, Counsel
Kurt Boehm, Counsel

Honorable Jason R Bentley
Attorney at Law
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Honorable Michael L Kurtz
Attorney at Law
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Suite 1510
Cincinnati, OHIO 45202

Allyson K Sturgeon
Senior Corporate Attorney
LG&E and KU Services Company
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Louisville, KENTUCKY 40202

Ann F Wood
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707

EXHIBIT B

Mailed **5/24/18** for Account # **3000-0455-4485**

AMOUNT DUE	DUE DATE
$107,592.11	**6/13/18**

a PPL company

Account Name: FALMOUTH CITY UTILITIES
Service Address: 230 Main St, FALMOUTH KY

Online Payments: lge-ku.com
Customer Service: (800) 383-5582, M-F, 8am-6pm ET

BILLING SUMMARY

Previous Balance	108,106.49
Payment(s) Received	-101,090.22
Balance as of 5/23/18	**$7,016.27**
Current Electric Charges	100,095.84
Current Unmetered Charges	480.00
Total Current Charges as of 5/23/18	**$100,575.84**
Total Amount Due	**$107,592.11**

CURRENT METER AND USAGE INFORMATION

Rate: Wholesale Power Sales - Primary (T)

	Meter Number	Previous Read Date	Previous Reading	Current Read Date	Current Reading	Read Code*	Meter Multiplier	Usage kWh	Demand (kW)
kWh	C533776	3/31/18	85689	4/30/18	86102	R	3,200	1,321,600	
kW-BS	C533776	3/31/18		4/30/18	0.7800	R	3,200		2,496.0
							Total Usage	**1,321,600**	

CURRENT ELECTRIC CHARGES

Rate: Wholesale Power Sales - Primary (T)

Estimated Energy Unit Charge ($0.0310219 x 1,321,600 kWh)	40,998.54
Estimated Demand Unit Charge ($17.276 x 2,496.0 kW)	43,120.90
98.99% PF Adjusted to 90.00%	0.00
Whsl Pwr Tran demand Oatt Rate ($1.9816 x 2,496.00 kW)	4,946.07
EKPC NITS Charge ($2.202 x 2,901.1 kW)	6,388.27
EKPC Schedule 1A Charge ($0.0002695 x 1,321,600 kWh)	356.17
EKPC Schedule 2 Charge ($0.07847 x 2,368.8 kW)	185.88
Fuel Adjustment ($-0.00263 x 1,321,600 kWh)	-3,475.81
True-up Adjustment	7,575.82
CWIP Adjustment	0.00
Total Charges	**$100,095.84**

Please return only this portion with your payment. Make checks payable to KU and write your account number on your check.

Amount Due **6/13/18**	**$107,592.11**
Total Amount Enclosed:	

Account # **3000-0455-4485**
Service Address: 230 Main St

#214300030 1#

FALMOUTH CITY UTILITIES
ACCOUNTS PAYABLE
230 MAIN ST
FALMOUTH, KY 41040-1223

a PPL company
PO Box 9001954
Louisville, KY 40290-1954

020300004554485000001075921100010759211000000000000011

CURRENT UNMETERED CHARGES

ELECTRIC	**Rate:** Direct Assign
Direct assign	480.00
Total Unmetered Charges	**$480.00**

BILLING PERIOD AT-A-GLANCE

	THIS YEAR	LAST YEAR
Average Temperature	**51°**	**66°**
Number of Days Billed	30	34
Avg. Electric Charges per Day	**$3,336.53**	**$6,111.27**
Avg. Electric Usage per Day (kWh)	44,053.33	80,752.94

OFFICE USE ONLY: MU,EOS
MRU01351950, G000000
P108106.49
PF:Y eB:P

EXHIBIT C

PJM Interconnection, L.L.C. as of 06/15/2018
Electric TCS and MBR
PJM Service Agreements Tariff
Effective Date: 06/01/2013 Status: Effective
FERC Docket: ER13-01179-000 1010
FERC Order: Delegated Letter Order Order Date: 05/22/2013
PJM SA No. 3518, PJM SA No. 3518 - NITSA among PJM, PJM Settlement and LGE/KU, 0.0.0 A

Original Service Agreement No. 3518
Effective June 1, 2013

Service Agreement for

Louisville Gas and Electric Company/Kentucky Utilities Company

June 1, 2013

ATTACHMENT F

Service Agreement For
Network Integration Transmission Service

1.0 This Service Agreement, dated as of *March 28, 2013*, is entered into, by and between the Office of the Interconnection of PJM Interconnection, L.L.C. (the Transmission Provider) as the administrator of the Tariff, PJM Settlement Inc. ("Counterparty") as the counterparty, and **Louisville Gas and Electric Company /Kentucky Utilities Company (collectively "LGE/KU")** ("Transmission Customer").

2.0 The Transmission Customer has been determined by the Transmission Provider to have a valid request for Network Transmission Service under the Tariff and to have satisfied the conditions for service imposed by the Tariff.

3.0 Service under this agreement shall commence on the later of: (l) the requested service commencement date, or (2) the date on which construction of any Direct Assignment Facilities and/or Network Upgrades are completed, or (3) such other date as it is permitted to become effective by the Commission. Service under this agreement shall terminate on such date as mutually agreed upon by the parties. On such effective service date of this agreement, the Network Integration Transmission Service Agreement between East Kentucky Power Cooperative and LGE/KU shall thereupon immediately terminate, without need for further action.

4.0 The Transmission Provider agrees to provide and the Transmission Customer agrees to take and pay for Network Transmission Service in accordance with the provisions of the Tariff, including the Network Operating Agreement (which is incorporated herein by reference), and this Service Agreement as they may be amended from time to time, and that certain *Stipulation and Recommendation* (the "Stipulation") approved by the Kentucky Public Service Commission in an Order issued in case No. 2012-00169 dated December 20, 2012, a copy of which Stipulation is attached hereto and made a part hereof. In the event of a conflict between the terms and conditions of the Stipulation and the terms and conditions of the Tariff, the Network Operating Agreement or the Service Agreement, as all are referenced above, the terms and conditions of the Stipulation shall control.

5.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

Transmission Provider (on behalf of Transmission Provider and Counterparty):

PJM Interconnection, L.L.C.
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497

Transmission Customer:

Louisville Gas and Electric Company /Kentucky Utilities Company

220 W. Main Street, 7th Floor

Louisville, KY 40202

6.0 The Tariff for Network Integration Transmission Service is incorporated herein and made a part hereof.

IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials.

Office of the Interconnection:

By: */s/ Michael J. Kormos* *Sr. V.P - Operations* *3/28/2013*
Name Michael J. Kormos Title Date

Counterparty:

By: */s/ Stanley H. Williams* *President* *3/28/2013*
Name Stanley H. Williams Title Date

Transmission Customer:

By: */s/ Paul W. Thompson*___ *Chief Operating Officer* _*3/27/2013*_
Name Paul W. Thompson Title Date

CERTIFICATION

I, _*Paul W. Thompson*__________________, certify that I am a duly authorized officer of **Louisville Gas and Electric Company / Kentucky Utilities Company** (Transmission Customer) and that **Louisville Gas and Electric Company / Kentucky Utilities Company** (Transmission Customer) will not request service under this Service Agreement to assist an Eligible Customer to avoid the reciprocity provision of this Open-Access Transmission Tariff.

*/s/ Paul W. Thompson*_____________
(Name)

*Chief Operating Officer*___________
(Title)

Subscribed and sworn before me this _*27*___ day of ___*March*______, _*2013*______.

_*/s/ Jennifer S. Mattingly*______________________________
(Notary Public)

My Commission expires:__*July 21, 2013*_____________

SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

l.0 Term of Transaction: **5 years**

Start Date: **June 1, 2013**

Termination Date: **May 31, 2018**

2.0 Description of capacity and/or energy to be transmitted within the geographic boundaries of the PJM Region (including electric control area in which the transaction originates).

Approximately 120 megawatts of capacity and energy from units located in the LGE/KU Control Area.

3.0 Network Resources:

N/A

4.0 Network Load:

Approximately 120 megawatts of LGE/KU load located within the geographic boundaries of the East Kentucky Power Cooperative ("EKPC") Balancing Area.

5.0 Designation of party subject to reciprocal service obligation:

Per section 6.0 of the PJM Open Access Transmission Tariff ("Tariff").

6.0 Name(s) of any Intervening Systems providing transmission service:

None

7.0 Service under this Agreement is subject to the terms and conditions in the Stipulation.

7.1 Embedded Cost Transmission Charge:
Based on the terms and conditions in the *Stipulation*, as approved by the Federal Energy Regulatory Commission ("FERC").

7.2 Facilities Study Charge:
Based on the terms and conditions in the *Stipulation*, as approved by FERC.

7.3 Direct Assignment Facilities Charge:
Based on the terms and conditions in the *Stipulation*, as approved by FERC.

7.4 Ancillary Services Charge:
Based on the terms and conditions in the *Stipulation*, as approved by FERC.

7.5 Other Supporting Facilities Charge:
Based on the terms and conditions in the *Stipulation*, as approved by FERC.

STIPULATION AND RECOMMENDATION

This Stipulation and Recommendation is entered into this 2nd day of November 2012 by and among Louisville Gas and Electric Company ("LG&E"); Kentucky Utilities Company ("KU") (LG&E and KU are hereafter collectively referenced as "the Utilities"); East Kentucky Power Cooperative, Inc. ("EKPC"); Office of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG") and PJM Interconnection, L.L.C., ("PJM") in the proceeding involving the above parties, which are the subject of this Stipulation and Recommendation, as set forth below. (The Utilities, EKPC, AG and PJM are referred to collectively herein as the "Parties.")

W I T N E S S E T H:

WHEREAS, EKPC filed on May 3, 2012, with the Kentucky Public Service Commission ("Commission") its Application *In the Matter of: The Application of East Kentucky Power Cooperative, Inc. to Transfer Functional Control of Certain Transmission Facilities to PJM Interconnection, L.L.C.*, and the Commission has established Case No. 2012-00169;

WHEREAS, the Utilities, AG and PJM have been granted intervention by the Commission in this proceeding;

WHEREAS, informal conferences, attended in person or by teleconference by representatives of the Parties and Commission Staff took place on October 12, 19, and 26, 2012, at the offices of the Commission, during which a number of procedural and substantive issues were discussed, including terms and conditions related to the issues pending before the Commission in this proceeding that might be considered by all Parties to constitute reasonable means of addressing their concerns;

WHEREAS, the Parties desire to recommend to the Commission that it enter its Order setting the terms and conditions that the Parties believe are reasonable as stated herein;

WHEREAS, it is understood by all Parties that this agreement is a stipulation among the Parties concerning all matters at issue in these proceedings pursuant to 807 KAR 5:001, Section 4(6);

WHEREAS, the Parties have spent many hours to reach the stipulations and agreements that form the basis of this Stipulation and Recommendation;

WHEREAS, the Parties, who represent diverse interests and divergent viewpoints, agree that this Stipulation and Recommendation, viewed in its entirety, is a fair, just and reasonable resolution of all the issues in this proceeding; and

WHEREAS, the Parties recognize that this agreement constitutes only an agreement among, and a recommendation by, themselves, and that all issues in this proceeding remain open for consideration by the Commission at the formal hearing in this proceeding.

NOW, THEREFORE, in consideration of the premises and conditions set forth herein, the Parties hereby stipulate, agree, and recommend as follows:

ARTICLE I. Agreement to Support EKPC's Integration Into in PJM

Section 1.1 Subject to all of the commitments and conditions contained herein, all Parties agree to support EKPC's request to integrate into PJM.

ARTICLE II. Maintenance of the Utilities' Load Outside of the PJM Markets

Section 2.1. The load served by the Utilities utilizing EKPC's transmission system (the "the Utilities' Load") has been, and the Utilities desire that it continue to be, part of the Utilities' Balancing Authority ("BA") and not treated as being within the PJM markets by virtue of EKPC's integration into PJM. The Utilities and EKPC, in coordination and cooperation with each other and with PJM, and subject to approval by the Federal Energy Regulatory

Commission ("FERC"), shall keep the Utilities' Load outside of PJM as set forth in this Section.

Section 2.1.1. The Utilities' Load shall be pseudo-tied between PJM and the Utilities, so that such load will be in the Utilities' BA. The Utilities, EKPC, and PJM shall cooperate in good faith to determine the specific metering and related equipment and protocols in order to implement the pseudo-tying of the Utilities' Load between PJM and the Utilities' BA. Except as otherwise agreed between PJM and EKPC, each party shall bear its own costs to implement such arrangements, and in no events shall Utilities be responsible for costs incurred by PJM.

Section 2.1.2. The Utilities shall pay for transmission service on the EKPC transmission system for deliveries to the Utilities' Load in accordance with the terms of the PJM Open-Access Transmission Tariff ("OATT"), i.e., the EKPC Transmission Pricing Zone rate, subject to all other provisions of this Article II. The Utilities will be billed by and shall make payments to PJM for such service. The Utilities understand and acknowledge that the EKPC zonal rate, and thus the rate payable by the Utilities, is subject to change in accordance with EKPC's rights under the PJM Tariff and applicable laws and regulations, but such changes shall not contravene any provision in this Article II and will be calculated based on EKPC's transmission revenue requirements using PJM-prescribed and FERC-approved rate calculation methodologies.

Section 2.1.3. Because the Utilities' Load will be in the Utilities' BA and not in the PJM markets, PJM shall not charge the Utilities with any other rates or charges that are assessed on load that is within the PJM Markets pursuant to the PJM tariff, including, but not limited to Regional Transmission Expansion Plan, locational marginal prices, congestion, and administrative costs. This provision applies only to charges for transmission service for the Utilities' Load and does not address costs that may develop in furtherance of possible future, unknown FERC policies or requirements.

Section 2.1.4. With respect to Ancillary Services Schedules 1 (Scheduling, System Control and Dispatch Service) and 2 (Reactive Supply and Voltage Control from Generation or Other Sources Service), the Utilities will contract with EKPC to supply such services to the Utilities, who will purchase them based upon the terms and conditions as currently set forth in Schedules 1 and 2 of EKPC's current Open Access Transmission Tariff. EKPC reserves its right to modify the rates for Schedules 1 and 2, and thus the charges payable by the Utilities; however, any such change shall be based only on EKPC's costs and not PJM's costs.

Section 2.1.5. The objective of this Article is to insulate the Utilities' Load from the effects of EKPC's integration into PJM by maintaining arrangements comparable to those that existed prior to EKPC's integration into PJM. If the FERC does not approve all of the terms of this Stipulation and Recommendation that require FERC approval, EKPC shall not unilaterally pursue its integration efforts; rather, recognizing the importance of EKPC fully integrating into PJM on or before June 1, 2013, EKPC and the

Utilities shall work with all good faith, best efforts, and reasonable speed to negotiate and achieve modified means by which EKPC may fully integrate into PJM on terms acceptable to the Parties, the Commission, and FERC. If the Parties cannot agree upon such means in a timely manner, each Party reserves its right to make such proposals to the Commission and FERC as it deems appropriate and to protest and contest proposals by the other Party.

Section 2.1.6. The Utilities, EKPC and PJM acknowledge and agree that the EKPC load served from the Utilities' transmission system ("EKPC Load") is within the PJM BA and will be treated as EKPC zonal load. EKPC shall pay for transmission service on the Utilities' transmission system for deliveries to the EKPC Load in accordance with the Utilities' OATT; however, the Utilities shall not charge or allocate to EKPC Load the cost of any transmission project outside the Utilities' service territory arising from regional transmission expansion or planning associated with the Utilities' involvement in the Southeastern Regional Transmission Planning ("SERTP") group, which is the Utilities' planned means of complying with FERC Order No. 1000 and related policies or requirements. This provision applies only to charges for transmission service for EKPC Load and does not address costs that may develop in furtherance of possible future, unknown FERC policies or requirements. In the event Utilities' involvement in the SERTP is not a successful means of complying with FERC Order No. 1000 and related policies or requirements, EKPC reserves the right to challenge the Utilities' subsequent means of complying with

FERC Order No. 1000 and related policies or requirements to the extent such subsequent means of compliance would result in increased charges or rates being assessed to the EKPC Load within the PJM BA and treated as EKPC zonal load.

Section 2.2. Any intervention by the Utilities into EKPC's filings with FERC relating to EKPC's integration into PJM shall be in support of these filings with FERC and shall not contest these arrangements or otherwise be of an adversarial nature; however, the Utilities reserve the right to oppose EKPC or PJM concerning any issue(s) that have not arisen in this proceeding, as well as to contest any deviation from EKPC's planned integration into PJM according to the terms of EKPC's application in this proceeding as modified or conditioned by the terms of this Stipulation and Recommendation. For the purposes of this provision, the following issues shall be deemed to have arisen in this proceeding (in addition to those that have actually arisen in this proceeding):

1. EKPC's request to shorten time to be eligible to participate in the Reliability Pricing Model ("RPM") market from 5 years to 3 years;

2. Filing of PJM-EKPC Network Integration Transmission Service ("NITS") Agreement;

3. Transfer of existing EKPC OATT, Point-to-Point, and NITS service agreements and interconnection agreements to the PJM tariff;

4. EKPC revenue requirements (rate) filing and ancillary services filing;

5. Notice of cancellation of EKPC's current OATT; and

6. PJM tariff amendments necessary to reflect EKPC's integration (adding EKPC as a pricing zone, EKPC's rates).

Section 2.3. EKPC agrees to engage in a good faith review of any FERC proceeding filed by the Utilities, either individually or in concert with other utilities, seeking approval of the SERTP as the Utilities' means of complying with FERC Order No. 1000 and related policies or requirements. If, following such review, EKPC agrees with the filing, it will intervene to support the Utilities' application in that proceeding insofar as it is consistent with the provisions and intent of this Stipulation and Recommendation.

Section 2.4. Concerning load switching for maintenance and restoration purposes, the Utilities and EKPC will continue to address load switching on the same terms as exist today.

ARTICLE III. EKPC's Contingency Reserve Sharing Group ("CRSG") Participation

Section 3.1. EKPC and PJM agree to work with the Utilities and TVA to develop a plan for how EKPC can fulfill its obligations (currently 94 MW of reserves) as a member of the CRSG. The Utilities acknowledge that EKPC and PJM have begun this effort. EKPC, the Utilities, and PJM agree to work with all good faith and best practices with TVA to complete the plan timely, with a target completion date of December 31, 2012.

Section 3.2. EKPC and PJM further commit to use all good faith and best practices to resolve all disputes or issues that arise with TVA or the Utilities concerning the CRSG.

Section 3.3. EKPC, PJM, and the Utilities agree that the continuation of the CRSG is contingent upon NERC Standards as they exist today. If NERC Standards change that adversely impact any member of the CRSG, then that party or parties may exercise their rights to withdraw under the current CRSG agreement.

Section 3.4. Immediately upon TVA's issuance of its notice of withdrawal from the CRSG, the provisions of this Article III shall cease to be of any effect, and any and all obligations between any of the Parties to this Stipulation and Recommendation created solely by this Article III shall immediately end.

ARTICLE IV. Transmission System Operations

Section 4.1. EKPC and PJM agree to maintain the current interconnection agreement with the Utilities. PJM agrees that the amended September 2011 interconnection agreement entered into between EKPC and the Utilities does not have to be terminated. PJM can file the interconnection agreement with FERC with a PJM Service Agreement on it as part of the integration. This will ensure continued effective coordination of the Utilities' and EKPC's systems.

Section 4.2. EKPC and the Utilities further agree to operate and coordinate their 69 kV systems according to operating guides, procedures, and practices, written and unwritten, that exist today and impact the Utilities. This provision shall not conflict with the provisions of Section 4.1.

Section 4.3. PJM agrees to recognize and honor flowgates the Utilities identify to their RC, TVA.

The Joint Reliability Coordination Agreement Among and Between Midwest Independent System Operator, Inc.("MISO"), PJM Interconnection, LLC, and Tennessee Valley Authority ("JRCA"), revised May 1, 2009, is in effect as between PJM and TVA. (MISO has withdrawn from the JRCA.) The JRCA addresses the process by which a transmission entity, like the Utilities, identifies flowgates to be included in the Congestion Management Process, the required testing to verify the impacts of the flowgates, the requirements for data exchange to ensure that the identified flowgates are included in models, and the methods by which congestion management is implemented in real time operations.

PJM is committed via the JRCA to recognize and honor flowgates that the Utilities identify to TVA, the Utilities' Reliability Coordinator, if those identified flowgates pass the required testing that is specified in the FERC-approved Congestion Management Process, which is an attachment to the JRCA.

ARTICLE V. PJM Network Integration Study

Section 5.1. PJM agrees to provide to the Utilities modeling information and results of analyses related to critical contingencies identified in network integration studies for EKPC. PJM and EKPC further agree to work with the Utilities in a cooperative way, using all good faith and best practices, to supply to the Utilities such input, modeling, and analytical data concerning the EKPC network integration study as the Utilities reasonably request to understand and analyze any potential impacts to their system that EKPC's full integration into PJM may cause. EKPC, PJM, and the Utilities agree to follow all applicable Critical Energy Infrastructure protocols in their data exchanges. PJM commits to work with the Utilities to ensure a thorough understanding of analyses performed and to discuss alternative measures to mitigate planning criteria violations identified.

ARTICLE VI. Kentucky Public Service Commission's Ongoing Jurisdiction

Section 6.1. The Commission shall retain jurisdiction following the transfer of control from EKPC to monitor and enforce these commitments.

Section 6.2. The Commission shall have jurisdiction over PJM for the limited purpose of enforcing PJM's commitments as set forth in this Stipulation and Recommendation to the extent not inconsistent with the jurisdiction of the FERC; however, the Commission shall have no authority to enforce any commitment of PJM that is subject to acceptance by FERC but which acceptance FERC denies.

ARTICLE VII. Miscellaneous Provisions

Section 7.1. Except as specifically stated otherwise in this Stipulation and Recommendation, the Parties agree that making this Stipulation and Recommendation shall not be deemed in any respect to constitute an admission by any Party hereto that any computation, formula, allegation, assertion, or contention made by any other Party in these proceedings is true or valid.

Section 7.2. The Parties agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein and are consistent with the public interest for purposes of approving EKPC's full membership in PJM pursuant to KRS 278.218.

Section 7.3. The Parties agree that, following the execution of this Stipulation and Recommendation, the Parties shall cause the Stipulation and Recommendation to be filed with the Commission by November 2, 2012, together with a recommendation that the Commission enter its Order on or before December 31, 2012, implementing the terms and conditions herein.

Section 7.4. Each signatory waives all cross-examination of the other Parties' witnesses unless the Commission disapproves this Stipulation and Recommendation, and each signatory further stipulates and recommends that the application, testimony, pleadings, and responses to data requests filed in this proceeding be admitted into the record (subject to all pending Petitions for Confidential Treatment and all applicable Confidentiality Agreements) and approved as filed, except as modified by this Stipulation and Recommendation. The Parties stipulate that after the date of this Stipulation and Recommendation they will not otherwise contest EKPC's application in this proceeding, as modified by this Stipulation and Recommendation, during the hearing in this proceeding, and that they will refrain from cross-examination of all witnesses during the hearing, except insofar as such cross-examination supports the Stipulation and Recommendation or EKPC's application subject to the commitments and conditions of this Stipulation and Recommendation.

Section 7.5. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Stipulation and Recommendation be accepted and fully incorporated into any Order approving EKPC's application in this proceeding.

Section 7.6. If the Commission issues an Order adopting all of the terms and conditions recommended herein, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such Order.

Section 7.7. The Parties agree that if the Commission does not implement all of the terms recommended herein in its final Order in this proceeding, or if the Commission in its final Order in this proceeding adds or imposes additional conditions or burdens upon the proposed transfer of control or upon any or all of the Parties that are unacceptable to any or all of the Parties, then: (a) this Stipulation and Recommendation shall be void and withdrawn by the Parties from further consideration by the Commission and none of the Parties shall be bound by any of the provisions herein, provided that no Party is precluded from advocating any position contained in this Stipulation and Recommendation; and (b) neither the terms of this Stipulation and Recommendation nor any matters raised during the settlement negotiations shall be binding on any of the Parties to this Stipulation and Recommendation or be construed against any of the Parties.

Section 7.8. The Parties agree that this Stipulation and Recommendation shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

Section 7.9. The Parties agree that this Stipulation and Recommendation shall inure to the benefit of, and be binding upon, the Parties, their successors and assigns.

Section 7.10. The Parties agree that this Stipulation and Recommendation constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations, or agreements made prior hereto or contemporaneously herewith, shall be null and void, and shall be deemed to have been merged into this Stipulation and Recommendation.

Section 7.11. The Parties agree that, for the purpose of this Stipulation and Recommendation only, the terms are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation. The Parties further agree that the resolution proposed herein is in accordance with law, for a proper purpose, and is consistent with the public interest, all as contemplated by KRS 278.218.

Section 7.12. The Parties agree that neither the Stipulation and Recommendation nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the terms herein. This Stipulation and Recommendation shall not have any precedential value in this or any other jurisdiction.

Section 7.13. The signatories hereto warrant that they have informed, advised, and consulted with the Parties they represent in this proceeding in regard to the contents and significance of this Stipulation and Recommendation, and based upon the foregoing are authorized to execute this Stipulation and Recommendation on behalf of the Parties they represent.

Section 7.14. The Parties agree that this Stipulation and Recommendation is a product of negotiation among all Parties, and that no provision of this Stipulation and Recommendation shall be strictly construed in favor of, or against, any Party.

Section 7.15. The Parties agree that this Stipulation and Recommendation may be executed in multiple counterparts.

IN WITNESS WHEREOF, the Parties have hereunto affixed their signatures.

East Kentucky Power Cooperative, Inc.

HAVE SEEN AND AGREED:

_*/s/ Mark David Goss*__________
Mark David Goss, Counsel

Louisville Gas and Electric Company
and Kentucky Utilities Company

HAVE SEEN AND AGREED:

*/s/ Kendrick R. Riggs*________
Kendrick R. Riggs, Counsel
Allyson K. Sturgeon, Counsel

Office of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention

HAVE SEEN AND AGREED:

*/s/ Jennifer B. Hans*___________________
Jennifer B. Hans, Assistant Attorney General

PJM Interconnection, L.L.C.

HAVE SEEN AND AGREED:

*<u>/s/ Jason R. Bentley</u>*___________________

Jason R. Bentley, Counsel

Gallatin Steel Company

HAVE SEEN AND HAVE NO OBJECTION:

*/s/ Michael L. Kurtz*____________________
Michael L. Kurtz, Counsel
Kurt Boehm, Counsel

EXHIBIT D

06/01/13

ANCILLARY SERVICE AGREEMENT FOR THE SUPPLY OF SCHEDULING, SYSTEM CONTROL, DISPATCH, REACTIVE SUPPLY AND VOLTAGE CONTROL SERVICES

This Ancillary Service Agreement ("Agreement"), dated as of June 1, 2013, is entered into by and between East Kentucky Power Cooperative ("EKPC") and Louisville Gas and Electric Company and Kentucky Utilities Company ("LG&E/KU") (jointly, the "Parties" and individually, a "Party").

WHEREAS, EKPC is a generation and transmission cooperative operating electric generation plants and transmission facilities in the Commonwealth of Kentucky;

WHEREAS, LG&E/KU is an electric utility serving customers in the Commonwealth of Kentucky;

WHEREAS, LG&E/KU is currently a transmission customer of EKPC and receives ancillary services under Schedule 1 (Scheduling, System Control and Dispatch Service) and Schedule 2 (Reactive Supply and Voltage Control from Generation or Other Sources Service) (jointly "Ancillary Services") of EKPC's Open Access Transmission Tariff ("EKPC OATT");

WHEREAS, EKPC is integrating into PJM Interconnection, L.L.C ("PJM");

WHEREAS, upon integration into PJM, the current EKPC OATT and all service agreements thereunder will be cancelled;

WHEREAS, on November 2, 2012 the Parties, PJM, and the Attorney General of the Commonwealth of Kentucky through its Office of Rate Intervention entered into a stipulation and settlement agreement concerning EKPC's integration with PJM (the "Stipulation"), which was approved on December 20, 2012 by Order of the Kentucky Public Service Commission ("KPSC");

WHEREAS, Section 2.1.4 of the Stipulation provides that LG&E/KU will contract with EKPC to purchase Ancillary Services "based upon the terms and conditions as currently set forth in Schedules 1 and 2 of EKPC's current Open Access Transmission Tariff";

WHEREAS, Section 2.1.4 of the Stipulation further provides that "EKPC reserves its right to modify the rates for Schedules 1 and 2, and thus the charges payable by [LG&E/KU]; however, any such change shall be based only EKPC's costs and not PJM's costs;" and,

WHEREAS, Section 2.1.5 of the Stipulation provides that the objective is to insulate LG&E/KU's load from the effects of EKPC's integration into PJM by maintaining arrangements comparable to those that existed prior to EKPC's integration into PJM;

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, the Parties hereby agree as follows:

1.0 This Agreement shall be effective as of June 1, 2013.

1.1 With respect to LG&E/KU's service under its Network Integration Transmission Service Agreement ("NITSA") with PJM, EKPC agrees to provide, and LG&E/KU agree to take, Ancillary Services pursuant to the terms and conditions of the Stipulation and this Agreement.

1.2 The initial term of this Agreement (the "Initial Term") shall extend through May 31, 2023, and continue year to year thereafter (the "Extension Terms") unless terminated earlier in accordance with the provisions of Sections 1.3, 1.4, 1.5, or 1.6 of this Agreement. Hereinafter, the Initial Term and any Extension Terms shall be referenced as the "Term."

1.3 Notwithstanding the provisions of Section 2.0 of this Agreement, LG&E/KU may terminate this Agreement upon not less than thirty (30) days' advance written notice to EKPC. In the event that LG&E/KU terminates this Agreement, LG&E/KU shall take and pay for replacement ancillary services in accordance with the rates, terms and conditions of the PJM Tariff and the LG&E/KU PJM NITSA, or such other tariff that at the time governs transmission service over EKPC's transmission facilities; provided, however, such obligation will arise only if the then-existing configuration of LG&E/KU's transmission facilities and load requires LG&E/KU to avail itself of such third-party tariff that governs transmission service over EKPC's transmission facilities.

1.4 EKPC may terminate this Agreement with the advance written consent of LG&E/KU.

1.5 EKPC may terminate this Agreement unilaterally upon approval of the KPSC, but only if (a) EKPC provides LG&E/KU at least thirty (30) days' advance written notice of any such application to the KPSC and (b) provides LG&E/KU a copy of such application within three business days of filing it with the KPSC. LG&E/KU expressly reserves the right to protest and oppose EKPC's position in such KPSC proceeding.

1.6 If LG&E/KU no longer take transmission service under the PJM Tariff, this Agreement shall terminate upon termination of the LG&E/KU PJM NITSA.

2.0 As set forth in the Stipulation, during the Term of this Agreement, EKPC shall provide, and LG&E/KU shall take and pay for, Ancillary Services in accordance with the provisions of Schedules 1 and 2 of this Agreement, subject to the provisions of Section 3.0 of this Agreement.

3.0 As set forth in the Stipulation, EKPC has reserved its right to modify its rates for Ancillary Services established in Schedules 1 and 2 herein to be paid by LG&E/KU "based only on EKPC's costs and not PJM's costs." EKPC will charge to LG&E/KU hereunder the same rates as the Federal Energy Regulatory Commission ("FERC") from time to time has accepted for filing or has otherwise permitted to go into effect.

3.1 The Schedule 1 rates charged hereunder will be the same as the Schedule 1A rates that EKPC has on file with FERC, which will be calculated annually pursuant to EKPC's FERC-accepted rate formula. Such rates became effective under this Agreement as of July 1, 2013. For the period June 1 through June 30, 2013, EKPC shall charge LG&E/KU hereunder the Schedule 1 rate previously in effect under Schedule 1of EKPC's OATT. As provided in the rate formula and accompanying rate protocols, the rates shall be adjusted effective as of June 1 each year (and shall be based only EKPC's costs and not on PJM costs), and the same adjustments will be made as of June 1 of each year to the rates charged under this Agreement. EKPC will by email provide to LG&E/KU the same notification of the annual update and customer meeting that EKPC has committed to provide under the rate formula protocols that EKPC has on file with FERC, and provide LG&E/KU the same information and rights that are made available to all other customers under the rate protocols.

3.2 For the period June 1 through June 30, 2013, EKPC shall charge LG&E/KU hereunder the Schedule 2 rate previously in effect under Schedule 2 of EKPC's OATT. Effective July 1, 2013, EKPC shall charge the revised rates identified in Schedule 2 of this Agreement. EKPC may adjust its Schedule 2 rates from time to time as EKPC determines is necessary and appropriate, based on EKPC's costs, not PJM's costs. The rates hereunder will be adjusted to remain the same as EKPC's FERC-accepted PJM rates. EKPC will by email promptly provide LG&E/KU with notice of each rate filing made by EKPC with FERC to adjust EKPC's PJM Schedule 2 rates.

3.3 LG&E/KU shall have the rights of any other customer to contest EKPC's Schedule 1A or Schedule 2 rates before FERC, including any rights of appeal and the right to contest the allocation of any PJM costs to LG&E/KU as inconsistent with the Stipulation. EKPC retains all of its procedural rights to respond to any such contest.

3.4 By voluntarily agreeing to make the rates charged hereunder equivalent to the rates that EKPC will have on file with FERC for inclusion in the PJM Tariff, EKPC is not waiving its status as a non-FERC-jurisdictional public utility, or the non-jurisdictional status of this Agreement or the rates charged hereunder.

3.5 Nothing in this Agreement modifies Article VI of the Stipulation regarding the ongoing jurisdiction of the KPSC.

4.0 Any notice or request made to or by either Party regarding this Agreement shall be made in writing to the representative of the other Party as indicated below.

5.0 To the extent any terms and conditions set forth in this Agreement or the Schedules conflict with the terms and conditions of the Stipulation, the terms and conditions of the Stipulation shall control.

6.0 Schedules 1 and 2 are incorporated herein and made a part of this Agreement. All capitalized terms in Schedules 1 and 2 shall have the meanings set forth in the EKPC Open-Access Transmission Tariff (the "OATT") that was in place on November 2, 2012.

For EKPC:

By: Anthony S Campbell

Title: Pres./CEO

Date: 7/26/13

For LG&E/KU:

By: ______________________

Title: ______________________

Date: ______________________

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective authorized officials.

For EKPC:

By: ______________________________

Title: ______________________________

Date: ______________________________

For LG&E/KU:

By: ______________________________

Title: VP TRANSMISSION

Date: JULY 26, 2013

SCHEDULE 1

Scheduling, System Control and Dispatch Service

Scheduling, System Control and Dispatch Service is to be provided directly by East Kentucky Power Cooperative ("EKPC") (if EKPC is the Balancing Authority) or indirectly by EKPC's making arrangements with the Balancing Authority that performs this service for EKPC's Transmission System~~.~~; provided, however, that in all events, Louisville Gas and Electric Company and Kentucky Utilities Company ("LG&E/KU") will contract only with EKPC for these services. Subject to the provisions of Section 3.0 of the Agreement, EKPC will ensure that any modifications of the charges for Scheduling, System Control and Dispatch Service that were in place under the EKPC are to be based only on EKPC costs, not PJM costs.

The rates for EKPC's Scheduling, System Control and Dispatch Service under this Agreement will be as filed with and approved or accepted for filing, or otherwise allowed to become effective, by FERC, based on EKPC's costs, but not PJM costs. The Schedule 1 rates are subject to EKPC's FERC-accepted rate formula and, as such, will be adjusted effective as of June 1 each year.

For the period June 1 through June 30, 2013, EKPC shall charge LG&E/KU hereunder the Schedule 1 rate previously in effect under Schedule 1of EKPC's OATT ($0.08856/kW-month, applied to LG&E/KU's transmission demand at the time of the peak transmission demand on the EKPC transmission system for the month). Effective as of July 1, 2013, the Schedule 1 rates charged hereunder will be the same as the Schedule 1A rates that EKPC has on file with FERC, which will be calculated annually pursuant to EKPC's FERC-accepted rate formula. As provided in the rate formula and accompanying rate protocols, the rates shall be adjusted effective as of June 1 each year (and shall be based only EKPC's costs and not on PJM costs), and the same adjustments will be made as of June 1 of each year to the rates charged under this Agreement.

For firm point-to-point and non-firm point-to-point transmission service, the applicable rate shall be multiplied by the sum, for all hours, of LG&E/KU's Reserved Capacity for each hour. For network integration transmission service, the rate per MWh shall be multiplied by the total MWh delivered in the month for LG&E/KU's Network load in the EKPC Transmission Pricing Zone of PJM.

SCHEDULE 2
Reactive Supply and Voltage Control from Generation or Other Sources Service

In order to maintain transmission voltages on East Kentucky Power Cooperative's ("EKPC") transmission facilities within acceptable limits, generation facilities and non-generation resources capable of providing this service (in the Balancing Authority where EKPC's facilities are located) are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation or Other Sources Service must be provided for each transaction on EKPC's transmission facilities. The amount of Reactive Supply and Voltage Control from Generation or Other Sources Service that must be supplied with respect to Louisville Gas and Electric Company and Kentucky Utilities Company's ("LG&E/KU") transactions will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by EKPC.

LG&E/KU will contract with EKPC for Reactive Supply and Voltage Control from Generation or Other Sources Service. Subject to the provisions of Section 3.0 of the Agreement, the charges for such service shall be based only on EKPC costs, not PJM costs.

For the period June 1 through June 30, 2013, EKPC shall charge LG&E/KU hereunder the Schedule 2 rate previously in effect under Schedule 2 of EKPC's OATT. Effective July 1, 2013 the rates shall be as follows:

$ 0.94158 per kW per Year

$ 0.07847 per kW per Month

$ 0.01811 per kW per Week

$ 0.00362 per kW per Day (capped at Weekly rate)

$ 0.22634 per MWh (capped at daily rate)

In the event that EKPC files with FERC to adjust its PJM Schedule 2 rates, the rates hereunder will be adjusted to remain the same as EKPC's FERC-accepted PJM rates. EKPC will by email promptly provide LG&E/KU with notice of each such rate filing.

For firm point-to-point and non-firm point-to-point transmission service, the applicable rate shall be multiplied by LG&E/KU's Reserved Capacity. For network integration transmission service, the rate per kW per month shall be multiplied by LG&E/KU's monthly Network load in the EKPC Transmission Pricing Zone of PJM.

CERTIFICATE OF SERVICE

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing document to be served upon each of the following:

LG&E and KU Energy LLC and its wholly-owned subsidiaries **Louisville Gas and Electric Company, Kentucky Utilities Company, and LG&E Energy Marketing Inc.**

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Dated on this 20th day of June, 2018.

/s/ *Latif M. Nurani*
Latif M. Nurani

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