

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) CASE NO. 2012-00169
TRANSMISSION FACILITIES TO PJM)
INTERCONNECTION, LLC)

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:


- The digital video recording of the evidentiary hearing conducted on November 7, 2012 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on November 7, 2012 in this proceeding;
- The written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the hearing conducted on November 7, 2012.

A copy of this Notice, the certification of the digital video record, exhibit list, and hearing log have been served by first class mail upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at http://psc.ky.gov/av_broadcast/2012-00169/2012-00169_07Nov12_Inter.aspx. Parties wishing an annotated digital video

recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

The exhibits introduced at the evidentiary hearing may be downloaded at <http://psc.ky.gov/pscscf/2012%20cases/2012-00169/>.

Done at Frankfort, Kentucky, this 19th day of November 2012.

A handwritten signature in cursive script, reading "Linda Faulkner".

Linda Faulkner
Director, Filings Division
Public Service Commission of Kentucky

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CERTIFICATE

I, Kathy Gillum, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on **November 07, 2012**. Hearing Log, Exhibits, Exhibit List and Witness List are included with the recording on November 07, 2012.

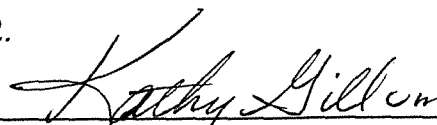
2. I am responsible for the preparation of the digital recording;

3. The digital recording accurately and correctly depicts the hearing;

4. The "Exhibit List" attached to this Certificate lists all exhibits introduced at the hearing of **November 07, 2012**.

5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of **November 07, 2012** and the time at which each occurred.

Given this 19th day of November, 2012.



Kathy Gillum, Notary Public
State at Large

My commission expires: Sept 3, 2013



Case History Log Report

Case Number: 2012-00169_07Nov12

Case Title: East Kentucky Power Cooperative, Inc.

Case Type: Transfer of Control

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

Date: 11/7/2012

Location: Default Location

Judge: David Armstrong, Jim Gardner, Linda Breathitt

Clerk: Kathy Gillum

Bailiff:

Event Time	Log Event	
10:12:10 AM	Case Started	
10:12:14 AM	Preliminary Remarks	
10:12:25 AM	Introductions Note: Kathy Gillum	Mark David Goss and David Samford, counsel for EKPC; Jennifer Black Hans for OAG; Jason Bentley, counsel for PJM; Mike Kurtz counsel for Gallatin Steel; Kendrick Riggs, Allyson Sturgeon and Duncan Crosby, counsel for LG&E and KU.
10:13:43 AM	Public Notice Given Note: Kathy Gillum	Mr. Goss states that Notice was filed November 1, 2012. No objections from parties.
10:14:03 AM	Outstanding Motions Note: Kathy Gillum	No outstanding motions.
10:14:14 AM	Disclosure by Jennifer Hans (OAG) Note: Kathy Gillum	Ms. Hans states that her Father is currently an employee of KU and she has disclosed that fact to the parties. No objections from the parties.
10:14:41 AM	Kendrick Riggs (LG&E-KU) Note: Kathy Gillum	Mr. Riggs states that a Stipulation was reached and filed with the Commission this morning. All parties agreed with the exception of Gallatin Steel, who signed the agreement.
10:15:35 AM	Exhibit 1 (LG&E-KU) Note: Kathy Gillum	Exhibit: Stipulation and Recommendation Agreement.
10:17:37 AM	Mark D. Goss (EKPC) Note: Kathy Gillum	Mr. Goss states there is a Witness issue. Ralph Luciani needs to be out of the hearing by 3:00 p.m. (lives out of state)
10:18:16 AM	Public Comments Note: Kathy Gillum	No person present from the public for comment.
10:18:54 AM	Mark D. Goss (EKPC) Note: Kathy Gillum	States Mr. Raff wishes to exam PJM witnesses.
10:19:48 AM	Jason Bentley (PJM)	
10:20:00 AM	Richard Raff (PSC) Note: Kathy Gillum	States hearing would flow better if the PJM witnesses were questioned first.

10:20:18 AM	Witness, Frank Koza (PJM) Note: Kathy Gillum	Witness called to testify by Jason Bentley (PJM) and made available for cross examination.
10:21:35 AM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Questions regarding RPM capacity. Questions regarding PJM being a summer peaking facility. Questions regarding reserve requirements. Questions regarding reserve margin. Witness defers question to another witness.
10:27:19 AM	Vice Chair Gardner Note: Kathy Gillum	Questions regarding FRR.
10:29:20 AM	Examination by Richard Raff (PSC) continues Note: Kathy Gillum	Questions regarding FRRs and ARRs. Questions regarding hedging load. Witness asked to describe the cost allegation methodology. Witness deferred to Steve Herling.
10:32:59 AM	Vice Chair Gardner Note: Kathy Gillum	Vice Chair Gardner asked the witness who negotiated the settlement agreement on behalf of PJM.
10:39:00 AM	Commissioner Breathitt Note: Kathy Gillum	Questions regarding reserved margins. Witness defers question.
10:39:30 AM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Followup of Vice Chair Gardner's questions. Questions regarding Section 2.1.2 of Stipulation and Settlement Agreement. Questions regarding NERC requirements.
10:47:29 AM	Vice Chair Gardner Note: Kathy Gillum	Questions regarding Reserve Sharing Agreement. Questions regarding congestion costs being reduced. Questions regarding bi-lateral contracts for buying or purchasing power. Questions regarding lists of costs and expenses that Luciani prepared.
10:53:44 AM	Witness Excused (Koza) Note: Kathy Gillum	Witness, Frank Koza excused.
10:54:01 AM	Witness, Paul Sotkiewicz (PJM) Note: Kathy Gillum	Witness called to testify by Jason Bentley (PJM) and made available for cross examination.
10:55:16 AM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Questions regarding installed reserve margin calculations. Questions regarding 2012 summer peak load as relating to reserves. Questions regarding FFR.
11:06:03 AM	Vice Chair Gardner Note: Kathy Gillum	Vice Chair Gardner asked the witness if they could switch back and forth between RPM and FRR.
11:09:45 AM	Examination by Richard Raff (PSC) continues Note: Kathy Gillum	Questions regarding installed reserve margins. Witness explains difference between operating reserves and planning reserve margins. Questions regarding a schedule in the original Exhibit 2, page 26 (Table 12). Witness explains the schedule in depth. Mr. Raff asked why they couldn't take the Load plus reserve, plus capacity to get what they could sell. Questions regarding forced outage rate. Questions regarding reliability replacement model. Questions regarding summer peaking v. winter peaking.
11:23:34 AM	Vice Chair Gardner Note: Kathy Gillum	Questions regarding summer peak v. winter peak.
11:25:03 AM	Examination by Richard Raff (PSC) continues Note: Kathy Gillum	Questions regarding reserve requirements. Questions regarding the minimum offer price rule. Questions regarding exceptions to minimum offer price rule. Questions regarding differences between auction revenue rights and financial transmission rights.

11:37:37 AM	Commissioner Breathitt Note: Kathy Gillum	Commissioner Breathitt asked witness, what if there wasn't any congestion.
11:38:45 AM	Examination by Richard Raff (PSC) continues Note: Kathy Gillum	Questions regarding EKPC experiencing congestion.
11:42:03 AM	Jason Bentley (PJM)	
11:42:45 AM	Examination by Richard Raff (PSC) continues Note: Kathy Gillum	Questions regarding the determination of auction revenue rights.
11:44:31 AM	Mark D. Goss (EKPC) Note: Kathy Gillum	Mr. Goss clarifies answer regarding Installed reserve margin.
11:46:42 AM	Vice Chair Gardner Note: Kathy Gillum	Questions regarding Exhibit 2, page 26 discussed earlier. Questions regarding page 15 of Luciani testimony.
11:50:04 AM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Questions regarding why a utility would not participate in the RPM auction.
11:51:38 AM	Examination by Mark David Goss (EKPC) Note: Kathy Gillum	Questions regarding RPM construct v. FRR plan.
11:52:49 AM	Vice Chair Gardner Note: Kathy Gillum	Questions regarding megawatt numbers.
11:53:56 AM	Examination by Mike Kurtz (Gallatin) Note: Kathy Gillum	Questions regarding retail competition in other states.
11:55:41 AM	Witness Excused (Sotkiewiez) Note: Kathy Gillum	Witness, Paul Sotkiewiez excused.
11:55:50 AM	Lunch Break Note: Kathy Gillum	Lunch Break, hearing will re-convene at 1:15 pm
11:56:03 AM	Case Recessed	
1:16:40 PM	Case Started	
1:16:48 PM	Witness, Steve Herling (PJM) Note: Kathy Gillum	Witness called to testify by Jason Bentley (PJM) and made available for cross examination.
1:17:24 PM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Questions regarding DFAX. Questions regarding new proposed methodology for usage base.
1:26:48 PM	Vice Chair Gardner Note: Kathy Gillum	Questions regarding costs ten years out (allocations, methodology, etc) Questions regarding RPS.
1:30:26 PM	Witness Excused (Herling) Note: Kathy Gillum	Witness, Steve Herling excused.
1:31:22 PM	Witness, Ralph Luciani (EKPC) Note: Kathy Gillum	Witness called to testify by Mark D. Goss and made available for cross examination.
1:32:14 PM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Witness handed EKPC IRP, page 47 of Volume 1. Questions regarding Table A(1) of supplemental response to D.R. 31, Questions regarding the winter peak difference in numbers. Questions regarding load diversity. Witness is asked to explain line by line, the figures in the Schedule.
1:57:29 PM	Vice Chair Gardner	
1:58:05 PM	Examination by Richard Raff (PSC) continues Note: Kathy Gillum	Questions continuing regarding the Schedule.

2:02:40 PM	Vice Chair Gardner Note: Kathy Gillum	Vice Chair Gardner asked the witness: "Didn't you say 46 x 316?" Witness stated yes.
2:02:51 PM	Examination by Richard Raff (PSC) continues	
2:09:59 PM	Commissioner Borders Note: Kathy Gillum	Questions regarding stand-alone utility.
2:11:46 PM	Examination by Mark D. Goss (EKPC) Note: Kathy Gillum	Questions regarding investor owned utilities Questions regarding other factors other than economic impact for joining PJM.
2:16:17 PM	Mike Kurtz (Gallatin) Note: Kathy Gillum	Questions regarding winter peaking. Questions regarding FRR. Hypothetical question. Questions regarding AEP FERC filings.
2:20:48 PM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Followup to Mike Kurtz's questions. potential for EKPC to increaseby forming an alliance.
2:25:03 PM	Vice Chair Gardner Note: Kathy Gillum	Questions regarding the supplement report Table A-3 on page 11. Table A-2. Questions regarding PJM transmission expansion allocation. Questions regarding page 12, line 21-22 of pre-filed testimony. Questions regarding energy efficiency options. Questions regarding page 17 , line 15 of pre-filed testimony. Questions regarding page 19 of pre-filed testimony. Questions regarding page 31 regarding environmental regulations of pre-filed testimony.
2:46:51 PM	Mike Kurtz (Gallatin) Note: Kathy Gillum	Mike Kurtz makes a statement regarding Gallatin Steel regarding interruptable emergency.
2:47:53 PM	Mark D. Goss (EKPC) Note: Kathy Gillum	Mr. Goss states that Mr. Kurtz was correct and they are currently working on that.
2:48:00 PM	Witness Excused (Luciani) Note: Kathy Gillum	Witness, Ralph Luciani excused.
2:50:21 PM	Witness, Don Mosier (EKPC) Note: Kathy Gillum	Witness called to testify by Mark D. Goss.
2:51:25 PM	Examination by Mark D. Goss (EKPC) Note: Kathy Gillum	Qualification of witness by Mark D. Goss. Witness summarizes the Stipulation Agreement. Witness requests that PSC incorporates Stipulation into its Final Order. Requests PSC to have Final Order entered prior to 12-31-12. Questions regarding other regulatory approvals needed for EKPC. Witness explains participation in the markets. Witness explains Why is it so important for EKPC to participate in the PJM construct. Witness adopts pre-filed testimony with corrections. page 20, line 17 and 18 (Exhibit 2) makes corrections regarding interconnection agreement. (2) makes change to amount (page 31, lines 10, 17, and page 32, line 15. In EKPC application, page 23. Pass the witness.
3:09:30 PM	Kendrick Riggs (LG&E & KU) Note: Kathy Gillum	Questions regarding Stipulation Agreement
3:10:37 PM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Questions regarding pages 11 and 12.
3:13:10 PM	Data Request (PSC) Note: Kathy Gillum	Data Request: Provide an Update to Table 12 (Luciani)

3:15:38 PM	Examination by Richard Raff (PSC) continues Note: Kathy Gillum	Questions regarding which load forecast the numbers were taken. Questions regarding AG DR Item 20. Questions regarding the duration of the agreement with PJM. Questions regarding benefits or deterrents. Questions regarding Schedule D and Schedule F regarding interruptable service. Witness defers question to Mr. McNally. Questions regarding outages on transmission system and black start generation units. Questions regarding auction revenue rights.
3:33:58 PM	Re-Direct by Mark D. Goss (EKPC) Note: Kathy Gillum	Questions regarding the original Charles River Report regarding differences in the DSM programs.
3:37:02 PM	Case Recessed	
3:47:19 PM	Case Started	
3:48:06 PM	Kendrick Riggs (LG&E & KU) Note: Kathy Gillum	Mr. Riggs asked to excuse Mr. Bellar. Parties state that they do not have questions for Mr. Bellar. Vice Chair states he has questions for Mr. Bellar.
3:48:36 PM	Vice Chair Gardner Note: Kathy Gillum	Questions regarding the amount of congestion. Questions regarding demand response participation. Questions regarding transparency in the markets. Witness states that it is limited transparency. Questions regarding Page 19 of pre-filed testimony. Questions regarding EM&V. Questions regarding 3rd party demand resources.
4:04:09 PM	Data Request (PSC) Note: Kathy Gillum	Data Request: Vice Chair Gardner asked to be provided with the number of customers.
4:04:40 PM	Vice Chair Gardner Note: Kathy Gillum	Questions regarding energy efficiency. Questions regarding what ACES does now, and what they will provide after joining PJM. Questions regarding the Settlement Agreement.
4:16:41 PM	Chairman Armstrong Note: Kathy Gillum	Questions regarding if the proposal was explained to the Board of Directors. Witness states that it will sell all of its energy to PJM and then purchase what they need from PJM. Witness states that there should be zero cost to the customers.
4:19:46 PM	Witness Excused (Mosier) Note: Kathy Gillum	Witness, Don Mosier excused.
4:20:01 PM	Witness, Tony Campbell (EKPC) Note: Kathy Gillum	Witness called to testify by Mark D. Goss.
4:20:48 PM	Examination by Mark D. Goss (EKPC) Note: Kathy Gillum	Qualification of witness by Mark D. Goss. Witness adopts pre-filed testimony with changes. Change page 7, line 3; change page 15, line 11 and 12. Pass the witness.
4:22:44 PM	Richard Raff (PSC) Note: Kathy Gillum	Questions regarding why Tariff filings will be delayed. Questions regarding Cost Benefit Analysis pertaining to net benefits to EKPC. Questions regarding current financial conditions. Questions regarding IRP filing with the PSC.

4:33:22 PM	Vice Chair Gardner Note: Kathy Gillum	Questions regarding page 6 of pre-filed testimony. Questions regarding page 13 of pre-filed testimony. Witness states that Gallatin is a 3 party contract through Owen. Questions regarding page 15 pertaining to approval by RUS. Questions regarding the Settlement Agreement.
4:44:30 PM	Witness Excused (Campbell) Note: Kathy Gillum	Witness, Tony Campbell excused.
4:44:43 PM	Witness, Mike McNalley (EKPC) Note: Kathy Gillum	Witness called to testify by Mark D. Goss
4:45:26 PM	Examination by Mark D. Goss (EKPC) Note: Kathy Gillum	Qualification of witness by Mark D. Goss. Witness adopts pre-filed testimony with corrections: page 3, line 3; change MM-2. MDG passes out a copy of MM-2 to all parties and to the Commission. Pass the witness
4:48:28 PM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Questions regarding the original Exhibit 2 to testimony. Questions regarding DSM. Questions regarding contracts with interruptable customers. Questions regarding if there will be changes to the tariffs.
4:55:24 PM	Examination by Mike Kurtz (Gallatin) Note: Kathy Gillum	Questions regarding how much of the costs will flow through the FAC. Questions regarding the Smith facility (mitigating).
4:58:50 PM	Vice Chair Gardner Note: Kathy Gillum	Questions regarding special contracts. Questions regarding Page 6, line 6 of pre-filed testimony.
5:04:18 PM	Commissioner Breathitt Note: Kathy Gillum	Commissioner Breathitt asked who is EKPC's Rating Agency. Fitch and Standard & Poors
5:05:07 PM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Questions regarding the rating agency's approval. Revised Exhibit, second line, is it an update that comes from Luciani's Table 12)
5:08:39 PM	Chairman Armstrong Note: Kathy Gillum	Mr. Raff had previously in this hearing, requested an updated Table 12. Chairman Armstrong asked Mr. Goss to provide as a Post Hearing Data Request. Mr. Goss agreed to provide.
5:08:52 PM	Witness Excused (McNalley) Note: Kathy Gillum	Witness, Mike McNalley excused.
5:09:09 PM	Kendrick Riggs (LG&E & KU)	
5:09:34 PM	Witness, Lonnie Bellar (LG&E-KU) Note: Kathy Gillum	Witness called to testify by Kendrick Riggs.
5:10:01 PM	Examination by Kendrick Riggs Note: Kathy Gillum	Qualification of witness by Kendrick Riggs. Witness adopts pre-filed testimony. Witness participated in settlement agreement.
5:10:53 PM	Vice Chair Gardner Note: Kathy Gillum	Questions regarding reimbursement of costs.
5:13:16 PM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Questions regarding review of costs and benefits regarding membership in PJM.
5:14:09 PM	Vice Chair Gardner Note: Kathy Gillum	Questions regarding participation in FERC Order 1000.
5:14:59 PM	Kendrick Riggs (LG&E & KU) Note: Kathy Gillum	Questions regarding Stipulation Agreement.

5:16:22 PM	Chairman Armstrong Note: Kathy Gillum	Chairman Armstrong states the Commission accepts all exhibits tendered during the hearing. No objection by parties.
5:16:53 PM	Richard Raff (PSC)	
5:17:31 PM	Swearing of Stipulation Note: Kathy Gillum	Parties answered yes, yes, no, no, and no
5:18:48 PM	Witness Excused (Bellar) Note: Kathy Gillum	Witness, Lonnie Bellar excused.
5:19:09 PM	Richard Raff (PSC) Note: Kathy Gillum	Discussion regarding Briefs. Mr. Raff states that briefs may not be needed but would ask that they put into writing all of the points that need to be covered in the PSC order.
5:20:21 PM	Mark D. Goss (EKPC) Note: Kathy Gillum	Mr. Goss asked for 10 days to provide.
5:20:57 PM	Hearing Adjourned Note: Kathy Gillum	Hearing adjourned by Chairman Armstrong.
5:21:08 PM	Case Recessed	
5:21:30 PM	Case Stopped	



Case Title: East Kentucky Power Cooperative, Inc.

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

Name	Description
EKPC Exhibit 1	Correction of MM-2 (EKPC)
LG&E & KU Exhibit 1	Stipulation and Recommendation Agreement dated November 2, 2012.
PSC Exhibit 1	IRP excerpt.

RECEIVED

STIPULATION AND RECOMMENDATION

NOV 07 2012
PUBLIC SERVICE
COMMISSION

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.")

WITNESSETH:

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.

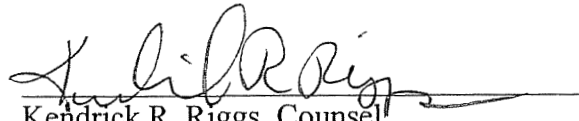
HAVE SEEN AND AGREED:

A handwritten signature in black ink, appearing to read "Mark David Goss", written over a horizontal line.

Mark David Goss, Counsel

Louisville Gas and Electric Company
and Kentucky Utilities Company

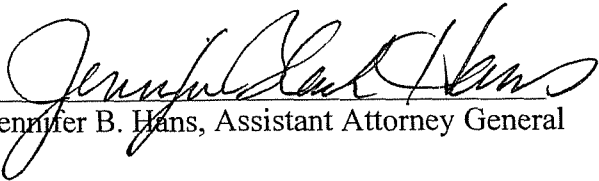
HAVE SEEN AND AGREED:

A handwritten signature in black ink, appearing to read "Kendrick R. Riggs", written over a horizontal line. The signature is cursive and extends to the right of the line.

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

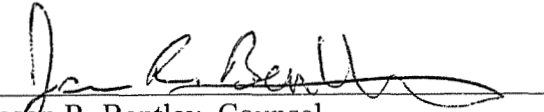
Office of the Attorney General of the
Commonwealth of Kentucky, by and through
his Office of Rate Intervention

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:

A handwritten signature in cursive script, appearing to read "m.l.kurtz", written in black ink.

Michael L. Kurtz, Counsel

Kurt Boehm, Counsel

INTEGRATED RESOURCE PLAN



807 KAR 5:058 Section 7.(2)(c) The utility shall provide the following historical information for the base year, which shall be the most recent calendar year for which actual energy sales and system peak demand data are available, and the four (4) years preceding the base year: (c) Recorded and weather-normalized coincident peak demand in summer and winter for the system;

7.(3) For each of the fifteen (15) years succeeding the base year, the utility shall provide a base load forecast it considers most likely to occur and, to the extent available, alternate forecasts representing lower and upper ranges of expected future growth of the load on its system. Forecasts shall not include load impacts of additional, future demand-side programs or customer generation included as part of planned resource acquisitions estimated separately and reported in Section 8(4) of this administrative regulation. Forecasts shall include the utility's estimates of existing and continuing demand-side programs as described in subsection (5) of this section.

7.(4)(b) The following information shall be filed for each forecast: (b) Summer and winter coincident peak demand for the system.

Historical and Projected Seasonal System Peak Demands

Winter Season	Net Peak Demand (MW)	Weather Normalized (MW)	Summer Season	Net Peak Demand (MW)	Weather Normalized (MW)
2006 - 07	2,840	2,984	2007	2,481	2,423
2007 - 08	3,051	3,163	2008	2,243	2,172
2008 - 09	3,152	3,128	2009	2,195	2,281
2009 - 10	2,868	3,012	2010	2,443	2,353
2010 - 11	2,865	3,083	2011	2,388	2,313
2011 - 12		3,006	2012		2,246
2012 - 13		3,002	2013		2,234
2013 - 14		3,016	2014		2,232
2014 - 15		3,063	2015		2,250
2015 - 16		3,106	2016		2,270
2016 - 17		3,145	2017		2,292
2017 - 18		3,187	2018		2,319
2018 - 19		3,235	2019		2,357
2019 - 20		3,270	2020		2,383
2020 - 21		3,330	2021		2,429
2021 - 22		3,379	2022		2,469
2022 - 23		3,436	2023		2,515
2023 - 24		3,481	2024		2,553
2024 - 25		3,542	2025		2,601
2025 - 26		3,598	2026		2,645