

Exhibit A

ATTACHMENT M

AGREEMENTS BETWEEN THE TRANSMISSION OWNER,

THE INDEPENDENT TRANSMISSION ORGANIZATION

AND THE

RELIABILITY COORDINATOR

**INDEPENDENT TRANSMISSION ORGANIZATION
AGREEMENT**

BETWEEN

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND KENTUCKY UTILITIES COMPANY**

AND

SOUTHWEST POWER POOL, INC.

TABLE OF CONTENTS

Sections:

Section 1 - Scope of Functions; Standards of Performance.....2

 1.1 Functions.....2

 1.2 Coordination with Reliability Coordinator.....2

 1.3 Expansion.....2

 1.4 ITO Performance.....2

 1.5 LG&E/KU Performance.....2

Section 2 - Independence.....2

 2.1 ITO Personnel.....2

 2.2 Standards of Conduct Treatment.....3

Section 3 - Compensation, Billing and Payment.....3

 3.1 Compensation.....3

 3.2 Compensation After Termination.....3

 3.3 Reimbursement of Fees4

 3.4 Payments.....4

**Section 4 - Effective Date; Term; Termination; Termination Fees;
Transition Assistance Services.....4**

 4.1 Effective Date; Term.....4

 4.2 Mutually-Agreed Termination.....4

 4.3 Termination at End of Term.....4

 4.4 Termination for Cause.....4

 4.4.1 Termination by Either Party.....4

(a)	Material Failure or Default.....	4
(b)	Pattern of Failure.....	5
(c)	Gross Negligence, Willful Misconduct or Fraud.....	5
(d)	Material Misrepresentation.....	5
(e)	Bankruptcy.....	5
(f)	Dissolution.....	5
(g)	Failure to Negotiate Amendment.....	5
(h)	Regulatory Changes/Modifications.....	5
(i)	Extended Force Majeure.....	5
4.4.2	Termination by LG&E/KU.....	5
4.5	FERC Approval.....	6
4.6	Return of Materials.....	6
4.7	Survival.....	6
4.8	Transition Assistance Services.....	6
4.8.1	Transition Assistance Period.....	6
4.8.2	Transition Assistance Services.....	6
4.8.3	ITO Personnel.....	6
Section 5 -	Data Management.....	6
5.1	Supply of Data.....	6
5.2	Property of Each Party.....	7
5.3	Data Integrity.....	7
5.4	Confidentiality.....	7
Section 6 -	Intellectual Property.....	7

6.1	Pre-Existing Intellectual Property.....	7
6.1.1	Exclusion.....	7
6.2	Jointly-Owned Intellectual Property.....	8
6.3	ITO Retained Rights.....	8
6.4	LG&E/KU Retained Rights.....	8
6.5	ITO Non-Infringement; Indemnification.....	9
6.6	LG&E/KU Non-Infringement; Indemnification.....	9
Section 7 -	Liability and Indemnification.....	10
7.1	LG&E/KU Indemnification.....	10
7.2	ITO Indemnification.....	10
7.3	No Consequential Damages.....	10
7.4	Cooperation Regarding Claims.....	10
7.5	Stakeholders Management Meetings.....	11
Section 8 -	Contract Managers; Dispute Resolution.....	11
8.1	LG&E/KU Contact Manager.....	11
8.2	ITO Contract Manager.....	11
8.3	Resolution of Disputes.....	11
8.3.1	Notice of Dispute.....	12
8.3.2	Dispute Resolution by Contract Managers.....	12
8.3.3	Dispute Resolution by Executive Management Representatives.....	12
8.3.4	Dispute Resolution by Mediation.....	12
8.3.5	Exercise of Remedies at Law or in Equity.....	12
8.4	Rights Under FPA Unaffected.....	12

8.5	Statute of Limitations; Continued Performance.....	12
Section 9 -	Insurance.....	13
9.1	Requirements.....	13
9.2	Insurance Matters.....	13
9.3	Compliance.....	13
Section 10 -	Confidentiality.....	13
10.1	Definition of Confidential Information.....	13
10.2	Protection of Confidential Information.....	14
Section 11 -	Force Majeure.....	14
Section 12 -	Reporting; Audit.....	15
12.1	Reporting.....	15
12.2	Books and Records.....	15
12.3	Regulatory Compliance.....	15
Section 13 -	Independent Contractor.....	16
Section 14 -	Taxes.....	16
Section 15 -	Notices.....	16
15.1	Notices.....	16
15.2	Changes.....	17
Section 16 -	ITO Personnel; Work Conditions.....	17
16.1	ITO Personnel.....	17
16.2	Conduct of ITO Personnel and Reporting.....	17
16.3	Personnel Screening.....	17
16.4	Security.....	18

Section 17 - Miscellaneous Provisions.....	18
17.1 Governing Law.....	18
17.2 Consent to Jurisdiction.....	18
17.3 Amendment.....	18
17.4 Assignment.....	18
17.5 No Third Party Beneficiaries.....	19
17.6 Waivers.....	19
17.7 Severability; Renegotiation.....	19
17.8 Representations and Warranties.....	19
17.8.1 Organization.....	19
17.8.2 Authority.....	20
17.8.3 Binding Effect.....	20
17.8.4 Regulatory Approval.....	20
17.8.5 No Litigation.....	20
17.8.6 No Violation or Breach.....	20
17.9 Further Assurances.....	20
17.10 Entire Agreement.....	20
17.11 Good Faith Efforts.....	20
17.12 Time of the Essence.....	21
17.13 Interpretation.....	21
17.14 Joint Effort.....	21
17.15 Counterparts.....	22

Attachment A - Description of the Functions

INDEPENDENT TRANSMISSION ORGANIZATION AGREEMENT

This Independent Transmission Organization Agreement (this "Agreement") is entered into this ___th day of January, 2006, between Louisville Gas and Electric Company and Kentucky Utilities Company, corporations organized pursuant to the laws of the Commonwealth of Kentucky (collectively, "LG&E/KU"), and Southwest Power Pool, Inc., an entity organized pursuant to the laws of the State of Arkansas (the "ITO"). LG&E/KU and the ITO may sometimes be individually referred to herein as a "Party" and collectively as the "Parties."

WHEREAS, LG&E/KU owns, among other things, an integrated electric transmission system ("Transmission System"), over which the Midwest Independent Transmission System Operator Inc. ("Midwest ISO") currently provides open access transmission service to customers in the LG&E/KU Control Area (as defined in Section 1.6 of LG&E/KU's Open Access Transmission Tariff, filed with the Federal Energy Regulatory Commission ("FERC") on October 7, 2005 (the "OATT"));

WHEREAS, as part of LG&E/KU's proposal to withdraw its participation in the Midwest ISO, LG&E/KU desires to provide non-discriminatory, open access transmission service pursuant to the OATT;

WHEREAS, LG&E/KU desires to have the ITO perform certain key transmission-related functions under the OATT as set forth herein;

WHEREAS, LG&E/KU will remain the owner of its Transmission System and will bear the ultimate responsibility for the provision of transmission services to Eligible Customers (as defined in the OATT), including the sole authority to amend the OATT;

WHEREAS, the ITO: (i) is a FERC-approved regional transmission organization; (ii) is independent from LG&E/KU; (iii) possesses the necessary competence and experience to perform the functions provided for hereunder; and (iv) is willing to perform such functions under the terms and conditions agreed upon by the Parties as set forth in this Agreement; and

WHEREAS, as part of LG&E/KU's goal to maintain the requisite level of independence in the operation of its Transmission System to prevent any exercise of transmission market power, on January __, 2006, LG&E/KU entered into a Reliability Coordinator Agreement (the "Reliability Coordinator Agreement") with the Tennessee Valley Authority, a NERC-certified reliability coordinator (the "Reliability Coordinator"), pursuant to which the Reliability Coordinator will provide to LG&E/KU certain required reliability functions, including reliability coordination, transmission planning and regional coordination, identifying upgrades required to maintain reliability, providing non-binding recommendations relating to economic transmission system upgrades, and administration of any seams agreements to be entered by LG&E/KU;

NOW THEREFORE, in consideration of the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

Issued By: Paul W. Thompson, Senior Vice President, Energy Svcs.
Issued On: January 10, 2006

Effective On Transmission
Owner's Exit from the
Midwest ISO

Section 1 - Scope of Functions; Standards of Performance.

1.1 Functions. The ITO shall perform the functions described in Attachment A (the "Functions") during the Term in accordance with the terms and conditions of this Agreement.

1.2 Coordination with Reliability Coordinator. In conjunction with its performance of the Functions, the ITO shall coordinate and cooperate with the Reliability Coordinator and provide, subject to the terms and conditions of this Agreement, including the ITO's obligations with respect to Confidential Information in Section 10, any information that the Reliability Coordinator may reasonably request in order to carry out its functions under the Reliability Coordinator Agreement.

1.3 Expansion. Nothing in this Agreement is intended to prevent the ITO from entering into other agreements with one or more third party transmission providers or operators to perform functions for such transmission providers or operators that are the same or similar to the Functions performed hereunder; provided, however, that the ITO does not breach any of its obligations under this Agreement (including its obligations with respect to Confidential Information in Section 10) by entering into or performing any of its obligations under such other agreements; provided, further, that any such other agreements shall provide for LG&E/KU to be reimbursed in an equitable manner for any capital expenditures made pursuant to this Agreement as well as for LG&E/KU's ongoing operations and maintenance expenditures to the extent such capital expenditures and operations and maintenance expenditures are used by the ITO in performing functions under such other agreements as determined by the ITO in its sole discretion.

1.4 ITO Performance. The ITO shall perform its obligations (including the Functions) under this Agreement in accordance with (a) Good Utility Practice (as defined in the OATT), (b) LG&E/KU's specific requirements and operating guidelines (to the extent these are not inconsistent with other requirements specified in this Section 1.4), (c) the OATT, and (d) all applicable laws and the requirements of federal and state regulatory authorities.

1.5 LG&E/KU Performance. LG&E/KU shall perform its obligations under this Agreement in accordance with Good Utility Practice and all applicable laws and the requirements of federal and state regulatory authorities.

Section 2 - Independence.

2.1 ITO Personnel. All Functions shall be performed by employees of the ITO (the "ITO Personnel"). A list of such ITO Personnel shall be publicly posted on the ITO's internet website. No ITO Personnel shall also be employed by LG&E/KU or any of its Affiliates (as defined in 18 C.F.R. § 35.34(b)(3) of FERC's regulations). The ITO and the ITO Personnel shall be, and shall remain throughout the Term, Independent (as defined below) of LG&E/KU, its Affiliates and any Tariff Participant (as defined below). For purposes of this Agreement: (a) "Independent" shall mean that the ITO and the ITO Personnel are not subject to the control of LG&E/KU, its Affiliates or any Tariff Participant, and have full decision-making authority to

perform all Functions in accordance with the provisions of this Agreement. Any ITO Personnel owning securities in LG&E/KU, its Affiliates or any Tariff Participant shall divest such securities within six (6) months of first being assigned to perform such Functions, provided that nothing in this Section 2.1 shall be interpreted or construed to preclude any such ITO Personnel from indirectly owning securities issued by LG&E/KU, its Affiliates or any Tariff Participant through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or the electric utility industry or any segment thereof) under which the ITO Personnel does not control the purchase or sale of such securities. Participation by any ITO Personnel in a pension plan of LG&E/KU, its Affiliates or any Tariff Participant shall not be deemed to be a direct financial interest if the plan is a defined-benefit plan that does not involve the ITO Personnel's ownership of the securities; (b) "Tariff Participant" shall mean LG&E/KU Transmission System customers, interconnection customers, wholesale customers, affected transmission providers, any Market Participant (as defined in 18 C.F.R. § 35.34(a)(2) of FERC's regulations) and similarly qualified third parties within the LG&E/KU Control Area.

2.2 Standards of Conduct Treatment. All ITO Personnel shall be treated, for purposes of the FERC's Standards of Conduct, as transmission employees. All restrictions relating to information sharing and other relationships between merchant employees and transmission employees shall apply to the ITO Personnel.

Section 3 - Compensation, Billing and Payment.

3.1 Compensation.

(a) LG&E/KU shall pay the ITO on or before the start of each Contract Year (as defined in Section 4.1) \$3,340,000 (consisting of \$390,000 for capital costs and \$2,950,000 in operating costs) for performance of the Functions during the Initial Term.

(b) The ITO agrees that if at any time during the Initial Term (as defined in Section 4.1) it provides services similar to the Functions provided for herein to another entity, then the compensation rate in Section 3.1(a) shall be renegotiated based on the use of the ITO systems.

(c) Compensation for Subsequent Terms (as defined in Section 4.1) shall be based on the compensation for each Contract Year during the Initial Term and shall be negotiated by the Parties in good faith no later than ninety (90) days prior to the beginning of the Subsequent Term.

3.2 Compensation After Termination. If LG&E/KU terminates this Agreement before the end of a Contract Year, then the ITO shall not be obligated to refund any amounts paid by LG&E/KU to the ITO as compensation for services provided by the ITO under this Agreement. If, however, the ITO terminates this Agreement before the end of a Contract Year or LG&E/KU and the ITO mutually agree to terminate this Agreement before the end of a Contract Year, then the ITO shall be obligated to refund to LG&E/KU an amount equal to the product of (a) any amounts paid by LG&E/KU to the ITO as compensation for services provided by the ITO

under this Agreement during the Contract Year in which this Agreement is terminated and (b) the number of whole or partial months remaining in the Contract Year divided by twelve (12).

3.3 Reimbursement of Fees. In addition to the compensation provided for in Section 3.1, LG&E/KU shall reimburse the ITO for any additional costs associated with services not provided for in Section 1.1 which may be required by LG&E/KU.

3.4 Payments. All payments by LG&E/KU to the ITO shall be made by the FedWire transfer method to the ITO's account in accordance with wire instructions to be provided at a later date, and all such payments shall be deemed received as of the date the electronic funds transfer to the ITO's account is deemed effective.

The ITO shall provide LG&E/KU with one or more contact persons for payment purposes and shall update such list of contact persons as necessary.

Section 4 - Effective Date; Term; Termination; Termination Fees; Transition Assistance Services.

4.1 Effective Date; Term. This Agreement shall become effective on the date (the "Effective Date") which is thirty (30) days after FERC's acceptance of this Agreement and shall continue for an initial term of four (4) years from the Effective Date (the "Initial Term"). Each twelve (12) month period of the Initial Term will constitute a "Contract Year." "Contract Year 1" shall begin on the Effective Date. Contract Years 2, 3 and 4 shall consist of the next three successive 12-month periods after Contract Year 1. After the conclusion of the Initial Term, this Agreement shall automatically continue for successive additional one-year terms (each, a "Subsequent Term") unless and until terminated pursuant to the termination provisions hereof. The Initial Term and any Subsequent Terms, together with the Transition Assistance Period, if any, shall collectively be referred to as the "Term."

4.2 Mutually-Agreed Termination. Subject to Section 4.5, this Agreement may be terminated by mutual agreement of the Parties at any time during the Term.

4.3 Termination at End of Term. Subject to Section 4.5, either Party may terminate this Agreement at the end of the Initial Term or any Subsequent Term upon one hundred eighty (180) days prior written notice to the other Party.

4.4 Termination for Cause.

4.4.1 Termination by Either Party. Subject to Section 4.5, either Party may terminate this Agreement effective immediately upon prior written notice thereof to the other Party if:

(a) Material Failure or Default. The other Party fails, in any material respect, to comply with, observe or perform, or defaults, in any material respect, in the performance of the terms and conditions of this Agreement, and such failure or default remains uncured for thirty (30) days after notice thereof,

provided that such failure or default is susceptible to cure and the other Party is exercising reasonable diligence to cure such failure or default;

(b) Pattern of Failure. It determines, in its reasonable discretion, that there has been a pattern of failure by the other Party to comply with the standards of performance required under this Agreement;

(c) Gross Negligence, Willful Misconduct or Fraud. The other Party commits gross negligence, willful misconduct or fraud in the performance of its obligations under this Agreement;

(d) Material Misrepresentation. Any representation made by the other Party hereunder shall be false or incorrect in any material respect when made and such misrepresentation is not cured within thirty (30) days of such discovery or is incapable of cure;

(e) Bankruptcy. The other Party: (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it; (ii) makes an assignment or any general arrangement for the benefit of creditors; (iii) otherwise becomes bankrupt or insolvent (however evidenced); (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or (v) is generally unable to pay its debts as they fall due; or

(f) Dissolution. The other Party dissolves or is dissolved or its legal existence is otherwise terminated.

(g) Failure to Negotiate Amendment. The Parties are unsuccessful in negotiating an amendment or amendments to this Agreement pursuant to Section 17.7;

(h) Regulatory Changes/Modifications. FERC, in accepting for filing LG&E/KU's application to FERC in Docket Nos. ER06-20-000 and EC06-4-000 dated October 7, 2005, or in any other future docket, makes any material changes, modifications, additions, or deletions to this Agreement; or

(i) Extended Force Majeure. A Party is excused because of Force Majeure (as defined in Section 11) for more than thirty (30) days from performing any of its material obligations under this Agreement.

4.4.2 Termination by LG&E/KU. Subject to Section 4.5, LG&E/KU may terminate this Agreement effective immediately upon prior written notice thereof to the ITO if FERC issues a final order that declares that the ITO lacks independence from

LG&E/KU and the ITO cannot obtain independence in a reasonable manner or time period.

4.5 FERC Approval. No termination of this Agreement shall be effective until approved by FERC.

4.6 Return of Materials. Upon any termination of this Agreement or the conclusion of any Transition Assistance Period pursuant to Section 4.8.1, whichever is later, the ITO shall timely and orderly turn over to LG&E/KU all materials that were prepared or developed prior thereto pursuant to this Agreement, and return or destroy, at the option of LG&E/KU, all Data and other information supplied by LG&E/KU to the ITO or created by the ITO on behalf of LG&E/KU.

4.7 Survival. All provisions of this Agreement which are by their nature or terms intended to survive the termination of this Agreement, including the obligations set forth in Section 7 and Section 10, shall survive termination of this Agreement.

4.8 Transition Assistance Services.

4.8.1 Transition Assistance Period. Commencing on the date this Agreement is effectively terminated according to Section 4.5 of this Agreement and continuing for up to one hundred eighty (180) days thereafter (the "Transition Assistance Period"), the ITO shall (a) provide the Functions (and any replacements thereof or substitutions thereof), to the extent LG&E/KU requests such Functions to be performed during the Transition Assistance Period, and (b) cooperate with LG&E/KU in the transfer of the Functions (collectively, the "Transition Assistance Services").

4.8.2 Transition Assistance Services. The ITO shall, upon LG&E/KU's request, provide the Transition Assistance Services during the Transition Assistance Period at a cost to be negotiated and mutually agreed to at that time. The quality and level of performance of the Functions by the ITO during the Transition Assistance Period shall not be degraded. After the expiration of the Transition Assistance Period, the ITO shall answer questions from LG&E/KU regarding the Functions on an "as needed" basis at the ITO's then-standard billing rates.

4.8.3 ITO Personnel. During the Transition Assistance Period, the ITO shall not terminate, reassign or otherwise remove any ITO Personnel without providing LG&E/KU thirty (30) days' prior notice of such termination, reassignment or removal unless such employee (a) voluntarily resigns from the ITO, (b) is dismissed by the ITO for cause, or (c) dies or is unable to work due to his or her disability.

Section 5 - Data Management.

5.1 Supply of Data. During the Term, LG&E/KU shall supply to the ITO, and/or grant the ITO access to all Data that the ITO reasonably requires to perform the Functions. The Parties shall agree upon the initial format and manner in which such Data shall be provided. For

purposes of this Agreement, “Data” means all information, text, drawings, diagrams, images or sounds which are embodied in any electronic or tangible medium and which (a) are supplied or in respect of which access is granted to the ITO by LG&E/KU under this Agreement, which shall be LG&E/KU’s Data, (b) are prepared, stored or transmitted by the ITO solely on behalf of LG&E/KU, which shall be LG&E/KU’s Data; or (c) are compiled by the ITO by aggregating Data owned by LG&E/KU and Data owned by third parties, which shall be ITO’s Data.

5.2 Property of Each Party. Each Party acknowledges that the other Party’s Data and the other Party’s software, base data models and operating procedures for software or base data models (“Processes”) are the property of such other Party and agrees that it will do nothing inconsistent with such ownership, including preserving all intellectual property and/or proprietary rights in such other Party’s Data and Processes as provided in Section 6.

5.3 Data Integrity. Each Party shall reasonably assist the other Party in establishing measures to preserve the integrity and prevent any corruption or loss of Data, and the Parties shall reasonably assist each other in the recovery of any corrupted or lost Data. Each Party shall reasonably retain and preserve any of the other Party’s Essential Data that are supplied to it during the Term. “Essential Data” means any Data that is reasonably required to perform the Functions under this Agreement and that must be retained and preserved according to any applicable law, regulation, reliability criteria, or Good Utility Practice. Each Party shall exercise commercially reasonable efforts to preserve the integrity of the other Party’s Data that are supplied to it during the Term, in order to prevent any corruption or loss of the other Party’s Data.

5.4 Confidentiality. Each Party’s Data shall be treated as Confidential Information in accordance with the provisions of Section 10.

Section 6 - Intellectual Property.

6.1 Pre-Existing Intellectual Property. Each Party shall own (and continue to own) all trade secrets, Processes and designs and other intellectual property that it owned prior to entering this Agreement, including any enhancements thereto (“Pre-Existing Intellectual Property”). Each Party acknowledges the ownership of the other Party’s Pre-Existing Intellectual Property and agrees that it will do nothing inconsistent with such ownership. Each Party agrees that nothing in this Agreement shall give it any right, title or interest in the other Party’s Pre-Existing Intellectual Property, other than the rights set forth in this Agreement. The ITO’s Pre-Existing Intellectual Property shall include the ITO Retained Rights set forth in Section 6.3. LG&E/KU’s Pre-Existing Intellectual Property shall include LG&E/KU Retained Rights set forth in Section 6.4.

6.1.1 Exclusion. Nothing in this Agreement shall prevent either Party from using general techniques, ideas, concepts and know-how gained by its employees during the performance of its obligations under this Agreement in the furtherance of its normal business, to the extent that it does not result in disclosure of the other Party’s Data or any data generated from the other Party’s Data or other Confidential Information or an infringement by LG&E/KU or the ITO of any intellectual property right. For the

avoidance of doubt, the use by a Party of such general techniques, ideas, concepts and know-how gained by its employees during the performance of its obligations under this Agreement shall not be deemed to be an infringement of the other Party's intellectual property rights so long as such matters are retained in the unaided memories of such employees and any Confidential Information is treated in accordance with the provisions of Section 10.

6.2 Jointly-Owned Intellectual Property. Except for the Data described in Section 5.1, all deliverables, whether software or otherwise, to the extent originated and prepared by the ITO exclusively in connection with the performance of its obligations under this Agreement shall be, upon payment of all amounts that may be due from LG&E/KU to the ITO, jointly owned by LG&E/KU and ITO ("Jointly-Owned Intellectual Property"). Each Party shall have the right to use the Jointly-Owned Intellectual Property without any right or duty or accounting to the other Party, except as provided in this Section 6.2. Upon the ITO using, transferring or licensing Jointly-Owned Intellectual Property for or to a third party, the ITO shall reimburse LG&E/KU in an equitable manner as determined by the Parties in good faith for the actual amounts paid by LG&E/KU to the ITO that relate to such Jointly-Owned Intellectual Property. Except as stated in the foregoing sentence, the ITO shall have no other obligation to account to LG&E/KU for any such use, transfer, license, disclosure, copying, modifying or enhancing of the Jointly-Owned Intellectual Property. Notwithstanding anything herein to the contrary, LG&E/KU may use the Jointly-Owned Intellectual Property for its internal business purposes, including licensing or transferring its interests therein to a third party for purposes of operating or performing functions in connection with LG&E/KU's transmission business.

6.3 ITO Retained Rights. The ITO shall retain all right, title and interest in its proprietary know-how, concepts, techniques, processes, materials and information that were or are developed entirely independently of this Agreement ("ITO Retained Rights"), whether or not such ITO Retained Rights are embodied in a deliverable, whether software or otherwise originated and prepared by the ITO in connection with the performance of its obligations under this Agreement. With respect to the ITO Retained Rights embodied in any deliverable, whether software or otherwise originated and prepared by the ITO in connection with the performance of its obligations under this Agreement, LG&E/KU is hereby granted a nonexclusive, perpetual, worldwide, royalty-free, fully paid-up license under such ITO Retained Rights to use such deliverable for LG&E/KU's internal business purposes only, including licensing or transferring its interests therein to an Affiliate of LG&E/KU or a third party for purposes of operating or performing functions in connection with LG&E/KU's transmission business.

6.4 LG&E/KU Retained Rights. LG&E/KU shall retain all right, title and interest in its proprietary know-how, concepts, techniques, processes, materials and information that were or are developed entirely independently of this Agreement ("LG&E/KU Retained Rights"), whether or not such LG&E/KU Retained Rights are embodied in a deliverable, whether software or otherwise originated and prepared by LG&E/KU in connection with the performance of its obligations under this Agreement. With respect to LG&E/KU Retained Rights embodied in any software or otherwise originated and prepared by LG&E/KU in connection with the performance of its obligations under this Agreement, the ITO is hereby granted a nonexclusive, worldwide, royalty-free, fully paid-up license under such LG&E/KU Retained Rights to use such deliverable

for the ITO's performance of its obligations under this Agreement only; provided that LG&E/KU shall not be liable in any way for the use of or reliance on such ITO Retained Rights by the ITO's Affiliate or third party for any purpose whatsoever.

6.5 ITO Non-Infringement; Indemnification. The ITO warrants to LG&E/KU that, to its knowledge, all ITO's Data and Processes, ITO Pre-Existing Intellectual Property, ITO Retained Rights, and deliverables prepared, produced or first developed by the ITO in connection with the performance of its obligations under this Agreement shall not infringe on any third party patent, copyright, trade secret or other third party proprietary rights. The ITO shall defend, hold harmless and indemnify LG&E/KU and its Affiliates and their respective employees, officers, directors, principals, owners, partners, shareholders, agents, representatives, consultants and subcontractors (collectively, "LG&E/KU Representatives") from and against all claims, lawsuits, penalties, awards, judgments, court arbitration costs, attorneys' fees, and other reasonable out-of-pocket costs incurred in connection with such claims or lawsuits based upon the actual or alleged infringement of any of the foregoing rights; provided that LG&E/KU gives prompt written notice of any such claim or action to the ITO, permits the ITO to control the defense of any such claim or action with counsel of its choice, and cooperates with the ITO in the defense thereof; and further provided that such claim or action is not based on any alteration, modification or combination of the deliverable with any item, information or process not provided by the ITO, where there would be no infringement in the absence of such alteration, modification or combination. If any infringement action results in a final injunction against LG&E/KU or the LG&E/KU Representatives with respect to ITO's Data and Processes, ITO Pre-Existing Intellectual Property, ITO Retained Rights or deliverables prepared, produced or first developed by the ITO in connection with the performance of its obligations under this Agreement or in the event the use of such matters or any part thereof, is, in such lawsuit, held to constitute infringement, the ITO agrees that it shall, at its option and sole expense, either (a) procure for LG&E/KU or the LG&E/KU Representatives the right to continue using the infringing matter, or (b) replace the infringing matter with non-infringing items of equivalent functionality or modify the same so that it becomes non-infringing and retains its full functionality. If the ITO is unable to accomplish (a) or (b) above, the ITO shall reimburse LG&E/KU for all costs and fees paid by LG&E/KU to the ITO for the infringing matter. The above constitutes the ITO's complete liability for claims of infringement relating to any of the ITO's Data and Processes, ITO Pre-Existing Intellectual Property, ITO Retained Rights and deliverables prepared, produced or first developed by the ITO in connection with the performance of its obligations under this Agreement.

6.6 LG&E/KU Non-Infringement; Indemnification. LG&E/KU warrants to the ITO that, to its knowledge, all LG&E/KU's Data (except for Data created by the ITO on behalf of LG&E/KU) and Processes, LG&E/KU Pre-Existing Intellectual Property, and LG&E/KU Retained Rights shall not infringe on any third party patent, copyright, trade secret or other third party proprietary rights. LG&E/KU shall defend, hold harmless and indemnify the ITO and its Affiliates and their respective employees, officers, directors, principals, owners, partners, shareholders, agents, representatives, consultants and subcontractors against all claims, lawsuits, penalties, awards, judgments, court costs, and arbitration costs, attorneys' fees, and other reasonable out-of-pocket costs incurred in connection with such claims or lawsuits based upon the actual or alleged infringement of any of the foregoing rights; provided that the ITO gives

prompt written notice of any such claim or action to LG&E/KU, permits LG&E/KU to control the defense of any such claim or action with counsel of its choice, and cooperates with LG&E/KU in the defense thereof; and further provided that such claim or action is not based on any alteration, modification or combination of the deliverable with any item, information or process not provided by LG&E/KU to the ITO, where there would be no infringement in the absence of such alteration, modification or combination. The above constitutes LG&E/KU's complete liability for claims of infringement relating to any of the LG&E/KU's Data and Processes, LG&E/KU Pre-Existing Intellectual Property and LG&E/KU Retained Rights.

Section 7 - Indemnification.

7.1 LG&E/KU Indemnification. LG&E/KU shall indemnify, release, defend, reimburse and hold harmless the ITO and its directors, officers, employees, principals, representatives and agents (collectively, the "ITO Indemnified Parties") from and against any and all claims (including claims of bodily injury or death of any person or damage to real and/or tangible personal property), demands, liabilities, losses, causes of action, awards, fines, penalties, litigation, administrative proceedings and investigations, costs and expenses, and attorney fees (each, an "Indemnifiable Loss") asserted against or incurred by any of the ITO Indemnified Parties arising out of, resulting from or based upon the ITO performing its obligations pursuant to this Agreement, provided, however, that in no event shall LG&E/KU be obligated to indemnify, release, defend, reimburse or hold harmless the ITO Indemnified Parties from and against any Indemnifiable Loss which is caused by the gross negligence or willful misconduct of an ITO Indemnified Party.

7.2 ITO Indemnification. The ITO shall indemnify, release, defend, reimburse and hold harmless LG&E/KU and its directors, officers, employees, principals, representatives and agents (collectively, the "LG&E/KU Indemnified Parties") from and against any and all Indemnifiable Losses asserted against or incurred by any of the LG&E/KU Indemnified Parties arising out of, resulting from or based upon the gross negligence or willful misconduct of an ITO Indemnified Party.

7.3 No Consequential Damages. Neither Party shall be liable to the other Party under this Agreement (by way of indemnification, damages or otherwise) for any indirect, incidental, exemplary, punitive, special or consequential damages, except in the case of its gross negligence or willful misconduct.

7.4 Cooperation Regarding Claims. If an Indemnified Party (which for purposes of this Section 7.4 shall mean an ITO Indemnified Party and a LG&E/KU Indemnified Party) receives notice or has knowledge of any Indemnifiable Loss that may result in a claim for indemnification by such Indemnified Party against an Indemnifying Party (which for purposes of this Section 7.4 shall mean LG&E/KU or the ITO) pursuant to this Section 7, such Indemnified Party shall as promptly as possible give the Indemnifying Party notice of such Indemnifiable Loss, including a reasonably detailed description of the facts and circumstances relating to such Indemnifiable Loss, a complete copy of all notices, pleadings and other papers related thereto, and in reasonable detail the basis for its claim for indemnification with respect thereto. Failure to promptly give such notice or to provide such information and documents shall not relieve the

Indemnifying Party from the obligation hereunder to respond to or defend the Indemnified Party against such Indemnifiable Loss unless such failure shall materially diminish the ability of the Indemnifying Party to respond to or to defend the Indemnified Party against such Indemnifiable Loss. The Indemnifying Party, upon its acknowledgment in writing of its obligation to indemnify the Indemnified Party in accordance with this Section 7 and subject to Section 7.5, shall be entitled to assume the defense or to represent the interest of the Indemnified Party with respect to such Indemnifiable Loss, which shall include the right to select and direct legal counsel and other consultants, appear in proceedings on behalf of such Indemnified Party and to propose, accept or reject offers of settlement, all at its sole cost. If and to the extent that any such settlement is reasonably likely to involve injunctive, equitable or prospective relief or materially and adversely affect the Indemnified Party's business or operations other than as a result of money damages or other money payments, then such settlement will be subject to the reasonable approval of the Indemnified Party. Nothing herein shall prevent an Indemnified Party from retaining its own legal counsel and other consultants and participating in its own defense at its own cost and expense.

7.5 Stakeholders Management Meetings. Within five (5) days after the ITO provides notice to LG&E/KU of an Indemnifiable Loss (which, for purposes of this Section 7.5, shall not include Indemnifiable Losses solely involving monetary damages) pursuant to Section 7.4, the ITO shall hold a meeting ("Stakeholders Management Meeting") with all interested stakeholders (including LG&E/KU) to discuss and solicit input and recommendations from all interested stakeholders on how the ITO should respond to the Indemnifiable Loss. The ITO may consider but shall not be obligated to adopt or follow the recommendations of the interested stakeholders.

Section 8 - Contract Managers; Dispute Resolution.

8.1 LG&E/KU Contract Manager. LG&E/KU shall appoint an individual (the "LG&E/KU Contract Manager") who shall serve as the primary LG&E/KU representative under this Agreement. The LG&E/KU Contract Manager shall (a) have overall responsibility for managing and coordinating the performance of LG&E/KU's obligations under this Agreement, and (b) be authorized to act for and on behalf of LG&E/KU with respect to all matters relating to this Agreement. Notwithstanding the foregoing, the LG&E/KU Contract Manager may, upon notice to the ITO, delegate such of his or her responsibilities to other LG&E/KU employees, as the LG&E/KU Contract Manager deems appropriate.

8.2 ITO Contract Manager. The ITO shall appoint, among the ITO Personnel, an individual (the "ITO Contract Manager") who shall serve as the primary ITO representative under this Agreement. The ITO Contract Manager shall (a) have overall responsibility for managing and coordinating the performance of ITO obligations under this Agreement, and (b) be authorized to act for and on behalf of the ITO with respect to all matters relating to this Agreement. Notwithstanding the foregoing, the ITO Contract Manager may, upon notice to LG&E/KU, delegate such of his or her responsibilities to other ITO Personnel, as the ITO Contract Manager deems appropriate.

8.3 Resolution of Disputes. Any dispute, claim or controversy between the Parties arising out of or relating to this Agreement (each, a "Dispute") shall be resolved in accordance

with the procedures set forth in this Section 8.3; provided, however, that this Section 8.3 shall not apply to Disputes arising from or relating to (a) confidentiality or intellectual property rights, in which case either Party shall be free to seek available legal or equitable remedies, or (b) alleged violations of the OATT, in which case either Party shall be free to bring the Dispute to FERC.

8.3.1 Notice of Dispute. Each Party shall provide written notice to the other party of any Dispute, including a description of the nature of the Dispute.

8.3.2 Dispute Resolution by Contract Managers. Any Dispute shall first be referred to the LG&E/KU Contract Manager and the ITO Contract Manager, who shall negotiate in good faith to resolve the Dispute.

8.3.3 Dispute Resolution by Executive Management Representatives. If the Dispute is not resolved within fifteen (15) days of being referred to the LG&E/KU Contract Manager and the ITO Contract Manager pursuant to Section 8.3.2, then each Party shall have five (5) days to appoint an executive management representative who shall negotiate in good faith to resolve the Dispute.

8.3.4 Dispute Resolution by Mediation. If the Parties' executive management representatives are unable to resolve the Dispute within thirty (30) days of their appointment, the Parties shall proceed in good faith to submit the matter to a mediator mutually acceptable to the Parties. The Parties will share equally in the cost of such mediation, which will be conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association and any applicable FERC regulations.

8.3.5 Exercise of Remedies at Law or in Equity. If the Parties are unable to resolve the Dispute within thirty (30) days after the appointment of a mediator pursuant to Section 8.3.4, then each Party shall be free to pursue any remedies available to it and to take any action in law or equity that it believes necessary or convenient in order to enforce its rights or cause to be fulfilled any of the obligations or agreements of the other Party.

8.4 Rights Under FPA Unaffected. Nothing in this Agreement is intended to limit or abridge any rights that LG&E/KU may have to file or make application before FERC under Section 205 of the Federal Power Act to revise any rates, terms or conditions of the OATT.

8.5 Statute of Limitations; Continued Performance. The Parties agree to waive the applicable statute of limitations during the period of time that the Parties are seeking to resolve a Dispute pursuant to Section 8.3, and the statute of limitations shall be tolled for such period. The Parties shall continue to perform their obligations under this Agreement during the resolution of a Dispute.

Section 9 - Insurance.

9.1 Requirements. The ITO shall provide and maintain during the Term insurance coverage in the form and with minimum limits of liability as specified below, unless otherwise agreed to by the Parties.

9.1.1 Worker's compensation insurance with statutory limits, and employer's liability insurance with limits of not less than \$1,000,000.

9.1.2 Commercial general liability or equivalent insurance with a combined single limit of not less than \$1,000,000 per occurrence. Such insurance shall include products/completed operations liability, owners protective, blanket contractual liability, personal injury liability and broad form property damage.

9.1.3 Comprehensive automobile liability insurance with a combined single limit of not less than \$1,000,000 per occurrence. Such insurance shall include coverage for owned, hired and non-owned automobiles, and contractual liability.

9.1.4 Errors & Omissions Insurance in the amount of \$5,000,000.

9.2 Insurance Matters. All insurance coverages required pursuant to Section 9.1 shall (a) be provided by insurance companies that have a Best Rating of A or higher, (b) provide that LG&E/KU is an additional insured (other than the workers' compensation insurance), (c) provide that LG&E/KU will receive at least thirty (30) days written notice from the ITO prior to the cancellation or termination of or any material change in any such insurance coverages, and (d) include waivers of any right of subrogation of the insurers thereunder against LG&E/KU. Certificates of insurance evidencing that the insurance required by Section 9.1 is in force shall be delivered by the ITO to LG&E/KU prior to the Effective Date.

9.3 Compliance. The ITO shall not commence performance of any Functions until all of the insurance required pursuant to Section 9.1 is in force, and the necessary documents have been received by LG&E/KU pursuant to Section 9.2. Compliance with the insurance provisions in Section 9 is expressly made a condition precedent to the obligation of LG&E/KU to make payment for any Functions performed by the ITO under this Agreement. The minimum insurance requirements set forth above shall not vary, limit or waive the ITO's legal or contractual responsibilities or liabilities under this Agreement.

Section 10 - Confidentiality.

10.1 Definition of Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean, in respect of each Party, all information and documentation of such Party, whether disclosed to or accessed by the other Party in connection with this Agreement; provided, however, that the term "Confidential information" shall not include information that: (a) is independently developed by the recipient, as demonstrated by the recipient's written records, without violating the disclosing Party's proprietary rights; (b) is or

becomes publicly known (other than through unauthorized disclosure); (c) is disclosed by the owner of such information to a third party free of any obligation of confidentiality; (d) is already known by the recipient at the time of disclosure, as demonstrated by the recipient's written records, and the recipient has no obligation of confidentiality other than pursuant to this Agreement or any confidentiality agreements between the Parties entered into before the Effective Date; or (e) is rightfully received by a Party free of any obligation of confidentiality.

10.2 Protection of Confidential Information. All Confidential Information shall be held in confidence by the recipient to the same extent and in at least the same manner as the recipient protects its own confidential information, and such Confidential Information shall be used only for purposes of performing obligations under this Agreement. Neither Party shall disclose, publish, release, transfer or otherwise make available Confidential Information of, or obtained from, the other Party in any form to, or for the use or benefit of, any person or entity without the disclosing Party's prior written consent. Each Party shall be permitted to disclose relevant aspects of the other Party's Confidential Information to its officers, directors, agents, professional advisors, contractors, subcontractors and employees and to the officers, directors, agents, professional advisors, contractors, subcontractors and employees of its Affiliates, to the extent that such disclosure is reasonably necessary for the performance of its duties and obligations or the determination, preservation or exercise of its rights and remedies under this Agreement; provided, however, that the recipient shall take all reasonable measures to ensure that Confidential Information of the disclosing Party is not disclosed or duplicated in contravention of the provisions of this Agreement by such officers, directors, agents, professional advisors, contractors, subcontractors and employees. The obligations in this Section 10 shall not restrict any disclosure pursuant to any local, state or federal governmental agency or authority if such release is necessary to comply with valid laws, governmental regulations or final orders of regulatory bodies or courts; provided that the recipient shall give prompt notice to the disclosing Party in reasonable time to exercise whatever legal rights the disclosing Party may have to prevent or limit such disclosure. Further, the recipient shall cooperate with the disclosing Party in preventing or limiting such disclosure.

Section 11 - Force Majeure.

11.1 Neither Party shall be liable to the other Party for any failure or delay of performance hereunder due to causes beyond such Party's reasonable control, which by the exercise of reasonable due diligence such Party is unable, in whole or in part, to prevent or overcome (a "Force Majeure"), including acts of God, act of the public enemy, fire, explosion, vandalism, cable cut, storm or other catastrophes, weather impediments, national emergency, insurrections, riots, wars or any law, order, regulation, direction, action or request of any government or authority or instrumentality thereof. Neither Party shall be considered in default as to any obligation under this Agreement if prevented from fulfilling the obligation due to an event of Force Majeure, except for the obligation to pay any amount when due, provided that the affected Party:

11.1.1 gives notice to the other Party of the event or circumstance giving rise to the event of Force Majeure;

11.1.2 affords the other Party reasonable access to information about the event or circumstances giving rise to the event of Force Majeure;

11.1.3 takes commercially reasonable steps to restore its ability to perform its obligations hereunder as soon as reasonably practicable, provided that the affected Party shall not be obligated to take any steps that are not otherwise in accordance with Good Utility Practice; and

11.1.4 exercises commercially reasonable efforts to perform its obligations hereunder.

Section 12 - Reporting; Audit.

12.1 Reporting. The ITO shall make regular reports to FERC and LG&E/KU's retail regulators as may be required by applicable law and regulations or as may be requested by such authorities.

12.2 Books and Records. The ITO shall maintain full and accurate books and records pertinent to this Agreement, and the ITO shall maintain such books and records for three (3) years following the expiration or early termination of this Agreement or longer if necessary to resolve a pending Dispute. LG&E/KU will have the right, at reasonable times and under reasonable conditions, to inspect and audit, or have an independent third party inspect and audit, the ITO's operations and books to (a) ensure compliance with this Agreement, (b) verify any cost claims or other amounts due hereunder, and (c) validate the ITO's internal controls with respect to the performance of the Functions. The ITO shall maintain an audit trail, including all original transaction records, of all financial and non-financial transactions resulting from or arising in connection with this Agreement as may be necessary to enable LG&E/KU or the independent third party, as applicable, to perform the foregoing activities. LG&E/KU shall be responsible for any costs and expenses incurred in connection with any such inspection or audit, unless such inspection or audit discovers that LG&E/KU was charged inappropriate or incorrect costs and expenses, in which case, the ITO shall be responsible for a percentage of the costs and expenses incurred in connection with such inspection or audit equal to the percentage variance by which LG&E/KU was charged inappropriate or incorrect costs and expenses. The ITO shall provide reasonable assistance necessary to enable LG&E/KU or an independent third party, as applicable, and shall not be entitled to charge LG&E/KU for any such assistance. Amounts incorrectly or inappropriately invoiced by the ITO to LG&E/KU, whether discovered prior to or subsequent to payment by LG&E/KU, shall be adjusted or reimbursed to LG&E/KU by the ITO within twenty (20) days of notification by LG&E/KU to the ITO of the error in the invoice.

12.3 Regulatory Compliance. The ITO shall comply with all requests by LG&E/KU to the extent considered reasonably necessary by LG&E/KU to comply with the Sarbanes-Oxley Act or other regulatory requirements. Inasmuch as Southwest Power Pool, Inc. ("SPP"), in its role as a Regional Transmission Organization, currently performs an audit of its controls with regard to the Sarbanes-Oxley Act, no additional audit will be necessary to satisfy the requirements of the Sarbanes-Oxley Act. SPP, in its function as the ITO, will include all ITO processes and procedures in its current audit. However, it is noted that the audit performed by

SPP is currently based on procedures and processes found in the SPP Open Access Transmission Tariff. If an additional audit or material changes to the current audit are requested, then the ITO will perform such additional audit or include such material changes under a separate contractual arrangement with LG&E/KU. In addition, the ITO expressly agrees that prior to or at the time of any significant or material change to any internal process or financial control of the ITO that would or might impact the Functions performed for or on behalf of LG&E/KU or that would, or might, have a significant or material effect on such process's mitigation of risk or upon the integrity of LG&E/KU's financial reporting or disclosures, it shall notify LG&E/KU and provide full details of the change so as to enable LG&E/KU to review the change and evaluate its impact on its internal controls and financial reporting. LG&E/KU shall have the right to provide all such reports, opinions and certifications which are produced during the SPP audit and delivered hereunder to LG&E/KU's attorneys, accountants and other advisors, who shall be entitled to rely thereon.

Section 13 - Independent Contractor.

The ITO shall be and remain during the Term an independent contractor with respect to LG&E/KU, and nothing contained in this Agreement shall be (a) construed as inconsistent with that status, or (b) deemed or construed to create the relationship of principal and agent or employer and employee, between the ITO and LG&E/KU or to make either the ITO or LG&E/KU partners, joint ventures, principals, fiduciaries, agents or employees of the other Party for any purpose. Neither Party shall represent itself to be an agent, partner or representative of the other Party. Neither Party shall commit or bind, nor be authorized to commit or bind, the other Party in any manner, without such other Party's prior written consent. Personnel employed, provided or used by any Party in connection herewith will not be employees of the other Party in any respect. Each Party shall have full responsibility for the actions or omissions of its employees and shall be responsible for their supervision, direction and control.

Section 14 - Taxes.

Each Party shall be responsible for the payment of its own taxes, including taxes based on its net income, employment taxes of its employees, taxes on any property it owns or leases, and sales, use, gross receipts, excise, value-added or other transaction taxes.

Section 15 - Notices.

15.1 Notices. All notices, requests, consents and other communications hereunder shall be in writing, signed by the Party giving such notice or communication, and shall be hand-delivered or sent by certified mail, postage prepaid, return receipt requested, by nationally recognized courier, to the other Party at the address set forth below, and shall be deemed given upon the earlier of the date delivered or the date delivery is refused.

If to LG&E/KU:

Louisville Gas and Electric Company
Mark Johnson
119 North 3rd Street
Louisville, Kentucky 40202
Facsimile: (502) 627-4716

And

Kentucky Utilities Company
Mark Johnson
119 North 3rd Street
Louisville, Kentucky 40202
Facsimile: (502) 627-4716

If to the ITO:

Southwest Power Pool, Inc.
Mr. Bruce Rew
Executive Director, Contract Services
415 N. McKinley, Suite 140
Little Rock, Arkansas 72205
Facsimile: (501) 664-9553

15.2 Changes. Either Party may, from time to time, change the names, addresses, facsimile numbers or other notice information set out in Section 15.1 by notice to the other Party in accordance with the requirements of Section 15.1.

Section 16 - ITO Personnel; Work Conditions.

16.1 ITO Personnel. All ITO Personnel shall be properly certified and licensed, if required by law or regulation, and be qualified and competent to perform the Functions.

16.2 Conduct of ITO Personnel and Reporting. The ITO agrees to require that the ITO Personnel comply with the ITO's employee code of conduct, a current copy of which has been provided to LG&E/KU. The ITO may amend its employee code of conduct at any time, provided that the ITO shall promptly provide the LG&E/KU Contract Manager with a copy of the amended employee code of conduct. If any ITO Personnel commits fraud or engages in material violation of the ITO's employee code of conduct, the ITO shall promptly notify LG&E/KU as provided above and promptly remove any such ITO Personnel from the performance of the Functions.

16.3 Personnel Screening. The ITO shall be responsible for conducting, in accordance with applicable law (including the Fair Credit Reporting Act, The Fair and Accurate Credit

Transactions Act, and Title VII of the Civil Rights Act of 1964), adequate pre-deployment screening of the ITO Personnel prior to commencing performance of the Functions. By deploying ITO Personnel under this Agreement, the ITO represents that it has completed the Screening Measures (as defined below) with respect to such ITO Personnel. To the extent permitted by applicable law, the term "Screening Measures" shall include, at a minimum, a background check including: (a) a Terrorist Watch Database Search; (b) a Social Security Number trace; (c) motor vehicle license check; and (d) a criminal history check, including, a criminal record check for each county/city and state/country in the employee's residence history for the maximum number of years permitted by law, up to seven (7) years. Unless prohibited by law, if, prior to or after assigning a ITO Personnel to perform the Functions, the ITO learns of any information that the ITO considers would adversely affect such ITO Personnel's suitability for the performance of the Functions (including based on information discovered from the Screening Measures), the ITO shall not assign the ITO Personnel to the Functions or, if already assigned, promptly remove such ITO Personnel from performing the Functions and immediately notify LG&E/KU of such action.

16.4 Security. Each Party shall have the option of barring from that Party's property any LG&E/KU or ITO Personnel whom the Party determines is not suitable in accordance with the applicable laws pursuant to Sections 16.1 through 16.3.

Section 17 - Miscellaneous Provisions.

17.1 Governing Law. This Agreement and the rights and obligations of the Parties hereunder shall be governed by and construed in accordance with the laws of Kentucky, without giving effect to its conflicts of law rules.

17.2 Consent to Jurisdiction. All Disputes by any Party in connection with or relating to this Agreement or any matters described or contemplated in this Agreement shall be instituted in the courts of the Commonwealth of Kentucky or of the United States sitting in the Commonwealth of Kentucky. Each Party irrevocably submits, for itself and its properties, to the exclusive jurisdiction of the courts of the Commonwealth of Kentucky and of the United States sitting in the Commonwealth of Kentucky in connection with any such Dispute. Each Party irrevocably and unconditionally waives any objection or defense that it may have based on improper venue or *forum non conveniens* to the conduct of any proceeding in any such courts. This provision does not adversely affect FERC's jurisdiction of this Agreement.

17.3 Amendment. This Agreement shall not be varied or amended unless such variation or amendment is agreed to by the Parties in writing and accepted by FERC. The Parties explicitly agree that neither Party shall unilaterally petition to FERC pursuant to the provisions of Sections 205 or 206 of the Federal Power Act to amend this Agreement or to request that FERC initiate its own proceeding to amend this Agreement.

17.4 Assignment. Any assignment of this Agreement or any interest herein or delegation of all or any portion of a Party's obligations, by operation of law or otherwise, by either Party without the other Party's prior written consent shall be void and of no effect; provided, however, that the ITO's consent will not be required for LG&E/KU to assign this

Agreement to (a) an affiliate or (b) a successor entity that acquires all or substantially all of LG&E/KU's Transmission System whether by merger, consolidation, reorganization, sale, spin-off or foreclosure; provided, further, that such successor entity (a) agrees to assume all of LG&E/KU's obligations hereunder from and after the date of such assignment and (b) has the legal authority and operational ability to satisfy the obligations under this Agreement. As a condition to the effectiveness of such assignment (i) LG&E/KU shall promptly notify the ITO of such assignment, (ii) the successor entity shall provide a confirmation to the ITO of its assumption of LG&E/KU's obligations hereunder, and (iii) LG&E/KU shall promptly reimburse the ITO, upon receipt of an invoice from the ITO, for any one-time incremental costs reasonably incurred by the ITO as a result of such assignment. For the avoidance of doubt, nothing herein shall preclude LG&E/KU from transferring any or all of its transmission facilities to another entity or disposing of or acquiring any other transmission assets.

17.5 No Third Party Beneficiaries. Except as otherwise expressly provided in this Agreement, this Agreement is made solely for the benefit of the Parties and their successors and permitted assigns and no other person shall have any rights, interest or claims hereunder or otherwise be entitled to any benefits under or on account of this Agreement as third party beneficiary or otherwise.

17.6 Waivers. No waiver of any provision of this Agreement shall be effective unless it is signed by the Party against which it is sought to be enforced. The delay or failure by either Party to exercise or enforce any of its rights under this Agreement shall not constitute or be deemed a waiver of that Party's right thereafter to enforce those rights, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

17.7 Severability; Renegotiation. The invalidity or unenforceability of any portion or provision of this Agreement shall in no way affect the validity or enforceability of any other portion or provision herein. If any provision of this Agreement is found to be invalid, illegal or otherwise unenforceable, the same shall not affect the other provisions hereof or the whole of this Agreement and shall not render invalid, illegal or unenforceable this Agreement or any of the remaining provisions of this Agreement. If any provision of this Agreement or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void or unenforceable, or if a modification or condition to this Agreement is imposed by such court or regulatory authority, the Parties shall in good faith negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligation of the Parties immediately prior to such holding, modification or condition.

17.8 Representations and Warranties. Each Party represents and warrants to the other Party as of the date hereof as follows:

17.8.1 Organization. It is duly organized, validly existing and in good standing under the laws of the State in which it was organized, and has all the requisite power and authority to own and operate its material assets and properties and to carry on its business as now being conducted and as proposed to be conducted under this Agreement.

17.8.2 Authority. It has the requisite power and authority to execute and deliver this Agreement and, subject to the procurement of applicable regulatory approvals, to perform its obligations under this Agreement. The execution and delivery of this Agreement by it and the performance of its obligations under this Agreement have been duly authorized by all necessary corporate action required on its part.

17.8.3 Binding Effect. Assuming the due authorization, execution and delivery of this Agreement by the other Party, this Agreement constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or other similar applicable laws affecting creditors' rights generally, and by general principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.

17.8.4 Regulatory Approval. It has obtained or will obtain by the Effective Date, any and all approvals of, and acceptances for filing by, and has given or will give any notices to, any applicable federal or state authority, including FERC, that are required for it to execute, deliver, and perform its obligations under this Agreement.

17.8.5 No Litigation. There are no actions at law, suits in equity, proceedings, or claims pending or, to its knowledge, threatened against it before or by any federal, state, foreign or local court, tribunal, or governmental agency or authority that might materially delay, prevent, or hinder the performance by such entity of its obligations hereunder.

17.8.6 No Violation or Breach. The execution, delivery and performance by it of its obligations under this Agreement do not and shall not: (a) violate its organizational documents; (b) violate any applicable law, statute, order, rule, regulation or judgment promulgated or entered by any applicable federal or state authority, which violation could reasonably be expected to materially adversely affect the performance of its obligations under this Agreement; or (c) result in a breach of or constitute a default of any material agreement to which it is a party.

17.9 Further Assurances. Each Party agrees that it shall execute and deliver such further instruments, provide all information, and take or forbear such further acts and things as may be reasonably required or useful to carry out the purpose of this Agreement and are not inconsistent with the provisions of this Agreement.

17.10 Entire Agreement. This Agreement and the Attachments hereto set forth the entire agreement between the Parties with respect to the subject matter hereof, and supersede all prior agreements, whether oral or written, related to the subject matter of this Agreement. The terms of this Agreement and the Attachments hereto are controlling, and no parole or extrinsic evidence, including to prior drafts and drafts exchanged with any third parties, shall be used to vary, contradict or interpret the express terms, and conditions of this Agreement.

17.11 Good Faith Efforts. Each Party agrees that it shall in good faith take all reasonable actions necessary to permit it and the other Party to fulfill their obligations under this

Agreement. Where the consent, agreement or approval of any Party must be obtained hereunder, such consent, agreement or approval shall not be unreasonably withheld, delayed or conditioned. Where a Party is required or permitted to act, or omit to act, based on its opinion or judgment, such opinion or judgment shall not be unreasonably exercised. To the extent that the jurisdiction of any federal or state authority applies to any part of this Agreement or the transactions or actions covered by this Agreement, each Party shall cooperate with the other Party to secure any necessary or desirable approval or acceptance of such authorities of such part of this Agreement or such transactions or actions.

17.12 Time of the Essence. With respect to all duties, obligations and rights of the Parties, time shall be of the essence in this Agreement.

17.13 Interpretation. Unless the context of this Agreement otherwise clearly requires:

17.13.1 all defined terms in the singular shall have the same meaning when used in the plural and vice versa;

17.13.2 the terms “hereof,” “herein,” “hereto” and similar words refer to this entire Agreement and not to any particular Section, Attachment or any other subdivision of this Agreement;

17.13.3 references to “Section” or “Attachment” refer to this Agreement, unless specified otherwise;

17.13.4 references to any law, statute, rule, regulation, notification or statutory provision shall be construed as a reference to the same as it applies to this Agreement and may have been, or may from time to time be, amended, modified or re-enacted;

17.13.5 references to “includes,” “including” and similar phrases shall mean “including, without limitation;”

17.13.6 the captions, section numbers and headings in this Agreement are included for convenience of reference only and shall not in any way affect the meaning or interpretation of this Agreement;

17.13.7 “or” may not be mutually exclusive, and can be construed to mean “and” where the context requires there to be a multiple rather than an alternative obligation; and

17.13.8 references to a particular entity include such entity’s successors and assigns to the extent not prohibited by this Agreement.

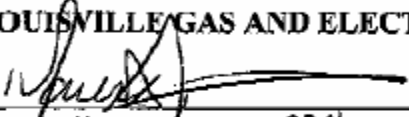
17.14 Joint Effort. Preparation of this Agreement has been a joint effort of the Parties and the resulting document shall not be construed more severely against one of the Parties than against the other and no provision in this Agreement is to be interpreted for or against any Party because that Party or its counsel drafted such provision. Each Party acknowledges that in

executing this Agreement its has relied solely on its own judgment, belief and knowledge, and such advice as it may have received from its own counsel, and it has not been influenced by any representation or statement made by the other Party or its counsel not contained in this Agreement.

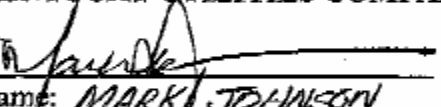
17.15 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument, binding upon LG&E/KU and the ITO, notwithstanding that LG&E/KU and the ITO may not have executed the same counterpart.

The Parties have caused this Independent Transmission Organization Agreement to be executed by their duly authorized representatives as of the dates shown below.

LOUISVILLE GAS AND ELECTRIC COMPANY

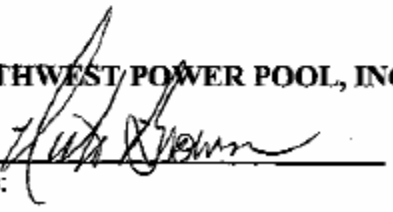

Name: MARK JOHNSON
Title: DIRECTOR, TRANSMISSION
Date: 1-5-06

KENTUCKY UTILITIES COMPANY


Name: MARK JOHNSON
Title: DIRECTOR, TRANSMISSION
Date: 1-5-06

SOUTHWEST POWER POOL, INC.




Name:
Title:
Date:

**ATTACHMENT A
 TO THE INDEPENDENT TRANSMISSION ORGANIZATION AGREEMENT**

DESCRIPTION OF THE FUNCTIONS

Legend: Lead Responsibility - L Review and Approval - A Coordination - C	<u>LG&E</u>	<u>RC/TVA</u>	<u>ITO</u>	RC/TVA Coordination With Other TOs/RCs/RRCs
Function – Operating Reliability (1 day to 13 months)				
<i>Tasks</i>				
1. Enforce operational reliability requirements	C	L		
2. Monitor all reliability-related parameters within the Reliability Authority Area, including generation dispatch and transmission maintenance plans	C	L		
3. Direct revisions to transmission maintenance plans as required and as permitted by agreements	C	L	C	Yes
4. Request revisions to generation maintenance plans as required and as permitted by agreements	C	L	C	Yes
5. Develop Interconnection Reliability Operating Limits (to protect from instability and cascading outages).	C	L		
6. Perform reliability analysis (actual and contingency) for the Reliability Authority Area	C	L		Yes
7. Assist in determining Interconnected Operations Services requirements for balancing generation and load, and transmission reliability (e.g., reactive requirements, location of operating reserves).	C	L		
8. Identify, communicate, and direct actions to relieve reliability threats and limit violations in the Reliability Authority Area	C	L		Yes
9. Direct implementation of emergency procedures	C	L		Yes
10. Direct and coordinate System Restoration	C	L		Yes
Function – Planning Reliability				
<i>Tasks</i>				
1. Develop and maintain transmission and resource (demand and capacity) system models to evaluate transmission system performance and resource adequacy.	L	A		Yes

2. Maintain and apply methodologies and tools for the analysis and simulation of the transmission systems in the assessment and development of transmission expansion plans and the analysis and development of resource adequacy plans.	L	A		
3. Define and collect or develop information required for planning purposes, including:				
a. Transmission facility characteristics and ratings,	L	C	C	Yes
b. Demand and energy end-use customer forecasts, capacity resources, and demand response programs,	L	C	C	Yes
c. Generator unit performance characteristics and capabilities, and	L	C	C	Yes
d. Long-term capacity purchases and sales.	L	C	C	
4. Evaluate plans for customer requests for transmission service.				
a. Evaluate responses to long-term (generally one year and beyond) transmission service requests.	C	A	L	Yes
b. Review transmission facility plans required to integrate new load, generation and transmission-to-transmission interconnection facilities into the interconnected bulk electric systems. This independent review will be for all requests 100 kV and above, Generation interconnections at all transmission voltage levels and other studies by customer request.	C	A	L	
c. Review transmission facility plans required to integrate new load and transmission-to-transmission interconnection facilities into the interconnected bulk electric systems. This review, with customer consent, will be for requests 69 kV only.	L	A	C	
6. Assess, develop, and document resource and transmission expansion plans.				
a. Integrate and verify that the respective plans for the Planning Authority Area meet reliability standards.	C	L	C	Yes
b. Identify and report on potential transmission system and resource adequacy deficiencies, and provide alternate plans that mitigate these deficiencies.	C	L	C	
7. Provide analyses and reports as required on the long-term resource and transmission plans for the Planning Authority Area. (will be further defined by RC/ITO)	C	A	L	Yes
8. Monitor transmission expansion plan and resource plan implementation.	L	A	C	
9. Coordinate project implementation requiring transmission outages that can impact reliability and firm transactions.	L	A	C	Yes

10. Evaluate the impact of revised transmission and generator in-service dates on resource and transmission adequacy.	C	A	L	Yes
Function – Balancing				
<i>Tasks</i>				
1. Must have control of any of the following combinations within a Balancing Authority Area:				
a. Load and Generation (an isolated system)	L	C	C	
b. Load and Scheduled Interchange	L	C	C	
c. Generation and Scheduled Interchange	L	C	C	
d. Generation, Load, and Scheduled Interchange	L	C	C	
2. Calculate Area Control Error within the Balancing Authority Area.	L	C	C	
3. Review generation commitments, dispatch, and load forecasts.	L	C	C	Yes
4. Formulate an operational plan (generation commitment, outages, etc) for reliability assessment.	C	A	L	Yes
5. Approve Interchange Transactions from ramping ability perspective and provide a Net Scheduled Interchange (NSI) value for entry into Energy Management System.	C	C	L	Yes
6. Implement interchange schedules by entering the NSI value from ITO into the Energy Management System	L	C	C	
a. Adjust NSI value for Dynamic Schedules and Automatic Reserve Sharing	L	C	C	
7. Provide frequency response	L			
8. Monitor and report control performance and disturbance recovery	L	C	C	Yes
9. Energy Accounting and after the fact checkout				
a. Hourly checkout of Interchange Schedules	C	C	L	
b. Hourly checkout of Actual Interchange and administer inadvertent energy account	L	C	C	
10. Determine needs for Interconnected Operations Services	L	A	C	Yes
11. Deploy Interconnected Operations Services.	L	A	C	Yes
12. Implement emergency procedures	L	A	C	Yes
Function – Transmission Operations				
<i>Tasks</i>				
1. Maintain reliability of the transmission area in accordance with Reliability Standards.	L	A	C	Yes

2. Provide detailed maintenance schedules (dates and times)	L	A	C	Yes
3. Maintain defined voltage profiles.	L	A		
4. Define operating limits, develop contingency plans, and monitor operations of the transmission facilities.	L	A		Yes
5. Provide telemetry of transmission system information				
a. Provide to RC	L			
b. Provide to Other TOs and RCs		L		Yes
Function – Interchange				
<i>Tasks</i>				
1. Determine valid, balanced, Interchange Schedules (validation of sources and sinks, transmission arrangements, interconnected operations services, etc.).	C	C	L	Yes
2. Verify ramping capability of the source and sink Balancing Authority Areas for requested Interchange Schedules	C	C	L	Yes
3. Collect and disseminate Interchange Transaction approvals, changes, and denials	C	C	L	Yes
4. Authorize implementation of Interchange Transactions	C	C	L	Yes
5. Enter Interchange Transaction information into Reliability Assessment Systems (e.g., the Interchange Distribution Calculator in the Eastern Interconnection)	C	C	L	Yes
6. Maintain record of individual Interchange Transactions	C		L	
Function – Transmission Planning				
<i>Tasks</i>				
Develops a long-term (generally one year and beyond) plan for the reliability (adequacy) of the interconnected bulk electric transmission systems within a portion of the Planning Authority Area.	L	A		Yes
1. Maintain transmission system models (steady-state, dynamics, and short circuit) and apply appropriate tools for the development of transmission plans.	L	A		Yes
2. Define and collect transmission information and transmission facility characteristics and ratings.	L	C		Yes
3. Develop plans within defined voltage and stability limits and within appropriate facility thermal ratings.	L	A		Yes
4. Define system protection and control needs and requirements, including special protection systems (remedial action schemes), to meet reliability standards.	L	A		
5. Determine TTC values as appropriate.	C	C	L	

6. Notify impacted transmission entities of any planned transmission changes that may impact their facilities.	C	L	C	Yes
7. Evaluate and plan for transmission service and interconnection requests beyond one year.	C	A	L	Yes
8. Develop and report, as appropriate, on its transmission expansion plan for assessment and compliance with reliability standards.	L	A		Yes
9. Monitor and report, as appropriate, on its transmission expansion plan implementation.	L	C	C	Yes
Function – Transmission Service				
Tasks				
1. Receive transmission service requests and process each request for service according to the requirements of the tariff.	C	C	L	
a. Maintain commercial interface for receiving and confirming requests for transmission service according to the requirements of the tariff (e.g., OASIS).	C		L	Yes
2. Approve or deny transmission service requests	C	C	L	Yes
3. Approve Interchange Transactions from transmission service arrangement perspective	C	C	L	Yes
4. Determine AFC values and flowgate allocations	C	L	C	
5. Determine and post available transfer capability (ATC) values.	C	C	L	

RELIABILITY COORDINATOR AGREEMENT

BETWEEN

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND KENTUCKY UTILITIES COMPANY**

AND

TENNESSEE VALLEY AUTHORITY

TABLE OF CONTENTS

**Section 1 - Designation; Scope of Functions; Standards of Performance;
Reliability Coordination Advisory Committee.....2**

1.1 Designation.....2

1.2 Scope of Functions.....2

1.3 Reliability Coordinator Procedures.....3

1.4 Threat to Reliability.....3

1.5 Reliability Coordinator Directives.....3

1.6 Coordination with Independent Transmission Organization.....4

1.7 Expansion.....4

1.8 Reliability Coordinator’s Standard of Performance.....4

1.9 LG&E/KU Standard of Performance.....4

1.10 Reliability Coordination Advisory Committee.....5

Section 2 - Independence.....5

2.1 Key Personnel.....5

2.2 Standards of Conduct Treatment.....6

Section 3 - Compensation, Billing and Payment.....6

3.1 Compensation.....6

3.2 Compensation After Termination.....6

3.3 Reimbursement of Fees.....7

3.4 Payments.....7

**Section 4 - Effective Date; Term; Termination; Termination Fees;
Transition Assistance Services.....7**

4.1 Effective Date.....7

4.2	Term.....	8
4.3	Mutually-Agreed Termination.....	8
4.4	Termination at End of Term.....	8
4.5	Termination for Cause.....	8
4.5.1	Termination by Either Party.....	8
	(a) Material Failure or Default.....	8
	(b) Pattern of Failure.....	9
	(c) Gross Negligence, Willful Misconduct or Fraud.....	9
	(d) Material Misrepresentation.....	9
	(e) Bankruptcy.....	9
	(f) Dissolution.....	9
	(g) Failure to Negotiate Amendment.....	9
	(h) Regulatory Changes/Modifications.....	9
	(g) Extended Force Majeure.....	9
4.5.2	Termination by LG&E/KU.....	9
4.5.3	Termination by the Reliability Coordinator.....	10
4.6	Return of Materials.....	10
4.7	Survival.....	10
4.8	Transition Assistance Services.....	10
4.8.1	Transition Assistance Period.....	10
4.8.2	Transition Assistance Services.....	10
4.8.3	Key Personnel.....	11
4.9	Change in Reliability Entity.....	11
4.10	Prior Obligations and Liabilities Unaffected by Termination.....	11
Section 5 -	Data Management.....	11
5.1	Supply of Data.....	11
5.2	Property of Each Party.....	11

5.3	Data Integrity.....	12
5.4	Confidentiality.....	12
Section 6 -	Intellectual Property.....	12
6.1	Pre-Existing Intellectual Property.....	12
6.1.1	Exclusion.....	12
6.2	Jointly-Owned Intellectual Property.....	12
6.3	Reliability Coordinator Retained Rights.....	13
6.4	LG&E/KU Retained Rights.....	13
6.5	Reliability Coordinator Non-Infringement; Indemnification.....	13
6.6	LG&E/KU Non-Infringement; Indemnification.....	14
Section 7 -	Indemnification.....	15
7.1	Indemnification by the Parties.....	15
7.2	No Consequential Damages.....	15
7.3	Cooperation Regarding Claims.....	15
Section 8 -	Contract Managers; Dispute Resolution.....	16
8.1	LG&E/KU Contact Manager.....	16
8.2	Reliability Coordinator Contract Manager.....	16
8.3	Resolution of Disputes.....	16
8.3.1	Notice of Dispute.....	16
8.3.2	Dispute Resolution by Contract Managers.....	16
8.3.3	Dispute Resolution by Executive Management Representatives.....	16
8.3.4	Exercise of Remedies at Law or in Equity.....	17
8.4	LG&E/KU Rights Under FPA Unaffected.....	17
8.5	Reliability Coordinator Rights Under the TVA Act and FPA Unaffected.....	17

8.6	Statute of Limitations; Continued Performance.....	17
Section 9 -	Insurance.....	17
9.1	Requirements.....	17
9.2	Insurance Matters.....	17
9.3	Compliance.....	18
Section 10 -	Confidentiality.....	18
10.1	Definition of Confidential Information.....	18
10.2	Protection of Confidential Information.....	18
10.3	NERC Data Confidentiality Agreement.....	19
Section 11 -	Force Majeure.....	19
Section 12 -	Reporting; Audit.....	19
12.1	Reporting.....	19
12.2	Books and Records.....	20
12.3	Regulatory Compliance.....	20
Section 13 -	Independent Contractor.....	20
Section 14 -	Taxes.....	21
Section 15 -	Notices.....	22
15.1	Notices.....	21
15.2	Changes.....	22
Section 16 -	Key Personnel; Work Conditions.....	22
16.1	Key Personnel.....	22
16.2	Conduct of Key Personnel and Reporting.....	22
16.3	Personnel Screening.....	22

16.4	Security.....	22
Section 17 -	Miscellaneous Provisions.....	23
17.1	Governing Law.....	23
17.2	Amendment.....	23
17.3	Assignment.....	23
17.4	No Third Party Beneficiaries.....	23
17.5	Waivers.....	23
17.6	Severability; Renegotiation.....	23
17.7	Representations and Warranties.....	23
17.7.1	Organization.....	23
17.7.2	Authority.....	24
17.7.3	Binding Effect.....	24
17.7.4	Regulatory Approval.....	24
17.7.5	No Litigation.....	24
17.7.6	No Violation or Breach.....	24
17.8	Further Assurances.....	24
17.9	Entire Agreement.....	24
17.10	Good Faith Efforts.....	25
17.11	Time of the Essence.....	25
17.12	Interpretation.....	25
17.13	Joint Effort.....	26
17.14	Counterparts.....	26

Attachment A - Description of the Functions

Attachment B - List of Key Personnel

Issued By: Paul W. Thompson, Senior Vice President, Energy Svcs.
Issued On: January 10, 2006

Effective On Transmission
Owner's Exit from the
Midwest ISO

RELIABILITY COORDINATOR AGREEMENT

This Reliability Coordinator Agreement (this "Agreement") is entered into this [____]th day of January, 2006 ("Execution Date"), between Louisville Gas and Electric Company and Kentucky Utilities Company, corporations organized pursuant to the laws of the State of Kentucky (collectively, "LG&E/KU"), and the Tennessee Valley Authority, a federal government corporation ("TVA" and, in its capacity as reliability coordinator pursuant to this Agreement, the "Reliability Coordinator") created by and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended, 16 U.S.C. §§ 831 *et seq.* (the "TVA Act"). LG&E/KU and the Reliability Coordinator may sometimes be referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, LG&E/KU owns, among other things, an integrated electric transmission system ("Transmission System"), over which the Midwest Independent Transmission System Operator Inc. (the "Midwest ISO") currently provides open access transmission service to customers in the LG&E/KU Control Area (as defined in Section 1.6 of LG&E/KU's Open Access Transmission Tariff, filed with the Federal Energy Regulatory Commission ("FERC") on October 7, 2005 (the "OATT"));

WHEREAS, as part of LG&E/KU's proposal to withdraw its participation in the Midwest ISO, LG&E/KU desires to provide non-discriminatory open access transmission service pursuant to the OATT;

WHEREAS, LG&E/KU desires to have the Reliability Coordinator perform certain key reliability functions under the OATT, including: (i) reliability coordination (as defined in the relevant North American Electric Reliability Council ("NERC") Standards); (ii) transmission planning and regional coordination; (iii) approving LG&E/KU's maintenance schedules; (iv) identifying upgrades required to maintain reliability; (v) non-binding recommendations relating to economic transmission system upgrades; and (vi) administration of any seams agreements;

WHEREAS, LG&E/KU desires to have the Reliability Coordinator perform all functions identified for reliability coordinators in NERC's Standards;

WHEREAS, LG&E/KU will retain all remaining NERC obligations, including obligations associated with its status as a Control Area (including operations as a Balancing Authority and Transmission Operator as defined by NERC) and its obligations to ensure the provision of transmission services under the OATT, and will take action necessary to protect reliability of the Transmission System, including circumstances where such action is necessary to protect, prevent or manage emergency situations;

WHEREAS, the Reliability Coordinator is: (i) a federal government corporation charged with providing electric power, flood control, navigational control, agricultural and industrial

development, and other services to a region including Tennessee and parts of six contiguous states; and (ii) recognized by NERC as a reliability coordinator;

WHEREAS, the Reliability Coordinator is independent from LG&E/KU, possesses the necessary competence and experience to perform the functions provided for hereunder and is willing to perform such functions under the terms and conditions agreed upon by the Parties as set forth in this Agreement;

WHEREAS, as part of LG&E/KU's goal to maintain the requisite level of independence in the operation of its Transmission System to prevent any exercise of transmission market power, LG&E/KU intends to enter into an Independent Transmission Organization Agreement (the "Independent Transmission Organization Agreement") with Southwest Power Pool, Inc. (the "Independent Transmission Organization"), pursuant to which the Independent Transmission Organization will provide to LG&E/KU certain key transmission-related functions under the OATT;

WHEREAS, TVA is a party to a Joint Reliability Coordination Agreement ("JRCA") with the Midwest ISO and PJM Interconnection, L.L.C., which provides for the exchange of transmission-related data and information and establishes various arrangements and protocols in furtherance of the reliability of their interconnected transmission systems and efficient market operations, and LG&E/KU seeks to participate in and operate in accordance with the arrangements and protocols arising from the JRCA; and

WHEREAS, TVA and LG&E/KU may choose to participate in similar reliability coordination agreements with other neighboring reliability coordination areas.

NOW THEREFORE, in consideration of the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

Section 1 - Designation; Scope of Functions; Standards of Performance; Reliability Coordination Advisory Committee.

1.1 Designation. LG&E/KU appoints TVA to act as LG&E/KU's designated Reliability Coordinator pursuant to and in accordance with the terms and conditions of this Agreement. The Reliability Coordinator shall have no responsibility to LG&E/KU, except as specifically set forth in this Agreement.

1.2 Scope of Functions. The Reliability Coordinator shall perform the functions described in Attachment A (the "Functions") seven days a week, twenty-four hours a day, for the duration of the Term in accordance with the terms and conditions of this Agreement. In accordance with its obligations under this Section 1.2, the Reliability Coordinator is authorized to, and shall, direct and coordinate timely and appropriate actions by LG&E/KU, including curtailing transmission service or energy schedules, re-dispatching generation, and shedding load, in each case, in order to avoid adverse effects on interregional bulk power reliability.

1.3 Reliability Coordinator Procedures. The Reliability Coordinator shall develop the procedures and guidelines by which it will perform the Functions (the “Reliability Coordinator Procedures”) in coordination with the RCAC (as defined in Section 1.10) and applicable regional reliability councils. The Reliability Coordinator Procedures shall be documented in a NERC-approved reliability plan for the TVA Reliability Coordination Area or in TVA Standard Procedures and Policies. The Reliability Coordinator shall provide LG&E/KU advance written notice of any amendment or change to the Reliability Coordinator Procedures. For purposes of this Agreement, the term “TVA Standard Procedures and Policies” shall mean such procedures and policies related to TVA’s operations as may be promulgated and published by TVA pursuant to its legal authorities and obligations.

1.4 Threat to Reliability. If the Reliability Coordinator determines that an actual or potential threat to transmission system reliability exists, and that such threat may impair the reliability of a transmission system, then the Reliability Coordinator shall direct that LG&E/KU take whatever actions are necessary, consistent with Good Utility Practice (as defined below) and in accordance with the applicable reliability criteria, policies, standards, rules, regulations and other requirements of NERC (collectively, the “NERC Standards”) and any applicable regional reliability councils or their successors (collectively, “Regional Reliability Council Standards”), to avoid or mitigate the effects of the threat to transmission system reliability. For purposes of this Agreement, “Good Utility Practice” shall mean any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts that, in a person’s exercise of reasonable judgment in light of the facts as known to that person at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to include the range of acceptable practices, methods, or acts generally accepted in the region.

1.5 Reliability Coordinator Directives. Except as provided in the immediately succeeding sentence, LG&E/KU shall implement any directive given by the Reliability Coordinator pursuant to Sections 1.2 or 1.4. LG&E/KU shall not be obligated to implement any directive which LG&E/KU determines will violate any state or federal law or the terms of any governmental approval applicable to LG&E/KU. LG&E/KU may review any directive given by the Reliability Coordinator pursuant to Sections 1.2 or 1.4, to determine if it is, in LG&E/KU’s judgment, in accordance with the requirements of Section 1.8. If LG&E/KU determines that any directive is not in accordance with the requirements of Section 1.8, then it shall immediately so notify the Reliability Coordinator; provided, however, that, except as provided in the second sentence in this Section 1.5, LG&E/KU shall continue to implement the directive until the Reliability Coordinator notifies LG&E/KU otherwise. LG&E/KU’s notice shall include: (a) information outlining the basis for LG&E/KU’s determination that (i) the directive is not in accordance with the requirements of Section 1.8 and, if applicable, (ii) that implementation of the directive will violate one or more state or federal laws or the terms of any governmental approvals applicable to LG&E/KU; and (b) the alternative action that LG&E/KU would prefer to take to alleviate the problem addressed by the Reliability Coordinator’s directive. After prompt consideration of such information, the Reliability Coordinator shall issue a directive to LG&E/KU in accordance with its obligations under this Agreement.

1.6 Coordination with Independent Transmission Organization. In conjunction with its performance of the Functions, the Reliability Coordinator shall coordinate and cooperate with the Independent Transmission Organization and provide, subject to the terms and conditions of this Agreement, including the Reliability Coordinator's obligations with respect to Confidential Information in Section 10, any information that the Independent Transmission Organization may reasonably request in order to carry out its functions under the Independent Transmission Organization Agreement.

1.7 Expansion. Nothing in this Agreement is intended to prevent TVA from (a) coordinating, or cooperating in, interregional activities to relieve problems experienced by other transmission systems or (b) entering into other agreements with one or more third party transmission providers or operators to perform functions for such transmission providers or operators that are the same or similar to the Functions performed hereunder; provided, however, that it does not breach any of its obligations under this Agreement (including its obligations with respect to Confidential Information in Section 10) by entering into or performing any of its obligations under such other agreements; provided, further, that (i) any such other agreements shall provide for LG&E/KU to be reimbursed in an equitable manner for any capital expenditures made pursuant to this Agreement as well as for LG&E/KU's ongoing operations and maintenance expenditures to the extent such capital expenditures and operations and maintenance expenditures are used by the Reliability Coordinator in performing functions under such other agreements, (ii) LG&E/KU agrees to reimburse any such third party transmission providers or operators in an equitable manner for any capital expenditures made by such third parties as well as for such third parties' ongoing operations and maintenance expenditures to the extent such capital expenditures and operations and maintenance expenditures are used by the Reliability Coordinator in performing functions under this Agreement, and (iii) to the extent applicable, the Reliability Coordinator shall revise the compensation provided for in Section 3.1 in accordance with the terms therein.

1.8 Reliability Coordinator's Standard of Performance. The Reliability Coordinator shall perform its obligations under this Agreement in accordance with: (a) Good Utility Practice; (b) the NERC Standards and Regional Reliability Council Standards; (c) LG&E/KU's specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements specified in this Section 1.8); (d) TVA Standard Procedures and Policies; and, (e) all state and federal laws, including the TVA Act, and the terms of governmental approvals applicable to one or both of the Parties. In performing its responsibilities under this Agreement, the Reliability Coordinator shall not discriminate against similarly situated persons.

1.9 LG&E/KU's Standard of Performance. LG&E/KU shall perform its obligations under this Agreement in accordance with: (a) Good Utility Practice; (b) the NERC Standards and Regional Reliability Council Standards; (c) any other LG&E/KU-specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements specified in this Section 1.9); and (d) all state and federal laws and the terms of governmental approvals applicable to LG&E/KU.

1.10 Reliability Coordination Advisory Committee.

1.10.1 Each Party shall designate one representative to serve on a Reliability Coordination Advisory Committee (“RCAC”), which shall be composed of representatives of each Party and representatives from each entity that has executed a similar reliability coordination agreement designating TVA as its reliability coordinator. Each Party may also designate one alternate to act in the absence of its representative on the RCAC. Written notice of each representative and alternate appointment shall be provided to each RCAC entity, and each Party may change its representatives upon written notice to the other RCAC entities.

1.10.2 The RCAC shall assist the Reliability Coordinator in the development of the initial Reliability Coordinator Procedures and the modification of existing Reliability Coordinator Procedures. In connection with these activities, the Reliability Coordinator may provide the other RCAC members with access to necessary data and documents maintained by the Reliability Coordinator, provided that each such RCAC member has signed the NERC Data Confidentiality Agreement and that all Confidential Information is treated as transmission operations and transmission system information pursuant to the NERC Data Confidentiality Agreement.

The RCAC shall meet at least twice per Contract Year (as defined below). For purposes of this Agreement, a “Contract Year” shall consist of a twelve (12) month period. “Contract Year 1” shall begin on the Effective Date. Contract Years 2, 3, and 4 shall consist of the next three successive 12-month periods after Contract Year 1.

Section 2 - Independence.

2.1 Key Personnel. All Functions shall be performed by employees of the Reliability Coordinator identified in Attachment B (the “Key Personnel”). No Key Personnel shall also be employed by LG&E/KU or any of its Affiliates (as defined in 18 C.F.R. § 35.34(b)(3) of FERC’s regulations). The Reliability Coordinator and the Key Personnel shall be, and shall remain throughout the Term, Independent (as defined below) of LG&E/KU, its Affiliates and the Independent Transmission Organization (ITO). For purposes of this Agreement: “Independent” shall mean that the Reliability Coordinator and the Key Personnel are not subject to the control of LG&E/KU, its Affiliates or the Independent Transmission Organization, and have full decision-making authority to perform all Functions in accordance with the provisions of this Agreement. Any Key Personnel owning securities in excess of \$15,000 in LG&E/KU, its Affiliates or the Independent Transmission Organization shall divest such securities within six (6) months of first being assigned to perform such Functions, provided that nothing in this Section 2.1 shall be interpreted or construed to preclude any such Key Personnel from indirectly owning securities issued by LG&E/KU, its Affiliates or the Independent Transmission Organization through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or the electric utility industry or any segment thereof) under which the Key Personnel does not control the purchase or sale of such securities. Participation by any Key Personnel in a pension plan of LG&E/KU, its Affiliates or the Independent Transmission Organization shall not be deemed to be a direct financial interest if the

plan is a defined-benefit plan that does not involve the Key Personnel's ownership of the securities.

2.2 Standards of Conduct Treatment. All Key Personnel shall be treated, for purposes of FERC's Standards of Conduct, as transmission employees. All restrictions relating to information sharing and other relationships between merchant employees and transmission employees shall apply to the Key Personnel.

Section 3 - Compensation, Billing and Payment.

3.1 Compensation. LG&E/KU shall pay to the Reliability Coordinator as compensation for the performance of the Functions during the Initial Term the following amounts on or before the start of each Contract Year:

Contract Year 1	\$1,397,000
Contract Year 2	\$1,439,000
Contract Year 3	\$1,511,000
Contract Year 4	\$1,586,000

The Reliability Coordinator agrees that if at any time during the Initial Term it expands its Reliability Coordination Area by providing similar services to additional Transmission Operators, the Reliability Coordinator will review and revise, as appropriate, the above compensation rate. Such revised compensation shall enable the Reliability Coordinator to recover its incremental costs associated with providing the specific service by allocating the costs among those subscribing to the service in an equitable manner (e.g., costs may be allocated using a load ratio share methodology (a participant's annual non-coincident peak load as a percentage of the total annual non-coincident peak load for those participating in the service)). Costs will be determined by the Reliability Coordinator based on its total cost of providing the service(s) as documented in the Reliability Coordinator's financial systems.

Compensation for Subsequent Terms (as defined in Section 4.2 herein) shall be based on the compensation in previous Contract Years and/or the methodology outlined above in this Section 3.1 and shall be negotiated by the Parties in good faith. Such negotiations shall begin not later than six months prior to and shall be concluded no later than three months prior to the beginning of the Subsequent Term.

3.2 Compensation After Termination. If LG&E/KU terminates this Agreement before the end of a Contract Year, then the Reliability Coordinator shall not be obligated to refund any amounts paid by LG&E/KU to the Reliability Coordinator as compensation for services provided by the Reliability Coordinator under this Agreement. If, however, the Reliability Coordinator terminates this Agreement before the end of a Contract Year or LG&E/KU and the Reliability Coordinator mutually agree to terminate this Agreement, then the Reliability Coordinator shall be obligated to refund to LG&E/KU an amount equal to the product of (a) any amounts paid by LG&E/KU to the Reliability Coordinator as compensation for services provided by the Reliability Coordinator under this Agreement during the Contract

Year in which this Agreement is terminated and (b) the number of whole or partial months remaining in the Contract Year divided by twelve (12).

3.3 Reimbursement of Fees. In addition to the compensation provided for in Section 3.1, LG&E/KU shall reimburse the Reliability Coordinator for (a) its share of costs associated with the Reliability Coordinator's membership in the Reliability First Corporation or otherwise required by the Reliability First Corporation in order for the Reliability Coordinator to be LG&E/KU's reliability coordinator, including annual membership assessments and (b) any additional costs incurred by the Reliability Coordinator at the request or direction of LG&E/KU that are not associated with services provided for in Section 3.1.

3.4 Payments. All payments by LG&E/KU to the Reliability Coordinator shall be made by the FedWire transfer method to the Reliability Coordinator's account at the U.S. Treasury in accordance with the wire instructions indicated below, and all such payments shall deemed received as of the date the electronic funds transfer to the Reliability Coordinator's account is deemed effective.

Bank Name: TREAS NYC (official abbreviation)

Bank Address: New York Federal Reserve Bank, New York City

ABA Number: 021030004

Account No: 4912

OBI: Provide your organization name and invoice number or explanation of payment.

The Reliability Coordinator shall provide LG&E/KU with one or more contact persons for payment purposes and shall update such list of contact persons as necessary.

Section 4 - Effective Date; Term; Termination; Termination Fees; Transition Assistance Services.

4.1 Effective Date. The Parties acknowledge and agree that:

4.1.1 Sections 4, 6, 7, 8, 9, 10, 11, 13, 15, 16 and 17 shall be effective, and the rights and obligations of the Parties under Sections 4, 6, 7, 8, 9, 10, 11, 13, 15, 16 and 17, shall be binding upon the Parties, in each case, as of the Execution Date; and

4.1.2 All other Sections of this Agreement (other than Sections 4, 6, 7, 8, 9, 10, 11, 13, 15, 16 and 17) shall be effective, and the rights and obligations of the Parties under all other Sections of this Agreement (other than Sections 4, 6, 7, 8, 9, 10, 11, 13, 15, 16 and 17) shall be binding upon the Parties, as of the date (the "Effective Date") on

which the Parties shall have agreed in writing that each of the following conditions precedent have been satisfied to their mutual satisfaction:

(a) The Parties' representations and warranties in Section 17.7 shall be true and correct in all material respects as of the Effective Date;

(b) FERC shall have issued an order accepting for filing LG&E/KU's application to FERC in Docket Nos. ER06-20-000 and EC06-4-000 dated October 7, 2005;

(c) LG&E/KU shall have acquired operational control of the Transmission System; and

(d) The Parties shall be prepared and capable to commence their respective obligations under this Agreement, provided that the Parties shall use commercially reasonable efforts to be prepared and capable to commence their respective obligations under this Agreement as soon as practicable after the Execution Date.

4.2 Term. The initial term of this Agreement shall commence on the Execution Date and continue for four (4) years from the Effective Date (as provided for in Section 3.1), unless terminated early pursuant to the termination provisions hereof (the "Initial Term"). After the conclusion of the Initial Term, this Agreement shall automatically continue for successive additional one-year terms (each, a "Subsequent Term") unless and until terminated pursuant to the termination provisions hereof. The Initial Term and any Subsequent Terms, together with the Transition Assistance Period, if any, shall collectively be referred to as the "Term."

4.3 Mutually-Agreed Termination. This Agreement may be terminated by mutual agreement of the Parties at any time during the Term.

4.4 Termination at End of Term. Either Party may terminate this Agreement at the end of the Initial Term or any Subsequent Term upon six (6) months' prior written notice to the other Party.

4.5 Termination for Cause.

4.5.1 Termination by Either Party. Either Party may terminate this Agreement effective immediately upon thirty (30) days' prior written notice thereof to the other Party if:

(i) Material Failure or Default. The other Party fails to comply with, observe or perform, or defaults, in any material respect, in the performance of the terms and conditions of this Agreement, and such failure or default remains uncured for thirty (30) days after notice thereof, provided that such failure or default is susceptible to cure and the other Party is exercising reasonable diligence to cure such failure or default;

(j) Pattern of Failure. It determines, in its sole discretion, that there has been a pattern of failure by the other Party to comply with the standards of performance required under this Agreement;

(k) Gross Negligence, Willful Misconduct or Fraud. The other Party commits gross negligence, willful misconduct or fraud in the performance of its obligations under this Agreement;

(l) Material Misrepresentation. Any representation made by the other Party hereunder shall be false or incorrect in any material respect when made and such misrepresentation is not cured within thirty (30) days of such discovery or is incapable of cure;

(m) Bankruptcy. The other Party: (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it; (ii) makes an assignment or any general arrangement for the benefit of creditors; (iii) otherwise becomes bankrupt or insolvent (however evidenced); (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or (v) is generally unable to pay its debts as they fall due;

(n) Dissolution. The other Party dissolves or is dissolved or its legal existence is otherwise terminated;

(o) Failure to Negotiate Amendment. The Parties are unsuccessful in negotiating an amendment or amendments to this Agreement pursuant to Section 17.6;

(p) Regulatory Changes/Modifications. FERC, in accepting for filing LG&E/KU's application to FERC in Docket Nos. ER06-20-000 and EC06-4-000 dated October 7, 2005, or in any other future docket, makes any material changes, modifications, additions, or deletions to this Agreement; or

(i) Extended Force Majeure. A Party is excused because of Force Majeure (as defined in Section 11 herein) for more than thirty (30) days from performing any of its material obligations under this Agreement.

4.5.2 Termination by LG&E/KU. LG&E/KU may terminate this Agreement effective immediately upon thirty (30) days' prior written notice thereof to the Reliability Coordinator if:

(a) the Reliability Coordinator loses its NERC certification once obtained; or

(b) FERC issues an order determining that TVA should no longer serve as LG&E/KU's Reliability Coordinator pursuant to this Agreement.

4.5.3 Termination by the Reliability Coordinator. The Reliability Coordinator may terminate this Agreement effective immediately upon thirty (30) days' prior written notice thereof to LG&E/KU if:

(a) LG&E/KU determines to cease being a Balancing Authority and/or Transmission Operator, provided that LG&E/KU shall provide the Reliability Coordinator as much advance written notice of such determination as is practicable to allow the Reliability Coordinator to terminate this Agreement on or prior to the time LG&E/KU ceases to be a Balancing Authority or Transmission Operator;

(b) FERC or any other person or entity takes any action to subject the Reliability Coordinator to FERC's plenary jurisdiction under the Federal Power Act ("FPA"); or

(c) Effective Date has not occurred within eighteen (18) months of the Execution Date.

4.6 Return of Materials. Upon any termination of this Agreement or the conclusion of any Transition Assistance Period pursuant to Section 4.8.1, whichever is later, the Reliability Coordinator shall timely and orderly turn over to LG&E/KU all materials that were prepared or developed prior thereto pursuant to this Agreement, and return or destroy, at the option of LG&E/KU, all Data and other information supplied by LG&E/KU to the Reliability Coordinator or created by the Reliability Coordinator on behalf of LG&E/KU.

4.7 Survival. All provisions of this Agreement which are by their nature or terms intended to survive the termination of this Agreement, including the obligations set forth in Sections 7 and 10, shall survive termination of this Agreement.

4.8 Transition Assistance Services.

4.8.1 Transition Assistance Period. Commencing on the date this Agreement is terminated and continuing for up to six (6) months thereafter (the "Transition Assistance Period"), the Reliability Coordinator shall (a) provide the Functions (and any replacements thereof or substitutions therefor), to the extent LG&E/KU requests such Functions to be performed during the Transition Assistance Period, and (b) cooperate with LG&E/KU in the transfer of the Functions (collectively, the "Transition Assistance Services"). During the Transition Assistance Period, the Parties shall use good faith efforts to ensure a smooth transition.

4.8.2 Transition Assistance Services. The Reliability Coordinator shall, upon LG&E/KU's request, provide the Transition Assistance Services during the Transition

Assistance Period at the Reliability Coordinator's actual cost for such services. The quality and level of performance of the Functions by the Reliability Coordinator during the Transition Assistance Period shall not be degraded. After the expiration of the Transition Assistance Period, the Reliability Coordinator shall answer questions from LG&E/KU regarding the Functions on an "as needed" basis at the Reliability Coordinator's then-standard billing rates.

4.8.3 Key Personnel. During the Transition Assistance Period, the Reliability Coordinator shall not terminate, reassign or otherwise remove any Key Personnel without providing LG&E/KU thirty (30) days' prior notice of such termination, reassignment or removal unless such employee (a) voluntarily resigns from the Reliability Coordinator, (b) is dismissed by the Reliability Coordinator for cause, or (c) dies or is unable to work due to his or her disability.

4.9 Change in Reliability Entity. This Agreement is based on the existence of NERC and the applicability of the NERC Standards. If NERC ceases to exist in its current form or is replaced with an entity with authority over a Party's transmission system, the Parties shall promptly meet to determine whether to revise this Agreement to reflect the new reliability entity, if any, and the Parties' obligations in light of the new reliability entity or to terminate this Agreement in accordance with Section 4.2.

4.10 Prior Obligations and Liabilities Unaffected by Termination. Termination of this Agreement shall not relieve the Parties of any of their respective cost obligations or other obligations and liabilities related to this Agreement that were incurred prior to the effective date of termination of this Agreement.

Section 5 - Data Management.

5.1 Supply of Data. During the Term, LG&E/KU shall supply to the Reliability Coordinator, and/or grant the Reliability Coordinator access to all Data that the Reliability Coordinator reasonably requires to perform the Functions. The Parties shall agree upon the initial format and manner in which such Data shall be provided. For purposes of this Agreement, "Data" means all information, text, drawings, diagrams, images or sounds which are embodied in any electronic or tangible medium and which (a) are supplied or in respect of which access is granted to the Reliability Coordinator by LG&E/KU under this Agreement, which shall be LG&E/KU's Data, (b) are prepared, stored or transmitted by the Reliability Coordinator solely on behalf of LG&E/KU, which shall be LG&E/KU's Data; or (c) are compiled by the Reliability Coordinator by aggregating Data owned by LG&E/KU and Data owned by third parties, which shall be Reliability Coordinator's Data.

5.2 Property of Each Party. Each Party acknowledges that the other Party's Data and the other Party's software, base data models and operating procedures for software or base data models ("Processes") are the property of such other Party and agrees that it will do nothing inconsistent with such ownership, including preserving all intellectual property and/or proprietary rights in such other Party's Data and Processes as provided in Section 6.

5.3 Data Integrity. Each Party shall reasonably assist the other Party in establishing measures to preserve the integrity and prevent any corruption or loss of Data, and the Parties shall reasonably assist each other in the recovery of any corrupted or lost Data. Each Party shall retain and preserve any of the other Party's Data that are supplied to it during the Term, and shall exercise commercially reasonable efforts to preserve the integrity of the other Party's Data that are supplied to it during the Term, in order to prevent any corruption or loss of the other Party's Data.

5.4 Confidentiality. Each Party's Data shall be treated as Confidential Information in accordance with the provisions of Section 10.

Section 6 - Intellectual Property.

6.1 Pre-Existing Intellectual Property. Each Party shall own (and continue to own) all trade secrets, Processes and designs and other intellectual property that it owned prior to entering this Agreement, including any enhancements thereto ("Pre-Existing Intellectual Property"). Each Party acknowledges the ownership of the other Party's Pre-Existing Intellectual Property and agrees that it will do nothing inconsistent with such ownership. Each Party agrees that nothing in this Agreement shall give it any right, title or interest in the other Party's Pre-Existing Intellectual Property, other than the rights set forth in this Agreement. The Reliability Coordinator's Pre-Existing Intellectual Property shall include the Reliability Coordinator Retained Rights set forth in Section 6.3. LG&E/KU's Pre-Existing Intellectual Property shall include LG&E/KU Retained Rights set forth in Section 6.4.

6.1.1 Exclusion. Nothing in this Agreement shall prevent either Party from using general techniques, ideas, concepts and know-how gained by its employees during the performance of its obligations under this Agreement in the furtherance of its normal business, to the extent that it does not result in disclosure of the other Party's Data or any data generated from the other Party's Data or other Confidential Information or an infringement by LG&E/KU or the Reliability Coordinator of any intellectual property right. For the avoidance of doubt, the use by a Party of such general techniques, ideas, concepts and know-how gained by its employees during the performance of its obligations under this Agreement shall not be deemed to be an infringement of the other Party's intellectual property rights so long as such matters are retained in the unaided memories of such employees and any Confidential Information is treated in accordance with the provisions of Section 10.

6.2 Jointly-Owned Intellectual Property. Except for the Data described in Section 5.1, all deliverables, whether software or otherwise, to the extent originated and prepared by the Reliability Coordinator exclusively in connection with the performance of its obligations under this Agreement shall be, upon payment of all amounts that may be due from LG&E/KU to the Reliability Coordinator, jointly owned by LG&E/KU and Reliability Coordinator ("Jointly-Owned Intellectual Property"). Each Party shall have the right to use the Jointly-Owned Intellectual Property without any right or duty or accounting to the other Party, except as provided in this Section 6.2. Upon the Reliability Coordinator using, transferring or licensing Jointly-Owned Intellectual Property for or to a third party, the Reliability Coordinator shall

reimburse LG&E/KU in an equitable manner as determined by the Parties in good faith for the actual amounts paid by LG&E/KU to the Reliability Coordinator that relate to such Jointly-Owned Intellectual Property. Except as stated in the foregoing sentence, the Reliability Coordinator shall have no other obligation to account to LG&E/KU for any such use, transfer, license, disclosure, copying, modifying or enhancing of the Jointly-Owned Intellectual Property. Notwithstanding anything herein to the contrary, LG&E/KU may use the Jointly-Owned Intellectual Property for its internal business purposes, including licensing or transferring its interests therein to a third party for purposes of operating or performing functions in connection with LG&E/KU's transmission business.

6.3 Reliability Coordinator Retained Rights. The Reliability Coordinator shall retain all right, title and interest in its proprietary know-how, concepts, techniques, processes, materials and information that were or are developed entirely independently of this Agreement ("Reliability Coordinator Retained Rights"), whether or not such Reliability Coordinator Retained Rights are embodied in a deliverable, whether software or otherwise originated and prepared by the Reliability Coordinator in connection with the performance of its obligations under this Agreement. With respect to the Reliability Coordinator Retained Rights embodied in any deliverable, whether software or otherwise originated and prepared by the Reliability Coordinator in connection with the performance of its obligations under this Agreement, LG&E/KU is hereby granted a nonexclusive, perpetual, worldwide, royalty-free, fully paid-up license under such Reliability Coordinator Retained Rights to use such deliverable for LG&E/KU's internal business purposes only, including licensing or transferring its interests therein to an Affiliate of LG&E/KU or a third party for purposes of operating or performing functions in connection with LG&E/KU's transmission business.

6.4 LG&E/KU Retained Rights. LG&E/KU shall retain all right, title and interest in its proprietary know-how, concepts, techniques, processes, materials and information that were or are developed entirely independently of this Agreement ("LG&E/KU Retained Rights"), whether or not such LG&E/KU Retained Rights are embodied in a deliverable, whether software or otherwise originated and prepared by LG&E/KU in connection with the performance of its obligations under this Agreement. With respect to LG&E/KU Retained Rights embodied in any software or otherwise originated and prepared by LG&E/KU in connection with the performance of its obligations under this Agreement, the Reliability Coordinator is hereby granted a nonexclusive, worldwide, royalty-free, fully paid-up license under such LG&E/KU Retained Rights to use such deliverable for the Reliability Coordinator's performance of its obligations under this Agreement only; provided that LG&E/KU shall not be liable in any way for the use of or reliance on such Reliability Coordinator Retained Rights by the Reliability Coordinator's Affiliate or third party for any purpose whatsoever.

6.5 Reliability Coordinator Non-Infringement; Indemnification. The Reliability Coordinator warrants to LG&E/KU that all Reliability Coordinator's Data and Processes, Reliability Coordinator Pre-Existing Intellectual Property, Reliability Coordinator Retained Rights, and deliverables prepared, produced or first developed by the Reliability Coordinator in connection with the performance of its obligations under this Agreement shall not infringe on any third party patent, copyright, trade secret or other third party proprietary rights. The Reliability Coordinator shall defend, hold harmless and indemnify LG&E/KU and its Affiliates

and their respective employees, officers, directors, principals, owners, partners, shareholders, agents, representatives, consultants, and subcontractors (collectively, “LG&E/KU Representatives”) from and against all claims, lawsuits, penalties, awards, judgments, court arbitration costs, attorneys’ fees, and other reasonable out-of-pocket costs incurred in connection with such claims or lawsuits based upon the actual or alleged infringement of any of the foregoing rights; provided that LG&E/KU gives prompt written notice of any such claim or action to the Reliability Coordinator, permits the Reliability Coordinator to control the defense of any such claim or action with counsel of its choice, and cooperates with the Reliability Coordinator in the defense thereof; and further provided that such claim or action is not based on any alteration, modification or combination of the deliverable with any item, information or process not provided by the Reliability Coordinator, where there would be no infringement in the absence of such alteration, modification or combination. If any infringement action results in a final injunction against LG&E/KU or the LG&E/KU Representatives with respect to Reliability Coordinator’s Data and Processes, Reliability Coordinator Pre-Existing Intellectual Property, Reliability Coordinator Retained Rights or deliverables prepared, produced or first developed by the Reliability Coordinator in connection with the performance of its obligations under this Agreement or in the event the use of such matters or any part thereof, is, in such lawsuit, held to constitute infringement, the Reliability Coordinator agrees that it shall, at its option and sole expense, either (a) procure for LG&E/KU or the LG&E/KU Representatives the right to continue using the infringing matter, or (b) replace the infringing matter with non-infringing items of equivalent functionality or modify the same so that it becomes non-infringing and retains its full functionality. If the Reliability Coordinator is unable to accomplish (a) or (b) above, the Reliability Coordinator shall reimburse LG&E/KU for all costs and fees paid by LG&E/KU to the Reliability Coordinator for the infringing matter. The above constitutes the Reliability Coordinator’s complete liability for claims of infringement relating to any the Reliability Coordinator’s Data and Processes, Reliability Coordinator Pre-Existing Intellectual Property, Reliability Coordinator Retained Rights, and deliverables prepared, produced or first developed by the Reliability Coordinator in connection with the performance of its obligations under this Agreement.

6.6 LG&E/KU Non-Infringement; Indemnification. LG&E/KU warrants to the Reliability Coordinator that, to its knowledge, all LG&E/KU’s Data (except for Data created by the Reliability Coordinator on behalf of LG&E/KU) and Processes, LG&E/KU Pre-Existing Intellectual Property, and LG&E/KU Retained Rights shall not infringe on any third party patent, copyright, trade secret or other third party proprietary rights. LG&E/KU shall defend, hold harmless and indemnify the Reliability Coordinator and its Affiliates and their respective employees, officers, directors, principals, owners, partners, shareholders, agents, representatives, consultants, and subcontractors against all claims, lawsuits, penalties, awards, judgments, court costs, and arbitration costs, attorneys’ fees, and other reasonable out-of-pocket costs incurred in connection with such claims or lawsuits based upon the actual or alleged infringement of any of the foregoing rights; provided that the Reliability Coordinator gives prompt written notice of any such claim or action to LG&E/KU, permits LG&E/KU to control the defense of any such claim or action with counsel of its choice, and cooperates with LG&E/KU in the defense thereof; and further provided that such claim or action is not based on any alteration, modification or combination of the deliverable with any item, information or process not provided by LG&E/KU to the Reliability Coordinator, where there would be no infringement in the absence of such

alteration, modification or combination. The above constitutes LG&E/KU's complete liability for claims of infringement relating to any of the LG&E/KU's Data and Processes, LG&E/KU Pre-Existing Intellectual Property, and LG&E/KU Retained Rights.

Section 7 - Indemnification.

7.1 Indemnification by the Parties. Each Party ("Indemnifying Party") shall indemnify, release, defend, reimburse and hold harmless the other Party and its Affiliates, and their respective directors, officers, employees, principals, representatives and agents (collectively, the "Indemnified Parties") from and against any and all claims, demands, liabilities, losses, causes of action, awards, fines, penalties, litigation, administrative proceedings and investigations, costs and expenses, and attorney fees (each, an "Indemnifiable Loss") asserted against or incurred by any of the Indemnified Parties arising out of, resulting from or based upon (a) a breach by the Indemnifying Party of its obligations under this Agreement, (b) claims of bodily injury or death of any person or damage to real and/or tangible personal property caused by the negligence or willful misconduct of the Indemnifying Party and its Affiliates and their respective directors, officers, employees, principals, representatives, agents or contractors during the Term, or (c) the acts or omissions of the Indemnifying Party and its Affiliates and their respective directors, officers, employees, principals, representatives, agents or contractors during the Term.

7.2 No Consequential Damages. Neither Party shall be liable to the other Party under this Agreement (by way of indemnification, damages or otherwise) for any indirect, incidental, exemplary, punitive, special or consequential damages, except in the case of gross negligence or willful misconduct.

7.3 Cooperation Regarding Claims. If an Indemnified Party receives notice or has knowledge of any Indemnifiable Loss that may result in a claim for indemnification by such Indemnified Party against an Indemnifying Party pursuant to this Section 7, such Indemnified Party shall as promptly as possible give the Indemnifying Party notice of such Indemnifiable Loss, including a reasonably detailed description of the facts and circumstances relating to such Indemnifiable Loss, a complete copy of all notices, pleadings and other papers related thereto, and in reasonable detail the basis for its claim for indemnification with respect thereto. Failure to promptly give such notice or to provide such information and documents shall not relieve the Indemnifying Party from the obligation hereunder to respond to or defend the Indemnified Party against such Indemnifiable Loss unless such failure shall materially diminish the ability of the Indemnifying Party to respond to or to defend the Indemnified Party against such Indemnifiable Loss. The Indemnifying Party, upon its acknowledgment in writing of its obligation to indemnify the Indemnified Party in accordance with this Section 7, shall be entitled to assume the defense or to represent the interest of the Indemnified Party with respect to such Indemnifiable Loss, which shall include the right to select and direct legal counsel and other consultants, appear in proceedings on behalf of such Indemnified Party and to propose, accept or reject offers of settlement, all at its sole cost. If and to the extent that any such settlement is reasonably likely to involve injunctive, equitable or prospective relief or materially and adversely affect the Indemnified Party's business or operations other than as a result of money damages or other money payments, then such settlement will be subject to the reasonable

approval of the Indemnified Party. Nothing herein shall prevent an Indemnified Party from retaining its own legal counsel and other consultants and participating in its own defense at its own cost and expense.

Section 8 - Contract Managers; Dispute Resolution.

8.1 LG&E/KU Contract Manager. LG&E/KU shall appoint an individual (the “LG&E/KU Contract Manager”) who shall serve as the primary LG&E/KU representative under this Agreement. The LG&E/KU Contract Manager shall (a) have overall responsibility for managing and coordinating the performance of LG&E/KU’s obligations under this Agreement, and (b) be authorized to act for and on behalf of LG&E/KU with respect to all matters relating to this Agreement. Notwithstanding the foregoing, the LG&E/KU Contract Manager may, upon prior written notice to the Reliability Coordinator, delegate such of his or her responsibilities to other LG&E/KU employees, as the LG&E/KU Contract Manager deems appropriate. LG&E/KU may, upon prior written notice to the Reliability Coordinator, change the LG&E/KU Contract Manager.

8.2 Reliability Coordinator Contract Manager. The Reliability Coordinator shall appoint, among the Key Personnel identified in Attachment B, an individual (the “Reliability Coordinator Contract Manager”) who shall serve as the primary Reliability Coordinator representative under this Agreement. The Reliability Coordinator Contract Manager shall (a) have overall responsibility for managing and coordinating the performance of the Reliability Coordinator’s obligations under this Agreement, and (b) be authorized to act for and on behalf of the Reliability Coordinator with respect to all matters relating to this Agreement. Notwithstanding the foregoing, the Reliability Coordinator Contract Manager may, upon prior written notice to LG&E/KU, delegate such of his or her responsibilities to other Key Personnel, as the Reliability Coordinator Contract Manager deems appropriate. The Reliability Coordinator may, upon prior written notice to LG&E/KU, change the Reliability Coordinator Contract Manager.

8.3 Resolution of Disputes. Any dispute, claim or controversy between the Parties arising out of or relating to this Agreement (each, a “Dispute”) shall be resolved in accordance with the procedures set forth in this Section 8.3; provided, however, that this Section 8.3 shall not apply to Disputes arising from or relating to confidentiality or intellectual property rights (in which case either Party shall be free to seek available legal or equitable remedies).

8.3.1 Notice of Dispute. Each Party shall provide written notice to the other party of any Dispute, including a description of the nature of the Dispute.

8.3.2 Dispute Resolution by Contract Managers. Any Dispute shall first be referred to the LG&E/KU Contract Manager and the Reliability Coordinator Contract Manager, who shall negotiate in good faith to resolve the Dispute.

8.3.3 Dispute Resolution by Executive Management Representatives. If the Dispute is not resolved within fifteen (15) days of being referred to the LG&E/KU Contract Manager and the Reliability Coordinator Contract Manager pursuant to Section

8.3.2, then each Party shall have five (5) days to appoint an executive management representative who shall negotiate in good faith to resolve the Dispute.

8.3.4 Exercise of Remedies at Law or in Equity. If the Parties' executive management representatives are unable to resolve the Dispute within thirty (30) days of their appointment, then each Party shall be free to pursue any remedies available to it and to take any action in law or equity that it believes necessary or convenient in order to enforce its rights or cause to be fulfilled any of the obligations or agreements of the other Party.

8.4 LG&E/KU Rights Under FPA Unaffected. Nothing in this Agreement is intended to limit or abridge any rights that LG&E/KU may have to file or make application before FERC under Section 205 of the FPA to revise any rates, terms or conditions of the OATT or any other FPA jurisdictional agreement.

8.5 Reliability Coordinator Rights Under the TVA Act and FPA Unaffected. Nothing in this Agreement is intended to limit or abridge any rights that the Reliability Coordinator may have under the TVA Act or the FPA, nor to require the Reliability Coordinator to violate the area limitations set forth in the TVA Act.

8.6 Statute of Limitations; Continued Performance. The Parties agree to waive the applicable statute of limitations during the period of time that the Parties are seeking to resolve a Dispute pursuant to Sections 8.3.2 and 8.3.3, and the statute of limitations shall be tolled for such period. The Parties shall continue to perform their obligations under this Agreement during the resolution of a Dispute.

Section 9 - Insurance.

9.1 Requirements. The Reliability Coordinator shall provide and maintain during the Term insurance coverage in the form and with minimum limits of liability as specified below, unless otherwise agreed to by the Parties.

9.1.1 Worker's compensation insurance in accordance with the Federal Employees Compensation Act (FECA).

9.1.2 Commercial general liability or equivalent insurance with a combined single limit of not less than \$1,000,000 per occurrence. Such insurance shall include products/completed operations liability, owners protective, blanket contractual liability, personal injury liability and broad form property damage.

9.1.3 Errors & Omissions Insurance in the amount of \$5,000,000.

9.2 Insurance Matters. All insurance coverages required pursuant to Section 9.1 shall (a) be provided by insurance companies that have a Best Rating of A or higher, (b) provide that LG&E/KU is an additional insured (other than the workers' compensation insurance), (c) provide that LG&E/KU will receive at least thirty (30) days written notice from the insurer prior

to the cancellation or termination of or any material change in any such insurance coverages, and (d) include waivers of any right of subrogation of the insurers thereunder against LG&E/KU. Certificates of insurance evidencing that the insurance required by Section 9.1 is in force shall be delivered by the Reliability Coordinator to LG&E/KU prior to the Effective Date.

9.3 Compliance. The Reliability Coordinator shall not commence performance of any Functions until all of the insurance required pursuant to Section 9.1 is in force, and the necessary documents have been received by LG&E/KU pursuant to Section 9.2. Compliance with the insurance provisions in Section 9 is expressly made a condition precedent to the obligation of LG&E/KU to make payment for any Functions performed by the Reliability Coordinator under this Agreement. The minimum insurance requirements set forth above shall not vary, limit or waive the Reliability Coordinator's legal or contractual responsibilities or liabilities under this Agreement.

Section 10 - Confidentiality.

10.1 Definition of Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean, in respect of each Party, all activities by such Party and information and documentation of such Party, whether disclosed to or accessed by the other Party, in each case, in connection with this Agreement; provided, however, that the term "Confidential Information" shall not include information that: (a) is independently developed by the recipient, as demonstrated by the recipient's written records, without violating the disclosing Party's proprietary rights; (b) is or becomes publicly known (other than through unauthorized disclosure); (c) is disclosed by the owner of such information to a third party free of any obligation of confidentiality; (d) is already known by the recipient at the time of disclosure, as demonstrated by the recipient's written records, and the recipient has no obligation of confidentiality other than pursuant to this Agreement or any confidentiality agreements between the Parties entered into before the Effective Date; or (e) is rightfully received by a Party free of any obligation of confidentiality.

10.2 Protection of Confidential Information. All Confidential Information shall be held in confidence by the recipient to the same extent and in at least the same manner as the recipient protects its own confidential information, and such Confidential Information shall be used only for purposes of performing obligations under this Agreement. Neither Party shall disclose, publish, release, transfer or otherwise make available Confidential Information of, or obtained from, the other Party in any form to, or for the use or benefit of, any person or entity without the disclosing Party's prior written consent. Each Party shall be permitted to disclose relevant aspects of the other Party's Confidential Information to its officers, directors, agents, professional advisors, contractors, subcontractors and employees and to the officers, directors, agents, professional advisors, contractors, subcontractors and employees of its Affiliates, to the extent that such disclosure is reasonably necessary for the performance of its duties and obligations or the determination, preservation or exercise of its rights and remedies under this Agreement; provided, however, that the recipient shall take all reasonable measures to ensure that Confidential Information of the disclosing Party is not disclosed or duplicated in contravention of the provisions of this Agreement by such officers, directors, agents, professional advisors, contractors, subcontractors and employees. The obligations in this

Section 10 shall not restrict any disclosure pursuant to any local, state or federal governmental agency or authority if such release is necessary to comply with applicable laws, governmental regulations or orders of regulatory bodies or courts; provided that the recipient shall give prompt notice to the disclosing Party in reasonable time to exercise whatever legal rights the disclosing Party may have to prevent or limit such disclosure. Further, the recipient shall cooperate with the disclosing Party in preventing or limiting such disclosure.

10.3 NERC Data Confidentiality Agreement. In addition to, and not in limitation of, the confidentiality restrictions in Section 10.2, each Party shall sign the NERC Data Confidentiality Agreement and shall treat all Confidential Information as transmission operations and transmission system information pursuant to the NERC Data Confidentiality Agreement.

Section 11 - Force Majeure.

11.1 Neither Party shall be liable to the other Party for any failure or delay of performance hereunder due to causes beyond such Party's reasonable control, which by the exercise of reasonable due diligence such Party is unable, in whole or in part, to prevent or overcome (a "Force Majeure"), including acts of God, act of the public enemy, fire, explosion, vandalism, cable cut, storm or other catastrophes, weather impediments, national emergency, insurrections, riots, wars or any law, order, regulation, direction, action or request of any government or authority or instrumentality thereof. Neither Party shall be considered in default as to any obligation under this Agreement if prevented from fulfilling the obligation due to an event of Force Majeure, except for the obligation to pay any amount when due, provided that the affected Party:

11.1.1 gives notice to the other Party of the event or circumstance giving rise to the event of Force Majeure;

11.1.2 affords the other Party reasonable access to information about the event or circumstances giving rise to the event of Force Majeure;

11.1.3 takes commercially reasonable steps to restore its ability to perform its obligations hereunder as soon as reasonably practicable, provided that the affected Party shall not be obligated to take any steps that are not otherwise in accordance with Good Utility Practice; and

11.1.4 exercises commercially reasonable efforts to perform its obligations hereunder.

Section 12 - Reporting; Audit.

12.4 Reporting. The Reliability Coordinator shall make regular reports to FERC and LG&E/KU's retail regulators as may be required by applicable law and regulations or as may be requested by such authorities.

12.1 Books and Records. The Reliability Coordinator shall maintain full and accurate books and records pertinent to this Agreement, and the Reliability Coordinator shall maintain such books and records for three (3) years following the expiration or early termination of this Agreement or longer if necessary to resolve a pending Dispute. LG&E/KU will have the right, at reasonable times and under reasonable conditions, to inspect and audit, or have an independent third party inspect and audit, the Reliability Coordinator's operations and books to (a) ensure compliance with this Agreement, (b) verify any cost claims or other amounts due hereunder, and (c) validate the Reliability Coordinator's internal controls with respect to the performance of the Functions. The Reliability Coordinator shall maintain an audit trail, including all original transaction records, of all financial and non-financial transactions resulting from or arising in connection with this Agreement as may be necessary to enable LG&E/KU or the independent third party, as applicable, to perform the foregoing activities. LG&E/KU shall be responsible for any costs and expenses incurred in connection with any such inspection or audit, unless such inspection or audit discovers that LG&E/KU was charged inappropriate or incorrect costs and expenses, in which case, the Reliability Coordinator shall be responsible for a percentage of the costs and expenses incurred in connection with such inspection or audit equal to the percentage variance by which LG&E/KU was charged inappropriate or incorrect costs and expenses. The Reliability Coordinator shall provide reasonable assistance necessary to enable LG&E/KU or an independent third party, as applicable, and shall not be entitled to charge LG&E/KU for any such assistance. Amounts incorrectly or inappropriately invoiced by the Reliability Coordinator to LG&E/KU, whether discovered prior to or subsequent to payment by LG&E/KU, shall be adjusted or reimbursed to LG&E/KU by the Reliability Coordinator within twenty (20) days of notification by LG&E/KU to the Reliability Coordinator of the error in the invoice.

12.2 Regulatory Compliance. The Reliability Coordinator shall comply with all reasonable requests by LG&E/KU to comply with Section 404 of the Sarbanes-Oxley Act and related regulatory requirements. LG&E/KU may hire, at its expense, or LG&E/KU may direct the Reliability Coordinator to hire, at LG&E/KU expense, an independent auditor to review, audit and prepare audit reports associated with the Reliability Coordinator's controls and systems relating to the Functions and LG&E/KU's financial statements and reports, in accordance with SAS No. 70, Type II. Such reports may not be required more frequently than twice per Contract Year. The Reliability Coordinator shall notify LG&E/KU prior to or at the time of any significant or material change to any internal process or financial control of the Reliability Coordinator that would or might impact the Functions performed for or on behalf of LG&E/KU or that would, or might, have a significant or material effect on such process's mitigation of risk or upon the integrity of LG&E/KU's financial reporting or disclosures and provide sufficient details of the change so as to enable LG&E/KU and/or its independent auditors to review the change and evaluate its impact on its internal controls and financial reporting. The Reliability Coordinator shall cooperate with the independent auditors and LG&E/KU to enable the preparation of the reports necessary to comply with Section 404 of the Sarbanes-Oxley Act, consistent with the other provisions of this Agreement.

Section 13 - Independent Contractor.

The Reliability Coordinator shall be and remain during the Term an independent contractor with respect to LG&E/KU, and nothing contained in this Agreement shall be (a)

construed as inconsistent with that status, or (b) deemed or construed to create the relationship of principal and agent or employer and employee, between the Reliability Coordinator and LG&E/KU or to make either the Reliability Coordinator or LG&E/KU partners, joint ventures, principals, fiduciaries, agents or employees of the other Party for any purpose. Neither Party shall represent itself to be an agent, partner or representative of the other Party. Neither Party shall commit or bind, nor be authorized to commit or bind, the other Party in any manner, without such other Party's prior written consent. Personnel employed, provided or used by any Party in connection herewith will not be employees of the other Party in any respect. Each Party shall have full responsibility for the actions or omissions of its employees and shall be responsible for their supervision, direction and control.

Section 14 - Taxes.

Each Party shall be responsible for the payment of its own taxes, including taxes based on its net income, employment taxes of its employees, taxes on any property it owns or leases, and sales, use, gross receipts, excise, value-added or other transaction taxes.

Section 15 - Notices.

15.1 Notices. Except as otherwise specified herein, any notice required or authorized by this Agreement shall be deemed properly given to a Party when sent to its designated representative by facsimile or other electronic means (with a confirmation copy sent by United States mail, first-class postage prepaid), by hand delivery, or by United States mail, first-class postage prepaid. The Parties' designated representatives are as follows:

If to LG&E/KU:

Louisville Gas and Electric Company
119 North 3rd Street
Louisville, Kentucky 40202
Facsimile: (502) 627-4716

And

Kentucky Utilities Company
119 North 3rd Street
Louisville, Kentucky 40202
Facsimile: (502) 627-4716

If to the Reliability Coordinator:

Tennessee Valley Authority
1101 Market Street, PCC 2A
Chattanooga, Tennessee 37402-2801
Facsimile: (423) 697-4120

15.2 Changes. Either Party may, from time to time, change the names, addresses, facsimile numbers or other notice information set out in Section 15.1 by notice to the other Party in accordance with the requirements of Section 15.1.

Section 16 - Key Personnel; Work Conditions.

16.1 Key Personnel. All Key Personnel shall be properly certified and licensed, if required by law, and be qualified and competent to perform the Functions. The Reliability Coordinator shall provide LG&E/KU prior written notice of the replacement of any Key Personnel.

16.2 Conduct of Key Personnel and Reporting. The Reliability Coordinator agrees to require that the Key Personnel comply with the Reliability Coordinator's employee code of conduct, a current copy of which has been provided to LG&E/KU. The Reliability Coordinator may amend its employee code of conduct at any time, provided that the Reliability Coordinator shall promptly provide the LG&E/KU Contract Manager with a copy of the amended employee code of conduct. If any Key Personnel commits fraud or engages in material violation of the Reliability Coordinator's employee code of conduct, the Reliability Coordinator shall promptly notify LG&E/KU as provided above and promptly remove any such Key Personnel from the performance of the Functions.

16.3 Personnel Screening. The Reliability Coordinator shall be responsible for conducting, in accordance with applicable law (including the Fair Credit Reporting Act, The Fair and Accurate Credit Transactions Act, and Title VII of the Civil Rights Act of 1964), adequate pre-deployment screening of the Key Personnel prior to commencing performance of the Functions. By deploying Key Personnel under this Agreement, the Reliability Coordinator represents that it has completed the Screening Measures (as defined below) with respect to such Key Personnel. To the extent permitted by applicable law, the term "Screening Measures" shall include, at a minimum, a background check including: (a) a Terrorist Watch Database Search; (b) a Social Security Number trace; (c) motor vehicle license and driving record check; and (d) a criminal history check, including, a criminal record check for each county/city and state/country in the employee's residence history for the maximum number of years permitted by law, up to seven (7) years. Unless prohibited by law, if, prior to or after assigning a Key Personnel to perform the Functions, the Reliability Coordinator learns of any information that the Reliability Coordinator considers would adversely affect such Key Personnel's suitability for the performance of the Functions (including based on information discovered from the Screening Measures), the Reliability Coordinator shall not assign the Key Personnel to the Functions or, if already assigned, promptly remove such Key Personnel from performing the Functions and immediately notify LG&E/KU of such action.

16.4 Security. LG&E/KU shall have the option of barring from LG&E/KU's property any Key Personnel whom LG&E/KU determines is not suitable in accordance with the applicable laws pursuant to Sections 16.1 through 16.3.

Section 17 - Miscellaneous Provisions.

17.1 Governing Law. This Agreement and the rights and obligations of the Parties hereunder shall be governed by and construed in accordance with applicable state and federal laws, without regard to the laws requiring the applicability of the laws of another jurisdiction.

17.2 Amendment. This Agreement shall not be varied or amended unless such variation or amendment is agreed to by the Parties in writing.

17.3 Assignment. Neither Party shall sell, assign, or otherwise transfer any or all of its respective rights hereunder, or delegate any or all of its respective obligations under this Agreement.

17.4 No Third Party Beneficiaries. Nothing in this Agreement is intended to confer any benefits upon any person or entity not a Party to this Agreement. This Agreement is made solely for the benefit of the Parties and nothing herein shall be construed as a stipulation for the benefit of others, and no third party shall be entitled to enforce this Agreement against any Party hereto.

17.5 Waivers. No waiver of any provision of this Agreement shall be effective unless it is signed by the Party against which it is sought to be enforced. The delay or failure by either Party to exercise or enforce any of its rights under this Agreement shall not constitute or be deemed a waiver of that Party's right thereafter to enforce those rights, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

17.6 Severability; Renegotiation. The invalidity or unenforceability of any portion or provision of this Agreement shall in no way affect the validity or enforceability of any other portion or provision herein. If any provision of this Agreement is found to be invalid, illegal or otherwise unenforceable, the same shall not affect the other provisions hereof or the whole of this Agreement and shall not render invalid, illegal or unenforceable this Agreement or any of the remaining provisions of this Agreement. If any provision of this Agreement or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void or unenforceable, or if a modification, condition or other change to this Agreement is imposed by a court or regulatory authority of competent jurisdiction which materially affects the benefits or obligations of the Parties, then the Parties shall in good faith negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligation of the Parties immediately prior to such holding, modification or condition. If such negotiations are unsuccessful, then either Party may terminate this Agreement pursuant to Section 4.5.1.

17.7 Representations and Warranties. Each Party represents and warrants to the other Party as of the Execution Date and the Effective Date as follows:

17.7.1 Organization. It is duly organized, validly existing and in good standing under the laws of the State in which it was organized or applicable Federal law, and has

all the requisite power and authority to own and operate its material assets and properties and to carry on its business as now being conducted and as proposed to be conducted under this Agreement.

17.7.2 Authority. It has the requisite power and authority to execute and deliver this Agreement and, subject to the procurement of applicable regulatory approvals, to perform its obligations under this Agreement. The execution and delivery of this Agreement by it and the performance of its obligations under this Agreement have been duly authorized by all necessary corporate action required on its part.

17.7.3 Binding Effect. Assuming the due authorization, execution and delivery of this Agreement by the other Party, this Agreement constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or other similar applicable laws affecting creditors' rights generally, and by general principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.

17.7.4 Regulatory Approval. It has obtained or will obtain by the Effective Date, any and all approvals of, and acceptances for filing by, and has given or will give any notices to, any applicable federal or state authority, that are required for it to execute, deliver, and perform its obligations under this Agreement.

17.7.5 No Litigation. There are no actions at law, suits in equity, proceedings, or claims pending or, to its knowledge, threatened against it before or by any federal, state, foreign or local court, tribunal, or governmental agency or authority that might materially delay, prevent, or hinder the performance by such entity of its obligations hereunder.

17.7.6 No Violation or Breach. The execution, delivery and performance by it of its obligations under this Agreement do not and shall not: (a) violate its organizational documents; (b) violate any applicable law, statute, order, rule, regulation or judgment promulgated or entered by any applicable federal or state authority, which violation could reasonably be expected to materially adversely affect the performance of its obligations under this Agreement; or (c) result in a breach of or constitute a default of any material agreement to which it is a party.

17.8 Further Assurances. Each Party agrees that it shall execute and deliver such further instruments, provide all information, and take or forbear such further acts and things as may be reasonably required or useful to carry out the purpose of this Agreement and are not inconsistent with the provisions of this Agreement.

17.9 Entire Agreement. This Agreement and the Attachments hereto set forth the entire agreement between the Parties with respect to the subject matter hereof, and supersede all prior agreements, whether oral or written, related to the subject matter of this Agreement. The terms of this Agreement and the Attachments hereto are controlling, and no parole or extrinsic evidence, including to prior drafts and drafts exchanged with any third parties, shall be used to vary, contradict or interpret the express terms, and conditions of this Agreement.

17.10 Good Faith Efforts. Each Party agrees that it shall in good faith take all reasonable actions necessary to permit it and the other Party to fulfill their obligations under this Agreement. Where the consent, agreement or approval of any Party must be obtained hereunder, such consent, agreement or approval shall not be unreasonably withheld, delayed or conditioned. Where a Party is required or permitted to act, or omit to act, based on its opinion or judgment, such opinion or judgment shall not be unreasonably exercised. To the extent that the jurisdiction of any federal or state authority applies to any part of this Agreement or the transactions or actions covered by this Agreement, each Party shall cooperate with the other Party to secure any necessary or desirable approval or acceptance of such authorities of such part of this Agreement or such transactions or actions.

17.11 Time of the Essence. With respect to all duties, obligations and rights of the Parties, time shall be of the essence in this Agreement.

17.12 Interpretation. Unless the context of this Agreement otherwise clearly requires:

17.12.1 all defined terms in the singular shall have the same meaning when used in the plural and vice versa;

17.12.2 the terms “hereof,” “herein,” “hereto” and similar words refer to this entire Agreement and not to any particular Section, Attachment or any other subdivision of this Agreement;

17.12.3 references to “Section” or “Attachment” refer to this Agreement, unless specified otherwise;

17.12.4 references to any law, statute, rule, regulation, notification or statutory provision shall be construed as a reference to the same as it applies to this Agreement and may have been, or may from time to time be, amended, modified or re-enacted;

17.12.5 references to “includes,” “including” and similar phrases shall mean “including, without limitation;”

17.12.6 the captions, section numbers and headings in this Agreement are included for convenience of reference only and shall not in any way affect the meaning or interpretation of this Agreement;

17.12.7 “or” may not be mutually exclusive, and can be construed to mean “and” where the context requires there to be a multiple rather than an alternative obligation; and

17.12.8 references to a particular entity include such entity’s successors and assigns to the extent not prohibited by this Agreement.

17.12.9 any capitalized terms used in this Agreement, including the Appendices, that are not defined in this Agreement or in the Appendices, shall have the meaning established in the applicable NERC documentation.

17.13 Joint Effort. Preparation of this Agreement has been a joint effort of the Parties and the resulting document shall not be construed more severely against one of the Parties than against the other and no provision in this Agreement is to be interpreted for or against any Party because that Party or its counsel drafted such provision. Each Party acknowledges that in executing this Agreement it has relied solely on its own judgment, belief and knowledge, and such advice as it may have received from its own counsel, and it has not been influenced by any representation or statement made by the other Party or its counsel not contained in this Agreement.

17.14 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument, binding upon LG&E/KU and the Reliability Coordinator, notwithstanding that LG&E/KU and the Reliability Coordinator may not have executed the same counterpart.

The Parties have caused this Reliability Coordinator Agreement to be executed by their duly authorized representatives as of the dates shown below.

LOUISVILLE GAS AND ELECTRIC COMPANY

Name:
Title:
Date:

KENTUCKY UTILITIES COMPANY

Name:
Title:
Date:

TENNESSEE VALLEY AUTHORITY

Name:
Title:
Date:

ATTACHMENT A TO THE RELIABILITY COORDINATOR AGREEMENT

DESCRIPTION OF THE FUNCTIONS

The Reliability Coordinator is responsible for bulk transmission reliability and power supply reliability functions in accordance with the terms of this Agreement. Bulk transmission reliability functions include reliability analysis, loading relief procedures, re-dispatch of generation and ordering curtailment of transactions and/or load. Power supply reliability functions include monitoring Balancing Area performance and ordering the Balancing Authorities and Transmission Operators to take actions, including load curtailment and increasing/decreasing generation in situations where an imbalance between generation and load places the system in jeopardy. The Reliability Coordinator Procedures shall be consistent with those of NERC and are spelled out in the NERC Approved Reliability Plan for the TVA Reliability Coordination Area and TVA Standard Procedures and Policies.

Under this Agreement, the Reliability Coordinator shall perform the following functions (the "Functions"):

General Functions:

- a) Serve as NERC designated reliability coordinator and represent the TVA Reliability Area at the NERC and regional reliability council level.
- b) Implement applicable NERC and regional reliability criteria initiatives, such as maintaining a connection to NERC's Interregional Security Network ("ISN"), day-ahead load-flow analysis, transmission loading relief procedures, and information exchange.
- c) Develop and coordinate with the RCAC new Reliability Coordinator Procedures and revisions to existing Regional Coordinator Procedures.
- d) Exchange timely, accurate, and relevant transmission system information with LG&E/KU, the Independent Transmission Organization, and with other reliability coordinators.
- e) Develop and maintain system models and tools needed to perform analysis needed to develop operational plans.
- f) Coordinate with neighboring reliability coordinators and other operating entities as appropriate to ensure regional reliability.
- g) All other reliability coordinator functions as required for the Parties' compliance with applicable NERC Standards and Regional Reliability Council Standards, as the same may be amended or modified from time to time.

Real-time Operations:

- a) Monitor, analyze, and coordinate the reliability of the Parties' facilities and interfaces with other Balancing Authorities, Transmission Operators, and other reliability coordinators.
- b) Perform analyses to develop an evaluation of system conditions. LG&E/KU will provide necessary information (e.g., outages and transactions) and transmission system conditions, as applicable, to the Reliability Coordinator in accordance with applicable NERC Standards. The results of these analyses will be provided to LG&E/KU and neighboring reliability coordinators in accordance with applicable NERC Standards and Regional Reliability Council Standards.
- c) Exchange timely, accurate, and relevant transmission system information with LG&E/KU and with other reliability coordinators.
- d) Determine, direct, and document appropriate actions to be taken by the Parties in accordance with the NERC Standards, including curtailment of transmission service or energy schedules, re-dispatch of generation and load shedding as necessary to alleviate facility overloads and abnormal voltage conditions, and other circumstances that affect interregional bulk power reliability.
- e) Coordinate transmission loading relief and voltage correction actions with LG&E/KU and with other reliability coordinators.

Forward Operations:

- a) Perform analyses to develop an evaluation of the expected next-day transmission system operations. LG&E shall provide generation-related information (e.g., outages and transactions) and expected transmission system conditions (e.g., transmission facility outages and transactions), as applicable, to the Reliability Coordinator for the next-day operation in accordance with applicable NERC Standards and Regional Reliability Council Standards. The results of these analyses shall be provided to LG&E/KU, Independent Transmission Organization and neighboring reliability coordinators in accordance with applicable NERC Standards and Regional Reliability Council Standards.
- b) Perform analysis of planned transmission and generation outages and coordination of outages with NERC, participants in reliability coordination agreements, and other reliability coordinators as appropriate and as required by NERC. This service provides for the analysis and coordination of planned outages which are beyond next day and intra-day outages.

- c) Analyze and approve all planned maintenance schedules on facilities 100kV and above and planned maintenance of generation facilities submitted by LG&E/KU in conjunction with other work on the regional transmission grid to determine the impact of LG&E/KU's planned maintenance schedule on the reliability of the facilities under TVA's purview as Reliability Coordinator, and the purview of neighboring reliability coordinators, and any other relevant effects; and coordinate impacts on available transfer capability with the designated Independent Transmission Organization.
- d) Coordinate, as required by either NERC or other agreements, planned maintenance schedules with all adjacent reliability coordination areas and/or Control Areas and Transmission Providers; as well as the designated Independent Transmission Organization.
- e) Identify Coordinated Flowgates and determination of flowgates requiring Reciprocal Coordination (twice annually).
- f) Historic Firm Flow Calculation -- compile reservation set based on Freeze Date; compile designated resources based on Freeze Date; calculate Historic Firm Flow Values and Ratios for all coordinated flowgates on both LG&E/KU's system and adjoining systems (Bi-annual).
- g) Develop reciprocal coordination agreements that establish how each Operating Entity will consider its own flowgate or constraint usage as well as the usage of other Operating Entities when it determines the amount of flowgate or constraint capacity remaining. This process will include both operating horizon determination as well as forward looking capacity allocation.
- h) Implement AFC Process -- determine AFC attribute requirements; obtain NNL Impact Data; implement Allocation Calculation Process; implement ASTFC Process; implement AFC Calculation Process; implement CMP business rules for AFC vs. ASTFC.
- i) The Reliability Coordinator will provide LG&E/KU /designated Independent Transmission Organization the data necessary to analyze requests for new transmission service, including Transmission Distribution Factors, flowgate attribute information and flowgate allocations on an hourly basis. (Note: This does not include the software required to analyze new transmission service requests. This software would be required for full participation in the JRCA.)

Planning Coordinator:

As part of its Functions, the Reliability Coordinator will act as the Planning Coordinator and will ensure a long-term (one year and beyond) plan is available for adequate resources and transmission within the Area. The Reliability Coordinator will integrate and assess the plans from the Transmission Planners and Resource Planners within the PC Area to ensure those plans meet the reliability standards, and coordinate the development of recommended solutions to plans that do not meet those standards.

- a) Integrate transmission and resource (demand and capacity) system models from PC Area operating entities to evaluate transmission system performance and resource adequacy.
- b) Apply methodologies and tools to assess and analyze the transmission systems expansion plans and the resource adequacy plans.
- c) Collect all information and data required for modeling and evaluation purposes.
- d) Review the Independent Transmission Organization analysis of customer requests for interconnection and transmission service.
- e) Review the Independent Transmission Organization TTC values (one year and beyond) as appropriate.
- f) Coordinate a PC Area expansion plan review and communication with key stakeholders.
- g) Coordinate the integration of PC Area plans with neighboring PA/PCs to provide a broad multi-regional transmission plan.

**ATTACHMENT B
TO THE RELIABILITY COORDINATOR AGREEMENT**

LIST OF KEY PERSONNEL

[To be provided by TVA]

Exhibit B

WITHDRAWAL AGREEMENT

This WITHDRAWAL AGREEMENT (this "Agreement") is entered into this [___]th day of January, 2006, between Louisville Gas and Electric Company and Kentucky Utilities Company, corporations organized pursuant to the laws of the State of Kentucky (collectively, "LG&E"), and the Midwest Independent Transmission System Operator, Inc., a non-profit, non-stock corporation organized pursuant to the laws of the State of Delaware (the "Midwest ISO"). LG&E and the Midwest ISO may sometimes be referred to herein individually as a "Party" and collectively as the "Parties."

WHEREAS, LG&E owns, among other things, an integrated electric transmission system (the "Transmission System"), over which the Midwest ISO currently provides open access transmission service to customers in the LG&E Control Area (as defined in Section 1.6 of LG&E's Open Access Transmission Tariff, filed with the Federal Energy Regulatory Commission (the "Commission") on October 7, 2005 (the "OATT")); and

WHEREAS, LG&E is currently a member of the Midwest ISO and a signatory to the Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc. (the "Midwest ISO Agreement"); and

WHEREAS, LG&E has a contractual right under the Midwest ISO Agreement to withdraw from the Midwest ISO and the Midwest ISO Agreement pursuant to Article Two, Section X.D of such Midwest ISO Agreement, and pursuant to the procedures provided for in Article Five of the Midwest ISO Agreement; and

WHEREAS, on December 28, 2004, LG&E provided the Midwest ISO with notice required under Article Five, Section I of the Midwest ISO Agreement to allow LG&E to withdraw from the Midwest ISO as of December 31, 2005, or thereafter, subject to the appropriate regulatory approvals; and

WHEREAS, LG&E has sought permission from the Kentucky Public Service Commission and the Commission (collectively, the "Regulatory Authorities") to withdraw from the Midwest ISO; and

WHEREAS, in the event the Regulatory Authorities grant approval for LG&E to withdraw upon terms acceptable to LG&E and LG&E continues the process to withdraw from the Midwest ISO, the Parties seek to memorialize the terms and conditions of LG&E's withdrawal from the Midwest ISO.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I DEFINITIONS

1.1 Unless otherwise defined herein, capitalized terms used in this Agreement shall have the meanings ascribed to them below:

“Agreement” has the meaning given to such term in the recitals.

“Application” means LG&E’s application to the Commission in Docket Nos. ER06-20-000 and EC06-4-000 dated October 7, 2005.

“Business Day” means all days except Saturdays, Sundays and days on which banks in the State of Delaware are authorized or required by applicable law to close.

“Claim” means any and all claims, damages, liabilities, demands, obligations, penalties, fines, losses and judgments, whether based on law, contract, tort or other grounds, whether absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured, and whether at law or in equity.

“Commission” has the meaning given to such term in the recitals.

“Conditional Firm Transmission Service” means firm transmission service in which a customer funds transmission upgrades necessary to accommodate the requested level of firm service.

“Credit Fee” has the meaning given to such term in Section 3.2.

“Dispute” has the meaning given to such term in Section 5.1(a).

“LG&E” has the meaning given to such term in the preamble.

“Midwest ISO Agreement” has the meaning given to such term in the recitals.

“OATT” has the meaning given to such term in the recitals.

“Party” or “Parties” has the meaning given to such terms in the preamble.

“Person” means a corporation, a partnership, a limited liability company, an association, a joint-stock company, a trust, an unincorporated organization or any government or political subdivision thereof.

“RDMP” has the meaning given to such term in Section 3.3.

“Regulatory Authorities” has the meaning given to such term in the recitals.

“Representatives” means, in respect of a Party, the officers, directors, employees, agents, advisors or representatives of such Party.

“Transition Plan” has the meaning given to such term in Section 3.8.

“Transmission System” has the meaning given to such term in the recitals.

“True Up Fee” has the meaning given to such term in Section 3.1(c).

“Withdrawal Date” has the meaning given to such term in Section 3.9.

“Withdrawal Fee” has the meaning given to such term in Section 3.1(a).

1.2 Rules of Interpretation and Construction.

(a) Interpretation. In this Agreement, unless a clear contrary intention appears:

- (i) the singular number includes the plural number and vice versa;
- (ii) reference to any Person includes such Person’s successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;
- (iii) reference to either gender includes the other gender;
- (iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified from time to time in accordance with the terms thereof;
- (v) reference to any law means such law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any law means that provision of such law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or re-enactment of such section or other provision;
- (vi) reference to any preamble, recital, Article, Section of or Attachment to this Agreement means such Article or Section thereof or preamble, recital or Attachment thereto;
- (vii) “hereunder”, “hereof”, “hereto” and words of similar import shall be deemed references to this document as a whole and not to any particular Article, Section or other provision thereof; and

(viii) “including” (and with the correlative meaning “include”) means including without limiting the generality of any description preceding such term.

(b) Legal Representation of the Parties. This Agreement was negotiated by the Parties with the benefit of legal representation, and any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any Party as the drafter shall not apply to any construction or interpretation thereof.

(c) Payments. All payments permitted or required to be made by or on behalf of the Parties under the terms of this Agreement shall be made to the account or accounts designated by the Party to which the payment is owed, by wire transfer, in immediately available funds in the lawful currency of the United States.

ARTICLE II EFFECTIVENESS; NO ACTIONS AGAINST AGREEMENT

2.1 Effectiveness. The Parties acknowledge and agree that:

(a) Articles II and V and Section 3.1(a) (including any defined terms from Article I referenced in Articles II and V and Section 3.1(a)) shall be effective, and the rights and obligations of the Parties under Articles II and V and Section 3.1(a) (including any defined terms from Article I referenced in Articles II and V and Section 3.1(a)), shall be binding upon the Parties, in each case, as of the date of this Agreement; and

(b) Article III (other than Section 3.1(a)) (including any defined terms from Article I referenced in Article III (other than Section 3.1(a))) shall be effective, and the rights and obligations of the Parties under Article III (other than Section 3.1(a)) (including any defined terms from Article I referenced in Article III (other than Section 3.1(a))), shall be binding upon the Parties, in each case, as of the Withdrawal Date.

2.2 No Actions Against this Agreement. Each of the Parties agrees that it shall not initiate or pursue, directly or indirectly, any claim, action or proceeding of any kind challenging the validity or enforceability of this Agreement or the substance of any of the provisions of this Agreement. Notwithstanding anything to the contrary in this Section 2.2, participation as to matters at issue in Docket No. EC06-4-000 and Docket No. ER06-20-000 or any other proceeding before the Regulatory Authorities beyond the matters covered in this Agreement, will not constitute a violation of this Section 2.2; provided, however, that nothing in this sentence shall permit either of the Parties to challenge, directly or indirectly, that the Withdrawal Fee Methodology attached hereto as Attachment A is incomplete or does not satisfy Article Five, Section II B of the Midwest ISO Agreement.

ARTICLE III WITHDRAWAL

3.1 Withdrawal Fee.

(a) On or before the Withdrawal Date, the Midwest ISO shall deliver to LG&E a written statement setting forth the withdrawal fee (the “Withdrawal Fee”) calculated in accordance with a methodology accepted by the Commission (the “Withdrawal Fee Methodology”), together with reasonable supporting information as to the inputs to and calculation of the Withdrawal Fee. The Parties acknowledge and agree that the Withdrawal Fee Methodology attached hereto as Attachment A is complete and satisfies Article Five, Section II B of the Midwest ISO Agreement.

(b) No later than ten (10) Business Days after delivery of the written statement setting forth the Withdrawal Fee pursuant to Section 3.1(a), LG&E shall pay, subject to its rights in Section 3.1(e), to the Midwest ISO the Withdrawal Fee; provided, however, that in no event shall LG&E be obligated to pay the Withdrawal Fee before the Withdrawal Date.

(c) On or before the date which is thirty (30) calendar days after the Withdrawal Date, the Midwest ISO shall deliver to LG&E a written statement of the Withdrawal Fee true up calculated in accordance with the provisions of the Withdrawal Fee Methodology (the “True Up Fee”), together with reasonable supporting information as to the inputs to and calculation of the True Up Fee. No later than thirty (30) calendar days after delivery to LG&E of the statement of the True Up Fee, LG&E or the Midwest ISO, as the case may be, shall pay, subject to its rights in Section 3.1(e), to the other Party the True Up Fee.

(d) The Midwest ISO agrees to make available to LG&E, its accountants and other advisers, such information with respect to the inputs to and calculation of the Withdrawal Fee and True Up Fee as LG&E may reasonably request for the sole purpose of confirming same.

(e) Any dispute between the Parties as to the inputs to or the calculation of the Withdrawal Fee or the True Up Fee shall be resolved pursuant to Section 5.1(a).

3.2 Deferred Revenue Balance. The Parties acknowledge and agree that the Withdrawal Fee Methodology will exclude deferred revenue arising from the Schedule 10 credits afforded to Commonwealth Edison after its withdrawal from the Midwest ISO. On or before February 1st of each calendar year (commencing in the calendar year immediately following the calendar year in which the Withdrawal Date occurs), the Midwest ISO shall deliver to LG&E a written statement of LG&E’s proportionate share of such Schedule 10 credits (the “Credit Fee”), together with reasonable supporting information as to the inputs to and calculation of the Credit Fee. No later than ten (10) Business Days after delivery to LG&E of the statement of the Credit Fee, LG&E shall pay, subject to its rights to dispute the inputs to or calculation of the Credit Fee pursuant to Section 5.1(a), to the Midwest ISO the Credit Fee.

3.3 Users Held Harmless. In satisfaction of the requirements of Article Five, Section II.A of the Midwest ISO Agreement, LG&E will implement the Rate De-Pancaking Maintenance

Plan (“RDMP”) described in Attachment B in accordance with the terms and conditions thereof, as the same may be modified by a final order of the Commission, and any other obligations, provisions, terms and conditions as may be required by a final order of the Commission. Nothing in this Section 3.3 is intended to preclude parties in Docket No. EC06-4-000 and Docket No. ER06-20-000 from raising issues regarding the obligations of LG&E under Article Five, Section II A of the Midwest ISO Agreement.

3.4 Existing Obligations. In satisfaction of the requirements under Article Five, Section II.B of the Midwest ISO Agreement, LG&E shall pay to the Midwest ISO the Withdrawal Fee and the True Up Fee in accordance with Section 3.1. Payment of the fees called for in Section 3.1 shall satisfy LG&E’s financial obligations to the Midwest ISO under Article Five, Section II.B of the Midwest ISO Agreement. The Parties agree that they will honor all payments to one another applicable to time periods prior to the Withdrawal Date pursuant to the Midwest ISO Agreement.

3.5 Construction of Facilities. In satisfaction of the requirements under Article Five, Section II.C of the Midwest ISO Agreement, LG&E agrees to construct the new facilities on its system identified in the Midwest ISO Transmission Expansion Plan 2005, which are shown on Schedule 3.5 attached hereto. LG&E agrees to construct new facilities or facility upgrades on its system called for in generator interconnection agreements that are filed with the Commission prior to the Withdrawal Date or relating to Conditional Firm Transmission Service requests where those requests have been accepted or counter-offered by the Midwest ISO. As of the date of this Agreement, those facilities are likewise shown on Schedule 3.5 attached hereto. Other than as provided for in this Section 3.5, the Parties agree that LG&E will have no further obligations in respect of the construction of new facilities pursuant to an approved plan of the Midwest ISO or otherwise in connection with providing transmission service. Nothing in this Section 3.5 precludes an obligation to construct facilities arising from an order of a court or regulatory authority having jurisdiction over the subject matter, or from any requirement or standard related to safety duly promulgated by NERC or its successor organization.

3.6 Other Obligations. The Parties agree that, as of the Withdrawal Date, LG&E and the Midwest ISO shall not have any obligations which need to be renegotiated pursuant to the requirements under Article Five, Section II.D of the Midwest ISO Agreement. It is the intent of the Parties that the Transition Plan address the scope of “Other obligations” covered by Article Five, Section II.D of the Midwest ISO Agreement.

3.7 Credits. LG&E will receive credits against the amounts owed for post-withdrawal transmission services provided by the Midwest ISO to LG&E up to an amount not to exceed the Withdrawal Fee, as adjusted by the True Up Fee. Such credits will be applied only against the amount LG&E pays for transmission services prior to April 1, 2016, and only with respect to the fixed cost component of Schedule 10, 16 and 17 rates. Such credits shall be determined according to the methodology contained in the Midwest ISO OATT and administered through an alternative Administrative Cost Adder described in Attachment C.

3.8 Transition Plan. LG&E and the Midwest ISO will implement the transition plan attached hereto as Attachment D (the “Transition Plan”) as expeditiously as practicable in order

to facilitate LG&E acquiring operational control of the Transmission System at the earliest possible time after the Withdrawal Date, all in accordance with the terms and conditions of the Transition Plan. If LG&E accepts conditions imposed by the Commission in a final order which substantially alter the terms of the Transition Plan, then LG&E agrees to reimburse the Midwest ISO for the any reasonable costs incurred by Midwest ISO to develop and implement such altered terms of the Transition Plan; provided, however, that LG&E shall retain its right to contest any such costs before the Commission.

3.9 Withdrawal Date. LG&E's withdrawal from the Midwest ISO and the Midwest ISO Agreement shall be effective on the date (the "Withdrawal Date") the Commission designates as the effective date for LG&E's withdrawal from the Midwest ISO and the Midwest ISO Agreement in its order accepting for filing LG&E's Application. Subject to the satisfaction of LG&E's obligations in Article III, the Midwest ISO agrees that all of the requirements under the Midwest ISO Agreement for withdrawal by LG&E from the Midwest ISO and the Midwest ISO Agreement have been satisfied.

3.10 Reversal of Commission's Order Accepting for Filing LG&E's Application.

(a) If, after the Withdrawal Date, the Commission's order accepting for filing LG&E's Application is reversed, then if and when LG&E rejoins the Midwest ISO, the Midwest ISO shall repay to LG&E the Withdrawal Fee, as adjusted by the True Up Fee, together with interest calculated in accordance with Section 3.10(b), net of any amounts paid to LG&E with respect to credits pursuant to Section 3.7, not later than thirty (30) Business Days following receipt of written demand therefor by LG&E. Effective upon such repayment in full, this Agreement shall automatically terminate and be of no further force and effect, except for the provisions of Article IV which shall survive termination of this Agreement.

(b) For purposes of this Agreement, interest shall be calculated based on the rate actually earned by the Midwest ISO.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

Each Party represents and warrants to the other Party as of the date of this Agreement as follows:

(a) it is duly organized, validly existing, and in good standing under the laws of the jurisdiction where it was organized.

(b) Subject to any necessary approvals by federal or state regulatory authorities, it has all necessary limited liability company or corporate power and authority to execute, deliver and perform its obligations under this Agreement, and the execution, delivery and performance by it of this Agreement have been duly authorized by all necessary limited liability company or corporate action on its part.

(c) The execution, delivery and performance by it of this Agreement do not and shall not: (i) violate its organizational documents; (ii) violate any law or government approval applicable to it; or (iii) result in a breach of or constitute a default of any material agreement to which it is a party.

(d) Assuming the due authorization, execution and delivery of this Agreement by the other Party, this Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, or other similar laws affecting the enforcement of creditor's rights generally, and by general principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.

(e) Except as disclosed in writing to the other Party, there is no action, suit or proceeding at law or in equity now pending or, to its knowledge, threatened in writing against it before or by any federal, state, foreign or local court, tribunal or governmental agency or authority that might materially delay, prevent or hinder the performance by it of its obligations hereunder or that might have a material adverse effect on the other Party.

ARTICLE V MISCELLANEOUS

5.1 Dispute Resolution.

(a) Any controversy, claim or dispute of whatsoever nature or kind between the Parties arising out of or in connection with this Agreement or its validity or interpretation (each a "Dispute") shall be resolved pursuant to the procedures of this Section 5.1.

(b) If a Dispute arises between the Parties, then either Party may provide written notice thereof to the other Party, including a detailed description of the subject matter of the Dispute (the "Dispute Notice").

(c) Within ten (10) Business Days following the date of the Dispute Notice, the most senior executive responsible for the subject matter of the Dispute from each Party shall meet and in good faith attempt to resolve such Dispute. If the senior executives are unable to resolve the Dispute within ten (10) Business Days of meeting or such later date as the senior executives may mutually agree, then the Dispute shall be referred to the Commission for ultimate resolution.

5.2 Governing Law. This Agreement shall be interpreted, construed, and governed by the laws of the State of Delaware, except to the extent preempted by the laws of the United States.

5.3 Notices. Unless otherwise expressly provided for in this Agreement, all communications and notices to a Party in connection with this Agreement shall be in writing or by facsimile, and any such communications or notices shall become effective (a) upon personal delivery thereof, including, by overnight mail or next Business Day or courier service, (b) in the

case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, (c) in the case of notice by facsimile, upon transmission thereof, provided that in addition to such transmission a confirmation copy of the notice is also provided promptly by either of the methods set forth in clause (a) or (b) above. All notices provided by the means described in clauses (a), (b) or (c) above shall be addressed as provided below, or to such other address as either Party may designate by written notice to the other Party in accordance with this Section 5.3.

If to the Midwest ISO:

Midwest Independent Transmission System Operator, Inc.
Attention: General Counsel
701 City Center Drive
Carmel, IN 46032
Facsimile: 317-249-5912

If to LG&E:

Louisville Gas and Electric Company
Attention: Mark Johnson
119 North 3rd Street
Louisville, Kentucky 40202
Facsimile: (502) 627-4716

and

Kentucky Utilities Company
Attention: Mark Johnson
119 North 3rd Street
Louisville, Kentucky 40202
Facsimile: (502) 627-4716

5.4 Amendments. This Agreement may not be amended, supplemented or otherwise modified, other than pursuant to an instrument or instruments in writing executed by the Parties.

5.5 Successors and Assigns. This Agreement shall inure to the benefit of, and be binding upon, each of the Parties and their respective successors and permitted assigns. Except as provided in this Section 5.5, neither Party shall be permitted, by operation of law or otherwise, to assign, transfer, convey or otherwise dispose of in any manner, directly or indirectly, all or any part of its rights, obligations and interest in this Agreement to another Person without the approval of the other Party. Either Party shall be permitted, without the approval of the other Party, to assign, transfer, convey or otherwise dispose of all or any part of its rights, obligations and interest in this Agreement to a Person who has acquired all or substantially all of the Party's facilities by reason of a merger, consolidation, reorganization, sale, spin-off, foreclosure or otherwise.

5.6 No Implied Waivers. The failure of a Party to insist upon or enforce strict performance of any of the specific provisions of this Agreement at any time shall not be construed as a waiver or relinquishment to any extent of such Party's right to assert or rely upon any such provisions, rights or remedies in that or any other instance, or as a waiver to any extent of any specific provision of this Agreement; rather the same shall be and remain in full force and effect.

5.7 Renegotiation. If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, then the Parties shall endeavor in good faith to implement such amendment or amendments to this Agreement as will fully comply with the requirements of such court or regulatory authority and as will restore the relative benefits and obligations of the Parties under this Agreement immediately prior to such holding, modification or condition.

5.8 Third-Party Beneficiaries. None of the provisions of this Agreement are intended for the benefit of any Person other than the Parties, their respective successors and permitted assigns.

5.9 Good Faith Efforts. Each Party agrees that it shall in good faith promptly take all reasonable actions necessary to permit such Party to fulfill its obligations under this Agreement. Where the consent, agreement or approval of any Party must be obtained hereunder, such consent, agreement or approval shall not be unreasonably withheld, conditioned or delayed. Where any Party is required or permitted to act, or omit to act, based on its opinion or judgment, such opinion or judgment shall not be unreasonably exercised.

5.10 Descriptive Headings. The descriptive headings of Articles, Sections and other provisions of this Agreement have been inserted for convenience or reference only and will not define, modify, restrict, construe or otherwise affect the construction or interpretation of any of the provisions of this Agreement.

5.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the Parties has caused its duly authorized representative to execute this Withdrawal Agreement as of the date first above written.

MIDWEST INDEPENDENT TRANSMISSION
SYSTEM OPERATOR, INC.

By: _____
Name:
Title:

LOUISVILLE GAS AND ELECTRIC COMPANY

By: _____
Name:
Title:

KENTUCKY UTILITIES COMPANY

By: _____
Name:
Title:
:

ATTACHMENT A

WITHDRAWAL FEE METHODOLOGY

Basis for Withdrawal Fee Calculation

Article Five, Section II (B) of the Midwest ISO Agreement reads as follows:

“All financial obligations incurred and payments applicable to time periods prior to the effective date of such withdrawal shall be honored by the Midwest ISO and the withdrawing Owner.”

The financial obligations incurred as of the Withdrawal Date will primarily be the liabilities on the Midwest ISO's balance sheet of its financial statements as of the Withdrawal Date as well as the liabilities disclosed in the footnotes to such financial statements.

LG&E shall be responsible for a pro rata share of financial obligations based on the ratio of its billing determinants to the total of all other billing determinants. The final allocation of financial obligations to LG&E shall be based on twelve months of billing determinants preceding the Withdrawal Date.

A preliminary forecast of the Withdrawal Fee shall be prepared using actual data as of August 31, 2005. Given that less than twelve months of historical billing determinants will be available for Schedule 16 and Schedule 17 of the Midwest ISO Tariff the Parties agree to use the actual billing determinants for the five month period April 1, 2005 through August 31, 2005 as the basis for the preliminary forecast of the Withdrawal Fee.

A true up calculation shall occur thirty (30) business days after the Withdrawal Date to account for the substitution of actual financial obligations as of the Withdrawal Date and the actual billing determinant information for the twelve months preceding the Withdrawal Date in lieu of the financial obligations and billing determinants used for the preliminary forecast of the Withdrawal Fee.

Financial Obligations – Withdrawal Fee Calculation

The financial obligations of the Midwest ISO shall be taken from the balance sheet of its financial statements as of the Withdrawal Date and shall include all liabilities disclosed in the footnotes to such financial statements. The liabilities on the balance sheet to be used in the calculation of the financial obligations as of the Withdrawal Date shall be those recorded as Long-Term Liabilities as well as any current portion of a liability included as part of Long-Term Liabilities. The financial obligations calculation shall include all capital lease and operating lease obligations incurred as of the Withdrawal Date. Such obligations have payments that extend into the period of time after the Withdrawal Date. The financial obligations shall also include all interest payments owed until maturity on

all debt outstanding as of the Withdrawal Date as well as all interest payments owed until maturity on all capitalized lease obligations outstanding as of the Withdrawal Date.

The Midwest ISO will credit the total of all financial obligations outstanding as of the Withdrawal Date with the balance in its Cash and Cash Equivalents account as of the Withdrawal Date.

The calculation described in this section yields an outcome that is consistent with the withdrawal obligations described in the Schedule 10, Schedule 16 and Schedule 17 of the Midwest ISO Tariff under the heading “Payments Applicable to Withdrawing Entities”. To illustrate, the withdrawal obligations in Schedule 16 include Deferred Schedule 16 Costs, undepreciated capital expenditures and financing costs associated with the Service (collectively, “Unrecovered Schedule 16 Costs”). This is because the Midwest ISO finances capital expenditures and regulatory assets with debt and collects funds to repay outstanding debt principal from the depreciation charges and amortization charges included on the cost recovery adder. Similar obligations are contained in Schedule 10 and Schedule 17. The example below illustrates the equivalent outcome.

Assume the Midwest ISO borrows \$100 million to finance \$75 million in capital expenditures and \$25 million of pre-operating costs. Further assume the Midwest ISO recovers these costs over a five-year period of time through depreciation and amortization charges, respectively. After three years the Midwest ISO would have recovered \$45 million in cost through depreciation charges and \$15 million through amortization charges. The balance of unrecovered costs would be \$40 million.

Under the Withdrawal Fee calculation described above the financial liability on the books of the Midwest ISO would be \$100 million in outstanding debt offset by \$60 million in cash and cash equivalents. The net financial obligation would therefore be \$40 million. The end result is the same under both methodologies.

However, the total financial obligations extend beyond the \$40 million in this illustrative example because the calculations above did not include the obligation to make interest payments over the life of the debt outstanding as of the Withdrawal Date.

Financial Obligations – Adjustments

The Withdrawal Fee calculation described above is the general approach. Implementation of this general approach will require separation of the financial obligations into three categories: (1) Schedule 10 financial obligations, (2) Schedule 16 financial obligations, and (3) Schedule 17 financial obligations. This separation is necessary because the ratio of LG&E’s billing determinants to all other billing determinants under Schedule 10 will be different than its ratio for Schedule 16 and its ratio for Schedule 17.

Calculation Details

The long-term liabilities of the Midwest ISO disclosed on the balance sheet consist of:

- Accrued Liabilities
- Capitalized Leases, Net of Current Portion
- Deferred Revenue
- Notes Payable

The current portion of capitalized leases will need to be added to the total of the long-term liabilities for the purposes of the Withdrawal Fee calculation to obtain the total obligation outstanding as of the Withdrawal Date.

Notes Payable (e.g., debt) is allocated to Schedule 10, Schedule 16 and Schedule 17 per the provisions of Schedule 16 and Schedule 17 of the Midwest ISO Tariff. The allocation of principal and interest by debt instrument is specified under Variable A.5 of Schedule 16 and Schedule 17. Any debt not allocated to Schedule 16 or Schedule 17 is by definition allocated to Schedule 10.

Capitalized Leases, including the current portion, are associated with specific assets and will be allocated based on the allocation of these assets to Schedule 10, Schedule 16 and Schedule 17. Deferred Revenue is associated with the Illinois Power Settlement accepted by the Commission and is allocated exclusively to Schedule 10. Accrued Liabilities will be allocated one half to Schedule 10 and one half to Schedule 17.

Financial obligations disclosed in the footnotes of the Midwest ISO's financial statements include operating lease obligations and interest payments on outstanding debt obligations. The interest payment obligation is allocated as noted above. Operating lease obligations are associated with specific assets and will be allocated based on the allocation of these assets to Schedule 10, Schedule 16 and Schedule 17.

Given that the Withdrawal Fee is to be paid in full as a condition of withdrawal, the Midwest ISO will earn interest on the funds received to pay the Withdrawal Fee. As such, there is a timing difference between when LG&E pays that portion of the Withdrawal Fee associated with interest and lease obligations and when those obligations are due and payable. To account for this timing difference the Midwest ISO will discount the future interest and lease obligations using discount rate equal to the average rate earned on the Midwest ISO's investment account funds over the three-month period prior to the Withdrawal Date.

Cash and Cash Equivalents will be allocated to Schedule 10, Schedule 16 and Schedule 17 in proportion to the allocation of debt to these schedules.

ATTACHMENT B

DE-PANCAKING MAINTENANCE PLAN

LG&E seeks to ensure that their withdrawal from the Midwest ISO and its institution of an Independent Transmission Organization and a Reliability Coordinator is consistent with the Commission's goal of eliminating transmission rate pancaking. LG&E is also cognizant of the fact that, under Article Five, Section II.A of the Midwest ISO Agreement, its withdrawal from the Midwest ISO must not adversely impact existing transmission customers and must hold existing customers harmless from any changes in rates, terms or conditions of existing transmission service. Accordingly, LG&E has proposed a Rate De-Pancaking Maintenance Plan ("RDMP"), in order to ensure that customers continue to enjoy the same de-pancaked rates which currently are in effect between LG&E's zone, the Midwest ISO and the PJM Interconnection. The RDMP proposes to preserve the *status quo* regarding pancake elimination by implementing a system that mirrors the de-pancaked transmission protocols of the Midwest ISO and PJM. Through this commitment, LG&E seeks to ensure that there are as few economic seams between their system and Midwest ISO/PJM as possible.

In this regard, LG&E will provide point-to-point ("PTP") transmission on their system on a "drive through," "drive in" or "drive out" basis – for service between LG&E's system and points within the existing Midwest ISO and PJM systems, as well as through LG&E's system – on a comparable basis, without the imposition of pancaked base transmission rates for virtually all wheels. LG&E proposes several exceptions to this generally applicable rate mechanism which are intended to avoid gaming, as noted below. LG&E will also provide and facilitate network service between points of receipt and points of delivery on LG&E's system and on the Midwest ISO and PJM systems. LG&E refers to such point-to-point and network service provided under the RDMP as "Reciprocity Firm."¹

LG&E proposes that existing transmission arrangements – both existing Midwest ISO Tariff transmission contracts and GFAs – will enjoy the same service and pricing that such customers receive today. This fact will be true for service which "traverses" LG&E's system and the Midwest ISO/PJM, as well as network and point-to-point arrangements "within" LG&E's transmission system. For new service (*i.e.*, contracts entered into after the Withdrawal Date), LG&E proposes the same de-pancaked service under the RDMP as would be effective today with the exceptions noted below. LG&E's new OATT submitted with LG&E's Application reflects the RDMP proposal described above.

Importantly, LG&E will provide Reciprocity Firm service subject to the Midwest ISO and PJM agreeing that LG&E will receive comparable treatment under the Midwest ISO and PJM tariffs for sales into, through and out of the Midwest ISO and PJM, respectively. In

¹ For new Reciprocity Firm service initiated after the effective date of the proposed rates, LG&E reserves the right to charge the costs of expansion (where applicable) and losses, in accordance with the OATT. Where applicable, customers would bear the costs of expansion, even if base transmission charges would be waived for such a Reciprocity Firm transaction. LG&E believes such expansion charges, where applicable, are reasonable. It would be inequitable, for example, to ask network customers to bear expansion costs, while at the same time providing Reciprocity Firm customers point to point service for free.

LG&E's discussions with the Midwest ISO, the Midwest ISO has not objected to continuing the de-pancaked rate protocol. As with the current pricing protocols in the Midwest ISO and PJM, LG&E will charge customers for transactions that sink in the LG&E's system or are transmitted wholly "within" LG&E's system.

Under the RDMP, rate pancaking will be eliminated to the same extent and over the same territory as is the case today, with one exception. LG&E propose to charge their applicable PTP rate for transactions that: (i) source within or outside of the Super Region;² (ii) sink outside of the Super Region; and (iii) require (x) a withdrawal point scheduled at an interconnection between LG&E and a non-Super Region system (*e.g.*, sink TVA, or sink Duke) or (y) require transmission service through LG&E's control area. LG&E's charging of a PTP rate for these transactions is reasonable because, if LG&E were to remain in Midwest ISO, the Midwest ISO "through and out" rate would be charged for such transactions. LG&E believes that if their PTP rate is not charged for such transactions, the elimination of an "out" charge at LG&E's buses with interconnected utilities (*e.g.*, TVA, Duke) could significantly increase the possibility of gaming.³

² "Super Region" is defined as the Midwest ISO/PJM footprint.

³ Alternatively, if the Commission does not believe that such charges are appropriate, LG&E would be willing to charge the Midwest ISO out rate at its bus with non-Super Region control areas as long as LG&E receive their appropriate share of revenues from such service.

Source	Sink	Customer Pays	Base Transmission Rate Pancaking Today	Base Transmission Rate Pancaking Under RDMP
LG&E/KU	Midwest ISO/PJM	Midwest ISO/PJM applicable zonal transmission rate (at point-of-delivery)	No	No
Midwest ISO/PJM	LG&E/KU	LG&E/KU zonal rate	No	No
LG&E/KU	Control Area other than Midwest ISO or PJM (where no service involving Midwest ISO/PJM is required and withdrawal point is LG&E/KU-non-Super Region bus)	LG&E/KU zonal rate + applicable sink control area rate	Midwest ISO “out rate” applies + applicable non- Super Region sink control area rate	LG&E/KU zonal rate applies + applicable sink control area rate (LG&E/KU zonal rate “replaces” Midwest ISO “out” rate)
Control Area other than Midwest ISO or PJM (e.g., TVA)	LG&E/KU (where no service involving Midwest ISO/PJM is required, and injection point is LG&E/KU-non-Super Region bus)	Applicable control area rate + LG&E/KU zonal rate	Yes	Yes
LG&E/KU	Control Area other than Midwest ISO or PJM (where withdrawal point is Midwest ISO/PJM bus with non-Super Region control area that is not interconnected to LG&E, e.g., IMO)	Applicable non-Super Region control area sink rate + Midwest ISO “Through and Out” rate	No. Midwest ISO “through and out rate” applies	No. Midwest ISO “through and out rate” applies
Control Area other than Midwest ISO or PJM (e.g., IMO)	LG&E/KU (where service through Midwest ISO/PJM is required)	Applicable non-Super Region control area rates + LG&E/KU zonal rate	Yes	Yes

Control Area other than Midwest ISO or PJM (e.g., IMO)	Control Area other than Midwest ISO or PJM (where service through Midwest ISO/PJM is required and withdrawal point is LG&E/KU-non-Super Region bus)	Applicable non-Super Region control area rates + Midwest ISO “Through and Out” rate + LG&E/KU PTP rate	Midwest ISO “through and out rate” applies	Midwest ISO “through and out rate” and LG&E/KU zonal rate applies (to avoid gaming)
Midwest ISO/PJM	Control Area other than Midwest ISO or PJM requiring service through LG&E/KU (i.e., where non-LG&E/KU path is unavailable)	Applicable MISO/PJM Through and Out Rate	No	No
Midwest ISO/PJM	Control Area other than Midwest ISO or PJM that does not require service through LG&E/KU (i.e., where non-LG&E/KU path is available) but LG&E/KU path is still used	Applicable MISO/PJM Through and Out Rate + LG&E/KU PTP Rate	No	Yes, Customer has optional path where pancaking is not required. (prevents gaming)
Control Area other than Midwest ISO or PJM requiring service through LG&E/KU (i.e., where non-LG&E/KU path is unavailable)	Midwest ISO/PJM	Midwest ISO/PJM applicable zonal PTP base transmission rate (at point-of-delivery)	No	No
Control Area other than Midwest ISO or PJM that does not require service through LG&E/KU (i.e., where non-LG&E/KU path is available) but LG&E/KU path is still used	Midwest ISO	Midwest ISO/PJM applicable zonal PTP base transmission rate (at point-of-delivery) + LG&E/KU PTP Rate	No	Yes, Customer has optional path where pancaking is not required. (prevents gaming)

ATTACHMENT C

ALTERNATIVE ADMINISTRATIVE COST ADDER

[To be provided]

ATTACHMENT D
TRANSITION PLAN

Pursuant to Section 3.8 of the Agreement, the following sets forth the Transition Plan that will allow LG&E to acquire operational control of the Transmission System by the Withdrawal Date.

Actions to be completed sixty (60) days prior to Withdrawal Date (for effectiveness upon the Withdrawal Date, where applicable).

1. The Midwest ISO shall determine which LG&E facilities need to be removed from the Midwest ISO's Available Flowgate Capacity ("AFC") calculation.
2. The Midwest ISO and LG&E shall provide mutual assurances that all existing LG&E Network Service Agreements are appropriately transferred to LG&E (or its Independent Transmission Operator ("ITO")).
3. LG&E shall provide to the Midwest ISO a statement of intention regarding its status in the Midwest ISO market post-withdrawal, *i.e.*, with regard to LG&E's status as a "market participant," "balancing authority," and/or Transmission Provider.
4. The Midwest ISO shall eliminate LG&E from its financial transmission rights ("FTR") market and FTR model, except to the extent that other out-of-region assets and loads are reflected in such models.
5. The Midwest ISO shall model LG&E and all generator or load assets pertaining to LG&E in the Midwest ISO market model as a non-member system, and shall retain all associated bid and offer information as confidential information in the Midwest ISO database as, and for the duration, required by Commission regulations.

Actions to be completed forty-five (45) days prior to Withdrawal Date

1. The Midwest ISO and LG&E shall determine the impact on the Midwest ISO's and LG&E's rates and revenue distribution after the Withdrawal Date.
2. Notice of LG&E's withdrawal from the Midwest ISO shall be posted on the Midwest ISO's OASIS.

Actions to be completed thirty (30) days prior to Withdrawal Date

1. The Midwest ISO shall recalculate the Transfer Participation Factor ("TPF") matrix to reflect the withdrawal of LG&E as a Transmission Owner.

Actions to be completed fourteen (14) days prior to Withdrawal Date

1. LG&E's Reliability Coordinator and ITO will acknowledge readiness to assume responsibility for operation of the LG&E system.
2. LG&E shall confirm that its Reliability Coordinator and ITO are capable of calculating and honoring NNL and ATC for coordinated flowgates and reciprocal coordinated flowgates as required by the Congestion Management Process of the Joint Reliability Coordination Agreement among TVA, PJM and Midwest ISO.
3. LG&E's Reliability Coordinator and ITO will operate LG&E's system in parallel with the Midwest ISO.
4. The Midwest ISO shall transfer to LG&E's Reliability Coordinator and ITO all outage related information regarding the LG&E system extending beyond the Withdrawal Date.

Actions to be completed three (3) hours prior to Withdrawal Date

1. LG&E shall engage in self scheduling of all of its generation to meet its load. LG&E shall maintain information transparency regarding its generation dispatch for the Midwest ISO.

Actions to be completed by Withdrawal Date

1. The Midwest ISO shall remove all generator interconnection requests for units to be located on the LG&E system from the Midwest ISO queue, and shall transfer all relevant information to LG&E and the ITO.
2. The Midwest ISO shall transfer all transmission service requests related to grandfathered agreements to LG&E's ITO.
3. The Midwest ISO shall have made the appropriate FERC filings to revise all (a) electronic information; (b) agreements; (c) the OATT; and (d) corporate documents to reflect the withdrawal of LG&E.
4. The Midwest ISO shall revise all (a) electronic information (including information on the Midwest ISO's OASIS site); (b) agreements; (c) the OATT; and (d) corporate documents to reflect the withdrawal of LG&E.
5. The Midwest ISO shall terminate LG&E's Transmission Owner access from the appropriate electronic (and other) forums.
6. LG&E shall ensure that the NERC registry and book of flowgates is updated to reflect its new Reliability Coordinator and ITO.

7. LG&E will begin posting data related to settlements to the Midwest ISO's Physical Scheduling System ("PSS") as a non-Transmission Owner first-tier utility.

8. The Midwest ISO shall reflect LG&E's change from a Transmission Owner to a first-tier utility within the settlement system.

Actions to be completed thirty (30) days after Withdrawal Date

1. The Midwest ISO shall obtain all MISO-required LG&E Inter-Control Center Protocol ("ICCP") information from LG&E's Reliability Coordinator.

2. The Midwest ISO will continue to have access to LG&E's ICCP information directly from LG&E's data links until such time as the Midwest ISO and LG&E's Reliability Coordinator determine that there is no necessity to maintain the ICCP links. At such time, the Midwest ISO will remove all ICCP data links to LG&E.

SCHEDULE 3.5

CONSTRUCTION OF FACILITIES

MTEP 2005 new facilities:

Interconnection Agreement new facilities or facility upgrades:

Conditional Firm Service Transmission new facilities or facility upgrades:

For TSR 75052130

Loop the existing Ghent (LG&E)-Speed (Cinergy) 345kV line thru the Trimble County substation. (covered in the generation interconnection study)

Construct a 345kV line from Mill Creek to Hardin County.

Construct a 138kV line from West Lexington to Higby Mill.

Construct a 138kV line from West Frankfort to Tyrone.

Re-conductor the 138kV line from Ghent to Owen County Tap

Re-conductor the 138kV line from Hardin County to Etown.

Open the 69kV tie from Shelby County (EKPC) to Shelby County Tap (LG&E)

All prior to Trimble 2 going in service.

Exhibit C

ATTACHMENT M

AGREEMENTS BETWEEN THE TRANSMISSION OWNER,

THE INDEPENDENT TRANSMISSION ORGANIZATION

AND THE

RELIABILITY COORDINATOR

**INDEPENDENT TRANSMISSION ORGANIZATION
AGREEMENT**

BETWEEN

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND KENTUCKY UTILITIES COMPANY**

AND

SOUTHWEST POWER POOL, INC.

TABLE OF CONTENTS

Sections:

Section 1 - Scope of Functions; Standards of Performance.....2

 1.1 Functions.....2

 1.2 Coordination with Reliability Coordinator.....2

 1.3 Expansion.....2

 1.4 ITO Performance.....2

 1.5 LG&E/KU Performance.....2

Section 2 - Independence.....2

 2.1 ~~Key~~ **ITO**
 Personnel.....2

 2.2 Standards of Conduct Treatment.....3

Section 3 - Compensation, Billing and Payment.....3

3.1 Compensation.....3

3.2 Compensation After Termination.....3

3.3 Reimbursement of Fees.....4

3.4 Payments.....4

**Section 4 - Effective Date; Term; Termination; Termination Fees;
 Transition Services.....34 Assistance**

 4.1 Effective Date;
 Term.....34

 4.2 Mutually-Agreed
 Termination.....34

 4.3 Termination at End of
 Term.....34

4.4	Termination for Cause.....	4
4.4.1	Termination by Either Party.....	4
	(a) Material Failure or Default.....	4
	(b) Pattern of Failure.....	<u>45</u>
	(c) Gross Negligence, Willful Misconduct or Fraud.....	<u>45</u>
	(d) Material Misrepresentation.....	<u>45</u>
	(e) Bankruptcy.....	<u>4-5</u>
	(f) Dissolution.....	<u>45</u>
	<u>(g) Failure to Negotiate Amendment.....</u>	<u>5</u>
	<u>(h) Regulatory Changes/Modifications.....</u>	<u>5</u>
	<u>(i) Extended Force Majeure.....</u>	<u>5</u>
4.4.2	Termination by LG&E/KU.....	<u>45</u>
4.5	FERC Approval.....	<u>56</u>
4.6	Return of Materials.....	<u>56</u>
4.7	Survival.....	<u>56</u>
4.8	Transition Assistance Services.....	<u>56</u>

4.8.1 Transition Assistance
Period.....56

4.8.2 Transition Assistance
Services.....56

~~4.8.3~~ ~~4.8.3 Key~~ITO
Personnel.....56

Section 5 - Data Management.....56

5.1 Supply of
Data.....56

5.2 Property of Each
Party.....67

5.3 Data
Integrity.....67

5.4
Confidentiality.....67

Section 6 - ~~Intellectual Property~~.....6
Intellectual Property.....7

6.1 Pre-Existing Intellectual
Property.....67

6.1.1
Exclusion.....67

6.2 Jointly-Owned Intellectual
Property.....68

6.3 ITO Retained
Rights.....78

6.4 LG&E/KU Retained
Rights.....78

6.5 ITO Non-Infringement;
Indemnification.....79

6.6 LG&E/KU Non-Infringement;
Indemnification.....89

Section 7 - Liability and
Indemnification.....910

7.1 LG&E/KU Indemnification by the
Parties.....910

7.2 ITO
Indemnification.....10

7.3 No Consequential
Damages.....910

~~7.3~~ 7.4 Cooperation Regarding
Claims.....910

7.5 Stakeholders Management
Meetings.....11

Section 8 - Contract Managers; Dispute
Resolution.....1011

8.1 LG&E/KU Contact
Manager.....1011

8.2 ITO Contract
Manager.....1011

8.3 Resolution of
Disputes.....1011

8.3.1 Notice of
Dispute.....1012

8.3.2 Dispute Resolution by Contract
Managers.....1012

8.3.3 Dispute Resolution by Executive Management
Representatives.....1012

8.3.4 Dispute Resolution by
Mediation.....12

<u>8.3.5</u> Exercise of Remedies at Law or in Equity.....	10 <u>12</u>
8.4 Rights Under FPA Unaffected.....	11 <u>12</u>
8.5 Statute of Limitations; Continued Performance.....	11 <u>12</u>
Section 9 - Insurance	11 <u>13</u>
9.1 Requirements.....	11 <u>13</u>
9.2 Insurance Matters.....	11 <u>13</u>
9.3 Compliance.....	11 <u>13</u>
Section 10 - Confidentiality	12 <u>13</u>
10.1 Definition of Confidential Information.....	12 <u>13</u>
10.2 Protection of Confidential Information.....	12 <u>14</u>
Section 11 - Force Majeure	12 <u>14</u>
Section 12 - Reporting; Audit	13 <u>15</u>
12.1 Reporting.....	13 <u>15</u>
12.2 Books and Records.....	13 <u>15</u>
12.3 Regulatory Compliance.....	14 <u>15</u>

Section 13 - Independent

Contractor.....1516

Section 14 - Taxes.....1516

Section 15 - Notices.....1516

Notices.....16

15.1
Notices.....1516

15.2
Changes.....1617

Section 16 - Key ITO Personnel; Work
Conditions.....1617

16.1 Key ITO Personnel; Work
Conditions.....16.17

16.2 Conduct of Key ITO Personnel and
Reporting.....1617

16.3 Personnel
Screening.....1617

16.4
Security.....1718

Section 17 - Miscellaneous

Provisions.....1718

17.1 Governing
Law.....1718

17.2 Consent to
Jurisdiction.....1718

17.3
Amendment.....1718

17.4
Assignment.....1718

17.5 No Third Party Beneficiaries.....	<u>1719</u>
17.6 Waivers.....	<u>1819</u>
17.7 Severability; Renegotiation.....	<u>1819</u>
17.8 Representations and Warranties.....	<u>1819</u>
17.8.1 Organization.....	<u>1819</u>
17.8.2 Authority.....	<u>1820</u>
17.8.3 Binding Effect.....	<u>1820</u>
17.8.4 Regulatory Approval.....	<u>1820</u>
17.8.5 No Limitation <u>Litigation</u>	<u>1920</u>
17.8.6 No Violation or Breach.....	<u>1920</u>
17.9 Further Assurances.....	<u>1920</u>
17.10 Entire Agreement.....	<u>1920</u>
17.11 Good Faith Efforts.....	<u>1920</u>
17.12 Time of the Essence.....	<u>1921</u>
17.13 Interpretation.....	<u>1921</u>

17.14 Joint
Effort.....2021

17.15
Counterparts.....2022

Attachment A - Description of the Functions

~~Attachment B - List of Key Personnel~~

INDEPENDENT TRANSMISSION ORGANIZATION AGREEMENT

This Independent Transmission Organization Agreement (this "Agreement") is entered into this ___th day of ~~September~~January, ~~2005~~2006, between Louisville Gas and Electric Company and Kentucky Utilities Company, corporations organized pursuant to the laws of the ~~State~~Commonwealth of Kentucky (collectively, "LG&E/KU"), and Southwest Power Pool, Inc., an entity organized pursuant to the laws of the State of Arkansas (the "ITO"). LG&E/KU and the ITO may sometimes be individually referred to herein as a "Party" and collectively as the "Parties."

WHEREAS, LG&E/KU owns, among other things, an integrated electric transmission system ("Transmission System"), over which the Midwest Independent Transmission System Operator Inc. ("Midwest ISO") currently provides open access transmission service to customers in the LG&E/KU Control Area (as defined in the ~~LG&E~~Section 1.6 of LG&E/KU's Open Access Transmission Tariff (~~the~~, filed with the Federal Energy Regulatory Commission ("FERC") on October 7, 2005 (the "OATT")));

WHEREAS, as part of LG&E/KU's proposal to withdraw its participation in the Midwest ISO, LG&E/KU desires to provide non-discriminatory, open access transmission service pursuant to the OATT;

WHEREAS, LG&E/KU desires to have the ITO perform certain key transmission-related functions under the OATT as set forth herein;

WHEREAS, LG&E/KU will remain the owner of its Transmission System and will bear the ultimate responsibility for the provision of transmission services to Eligible Customers (as defined in the OATT), including the sole authority to amend the OATT;

WHEREAS, the ITO: (i) is a FERC-approved regional transmission organization; (ii) is independent from LG&E/KU; (iii) possesses the necessary competence and experience to perform the functions provided for hereunder; and (iv) is willing to perform such functions under the terms and conditions agreed upon by the Parties as set forth in this Agreement; and

WHEREAS, as part of LG&E/KU's goal to maintain the requisite level of independence in the operation of its Transmission System to prevent any exercise of transmission market power, on ~~September~~January __, ~~2005~~2006, LG&E/KU entered into a Reliability Coordinator Agreement (the "Reliability Coordinator Agreement") with the Tennessee Valley Authority, a NERC-certified reliability coordinator (the "Reliability Coordinator"), pursuant to which the Reliability Coordinator will provide to LG&E/KU certain required reliability functions, including ~~security~~reliability coordination, transmission planning and regional coordination, identifying and mandating upgrades required to maintain reliability, providing non-binding recommendations relating to economic transmission system upgrades, and administration of any seams agreements to be entered by LG&E/KU;

NOW THEREFORE, in consideration of the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

Section 1 - Scope of Functions; Standards of Performance.

1.1 Functions. The ITO shall perform the functions described in Attachment A (the "Functions") during the Term in accordance with the terms and conditions of this Agreement.

1.2 Coordination with Reliability Coordinator. In conjunction with its performance of the Functions, the ITO shall coordinate and cooperate with the Reliability Coordinator and provide, subject to the terms and conditions of this Agreement, including the ITO's obligations with respect to Confidential Information in Section 10, any information that the Reliability Coordinator may reasonably request in order to carry out its functions under the Reliability Coordinator Agreement.

1.3 Expansion. Nothing in this Agreement is intended to prevent the ITO from entering into other agreements with one or more third party transmission providers or operators to perform functions for such transmission providers or operators that are the same or similar to the Functions performed hereunder; provided, however, that the ITO does not breach any of its obligations under this Agreement (including its obligations with respect to Confidential Information in Section 10) by entering into or performing any of its obligations under such other agreements; provided, further, that any such other agreements shall provide for LG&E/KU to be reimbursed in an equitable manner for any capital expenditures made pursuant to this Agreement as well as for LG&E/KU's ongoing operations and maintenance expenditures to the extent such capital expenditures and operations and maintenance expenditures are used by the ITO in performing functions under such other agreements **as determined by the ITO in its sole discretion**.

1.4 ITO Performance. The ITO shall perform its obligations (including the Functions) under this Agreement in accordance with (a) Good Utility Practice (as defined in the OATT), (b) LG&E/KU's specific requirements and operating guidelines (to the extent these are not inconsistent with other requirements specified in this Section 1.4), (c) the OATT, and (d) all applicable laws and the requirements of federal and state regulatory authorities.

1.5 LG&E/KU Performance. LG&E/KU shall perform its obligations under this Agreement in accordance with Good Utility Practice **and all applicable laws and the requirements of federal and state regulatory authorities**.

Section 2 - Independence.

2.1 Key ITO Personnel. All Functions shall be performed by employees of the ITO identified in Attachment B (the "Key ITO Personnel"). **No Key ITO Personnel shall be publicly posted on the ITO's internet website. No ITO Personnel shall also be employed by LG&E/KU or any of its Affiliates (as defined in 18 C.F.R. § 35.34(b)(3) of FERC's regulations). The ITO and the Key ITO Personnel shall be, and shall remain throughout the**

Term, Independent (as defined below) of LG&E/KU, its Affiliates and any Tariff Participant (as defined below). For purposes of this Agreement: (a) “Independent” shall mean that the ITO and the KeyITO Personnel are not subject to the control of LG&E/KU, its Affiliates or any Tariff Participant, and have full decision-making authority to perform all Functions in accordance with the provisions of this Agreement. Any KeyITO Personnel owning securities in LG&E/KU, its Affiliates or any Tariff Participant shall divest such securities within six (6) months of first being assigned to perform such Functions, provided that nothing in this Section 2.1 shall be interpreted or construed to preclude any such KeyITO Personnel from indirectly owning securities issued by LG&E/KU, its Affiliates or any Tariff Participant through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or the electric utility industry or any segment thereof) under which the KeyITO Personnel does not control the purchase or sale of such securities. Participation by any KeyITO Personnel in a pension plan of LG&E/KU, its Affiliates or any Tariff Participant shall not be deemed to be a direct financial interest if the plan is a defined-benefit plan that does not involve the KeyITO Personnel’s ownership of the securities; (b) “Tariff Participant” shall mean LG&E/KU Transmission System customers, interconnection customers, wholesale customers, affected transmission providers, any Market Participant (as defined in 18 C.F.R. § 35.34(a)(2) of FERC’s regulations) and similarly qualified third parties within the LG&E/KU Control Area.

2.2 Standards of Conduct Treatment. All KeyITO Personnel shall be treated, for purposes of the FERC’s Standards of Conduct, as transmission employees. All restrictions relating to information sharing and other relationships between merchant employees and transmission employees shall apply to the KeyITO Personnel.

Section 3 - Compensation, Billing and Payment.

3.1 Compensation.

(a) LG&E/KU shall pay the ITO on or before the start of each Contract Year (as defined in Section 4.1) \$3,340,000 (consisting of \$390,000 for capital costs and \$2,950,000 in operating costs) for performance of the Functions during the Initial Term.

(b) The ITO agrees that if at any time during the Initial Term (as defined in Section 4.1) it provides services similar to the Functions provided for herein to another entity, then the compensation rate in Section 3.1(a) shall be renegotiated based on the use of the ITO systems.

(c) Compensation for Subsequent Terms (as defined in Section 4.1) shall be based on the compensation for each Contract Year during the Initial Term and shall be negotiated by the Parties in good faith no later than ninety (90) days prior to the beginning of the Subsequent Term.

3.2 Compensation After Termination. If LG&E/KU terminates this Agreement before the end of a Contract Year, then the ITO shall not be obligated to refund any amounts paid by LG&E/KU to the ITO as compensation for services provided by the ITO under this Agreement. If, however, the ITO terminates this Agreement before the end of a

Contract Year or LG&E/KU and the ITO mutually agree to terminate this Agreement before the end of a Contract Year, then the ITO shall be obligated to refund to LG&E/KU an amount equal to the product of (a) any amounts paid by LG&E/KU to the ITO as compensation for services provided by the ITO under this Agreement during the Contract Year in which this Agreement is terminated and (b) the number of whole or partial months remaining in the Contract Year divided by twelve (12).

3.3 Reimbursement of Fees. In addition to the compensation provided for in Section 3.1, LG&E/KU shall reimburse the ITO for any additional costs associated with services not provided for in Section 1.1 which may be required by LG&E/KU.

3.4 Payments. All payments by LG&E/KU to the ITO shall be made by the FedWire transfer method to the ITO's account in accordance with wire instructions to be provided at a later date, and all such payments shall be deemed received as of the date the electronic funds transfer to the ITO's account is deemed effective.

———[COMPENSATION, BILLING AND PAYMENT PROVISIONS WILL BE
NEGOTIATED WITH THE ITO]

The ITO shall provide LG&E/KU with one or more contact persons for payment purposes and shall update such list of contact persons as necessary.

Section 4 - Effective Date; Term; Termination; Termination Fees; Transition Assistance Services.

4.1 Effective Date; Term. This Agreement shall become effective on the date (the "Effective Date") which is thirty (30) days after FERC's acceptance of this Agreement and shall continue for an initial term of four (4) years from the Effective Date (the "Initial Term"). **Each twelve (12) month period of the Initial Term will constitute a "Contract Year." "Contract Year 1" shall begin on the Effective Date. Contract Years 2, 3 and 4 shall consist of the next three successive 12-month periods after Contract Year 1.** After the conclusion of the Initial Term, this Agreement shall automatically continue for successive additional one-year terms (each, a "Subsequent Term") unless and until terminated pursuant to the termination provisions hereof. The Initial Term and any Subsequent Terms, together with the Transition Assistance Period, if any, shall collectively be referred to as the "Term."

4.2 Mutually-Agreed Termination. Subject to Section 4.5, this Agreement may be terminated by mutual agreement of the Parties at any time during the Term (~~other than any Transition Assistance Period~~).

4.3 Termination at End of Term. Subject to Section 4.5, either Party may terminate this Agreement at the end of the Initial Term or any Subsequent Term upon ~~six (6) months~~ **one hundred eighty (180) months** ~~days~~ prior written notice to the other Party.

4.4 Termination for Cause.

4.4.1 Termination by Either Party. Subject to Section 4.5, either Party may terminate this Agreement effective immediately upon prior written notice thereof to the other Party if:

(a) Material Failure or Default. The other Party fails, in any material respect, to comply with, observe or perform, or defaults, in any material respect, in the performance of the terms and conditions of this Agreement, and such failure or default remains uncured for thirty (30) days after notice thereof, provided that such failure or default is susceptible to cure and the other Party is exercising reasonable diligence to cure such failure or default;

(b) Pattern of Failure. It determines, in its ~~sole~~ reasonable discretion, that there has been a pattern of failure by the other Party to comply with the standards of performance required under this Agreement;

(c) Gross Negligence, Willful Misconduct or Fraud. The other Party commits gross negligence, willful misconduct or fraud in the performance of its obligations under this Agreement;

(d) Material Misrepresentation. Any representation made by the other Party hereunder shall be false or incorrect in any material respect when made and such misrepresentation is not cured within thirty (30) days of such discovery or is incapable of cure;

(e) Bankruptcy. The other Party: (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it; (ii) makes an assignment or any general arrangement for the benefit of creditors; (iii) otherwise becomes bankrupt or insolvent (however evidenced); (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or (v) is generally unable to pay its debts as they fall due; or

(f) Dissolution. The other Party dissolves or is dissolved or its legal existence is otherwise terminated.

(g) Failure to Negotiate Amendment. The Parties are unsuccessful in negotiating an amendment or amendments to this Agreement pursuant to Section 17.7;

(h) Regulatory Changes/Modifications. FERC, in accepting for filing LG&E/KU's application to FERC in Docket Nos. ER06-20-000 and EC06-4-000 dated October 7, 2005, or in any other future docket, makes any material changes, modifications, additions, or deletions to this Agreement; or

(i) Extended Force Majeure. A Party is excused because of Force Majeure (as defined in Section 11) for more than thirty (30) days from performing any of its material obligations under this Agreement.

4.4.2 Termination by LG&E/KU. Subject to Section 4.5, LG&E/KU may terminate this Agreement effective immediately upon prior written notice thereof to the ITO if FERC determines that the ITO is not Independent. **issues a final order that declares that the ITO lacks independence from LG&E/KU and the ITO cannot obtain independence in a reasonable manner or time period.**

4.5 FERC Approval. No termination of this Agreement shall be effective until approved by FERC.

4.6 Return of Materials. Upon any termination of this Agreement or the conclusion of any Transition Assistance Period pursuant to Section 4.8.1, whichever is later, the ITO shall timely and orderly turn over to LG&E/KU all materials that were prepared or developed prior thereto pursuant to this Agreement, and return or destroy, at the option of LG&E/KU, all Data and other information supplied by LG&E/KU to the ITO or created by the ITO on behalf of LG&E/KU.

4.7 Survival. All provisions of this Agreement which are by their nature or terms intended to survive the termination of this Agreement, including the obligations set forth in Section 7 and Section 10, shall survive termination of this Agreement.

4.8 Transition Assistance Services.

4.8.1 Transition Assistance Period. Commencing on the date this Agreement is **effectively** terminated **according to Section 4.5 of this Agreement** and continuing for up to ~~six (6) months~~ **one hundred eighty (180) days** thereafter (the "Transition Assistance Period"), the ITO shall (a) provide the Functions (and any replacements thereof or substitutions therefor), to the extent LG&E/KU requests such Functions to be performed during the Transition Assistance Period, and (b) cooperate with LG&E/KU in the transfer of the Functions (collectively, the "Transition Assistance Services").

4.8.2 ~~4.8.2~~—Transition Assistance Services. The ITO shall, upon LG&E/KU's request, provide the Transition Assistance Services during the Transition Assistance Period at the ITO's actual cost for such services **a cost to be negotiated and mutually agreed to at that time.** The quality and level of performance of the Functions by the ITO during the Transition Assistance Period shall not be degraded. After the expiration of the Transition Assistance Period, the ITO shall answer questions from LG&E/KU regarding the Functions on an "as needed" basis at the ITO's then-standard billing rates.

4.8.3 ~~4.8.3~~—Key ITO Personnel. During the Transition Assistance Period, the ITO shall not terminate, reassign or otherwise remove any Key ITO Personnel without providing LG&E/KU thirty (30) days' prior notice of such termination, reassignment or

removal unless such employee (a) voluntarily resigns from the ITO, (b) is dismissed by the ITO for cause, or (c) dies or is unable to work due to his or her disability.

Section 5 - Data Management.

5.1 Supply of Data. During the Term, LG&E/KU shall supply to the ITO, and/or grant the ITO access to all Data that the ITO reasonably requires to perform the Functions. The Parties shall agree upon the initial format and manner in which such Data shall be provided. For purposes of this Agreement, “Data” means all information, text, drawings, diagrams, images or sounds which are embodied in any electronic or tangible medium and which (a) are supplied or in respect of which access is granted to the ITO by LG&E/KU under this Agreement, which shall be LG&E/KU’s Data, (b) are prepared, stored or transmitted by the ITO solely on behalf of LG&E/KU, which shall be LG&E/KU’s Data; or (c) are compiled by the ITO by aggregating Data owned by LG&E/KU and Data owned by third parties, which shall be ITO’s Data.

5.2 Property of Each Party. Each Party acknowledges that the other Party’s Data and the other Party’s software, base data models and operating procedures for software or base data models (“Processes”) are the property of such other Party and agrees that it will do nothing inconsistent with such ownership, including preserving all intellectual property and/or proprietary rights in such other Party’s Data and Processes as provided in Section 6.

5.3 Data Integrity. Each Party shall reasonably assist the other Party in establishing measures to preserve the integrity and prevent any corruption or loss of Data, and the Parties shall reasonably assist each other in the recovery of any corrupted or lost Data. Each Party shall reasonably retain and preserve any of the other Party’s Essential Data that are supplied to it during the Term, and, **“Essential Data” means any Data that is reasonably required to perform the Functions under this Agreement and that must be retained and preserved according to any applicable law, regulation, reliability criteria, or Good Utility Practice.** Each Party shall exercise commercially reasonable efforts to preserve the integrity of the other Party’s Data that are supplied to it during the Term, in order to prevent any corruption or loss of the other Party’s Data.

5.4 Confidentiality. Each Party’s Data shall be treated as Confidential Information in accordance with the provisions of Section 10.

Section 6 - Intellectual Property.

6.1 Pre-Existing Intellectual Property. Each Party shall own (and continue to own) all trade secrets, Processes and designs and other intellectual property that it owned prior to entering this Agreement, including any enhancements thereto (“Pre-Existing Intellectual Property”). Each Party acknowledges the ownership of the other Party’s Pre-Existing Intellectual Property and agrees that it will do nothing inconsistent with such ownership. Each Party agrees that nothing in this Agreement shall give it any right, title or interest in the other Party’s Pre-Existing Intellectual Property, other than the rights set forth in this Agreement. The ITO’s Pre-Existing Intellectual Property shall include the ITO Retained Rights set forth in Section 6.3. LG&E/KU’s

Pre-Existing Intellectual Property shall include LG&E/KU Retained Rights set forth in Section 6.4.

6.1.1 Exclusion. Nothing in this Agreement shall prevent either Party from using general techniques, ideas, concepts and know-how gained by its employees during the performance of its obligations under this Agreement in the furtherance of its normal business, to the extent that it does not result in disclosure of the other Party's Data or any data generated from the other Party's Data or other Confidential Information or an infringement by LG&E/KU or the ITO of any intellectual property right. For the avoidance of doubt, the use by a Party of such general techniques, ideas, concepts and know-how gained by its employees during the performance of its obligations under this Agreement shall not be deemed to be an infringement of the other Party's intellectual property rights so long as such matters are retained in the unaided memories of such employees and any Confidential Information is treated in accordance with the provisions of Section 10.

6.2 Jointly-Owned Intellectual Property. Except for the Data described in Section 5.1, all deliverables, whether software or otherwise, to the extent originated and prepared by the ITO exclusively in connection with the performance of its obligations under this Agreement shall be, upon payment of all amounts that may be due from LG&E/KU to the ITO, jointly owned by LG&E/KU and ITO ("Jointly-Owned Intellectual Property"). Each Party shall have the right to use the Jointly-Owned Intellectual Property without any right or duty or accounting to the other Party, except as provided in this Section 6.2. Upon the ITO using, transferring or licensing Jointly-Owned Intellectual Property for or to a third party, the ITO shall reimburse LG&E/KU in an equitable manner as determined by the Parties in good faith for the actual amounts paid by LG&E/KU to the ITO that relate to such Jointly-Owned Intellectual Property. Except as stated in the foregoing sentence, the ITO shall have no other obligation to account to LG&E/KU for any such use, transfer, license, disclosure, copying, modifying or enhancing of the Jointly-Owned Intellectual Property. Notwithstanding anything herein to the contrary, LG&E/KU may use the Jointly-Owned Intellectual Property for its internal business purposes, including licensing or transferring its interests therein to a third party for purposes of operating or performing functions in connection with LG&E/KU's transmission business.

6.3 ITO Retained Rights. The ITO shall retain all right, title and interest in its proprietary know-how, concepts, techniques, processes, materials and information that were or are developed entirely independently of this Agreement ("ITO Retained Rights"), whether or not such ITO Retained Rights are embodied in a deliverable, whether software or otherwise originated and prepared by the ITO in connection with the performance of its obligations under this Agreement. With respect to the ITO Retained Rights embodied in any deliverable, whether software or otherwise originated and prepared by the ITO in connection with the performance of its obligations under this Agreement, LG&E/KU is hereby granted a nonexclusive, perpetual, worldwide, royalty-free, fully paid-up license under such ITO Retained Rights to use such deliverable for LG&E/KU's internal business purposes only, including licensing or transferring its interests therein to an Affiliate of LG&E/KU or a third party for purposes of operating or performing functions in connection with LG&E/KU's transmission business.

6.4 LG&E/KU Retained Rights. LG&E/KU shall retain all right, title and interest in its proprietary know-how, concepts, techniques, processes, materials and information that were or are developed entirely independently of this Agreement (“LG&E/KU Retained Rights”), whether or not such LG&E/KU Retained Rights are embodied in a deliverable, whether software or otherwise originated and prepared by LG&E/KU in connection with the performance of its obligations under this Agreement. With respect to LG&E/KU Retained Rights embodied in any software or otherwise originated and prepared by LG&E/KU in connection with the performance of its obligations under this Agreement, the ITO is hereby granted a nonexclusive, worldwide, royalty-free, fully paid-up license under such LG&E/KU Retained Rights to use such deliverable for the ITO’s performance of its obligations under this Agreement only; provided that LG&E/KU shall not be liable in any way for the use of or reliance on such ITO Retained Rights by the ITO’s Affiliate or third party for any purpose whatsoever.

6.5 ITO Non-Infringement; Indemnification. The ITO warrants to LG&E/KU that, to its knowledge, all ITO’s Data and Processes, ITO Pre-Existing Intellectual Property, ITO Retained Rights, and deliverables prepared, produced or first developed by the ITO in connection with the performance of its obligations under this Agreement shall not infringe on any third party patent, copyright, trade secret or other third party proprietary rights. The ITO shall defend, hold harmless and indemnify LG&E/KU and its Affiliates and their respective employees, officers, directors, principals, owners, partners, shareholders, agents, representatives, consultants and subcontractors (collectively, “LG&E/KU Representatives”) from and against all claims, lawsuits, penalties, awards, judgments, court arbitration costs, attorneys’ fees, and other reasonable out-of-pocket costs incurred in connection with such claims or lawsuits based upon the actual or alleged infringement of any of the foregoing rights; provided that LG&E/KU gives prompt written notice of any such claim or action to the ITO, permits the ITO to control the defense of any such claim or action with counsel of its choice, and cooperates with the ITO in the defense thereof; and further provided that such claim or action is not based on any alteration, modification or combination of the deliverable with any item, information or process not provided by the ITO, where there would be no infringement in the absence of such alteration, modification or combination. If any infringement action results in a final injunction against LG&E/KU or the LG&E/KU Representatives with respect to ITO’s Data and Processes, ITO Pre-Existing Intellectual Property, ITO Retained Rights or deliverables prepared, produced or first developed by the ITO in connection with the performance of its obligations under this Agreement or in the event the use of such matters or any part thereof, is, in such lawsuit, held to constitute infringement, the ITO agrees that it shall, at its option and sole expense, either (a) procure for LG&E/KU or the LG&E/KU Representatives the right to continue using the infringing matter, or (b) replace the infringing matter with non-infringing items of equivalent functionality or modify the same so that it becomes non-infringing and retains its full functionality. If the ITO is unable to accomplish (a) or (b) above, the ITO shall reimburse LG&E/KU for all costs and fees paid by LG&E/KU to the ITO for the infringing matter. The above constitutes the ITO’s complete liability for claims of infringement relating to any of the ITO’s Data and Processes, ITO Pre-Existing Intellectual Property, ITO Retained Rights and deliverables prepared, produced or first developed by the ITO in connection with the performance of its obligations under this Agreement.

6.6 LG&E/KU Non-Infringement; Indemnification. LG&E/KU warrants to the ITO that, to its knowledge, all LG&E/KU's Data (except for Data created by the ITO on behalf of LG&E/KU) and Processes, LG&E/KU Pre-Existing Intellectual Property, and LG&E/KU Retained Rights shall not infringe on any third party patent, copyright, trade secret or other third party proprietary rights. LG&E/KU shall defend, hold harmless and indemnify the ITO and its Affiliates and their respective employees, officers, directors, principals, owners, partners, shareholders, agents, representatives, consultants and subcontractors against all claims, lawsuits, penalties, awards, judgments, court costs, and arbitration costs, attorneys' fees, and other reasonable out-of-pocket costs incurred in connection with such claims or lawsuits based upon the actual or alleged infringement of any of the foregoing rights; provided that the ITO gives prompt written notice of any such claim or action to LG&E/KU, permits LG&E/KU to control the defense of any such claim or action with counsel of its choice, and cooperates with LG&E/KU in the defense thereof; and further provided that such claim or action is not based on any alteration, modification or combination of the deliverable with any item, information or process not provided by LG&E/KU to the ITO, where there would be no infringement in the absence of such alteration, modification or combination. The above constitutes LG&E/KU's complete liability for claims of infringement relating to any of the LG&E/KU's Data and Processes, LG&E/KU Pre-Existing Intellectual Property and LG&E/KU Retained Rights.

Section 7 - Indemnification.

7.1 LG&E/KU Indemnification by the Parties. Each Party ("Indemnifying Party") ~~LG&E/KU~~ shall indemnify, release, defend, reimburse and hold harmless the ~~other Party~~ ITO and its Affiliates, ~~and their respective directors, officers, employees, principals, representatives and agents (collectively, the "ITO Indemnified Parties")~~ from and against any and all claims (including claims of bodily injury or death of any person or damage to real and/or tangible personal property), demands, liabilities, losses, causes of action, awards, fines, penalties, litigation, administrative proceedings and investigations, costs and expenses, and attorney fees (each, an "Indemnifiable Loss") asserted against or incurred by any of the ITO Indemnified Parties arising out of, resulting from or based upon (a) ~~a breach by the Indemnifying Party of its obligations under this Agreement,~~ (b) ~~the acts or omissions of the Indemnifying Party and its Affiliates and their respective directors, officers, employees, principals, representatives, agents or contractors during the Term,~~ or (c) ~~claims of bodily injury or death of any person or damage to real and/or tangible personal property~~ the ITO performing its obligations pursuant to this Agreement, provided, however, that in no event shall LG&E/KU be obligated to indemnify, release, defend, reimburse or hold harmless the ITO Indemnified Parties from and against any Indemnified Loss which is caused by the gross negligence or willful misconduct of the ~~Indemnifying Party and its Affiliates and their respective directors, officers, employees, principals, representatives, agents or contractors during the Term~~ an ITO Indemnified Party.

7.2 ITO Indemnification. The ITO shall indemnify, release, defend, reimburse and hold harmless LG&E/KU and its directors, officers, employees, principals, representatives and agents (collectively, the “LG&E/KU Indemnified Parties”) from and against any and all Indemnifiable Losses asserted against or incurred by any of the LG&E/KU Indemnified Parties arising out of, resulting from or based upon the gross negligence or willful misconduct of an ITO Indemnified Party.

~~7.2-7.3~~ **No Consequential Damages.** Neither Party shall be liable to the other Party for, nor will the measure of damages include, **under this Agreement (by way of indemnification, damages or otherwise) for** any indirect, incidental, exemplary, punitive, special or consequential damages, **except in the case of its gross negligence or willful misconduct.**

~~7.3-7.4~~ **Cooperation Regarding Claims.** If an Indemnified Party (**which for purposes of this Section 7.4 shall mean an ITO Indemnified Party and a LG&E/KU Indemnified Party**) receives notice or has knowledge of any Indemnifiable Loss that may result in a claim for indemnification by such Indemnified Party against an Indemnifying Party (**which for purposes of this Section 7.4 shall mean LG&E/KU or the ITO**) pursuant to this Section 7, such Indemnified Party shall as promptly as possible give the Indemnifying Party notice of such Indemnifiable Loss, including a reasonably detailed description of the facts and circumstances relating to such Indemnifiable Loss, a complete copy of all notices, pleadings and other papers related thereto, and in reasonable detail the basis for its claim for indemnification with respect thereto. Failure to promptly give such notice or to provide such information and documents shall not relieve the Indemnifying Party from the obligation hereunder to respond to or defend the Indemnified Party against such Indemnifiable Loss unless such failure shall materially diminish the ability of the Indemnifying Party to respond to or to defend the Indemnified Party against such Indemnifiable Loss. The Indemnifying Party, upon its acknowledgment in writing of its obligation to indemnify the Indemnified Party in accordance with this ~~Section 7.7~~ **and subject to Section 7.5,** shall be entitled to assume the defense or to represent the interest of the Indemnified Party with respect to such Indemnifiable Loss, which shall include the right to select and direct legal counsel and other consultants, appear in proceedings on behalf of such Indemnified Party and to propose, accept or reject offers of settlement, all at its sole cost. If and to the extent that any such settlement is reasonably likely to involve injunctive, equitable or prospective relief or materially and adversely affect the Indemnified Party's business or operations other than as a result of money damages or other money payments, then such settlement will be subject to the reasonable approval of the Indemnified Party. Nothing herein shall prevent an Indemnified Party from retaining its own legal counsel and other consultants and participating in its own defense at its own cost and expense.

7.5 Stakeholders Management Meetings. Within five (5) days after the ITO provides notice to LG&E/KU of an Indemnifiable Loss (which, for purposes of this Section 7.5, shall not include Indemnifiable Losses solely involving monetary damages) pursuant to Section 7.4, the ITO shall hold a meeting (“Stakeholders Management Meeting”) with all interested stakeholders (including LG&E/KU) to discuss and solicit input and recommendations from all interested stakeholders on how the ITO should respond to the Indemnifiable Loss. The ITO may consider but shall not be obligated to adopt or follow the recommendations of the interested stakeholders.

Section 8 - Contract Managers; Dispute Resolution.

8.1 LG&E/KU Contract Manager. LG&E/KU shall appoint an individual (the “LG&E/KU Contract Manager”) who shall serve as the primary LG&E/KU representative under this Agreement. The LG&E/KU Contract Manager shall (a) have overall responsibility for managing and coordinating the performance of LG&E/KU’s obligations under this Agreement, and (b) be authorized to act for and on behalf of LG&E/KU with respect to all matters relating to this Agreement. Notwithstanding the foregoing, the LG&E/KU Contract Manager may, upon notice to the ITO, delegate such of his or her responsibilities to other LG&E/KU employees, as the LG&E/KU Contract Manager deems appropriate.

8.2 ITO Contract Manager. The ITO shall appoint, among the ~~Key~~ITO Personnel ~~identified in Attachment B~~, an individual (the “ITO Contract Manager”) who shall serve as the primary ITO representative under this Agreement. The ITO Contract Manager shall (a) have overall responsibility for managing and coordinating the performance of ITO obligations under this Agreement, and (b) be authorized to act for and on behalf of the ITO with respect to all matters relating to this Agreement. Notwithstanding the foregoing, the ITO Contract Manager may, upon notice to LG&E/KU, delegate such of his or her responsibilities to other ~~Key~~ITO Personnel, as the ITO Contract Manager deems appropriate.

8.3 Resolution of Disputes. Any dispute, claim or controversy between the Parties arising out of or relating to this Agreement (each, a “Dispute”) shall be resolved in accordance with the procedures set forth in this Section 8.3; provided, however, that this Section 8.3 shall not apply to Disputes arising from or relating to (a) confidentiality or intellectual property rights, ~~(in which case either Party shall be free to seek available legal or equitable remedies),~~ or (b) alleged violations of the OATT, in which case either Party shall be free to bring the Dispute to FERC.

8.3.1 Notice of Dispute. Each Party shall provide written notice to the other party of any Dispute, including a description of the nature of the Dispute.

8.3.2 Dispute Resolution by Contract Managers. Any Dispute shall first be referred to the LG&E/KU Contract Manager and the ITO Contract Manager, who shall negotiate in good faith to resolve the Dispute.

8.3.3 Dispute Resolution by Executive Management Representatives. If the Dispute is not resolved within fifteen (15) days of being referred to the LG&E/KU Contract Manager and the ITO Contract Manager pursuant to Section 8.3.2, then each Party shall have five (5) days to appoint an executive management representative who shall negotiate in good faith to resolve the Dispute.

8.3.4 Dispute Resolution by Mediation. If the Parties’ executive management representatives are unable to resolve the Dispute within thirty (30) days of their appointment, the Parties shall proceed in good faith to submit the matter to a mediator mutually acceptable to the Parties. The Parties will share equally in the

cost of such mediation, which will be conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association and any applicable FERC regulations.

8.3.5 Exercise of Remedies at Law or in Equity. If the Parties' ~~executive management representatives~~ are unable to resolve the Dispute within thirty (30) days of ~~the~~ after the appointment, **of a mediator pursuant to Section 8.3.4,** then each Party shall be free to pursue any remedies available to it and to take any action in law or equity that it believes necessary or convenient in order to enforce its rights or cause to be fulfilled any of the obligations or agreements of the other Party.

8.4 Rights Under FPA Unaffected. Nothing in this Agreement is intended to limit or abridge any rights that LG&E/KU may have to file or make application before FERC under Section 205 of the Federal Power Act to revise any rates, terms or conditions of the OATT.

8.5 Statute of Limitations; Continued Performance. The Parties agree to waive the applicable statute of limitations during the period of time that the Parties are seeking to resolve a Dispute pursuant to ~~Sections 8.3.2 and 8.3.3,~~ **Section 8.3,** and the statute of limitations shall be tolled for such period. The Parties shall continue to perform their obligations under this Agreement during the resolution of a Dispute.

Section 9 - Insurance.

9.1 Requirements. The ITO shall provide and maintain during the Term insurance coverage in the form and with minimum limits of liability as specified below, unless otherwise agreed to by the Parties.

9.1.1 Worker's compensation insurance with statutory limits, and employer's liability insurance with limits of not less than \$1,000,000.

9.1.2 Commercial general liability or equivalent insurance with a combined single limit of not less than ~~\$10,000,000~~ 1,000,000 per occurrence. Such insurance shall include products/completed operations liability, owners protective, blanket contractual liability, personal injury liability and broad form property damage.

9.1.3 Comprehensive automobile liability insurance with a combined single limit of not less than ~~\$2,000,000~~ 1,000,000 per occurrence. Such insurance shall include coverage for owned, hired and non-owned automobiles, and contractual liability.

9.1.4 Errors & Omissions Insurance in the amount of \$5,000,000.

9.2 Insurance Matters. All insurance coverages required pursuant to Section 9.1 shall (a) be provided by insurance companies that have a Best Rating of A or higher, (b) provide that LG&E/KU is an additional insured (other than the workers' compensation insurance), (c) provide that LG&E/KU will receive at least thirty (30) days written notice from the ~~insurer~~ ITO prior to the cancellation or termination of or any material change in any such insurance coverages, and (d) include waivers of any right of subrogation of the insurers thereunder against LG&E/KU. Certificates of insurance evidencing that the insurance required by Section 9.1 is in force shall be delivered by the ITO to LG&E/KU prior to the Effective Date.

9.3 Compliance. The ITO shall not commence performance of any Functions until all of the insurance required pursuant to Section 9.1 is in force, and the necessary documents have been received by LG&E/KU pursuant to Section 9.2. Compliance with the insurance provisions in Section 9 is expressly made a condition precedent to the obligation of LG&E/KU to make payment for any Functions performed by the ITO under this Agreement. The minimum insurance requirements set forth above shall not vary, limit or waive the ITO's legal or contractual responsibilities or liabilities under this Agreement.

Section 10 - Confidentiality.

10.1 Definition of Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean, in respect of each Party, all information and documentation of such Party, whether disclosed to or accessed by the other Party in connection with this Agreement; provided, however, that the term "Confidential information" shall not include information that: (a) is independently developed by the recipient, as demonstrated by the recipient's written records, without violating the disclosing Party's proprietary rights; (b) is or

becomes publicly known (other than through unauthorized disclosure); (c) is disclosed by the owner of such information to a third party free of any obligation of confidentiality; (d) is already known by the recipient at the time of disclosure, as demonstrated by the recipient's written records, and the recipient has no obligation of confidentiality other than pursuant to this Agreement or any confidentiality agreements between the Parties entered into before the Effective Date; or (e) is rightfully received by a Party free of any obligation of confidentiality.

10.2 Protection of Confidential Information. All Confidential Information shall be held in confidence by the recipient to the same extent and in at least the same manner as the recipient protects its own confidential information, and such Confidential Information shall be used only for purposes of performing obligations under this Agreement. Neither Party shall disclose, publish, release, transfer or otherwise make available Confidential Information of, or obtained from, the other Party in any form to, or for the use or benefit of, any person or entity without the disclosing Party's prior written consent. Each Party shall be permitted to disclose relevant aspects of the other Party's Confidential Information to its officers, directors, agents, professional advisors, contractors, subcontractors and employees and to the officers, directors, agents, professional advisors, contractors, subcontractors and employees of its Affiliates, to the extent that such disclosure is reasonably necessary for the performance of its duties and obligations or the determination, preservation or exercise of its rights and remedies under this Agreement; provided, however, that the recipient shall take all reasonable measures to ensure that Confidential Information of the disclosing Party is not disclosed or duplicated in contravention of the provisions of this Agreement by such officers, directors, agents, professional advisors, contractors, subcontractors and employees. The obligations in this Section 10 shall not restrict any disclosure pursuant to any local, state or federal governmental agency or authority if such release is necessary to comply with valid laws, governmental regulations or final orders of regulatory bodies or courts; provided that the recipient shall give prompt notice to the disclosing Party in reasonable time to exercise whatever legal rights the disclosing Party may have to prevent or limit such disclosure. Further, the recipient shall cooperate with the disclosing Party in preventing or limiting such disclosure.

Section 11 - Force Majeure.

11.1 Neither Party shall be liable to the other Party for any failure or delay of performance hereunder due to causes beyond such Party's reasonable control, which by the exercise of reasonable due diligence such Party is unable, in whole or in part, to prevent or overcome (a "Force Majeure"), including acts of God, act of the public enemy, fire, explosion, vandalism, cable cut, storm or other catastrophes, weather impediments, national emergency, insurrections, riots, wars or any law, order, regulation, direction, action or request of any government or authority or instrumentality thereof. Neither Party shall be considered in default as to any obligation under this Agreement if prevented from fulfilling the obligation due to an event of Force Majeure, except for the obligation to pay any amount when due, provided that the affected Party:

11.1.1 gives notice to the other Party of the event or circumstance giving rise to the event of Force Majeure;

11.1.2 affords the other Party reasonable access to information about the event or circumstances giving rise to the event of Force Majeure;

11.1.3 takes commercially reasonable steps to restore its ability to perform its obligations hereunder as soon as reasonably practicable, provided that the affected Party shall not be obligated to take any steps that are not otherwise in accordance with Good Utility Practice; and

11.1.4 exercises commercially reasonable efforts to perform its obligations hereunder.

Section 12 - Reporting; Audit.

12.1 Reporting. The ITO shall make regular reports to FERC and LG&E/KU's retail regulators as may be required by applicable law and regulations or as may be requested by such authorities.

12.2 Books and Records. The ITO shall maintain full and accurate books and records pertinent to this Agreement, and the ITO shall maintain such books and records for three (3) years following the expiration or early termination of this Agreement or longer if necessary to resolve a pending Dispute. LG&E/KU will have the right, at reasonable times and under reasonable conditions, to inspect and audit, or have an independent third party inspect and audit, the ITO's operations and books to (a) ensure compliance with this Agreement, (b) verify any cost claims or other amounts due hereunder, and (c) validate the ITO's internal controls with respect to the performance of the Functions. The ITO shall maintain an audit trail, including all original transaction records, of all financial and non-financial transactions resulting from or arising in connection with this Agreement as may be necessary to enable LG&E/KU or the independent third party, as applicable, to perform the foregoing activities. LG&E/KU shall be responsible for any costs and expenses incurred in connection with any such inspection or audit, unless such inspection or audit discovers that LG&E/KU was charged inappropriate or incorrect costs and expenses, in which case, the ITO shall be responsible for a percentage of the costs and expenses incurred in connection with such inspection or audit equal to the percentage variance by which LG&E/KU was charged inappropriate or incorrect costs and expenses. The ITO shall provide reasonable assistance necessary to enable LG&E/KU or an independent third party, as applicable, and shall not be entitled to charge LG&E/KU for any such assistance. Amounts incorrectly or inappropriately invoiced by the ITO to LG&E/KU, whether discovered prior to or subsequent to payment by LG&E/KU, shall be adjusted or reimbursed to LG&E/KU by the ITO within twenty (20) days of notification by LG&E/KU to the ITO of the error in the invoice.

12.3 Regulatory Compliance. The ITO shall comply with all requests by LG&E/KU to the extent considered reasonably necessary by LG&E/KU to comply with the Sarbanes-Oxley Act or other regulatory requirements. ~~Notwithstanding the generality of the foregoing, the ITO shall provide to LG&E/KU, at LG&E/KU's request, all reports reasonably deemed necessary or desirable by LG&E/KU to support the review, audit and preparation of audit reports relating to the Functions and LG&E/KU's financial statements and reports, including (a) providing LG&E/KU with an executed copy of a report and opinion, from independent auditors of national~~

reputation engaged and compensated by the ITO, of an examination in accordance with SAS No. 70, Type II, of the ITO's controls and systems relating to the performance of the Functions, as of and for the six (6) month period ending at the end of the first (1st) and third (3rd) calendar quarter of each year of the Term, which shall be delivered not later than forty five (45) days after the end of each such quarter, and (b) providing to LG&E/KU (and exercising commercially reasonable efforts to do so within twenty (20) days of LG&E/KU's request, but in no event more than thirty (30) days from said request) a certificate of an officer of the ITO certifying that there has been no change in such controls and systems or the effective operation of such controls and systems since the date of the most recent opinion of such independent auditors. The report, in its form and preparation, shall follow all SAS No. 70 guidelines and must be comprehensive and cover all significant controls executed by the ITO in connection with its systems and processes underlying the Functions. Additionally, the report must contain an opinion of the independent auditor that concludes that the ITO's description of controls pertaining to the processes and systems underlying the performance of the Functions presents fairly, in all material respects, the relevant aspects of the ITO's controls that had been placed into operation as of the end of each reporting period and whether, in the opinion of the independent auditor, the controls were suitably designed to provide reasonable assurance that the control objectives set forth by the ITO would be achieved if the described controls were complied with satisfactorily. In addition, the report shall state whether, in the opinion of the independent auditor, the controls tested by the independent auditor were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified by the ITO were achieved during the reporting period. Such report and opinion shall have no significant or material exceptions or qualifiers. If the ITO is unable to timely deliver to LG&E/KU an unqualified opinion or certification, the ITO shall: (i) provide LG&E/KU, on the date such opinion or certificate is delivered or due to be delivered, with a written statement describing the circumstances giving rise to any delay in delivering such opinion or certificate or any qualification to such opinion or certificate; (ii) immediately take such actions as shall be necessary to resolve such circumstances and deliver an unqualified opinion or certificate as promptly as practicable thereafter; and (iii) permit LG&E/KU and its external auditors to perform such procedures and testing of the ITO's controls and processes as are reasonably necessary for their assessment of the operating effectiveness of the ITO controls and of LG&E/KU's internal controls.

Inasmuch as Southwest Power Pool, Inc. ("SPP"), in its role as a Regional Transmission Organization, currently performs an audit of its controls with regard to the Sarbanes-Oxley Act, no additional audit will be necessary to satisfy the requirements of the Sarbanes-Oxley Act. SPP, in its function as the ITO, will include all ITO processes and procedures in its current audit. However, it is noted that the audit performed by SPP is currently based on procedures and processes found in the SPP Open Access Transmission Tariff. If an additional audit or material changes to the current audit are requested, then the ITO will perform such additional audit or include such material changes under a separate contractual arrangement with LG&E/KU.

In addition, the ITO expressly agrees that prior to or at the time of any significant or material change to any internal process or financial control of the ITO that would or might impact the Functions performed for or on behalf of LG&E/KU or that would, or might, have a significant or material effect on such process's mitigation of risk or upon the integrity of LG&E/KU's financial reporting or disclosures, it shall notify LG&E/KU and provide full details of the change so as to enable LG&E/KU to review the change and evaluate its impact on its internal controls and financial reporting. LG&E/KU shall have the right to provide all

such reports, opinions and certifications **which are produced during the SPP audit and delivered hereunder to its LG&E/KU's** attorneys, accountants and other advisors, who shall be entitled to rely thereon.

Section 13 - Independent Contractor.

The ITO shall be and remain during the Term an independent contractor with respect to LG&E/KU, and nothing contained in this Agreement shall be (a) construed as inconsistent with that status, or (b) deemed or construed to create the relationship of principal and agent or employer and employee, between the ITO and LG&E/KU or to make either the ITO or LG&E/KU partners, joint ventures, principals, fiduciaries, agents or employees of the other Party for any purpose. Neither Party shall represent itself to be an agent, partner or representative of the other Party. Neither Party shall commit or bind, nor be authorized to commit or bind, the other Party in any manner, without such other Party's prior written consent. Personnel employed, provided or used by any Party in connection herewith will not be employees of the other Party in any respect. Each Party shall have full responsibility for the actions or omissions of its employees and shall be responsible for their supervision, direction and control.

Section 14 - Taxes.

Each Party shall be responsible for the payment of its own taxes, including taxes based on its net income, employment taxes of its employees, taxes on any property it owns or leases, and sales, use, gross receipts, excise, value-added or other transaction taxes.

Section 15 - Notices.

15.1 Notices. All notices, requests, consents and other communications hereunder shall be in writing, signed by the Party giving such notice or communication, and shall be hand-delivered or sent by certified mail, postage prepaid, return receipt requested, by nationally recognized courier, to the other Party at the address set forth below, and shall be deemed given upon the earlier of the date delivered or the date delivery is refused.

If to LG&E/KU:

Louisville Gas and Electric Company

Mark Johnson
119 North 3rd Street
Louisville, Kentucky 40202

Facsimile: (502) 627-4716

And

Kentucky Utilities Company

Mark Johnson
119 North 3rd Street
Louisville, Kentucky 40202

Facsimile: (502) 627-4716

If to the ITO:

Southwest Power Pool, Inc.

Mr. Bruce Rew
Executive Director, Contract Services
415 N. McKinley, Suite 140
Little Rock, Arkansas 72205

Facsimile: (501) 664-9553

15.2 Changes. Either Party may, from time to time, change the names, addresses, facsimile numbers or other notice information set out in Section 15.1 by notice to the other Party in accordance with the requirements of Section 15.1.

Section 16 - KeyITO Personnel; Work Conditions.

16.1 KeyITO Personnel. All KeyITO Personnel shall be properly certified and licensed, if required by law or regulation, and be qualified and competent to perform the Functions. ~~The ITO shall provide LG&E/KU prior written notice of the replacement of any Key Personnel.~~

16.2 Conduct of KeyITO Personnel and Reporting. The ITO agrees to require that the KeyITO Personnel comply with the ITO's employee code of conduct, a current copy of which has been provided to LG&E/KU. The ITO may amend its employee code of conduct at any

time, provided that the ITO shall promptly provide the LG&E/KU Contract Manager with a copy of the amended employee code of conduct. If any KeyITO Personnel commits fraud or engages in material violation of the ITO's employee code of conduct, the ITO shall promptly notify LG&E/KU as provided above and promptly remove any such KeyITO Personnel from the performance of the Functions.

16.3 Personnel Screening. The ITO shall be responsible for conducting, in accordance with applicable law (including the Fair Credit Reporting Act, The Fair and Accurate Credit Transactions Act, and Title VII of the Civil Rights Act of 1964), adequate pre-deployment screening of the KeyITO Personnel prior to commencing performance of the Functions. By deploying KeyITO Personnel under this Agreement, the ITO represents that it has completed the Screening Measures (as defined below) with respect to such KeyITO Personnel. To the extent permitted by applicable law, the term "Screening Measures" shall include, at a minimum, a background check including: (a) a Terrorist Watch Database Search; (b) a Social Security Number trace; (c) motor vehicle license ~~and driving record~~ check; and (d) a criminal history check, including, a criminal record check for each county/city and state/country in the employee's residence history for the maximum number of years permitted by law, up to seven (7) years. Unless prohibited by law, if, prior to or after assigning a KeyITO Personnel to perform the Functions, the ITO learns of any information that the ITO considers would adversely affect such KeyITO Personnel's suitability for the performance of the Functions (including based on information discovered from the Screening Measures), the ITO shall not assign the KeyITO Personnel to the Functions or, if already assigned, promptly remove such KeyITO Personnel from performing the Functions and immediately notify LG&E/KU of such action.

16.4 Security. ~~LG&E/KU~~ Each Party shall have the option of barring from ~~LG&E/KU~~ that Party's property any KeyLG&E/KU or ITO Personnel whom ~~LG&E/KU~~ the Party determines is not suitable in accordance with the applicable laws pursuant to Sections 16.1 through 16.3.

Section 17 - Miscellaneous Provisions.

17.1 Governing Law. This Agreement and the rights and obligations of the Parties hereunder shall be governed by and construed in accordance with the laws of Kentucky, without giving effect to its conflicts of law rules.

17.2 Consent to Jurisdiction. All Disputes by any Party in connection with or relating to this Agreement or any matters described or contemplated in this Agreement shall be instituted in the courts of the StateCommonwealth of Kentucky or of the United States sitting in the StateCommonwealth of Kentucky. Each Party irrevocably submits, for itself and its properties, to the exclusive jurisdiction of the courts of the StateCommonwealth of Kentucky and of the United States sitting in the StateCommonwealth of Kentucky in connection with any such Dispute. Each Party irrevocably and unconditionally waives any objection or defense that it may have based on improper venue or *forum non conveniens* to the conduct of any proceeding in any such courts. This provision does not adversely affect FERC's jurisdiction of this Agreement.

17.3 Amendment. This Agreement shall not be varied or amended unless such variation or amendment is agreed to by the Parties in writing and accepted by FERC. The Parties explicitly agree that neither Party shall unilaterally petition to FERC pursuant to the provisions of Sections 205 or 206 of the Federal Power Act to amend this Agreement or to request that FERC initiate its own proceeding to amend this Agreement.

17.4 Assignment. Any assignment of this Agreement or any interest herein or delegation of all or any portion of a Party's obligations, by operation of law or otherwise, by either Party without the other Party's prior written consent shall be void and of no effect; provided, however, that the ITO's consent will not be required for LG&E/KU to assign this Agreement to (a) an affiliate or (b) a successor entity that acquires all or substantially all of LG&E/KU's Transmission System whether by merger, consolidation, reorganization, sale, spin-off or foreclosure; provided, further, that such successor entity **(a)** agrees to assume all of LG&E/KU's obligations hereunder from and after the date of such assignment **and (b) has the legal authority and operational ability to satisfy the obligations under this Agreement.** As a condition to the effectiveness of such assignment (i) LG&E/KU shall promptly notify the ITO of such assignment, (ii) the successor entity shall provide a confirmation to the ITO of its assumption of LG&E/KU's obligations hereunder, and (iii) LG&E/KU shall promptly reimburse the ITO, upon receipt of an invoice from the ITO, for any one-time incremental costs reasonably incurred by the ITO as a result of such assignment. For the avoidance of doubt, nothing herein shall preclude LG&E/KU from transferring any or all of its transmission facilities to another entity or disposing of or acquiring any other transmission assets.

17.5 No Third Party Beneficiaries. Except as otherwise expressly provided in this Agreement, this Agreement is made solely for the benefit of the Parties and their successors and permitted assigns and no other person shall have any rights, interest or claims hereunder or otherwise be entitled to any benefits under or on account of this Agreement as third party beneficiary or otherwise.

17.6 Waivers. No waiver of any provision of this Agreement shall be effective unless it is signed by the Party against which it is sought to be enforced. The delay or failure by either Party to exercise or enforce any of its rights under this Agreement shall not constitute or be deemed a waiver of that Party's right thereafter to enforce those rights, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

17.7 Severability; Renegotiation. The invalidity or unenforceability of any portion or provision of this Agreement shall in no way affect the validity or enforceability of any other portion or provision herein. If any provision of this Agreement is found to be invalid, illegal or otherwise unenforceable, the same shall not affect the other provisions hereof or the whole of this Agreement and shall not render invalid, illegal or unenforceable this Agreement or any of the remaining provisions of this Agreement. If any provision of this Agreement or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void or unenforceable, or if a modification or condition to this Agreement is imposed by such court or regulatory authority, the Parties shall in good faith negotiate such amendment or amendments to this Agreement as will restore the

relative benefits and obligation of the Parties immediately prior to such holding, modification or condition.

17.8 Representations and Warranties. Each Party represents and warrants to the other Party as of the date hereof as follows:

17.8.1 Organization. It is duly organized, validly existing and in good standing under the laws of the State in which it was organized, and has all the requisite power and authority to own and operate its material assets and properties and to carry on its business as now being conducted and as proposed to be conducted under this Agreement.

17.8.2 Authority. It has the requisite power and authority to execute and deliver this Agreement and, subject to the procurement of applicable regulatory approvals, to perform its obligations under this Agreement. The execution and delivery of this Agreement by it and the performance of its obligations under this Agreement have been duly authorized by all necessary corporate action required on its part.

17.8.3 Binding Effect. Assuming the due authorization, execution and delivery of this Agreement by the other Party, this Agreement constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or other similar applicable laws affecting creditors' rights generally, and by general principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.

17.8.4 Regulatory Approval. It has obtained or will obtain by the Effective Date, any and all approvals of, and acceptances for filing by, and has given or will give any notices to, any applicable federal or state authority, including FERC, that are required for it to execute, deliver, and perform its obligations under this Agreement.

17.8.5 No Litigation. There are no actions at law, suits in equity, proceedings, or claims pending or, to its knowledge, threatened against it before or by any federal, state, foreign or local court, tribunal, or governmental agency or authority that might materially delay, prevent, or hinder the performance by such entity of its obligations hereunder.

17.8.6 No Violation or Breach. The execution, delivery and performance by it of its obligations under this Agreement do not and shall not: (a) violate its organizational documents; (b) violate any applicable law, statute, order, rule, regulation or judgment promulgated or entered by any applicable federal or state authority, which violation could reasonably be expected to materially adversely affect the performance of its obligations under this Agreement; or (c) result in a breach of or constitute a default of any material agreement to which it is a party.

17.9 Further Assurances. Each Party agrees that it shall execute and deliver such further instruments, provide all information, and take or forbear such further acts and things as may be reasonably required or useful to carry out the purpose of this Agreement and are not inconsistent with the provisions of this Agreement.

17.10 Entire Agreement. This Agreement and the Attachments hereto set forth the entire agreement between the Parties with respect to the subject matter hereof, and supersede all prior agreements, whether oral or written, related to the subject matter of this Agreement. The terms of this Agreement and the Attachments hereto are controlling, and no parole or extrinsic evidence, including to prior drafts and drafts exchanged with any third parties, shall be used to vary, contradict or interpret the express terms, and conditions of this Agreement.

17.11 Good Faith Efforts. Each Party agrees that it shall in good faith take all reasonable actions necessary to permit it and the other Party to fulfill their obligations under this Agreement. Where the consent, agreement or approval of any Party must be obtained hereunder, such consent, agreement or approval shall not be unreasonably withheld, delayed or conditioned. Where a Party is required or permitted to act, or omit to act, based on its opinion or judgment, such opinion or judgment shall not be unreasonably exercised. To the extent that the jurisdiction of any federal or state authority applies to any part of this Agreement or the transactions or actions covered by this Agreement, each Party shall cooperate with the other Party to secure any necessary or desirable approval or acceptance of such authorities of such part of this Agreement or such transactions or actions.

17.12 Time of the Essence. With respect to all duties, obligations and rights of the Parties, time shall be of the essence in this Agreement.

17.13 Interpretation. Unless the context of this Agreement otherwise clearly requires:

17.13.1 all defined terms in the singular shall have the same meaning when used in the plural and vice versa;

17.13.2 the terms “hereof,” “herein,” “hereto” and similar words refer to this entire Agreement and not to any particular Section, Attachment or any other subdivision of this Agreement;

17.13.3 references to “Section” or “Attachment” refer to this Agreement, unless specified otherwise;

17.13.4 references to any law, statute, rule, regulation, notification or statutory provision shall be construed as a reference to the same as it applies to this Agreement and may have been, or may from time to time be, amended, modified or re-enacted;

17.13.5 references to “includes,” “including” and similar phrases shall mean “including, without limitation;”

17.13.6 the captions, section numbers and headings in this Agreement are included for convenience of reference only and shall not in any way affect the meaning or interpretation of this Agreement;

17.13.7 “or” may not be mutually exclusive, and can be construed to mean “and” where the context requires there to be a multiple rather than an alternative obligation; and

17.13.8 references to a particular entity include such entity’s successors and assigns to the extent not prohibited by this Agreement.

17.14 Joint Effort. Preparation of this Agreement has been a joint effort of the Parties and the resulting document shall not be construed more severely against one of the Parties than against the other and no provision in this Agreement is to be interpreted for or against any Party because that Party or its counsel drafted such provision. Each Party acknowledges that in executing this Agreement its has relied solely on its own judgment, belief and knowledge, and such advice as it may have received from its own counsel, and it has not been influenced by any representation or statement made by the other Party or its counsel not contained in this Agreement.

17.15 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument, binding upon LG&E/KU and the ITO, notwithstanding that LG&E/KU and the ITO may not have executed the same counterpart.

The Parties have caused this Independent Transmission Organization Agreement to be executed by their duly authorized representatives as of the dates shown below.

LOUISVILLE GAS AND ELECTRIC COMPANY

Name:
Title:
Date:

KENTUCKY UTILITIES COMPANY

Name:
Title:
Date:

SOUTHWEST POWER POOL, INC.

Name:
Title:
Date:

**ATTACHMENT A
 TO THE INDEPENDENT TRANSMISSION ORGANIZATION AGREEMENT**

DESCRIPTION OF THE FUNCTIONS

— The Functions are as follows:

{TBD}

<u>Legend:</u> <u>Lead Responsibility - L</u> <u>Review and Approval - A</u> <u>Coordination - C</u>	<u>LG&E</u>	<u>RC/TVA</u>	<u>ITO</u>	<u>RC/TVA Coordination With Other TOs/RCs/RRCs</u>
<u>Function – Operating Reliability (1 day to 13 months)</u>				
<u>Tasks</u>				
<u>1. Enforce operational reliability requirements</u>	<u>C</u>	<u>L</u>		
<u>2. Monitor all reliability-related parameters within the Reliability Authority Area, including generation dispatch and transmission maintenance plans</u>	<u>C</u>	<u>L</u>		
<u>3. Direct revisions to transmission maintenance plans as required and as permitted by agreements</u>	<u>C</u>	<u>L</u>	<u>C</u>	<u>Yes</u>
<u>4. Request revisions to generation maintenance plans as required and as permitted by agreements</u>	<u>C</u>	<u>L</u>	<u>C</u>	<u>Yes</u>
<u>5. Develop Interconnection Reliability Operating Limits (to protect from instability and cascading outages).</u>	<u>C</u>	<u>L</u>		
<u>6. Perform reliability analysis (actual and contingency) for the Reliability Authority Area</u>	<u>C</u>	<u>L</u>		<u>Yes</u>
<u>7. Assist in determining Interconnected Operations Services requirements for balancing generation and load, and transmission reliability (e.g., reactive requirements, location of operating reserves).</u>	<u>C</u>	<u>L</u>		
<u>8. Identify, communicate, and direct actions to relieve reliability threats and limit violations in the Reliability Authority Area</u>	<u>C</u>	<u>L</u>		<u>Yes</u>
<u>9. Direct implementation of emergency procedures</u>	<u>C</u>	<u>L</u>		<u>Yes</u>
<u>10. Direct and coordinate System Restoration</u>	<u>C</u>	<u>L</u>		<u>Yes</u>
<u>Function – Planning Reliability</u>				

<u>Tasks</u>				
<u>1. Develop and maintain transmission and resource (demand and capacity) system models to evaluate transmission system performance and resource adequacy.</u>	<u>L</u>	<u>A</u>		<u>Yes</u>
<u>2. Maintain and apply methodologies and tools for the analysis and simulation of the transmission systems in the assessment and development of transmission expansion plans and the analysis and development of resource adequacy plans.</u>	<u>L</u>	<u>A</u>		
<u>3. Define and collect or develop information required for planning purposes, including:</u>				
<u> a. Transmission facility characteristics and ratings.</u>	<u>L</u>	<u>C</u>	<u>C</u>	<u>Yes</u>
<u> b. Demand and energy end-use customer forecasts, capacity resources, and demand response programs.</u>	<u>L</u>	<u>C</u>	<u>C</u>	<u>Yes</u>
<u> c. Generator unit performance characteristics and capabilities, and</u>	<u>L</u>	<u>C</u>	<u>C</u>	<u>Yes</u>
<u> d. Long-term capacity purchases and sales.</u>	<u>L</u>	<u>C</u>	<u>C</u>	
<u>4. Evaluate plans for customer requests for transmission service.</u>				
<u> a. Evaluate responses to long-term (generally one year and beyond) transmission service requests.</u>	<u>C</u>	<u>A</u>	<u>L</u>	<u>Yes</u>
<u> b. Review transmission facility plans required to integrate new load, generation and transmission-to-transmission interconnection facilities into the interconnected bulk electric systems. This independent review will be for all requests 100 kV and above, Generation interconnections at all transmission voltage levels and other studies by customer request.</u>	<u>C</u>	<u>A</u>	<u>L</u>	
<u> c. Review transmission facility plans required to integrate new load and transmission-to-transmission interconnection facilities into the interconnected bulk electric systems. This review, with customer consent, will be for requests 69 kV only.</u>	<u>L</u>	<u>A</u>	<u>C</u>	
<u>6. Assess, develop, and document resource and transmission expansion plans.</u>				
<u> a. Integrate and verify that the respective plans for the Planning Authority Area meet reliability standards.</u>	<u>C</u>	<u>L</u>	<u>C</u>	<u>Yes</u>
<u> b. Identify and report on potential transmission system and resource adequacy deficiencies, and provide alternate plans that mitigate these deficiencies.</u>	<u>C</u>	<u>L</u>	<u>C</u>	
<u>7. Provide analyses and reports as required on the long-term resource and transmission plans for the Planning Authority Area. (will be further defined by</u>	<u>C</u>	<u>A</u>	<u>L</u>	<u>Yes</u>

<u>RC/ITO)</u>				
<u>8. Monitor transmission expansion plan and resource plan implementation.</u>	<u>L</u>	<u>A</u>	<u>C</u>	
<u>9. Coordinate project implementation requiring transmission outages that can impact reliability and firm transactions.</u>	<u>L</u>	<u>A</u>	<u>C</u>	<u>Yes</u>
<u>10. Evaluate the impact of revised transmission and generator in-service dates on resource and transmission adequacy.</u>	<u>C</u>	<u>A</u>	<u>L</u>	<u>Yes</u>
<u>Function – Balancing</u>				
<u>Tasks</u>				
<u>1. Must have control of any of the following combinations within a Balancing Authority Area:</u>				
<u>a. Load and Generation (an isolated system)</u>	<u>L</u>	<u>C</u>	<u>C</u>	
<u>b. Load and Scheduled Interchange</u>	<u>L</u>	<u>C</u>	<u>C</u>	
<u>c. Generation and Scheduled Interchange</u>	<u>L</u>	<u>C</u>	<u>C</u>	
<u>d. Generation, Load, and Scheduled Interchange</u>	<u>L</u>	<u>C</u>	<u>C</u>	
<u>2. Calculate Area Control Error within the Balancing Authority Area.</u>	<u>L</u>	<u>C</u>	<u>C</u>	
<u>3. Review generation commitments, dispatch, and load forecasts.</u>	<u>L</u>	<u>C</u>	<u>C</u>	<u>Yes</u>
<u>4. Formulate an operational plan (generation commitment, outages, etc) for reliability assessment.</u>	<u>C</u>	<u>A</u>	<u>L</u>	<u>Yes</u>
<u>5. Approve Interchange Transactions from ramping ability perspective and provide a Net Scheduled Interchange (NSI) value for entry into Energy Management System.</u>	<u>C</u>	<u>C</u>	<u>L</u>	<u>Yes</u>
<u>6. Implement interchange schedules by entering the NSI value from ITO into the Energy Management System</u>	<u>L</u>	<u>C</u>	<u>C</u>	
<u>a. Adjust NSI value for Dynamic Schedules and Automatic Reserve Sharing</u>	<u>L</u>	<u>C</u>	<u>C</u>	
<u>7. Provide frequency response</u>	<u>L</u>			
<u>8. Monitor and report control performance and disturbance recovery</u>	<u>L</u>	<u>C</u>	<u>C</u>	<u>Yes</u>
<u>9. Energy Accounting and after the fact checkout</u>				
<u>a. Hourly checkout of Interchange Schedules</u>	<u>C</u>	<u>C</u>	<u>L</u>	
<u>b. Hourly checkout of Actual Interchange and administer inadvertent energy account</u>	<u>L</u>	<u>C</u>	<u>C</u>	
<u>10. Determine needs for Interconnected Operations</u>	<u>L</u>	<u>A</u>	<u>C</u>	<u>Yes</u>

<u>Services</u>				
<u>11. Deploy Interconnected Operations Services.</u>	<u>L</u>	<u>A</u>	<u>C</u>	<u>Yes</u>
<u>12. Implement emergency procedures</u>	<u>L</u>	<u>A</u>	<u>C</u>	<u>Yes</u>
<u>Function – Transmission Operations</u>				
<u>Tasks</u>				
<u>1. Maintain reliability of the transmission area in accordance with Reliability Standards.</u>	<u>L</u>	<u>A</u>	<u>C</u>	<u>Yes</u>
<u>2. Provide detailed maintenance schedules (dates and times)</u>	<u>L</u>	<u>A</u>	<u>C</u>	<u>Yes</u>
<u>3. Maintain defined voltage profiles.</u>	<u>L</u>	<u>A</u>		
<u>4. Define operating limits, develop contingency plans, and monitor operations of the transmission facilities.</u>	<u>L</u>	<u>A</u>		<u>Yes</u>
<u>5. Provide telemetry of transmission system information</u>				
<u>a. Provide to RC</u>	<u>L</u>			
<u>b. Provide to Other TOs and RCs</u>		<u>L</u>		<u>Yes</u>
<u>Function – Interchange</u>				
<u>Tasks</u>				
<u>1. Determine valid, balanced, Interchange Schedules (validation of sources and sinks, transmission arrangements, interconnected operations services, etc.).</u>	<u>C</u>	<u>C</u>	<u>L</u>	<u>Yes</u>
<u>2. Verify ramping capability of the source and sink Balancing Authority Areas for requested Interchange Schedules</u>	<u>C</u>	<u>C</u>	<u>L</u>	<u>Yes</u>
<u>3. Collect and disseminate Interchange Transaction approvals, changes, and denials</u>	<u>C</u>	<u>C</u>	<u>L</u>	<u>Yes</u>
<u>4. Authorize implementation of Interchange Transactions</u>	<u>C</u>	<u>C</u>	<u>L</u>	<u>Yes</u>
<u>5. Enter Interchange Transaction information into Reliability Assessment Systems (e.g., the Interchange Distribution Calculator in the Eastern Interconnection)</u>	<u>C</u>	<u>C</u>	<u>L</u>	<u>Yes</u>
<u>6. Maintain record of individual Interchange Transactions</u>	<u>C</u>		<u>L</u>	
<u>Function – Transmission Planning</u>				
<u>Tasks</u>				
<u>Develops a long-term (generally one year and beyond) plan for the reliability (adequacy) of the interconnected bulk electric transmission systems within a portion of the Planning Authority Area.</u>	<u>L</u>	<u>A</u>		<u>Yes</u>

<u>1. Maintain transmission system models (steady-state, dynamics, and short circuit) and apply appropriate tools for the development of transmission plans.</u>	<u>L</u>	<u>A</u>		<u>Yes</u>
<u>2. Define and collect transmission information and transmission facility characteristics and ratings.</u>	<u>L</u>	<u>C</u>		<u>Yes</u>
<u>3. Develop plans within defined voltage and stability limits and within appropriate facility thermal ratings.</u>	<u>L</u>	<u>A</u>		<u>Yes</u>
<u>4. Define system protection and control needs and requirements, including special protection systems (remedial action schemes), to meet reliability standards.</u>	<u>L</u>	<u>A</u>		
<u>5. Determine TTC values as appropriate.</u>	<u>C</u>	<u>C</u>	<u>L</u>	
<u>6. Notify impacted transmission entities of any planned transmission changes that may impact their facilities.</u>	<u>C</u>	<u>L</u>	<u>C</u>	<u>Yes</u>
<u>7. Evaluate and plan for transmission service and interconnection requests beyond one year.</u>	<u>C</u>	<u>A</u>	<u>L</u>	<u>Yes</u>
<u>8. Develop and report, as appropriate, on its transmission expansion plan for assessment and compliance with reliability standards.</u>	<u>L</u>	<u>A</u>		<u>Yes</u>
<u>9. Monitor and report, as appropriate, on its transmission expansion plan implementation.</u>	<u>L</u>	<u>C</u>	<u>C</u>	<u>Yes</u>
<u>Function – Transmission Service</u>				
<u>Tasks</u>				
<u>1. Receive transmission service requests and process each request for service according to the requirements of the tariff.</u>	<u>C</u>	<u>C</u>	<u>L</u>	
<u> a. Maintain commercial interface for receiving and confirming requests for transmission service according to the requirements of the tariff (e.g., OASIS).</u>	<u>C</u>		<u>L</u>	<u>Yes</u>
<u>2. Approve or deny transmission service requests</u>	<u>C</u>	<u>C</u>	<u>L</u>	<u>Yes</u>
<u>3. Approve Interchange Transactions from transmission service arrangement perspective</u>	<u>C</u>	<u>C</u>	<u>L</u>	<u>Yes</u>
<u>4. Determine AFC values and flowgate allocations</u>	<u>C</u>	<u>L</u>	<u>C</u>	
<u>5. Determine and post available transfer capability (ATC) values.</u>	<u>C</u>	<u>C</u>	<u>L</u>	

~~ATTACHMENT B~~
~~TO THE INDEPENDENT TRANSMISSION ORGANIZATION AGREEMENT~~

~~LIST OF KEY PERSONNEL~~

~~{To be provided by the ITO}~~

RELIABILITY COORDINATOR AGREEMENT

BETWEEN

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND KENTUCKY UTILITIES COMPANY**

AND

TENNESSEE VALLEY AUTHORITY

TABLE OF CONTENTS

Sections:

Section 1 - Designation; Scope of Functions; Standards of Performance; Reliability Coordination Advisory Committee.....2

1.1 Functions.....Designation.....
2

1.2 Coordination with Independent Transmission Organization.....2
1.2 Scope of Functions.....2

1.3 Expansion.....2
1.3 Reliability Coordinator Procedures.....3

1.4 Threat to Reliability Coordinator Performance.....2.....3

1.5 Reliability Coordinator Directives.....3

1.6 Coordination with Independent Transmission Organization.....4

1.7 Expansion.....4

1.8 Reliability Coordinator’s Standard of Performance.....4

1.9 LG&E/KU Standard of Performance.....4

1.5 LG&E/KU Performance.....3
1.10 Reliability Coordination Advisory Committee.....5

Section 2 - Independence.....3
5

2.1 Key Personnel.....35

2.2 Standards of Conduct Treatment.....	<u>36</u>
Section 3 - Compensation, Billing and Payment.....	<u>36</u>
<u>3.1 Compensation.....</u>	<u>6</u>
<u>3.2 Compensation After Termination.....</u>	<u>6</u>
<u>3.3 Reimbursement of Fees.....</u>	<u>7</u>
<u>3.4 Payments.....</u>	<u>7</u>
Section 4 - Effective Date; Term; Termination; Termination Fees; Transition Assistance Services.....	<u>47</u>
4.1 Effective Date; Term.....	<u>47</u>
4.2 <u>Term.....</u>	<u>8</u>
<u>4.3 Mutually-Agreed Termination.....</u>	<u>48</u>
4.3.4.4 Termination at End of Term.....	<u>48</u>
4.4.4.5 Termination for Cause.....	<u>48</u>
4.4.4.5.1 Termination by Either Party.....	<u>48</u>
(a) Material Failure or Default.....	<u>48</u>
(b) Pattern of Failure.....	<u>49</u>
(c) Gross Negligence, Willful Misconduct or Fraud.....	<u>49</u>
(d) Material Misrepresentation.....	<u>49</u>

(e)		
Bankruptcy.....		<u>59</u>
(f)		
Dissolution.....		<u>59</u>
4.4.2 <u>(g) Failure to Negotiate</u>		
<u>Amendment.....</u>		<u>9</u>
<u>(h) Regulatory</u>		
<u>Changes/Modifications.....</u>		<u>9</u>
<u>(g) Extended Force</u>		
<u>Majeure.....</u>		<u>9</u>
<u>4.5.2</u> Termination by		
LG&E/KU.....		<u>59</u>
(a) Not Independent.....		5
(b) No Certification.....		5
4.5 FERC Approval.....		5
<u>4.5.3 Termination by the Reliability</u>		
<u>Coordinator.....</u>		<u>10</u>
4.6 Return of		
Materials.....		<u>510</u>
4.7		
Survival.....		<u>510</u>
4.8 Transition Assistance		
Services.....		<u>510</u>
4.8.1 Transition Assistance		
Period.....		<u>510</u>
4.8.2 Transition Assistance		
Services.....		<u>610</u>
4.8.3 Key		
Personnel.....		<u>611</u>
<u>4.9 Change in Reliability</u>		
<u>Entity.....</u>		<u>11</u>
<u>4.10 Prior Obligations and Liabilities Unaffected by</u>		
<u>Termination.....</u>		<u>11</u>

Section 5 - Data Management	-611
5.1 Supply of Data.....	-611
5.2 Property of Each Party.....	-611
5.3 Data Integrity.....	-612
5.4 Confidentiality.....	-712
Section 6 - Intellectual Property	7
Intellectual Property	12
6.1 Pre-Existing Intellectual Property.....	-712
6.1.1 Exclusion.....	-712
6.2 Jointly-Owned Intellectual Property.....	-712
6.3 Reliability Coordinator Retained Rights.....	-813
6.4 LG&E/KU Retained Rights.....	-813
6.5 Reliability Coordinator Non-Infringement; Indemnification.....	-813
6.6 LG&E/KU Non-Infringement; Indemnification.....	-914
Section 7 - Indemnification	10
15	
7.1 Indemnification by the Parties.....	+015
7.2 No Consequential Damages.....	+015

7.3	Cooperation Regarding		
Claims.....		10	<u>15</u>
Section 8 -	Contract	Managers;	Dispute
Resolution.....		11	<u>16</u>
8.1	LG&E/KU Contact		
Manager.....		11	<u>16</u>
8.2	Reliability Coordinator Contract		
Manager.....		11	<u>16</u>
8.3	Resolution of		
Disputes.....		11	<u>16</u>
8.3.1	Notice of		
Dispute.....		11	<u>16</u>
8.3.2	Dispute Resolution by Contract		
Managers.....		11	<u>16</u>
8.3.3	Dispute Resolution by Executive Management		
Representatives.....		11	<u>16</u>
8.3.4	Exercise of Remedies at Law or in		
Equity.....		11	<u>17</u>
8.4	<u>LG&E/KU</u> Rights Under FPA		
Unaffected.....		12	<u>17</u>
8.5	<u>Reliability Coordinator Rights Under the TVA Act and FPA</u>		
<u>Unaffected.....</u>		12	<u>17</u>
<u>8.6</u>	Statute of Limitations; Continued		
Performance.....		12	<u>17</u>
Section 9 -	Insurance.....		12
<u>17</u>			
9.1	Requirements.....		12
9.2	Insurance		
Matters.....		12	<u>17</u>

9.3		
Compliance.....		<u>1218</u>
Section 10 - Confidentiality.....		13
<u>18</u>		
10.1	Definition of Confidential	
Information.....		<u>1318</u>
10.2	Protection of Confidential	
Information.....		<u>1318</u>
<u>10.3</u>	<u>NERC Data Confidentiality</u>	
<u>Agreement.....</u>		<u>19</u>
Section 11 - Force		
Majeure.....		<u>1419</u>
Section 12 - Reporting;		
Audit.....		<u>1419</u>
12.1	Reporting.....	<u>1419</u>
12.2	Books and	
Records.....		<u>1420</u>
12.3	Regulatory	
Compliance.....		<u>1520</u>
Section 13 - Independent		
Contractor.....		<u>1620</u>
Section 14 - Taxes.....		16
<u>21</u>		
Section 15 - Notices.....		16
<u>Notices.....</u>		<u>22</u>
15.1	Notices.....	<u>1621</u>
15.2	Changes.....	<u>1722</u>

Section 16 — Key		
Personnel		17
Section 16 - 16.1 Key	Personnel;	Work
Conditions	17 <u>22</u>	
16.1 Key		
Personnel		<u>22</u>
16.2 Conduct of Key Personnel and Reporting.....	17 <u>22</u>	
16.3 Personnel Screening.....	17 <u>22</u>	
16.4 Security.....		<u>18</u> <u>22</u>
Section 17 - Miscellaneous Provisions		<u>18</u> <u>23</u>
17.1 Governing Law.....		<u>18</u> <u>23</u>
17.2 Consent to Jurisdiction.....		18
17.3		
Amendment		<u>18</u> <u>23</u>
17.4 <u>17.3</u>		
Assignment.....		<u>18</u> <u>23</u>
17.5 <u>17.4</u> No Third Party Beneficiaries.....		<u>19</u> <u>23</u>
17.6 <u>17.5</u> Waivers.....		<u>19</u> <u>23</u>
17.7 <u>17.6</u> Severability; Renegotiation.....		<u>19</u> <u>23</u>
17.8 <u>17.7</u> Representations and Warranties.....		<u>19</u> <u>23</u>
17.8.1 <u>17.7.1</u> Organization.....		<u>19</u> <u>23</u>

17.8.2	<u>17.7.2</u>		
Authority.....			<u>2024</u>
17.8.3	<u>17.7.3</u>	Binding	
Effect.....			<u>2024</u>
17.8.4	<u>17.7.4</u>	Regulatory	
Approval.....			<u>2024</u>
17.8.5 No Limitation.....			20
<u>17.7.5 No</u>			
<u>Litigation.....</u>			<u>24</u>
17.8.6	<u>17.7.6</u>	No Violation or	
Breach.....			<u>2024</u>
17.9	<u>17.8</u>	Further	
Assurances.....			<u>2024</u>
17.10	<u>17.9</u>	Entire	
Agreement.....			<u>2024</u>
17.11	<u>17.10</u>	Good Faith	
Efforts.....			<u>2025</u>
17.12	<u>17.11</u>	Time of the	
Essence.....			<u>2125</u>
17.13	<u>17.12</u>		
Interpretation.....			<u>2125</u>
17.14	<u>17.13</u>	Joint	
Effort.....			<u>2126</u>
17.15	<u>17.14</u>		
Counterparts.....			<u>2226</u>

Attachment A - Description of the Functions

Attachment B - List of Key Personnel

RELIABILITY COORDINATOR AGREEMENT

This Reliability Coordinator Agreement (this "Agreement") is entered into this 1th day of ~~September, 2005~~, January, 2006 ("Execution Date"), between Louisville Gas and Electric Company and Kentucky Utilities Company, corporations organized pursuant to the laws of the State of Kentucky (collectively, "LG&E/KU"), and the Tennessee Valley Authority, a federal government corporation created by ("TVA" and, in its capacity as reliability coordinator pursuant to this Agreement, the "Reliability Coordinator") created by and existing under and by virtue of the Tennessee Valley Authority Act of 1933 (~~1933, as amended~~, 16 U.S.C. §§ 831 *et seq.*) (the "Reliability Coordinator TVA Act"). LG&E/KU and the Reliability Coordinator may sometimes be ~~individually~~ referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, LG&E/KU owns, among other things, an integrated electric transmission system ("Transmission System"), over which the Midwest Independent Transmission System Operator Inc. (the "Midwest ISO") currently provides open access transmission service to customers in the LG&E/KU Control Area (as defined in ~~the LG&E~~ Section 1.6 of LG&E/KU's Open Access Transmission Tariff ("the, filed with the Federal Energy Regulatory Commission ("FERC") on October 7, 2005 (the "OATT")));

WHEREAS, as part of LG&E/KU's proposal to withdraw its participation in the Midwest ISO, LG&E/KU desires to provide non-discriminatory open access transmission service pursuant to the OATT;

WHEREAS, LG&E/KU desires to have the Reliability Coordinator perform certain key reliability functions under the OATT, including: (i) ~~security~~ reliability coordination (as defined in the relevant North American Electric Reliability Council ("NERC") ~~Version 0 standards~~ Standards); (ii) transmission planning and regional coordination; (iii) approving LG&E/KU's maintenance schedules; (iv) identifying ~~and mandating~~ upgrades required to maintain reliability; (v) non-binding recommendations relating to economic transmission system upgrades; and (vi) administration of any seams agreements;

WHEREAS, LG&E/KU desires to have the Reliability Coordinator perform all functions identified for reliability coordinators ~~under Policy 9 and Appendices 9B-9D of~~ in NERC's ~~Operating Policies~~ Standards;

WHEREAS, LG&E/KU will retain all remaining NERC obligations, including obligations associated with its status as a Control Area operator and the provider (including operations as a Balancing Authority and Transmission Operator as defined by NERC) and its obligations to ensure the provision of transmission services under the OATT, and will take action necessary to protect reliability of the Transmission System, including circumstances where such action is necessary to protect, prevent or manage emergency situations;

WHEREAS, the Reliability Coordinator is: (i) a federal government corporation charged with providing electric power, flood control, navigational control, agricultural and industrial development, and other services to a region including Tennessee and parts of six contiguous states; and (ii) ~~certified~~ **recognized by NERC** as a reliability coordinator ~~by NERC~~;

WHEREAS, the Reliability Coordinator is independent from LG&E/KU, possesses the necessary competence and experience to perform the functions provided for hereunder and is willing to perform such functions under the terms and conditions agreed upon by the Parties as set forth in this Agreement; ~~and~~

WHEREAS, as part of LG&E/KU's goal to maintain the requisite level of independence in the operation of its Transmission System to prevent any exercise of transmission market power, LG&E/KU intends to enter into ~~an~~ Independent Transmission Organization Agreement (the "Independent Transmission Organization Agreement") with ~~[_____]~~ **Southwest Power Pool, Inc.** (the "Independent Transmission Organization"), pursuant to which the Independent Transmission Organization will provide to LG&E/KU certain key transmission-related functions under the OATT-~~2~~;

WHEREAS, TVA is a party to a Joint Reliability Coordination Agreement ("JRCA") with the Midwest ISO and PJM Interconnection, L.L.C., which provides for the exchange of transmission-related data and information and establishes various arrangements and protocols in furtherance of the reliability of their interconnected transmission systems and efficient market operations, and LG&E/KU seeks to participate in and operate in accordance with the arrangements and protocols arising from the JRCA; and

WHEREAS, TVA and LG&E/KU may choose to participate in similar reliability coordination agreements with other neighboring reliability coordination areas.

NOW THEREFORE, in consideration of the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

Section 1 - Designation; Scope of Functions; Standards of Performance; Reliability Coordination Advisory Committee.

1.1 Designation. LG&E/KU appoints TVA to act as LG&E/KU's designated Reliability Coordinator pursuant to and in accordance with the terms and conditions of this Agreement. The Reliability Coordinator shall have no responsibility to LG&E/KU, except as specifically set forth in this Agreement.

~~1.1~~ **1.2 Scope of Functions. The Reliability Coordinator shall perform the functions described in Attachment A (the "Functions") during seven days a week, twenty-four hours a day, for the duration of the Term in accordance with the terms and conditions of this Agreement. In accordance with its obligations under this Section 1.2, the Reliability Coordinator is authorized to, and shall, direct and coordinate timely and appropriate**

actions by LG&E/KU, including curtailing transmission service or energy schedules, re-dispatching generation, and shedding load, in each case, in order to avoid adverse effects on interregional bulk power reliability.

1.3 Reliability Coordinator Procedures. The Reliability Coordinator shall develop the procedures and guidelines by which it will perform the Functions (the “Reliability Coordinator Procedures”) in coordination with the RCAC (as defined in Section 1.10) and applicable regional reliability councils. The Reliability Coordinator Procedures shall be documented in a NERC-approved reliability plan for the TVA Reliability Coordination Area or in TVA Standard Procedures and Policies. The Reliability Coordinator shall provide LG&E/KU advance written notice of any amendment or change to the Reliability Coordinator Procedures. For purposes of this Agreement, the term “TVA Standard Procedures and Policies” shall mean such procedures and policies related to TVA’s operations as may be promulgated and published by TVA pursuant to its legal authorities and obligations.

1.4 Threat to Reliability. If the Reliability Coordinator determines that an actual or potential threat to transmission system reliability exists, and that such threat may impair the reliability of a transmission system, then the Reliability Coordinator shall direct that LG&E/KU take whatever actions are necessary, consistent with Good Utility Practice (as defined below) and in accordance with the applicable reliability criteria, policies, standards, rules, regulations and other requirements of NERC (collectively, the “NERC Standards”) and any applicable regional reliability councils or their successors (collectively, “Regional Reliability Council Standards”), to avoid or mitigate the effects of the threat to transmission system reliability. For purposes of this Agreement, “Good Utility Practice” shall mean any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts that, in a person’s exercise of reasonable judgment in light of the facts as known to that person at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to include the range of acceptable practices, methods, or acts generally accepted in the region.

1.5 Reliability Coordinator Directives. Except as provided in the immediately succeeding sentence, LG&E/KU shall implement any directive given by the Reliability Coordinator pursuant to Sections 1.2 or 1.4. LG&E/KU shall not be obligated to implement any directive which LG&E/KU determines will violate any state or federal law or the terms of any governmental approval applicable to LG&E/KU. LG&E/KU may review any directive given by the Reliability Coordinator pursuant to Sections 1.2 or 1.4, to determine if it is, in LG&E/KU’s judgment, in accordance with the requirements of Section 1.8. If LG&E/KU determines that any directive is not in accordance with the requirements of Section 1.8, then it shall immediately so notify the Reliability Coordinator; provided, however, that, except as provided in the second sentence in this Section 1.5, LG&E/KU shall continue to implement the directive until the Reliability Coordinator notifies

LG&E/KU otherwise. LG&E/KU's notice shall include: (a) information outlining the basis for LG&E/KU's determination that (i) the directive is not in accordance with the requirements of Section 1.8 and, if applicable, (ii) that implementation of the directive will violate one or more state or federal laws or the terms of any governmental approvals applicable to LG&E/KU; and (b) the alternative action that LG&E/KU would prefer to take to alleviate the problem addressed by the Reliability Coordinator's directive. After prompt consideration of such information, the Reliability Coordinator shall issue a directive to LG&E/KU in accordance with its obligations under this Agreement.

1.2- **1.6** Coordination with Independent Transmission Organization. In conjunction with its performance of the Functions, the Reliability Coordinator shall coordinate and cooperate with the Independent Transmission Organization and provide, subject to the terms and conditions of this Agreement, including the Reliability Coordinator's obligations with respect to Confidential Information in Section 10, any information that the Independent Transmission Organization may reasonably request in order to carry out its functions under the Independent Transmission Organization Agreement.

1.3- **1.7** Expansion. Nothing in this Agreement is intended to prevent the Reliability Coordinator from **TVA from (a) coordinating, or cooperating in, interregional activities to relieve problems experienced by other transmission systems or (b)** entering into other agreements with one or more third party transmission providers or operators to perform functions for such transmission providers or operators that are the same or similar to the Functions performed hereunder; provided, however, that the Reliability Coordinator ~~it~~ does not breach any of its obligations under this Agreement (including its obligations with respect to Confidential Information in Section 10) by entering into or performing any of its obligations under such other agreements; provided, further, that (i) any such other agreements shall provide for LG&E/KU to be reimbursed in an equitable manner for any capital expenditures made pursuant to this Agreement as well as for LG&E/KU's ongoing operations and maintenance expenditures to the extent such capital expenditures and operations and maintenance expenditures are used by the Reliability Coordinator in performing functions under such other agreements-, (ii) LG&E/KU agrees to reimburse any such third party transmission providers or operators in an equitable manner for any capital expenditures made by such third parties as well as for such third parties' ongoing operations and maintenance expenditures to the extent such capital expenditures and operations and maintenance expenditures are used by the Reliability Coordinator in performing functions under this Agreement, and (iii) to the extent applicable, the Reliability Coordinator shall revise the compensation provided for in Section 3.1 in accordance with the terms therein.

1.4- **1.8** Reliability Coordinator's Standard of Performance. The Reliability Coordinator shall perform its obligations (including the Functions) under this Agreement in accordance with: (a) the NERC functional model, (b) Good Utility Practice, (c) all applicable reliability criteria, policies, standards, rules, regulations and other requirements of NERC and any applicable regional reliability council or their successors, (d) LG&E/KU's **Good Utility Practice; (b) the NERC Standards and Regional Reliability Council Standards; (c) LG&E/KU's specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements specified in this Section 1.8); (d) TVA Standard Procedures and**

Policies; and, (e) all state and federal laws, including the TVA Act, and the terms of governmental approvals applicable to one or both of the Parties. In performing its responsibilities under this Agreement, the Reliability Coordinator shall not discriminate against similarly situated persons.

1.9 LG&E/KU's Standard of Performance. LG&E/KU shall perform its obligations under this Agreement in accordance with: (a) Good Utility Practice; (b) the NERC Standards and Regional Reliability Council Standards; (c) any other LG&E/KU-specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements specified in this Section 1.4), (e) the OATT, and (f) all applicable laws and the requirements of federal and state regulatory authorities. 1.9); and (d) all state and federal laws and the terms of governmental approvals applicable to LG&E/KU.

1.10 Reliability Coordination Advisory Committee.

1.10.1 Each Party shall designate one representative to serve on a Reliability Coordination Advisory Committee ("RCAC"), which shall be composed of representatives of each Party and representatives from each entity that has executed a similar reliability coordination agreement designating TVA as its reliability coordinator. Each Party may also designate one alternate to act in the absence of its representative on the RCAC. Written notice of each representative and alternate appointment shall be provided to each RCAC entity, and each Party may change its representatives upon written notice to the other RCAC entities.

1.10.2 The RCAC shall assist the Reliability Coordinator in the development of the initial Reliability Coordinator Procedures and the modification of existing Reliability Coordinator Procedures. In connection with these activities, the Reliability Coordinator may provide the other RCAC members with access to necessary data and documents maintained by the Reliability Coordinator, provided that each such RCAC member has signed the NERC Data Confidentiality Agreement and that all Confidential Information is treated as transmission operations and transmission system information pursuant to the NERC Data Confidentiality Agreement.

~~1.5 LG&E/KU Performance. LG&E/KU shall perform its obligations under this Agreement in accordance with (a) the NERC functional model and (b) Good Utility Practice.~~
The RCAC shall meet at least twice per Contract Year (as defined below). For purposes of this Agreement, a "Contract Year" shall consist of a twelve (12) month period. "Contract Year 1" shall begin on the Effective Date. Contract Years 2, 3, and 4 shall consist of the next three successive 12-month periods after Contract Year 1.

Section 2 - Independence.

2.1 Key Personnel. All Functions shall be performed by employees of the Reliability Coordinator identified in Attachment B (the "Key Personnel"). No Key Personnel shall also be employed by LG&E/KU or any of its Affiliates (as defined in 18 C.F.R. § 35.34(b)(3) of FERC's

regulations). The Reliability Coordinator and the Key Personnel shall be, and shall remain throughout the Term, Independent (as defined below) of LG&E/KU, its Affiliates and ~~any Tariff Participant~~ (as defined below) the Independent Transmission Organization (ITO). For purposes of this Agreement: (a) “Independent” shall mean that the Reliability Coordinator and the Key Personnel are not subject to the control of LG&E/KU, its Affiliates or ~~any Tariff Participant~~ the Independent Transmission Organization, and have full decision-making authority to perform all Functions in accordance with the provisions of this Agreement. Any Key Personnel owning securities in excess of \$15,000 in LG&E/KU, its Affiliates or ~~any Tariff Participant~~ the Independent Transmission Organization shall divest such securities within six (6) months of first being assigned to perform such Functions, provided that nothing in this Section 2.1 shall be interpreted or construed to preclude any such Key Personnel from indirectly owning securities issued by LG&E/KU, its Affiliates or ~~any Tariff Participant~~ the Independent Transmission Organization through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or the electric utility industry or any segment thereof) under which the Key Personnel does not control the purchase or sale of such securities. Participation by any Key Personnel in a pension plan of LG&E/KU, its Affiliates or ~~any Tariff Participant~~ the Independent Transmission Organization shall not be deemed to be a direct financial interest if the plan is a defined-benefit plan that does not involve the Key Personnel’s ownership of the securities; (b) “Tariff Participant” shall mean LG&E/KU Transmission System customers, interconnection customers, wholesale customers, affected transmission providers, any Market Participant (as defined in 18 C.F.R. § 35.34(a)(2) of FERC’s regulations) and similarly qualified third parties within the LG&E/KU Control Area.

2.2 Standards of Conduct Treatment. All Key Personnel shall be treated, for purposes of the FERC’s Standards of Conduct, as transmission/reliability employees. All restrictions relating to information sharing and other relationships between merchant employees and transmission/reliability employees shall apply to the Key Personnel.

Section 3 - Compensation, Billing and Payment.

3.1 Compensation. LG&E/KU shall pay to the Reliability Coordinator as compensation for the performance of the Functions during the Initial Term the following amounts on or before the start of each Contract Year:

<u>Contract Year 1</u>	<u>\$1,397,000</u>
<u>Contract Year 2</u>	<u>\$1,439,000</u>
<u>Contract Year 3</u>	<u>\$1,511,000</u>
<u>Contract Year 4</u>	<u>\$1,586,000</u>

The Reliability Coordinator agrees that if at any time during the Initial Term it expands its Reliability Coordination Area by providing similar services to additional Transmission Operators, the Reliability Coordinator will review and revise, as appropriate, the above compensation rate. Such revised compensation shall enable the Reliability Coordinator to recover its incremental costs associated with providing the specific service by allocating the costs among those subscribing to the service in an equitable manner (e.g., costs may be allocated using a load ratio share methodology (a participant's annual non-coincident peak

load as a percentage of the total annual non-coincident peak load for those participating in the service)). Costs will be determined by the Reliability Coordinator based on its total cost of providing the service(s) as documented in the Reliability Coordinator's financial systems.

Compensation for Subsequent Terms (as defined in Section 4.2 herein) shall be based on the compensation in previous Contract Years and/or the methodology outlined above in this Section 3.1 and shall be negotiated by the Parties in good faith. Such negotiations shall begin not later than six months prior to and shall be concluded no later than three months prior to the beginning of the Subsequent Term.

3.2 Compensation After Termination. If LG&E/KU terminates this Agreement before the end of a Contract Year, then the Reliability Coordinator shall not be obligated to refund any amounts paid by LG&E/KU to the Reliability Coordinator as compensation for services provided by the Reliability Coordinator under this Agreement. If, however, the Reliability Coordinator terminates this Agreement before the end of a Contract Year or LG&E/KU and the Reliability Coordinator mutually agree to terminate this Agreement, then the Reliability Coordinator shall be obligated to refund to LG&E/KU an amount equal to the product of (a) any amounts paid by LG&E/KU to the Reliability Coordinator as compensation for services provided by the Reliability Coordinator under this Agreement during the Contract Year in which this Agreement is terminated and (b) the number of whole or partial months remaining in the Contract Year divided by twelve (12).

3.3 Reimbursement of Fees. In addition to the compensation provided for in Section 3.1, LG&E/KU shall reimburse the Reliability Coordinator for (a) its share of costs associated with the Reliability Coordinator's membership in the Reliability First Corporation or otherwise required by the Reliability First Corporation in order for the Reliability Coordinator to be LG&E/KU's reliability coordinator, including annual membership assessments and (b) any additional costs incurred by the Reliability Coordinator at the request or direction of LG&E/KU that are not associated with services provided for in Section 3.1.

3.4 Payments. All payments by LG&E/KU to the Reliability Coordinator shall be made by the FedWire transfer method to the Reliability Coordinator's account at the U.S. Treasury in accordance with the wire instructions indicated below, and all such payments shall be deemed received as of the date the electronic funds transfer to the Reliability Coordinator's account is deemed effective.

Bank Name: TREAS NYC (official abbreviation)

Bank Address: New York Federal Reserve Bank, New York City

ABA Number: 021030004

Account No: 4912

OBI: Provide your organization name and invoice number or explanation of payment.

The Reliability Coordinator shall provide LG&E/KU with one or more contact persons for payment purposes and shall update such list of contact persons as necessary.

~~— [COMPENSATION, BILLING AND PAYMENT PROVISIONS WILL BE NEGOTIATED WITH TVA]~~

Section 4 - Effective Date; Term; Termination; Termination Fees; Transition Assistance Services.

4.1 ~~Effective Date; Term.~~ This Agreement shall become effective on The Parties acknowledge and agree that:

4.1.1 Sections 4, 6, 7, 8, 9, 10, 11, 13, 15, 16 and 17 shall be effective, and the rights and obligations of the Parties under Sections 4, 6, 7, 8, 9, 10, 11, 13, 15, 16 and 17, shall be binding upon the Parties, in each case, as of the Execution Date; and

4.1.2 All other Sections of this Agreement (other than Sections 4, 6, 7, 8, 9, 10, 11, 13, 15, 16 and 17) shall be effective, and the rights and obligations of the Parties under all other Sections of this Agreement (other than Sections 4, 6, 7, 8, 9, 10, 11, 13, 15, 16 and 17) shall be binding upon the Parties, as of the date (the "Effective Date") which is thirty (30) days after FERC's acceptance of this Agreement and shall continue for an initial term of on which the Parties shall have agreed in writing that each of the following conditions precedent have been satisfied to their mutual satisfaction:

(a) The Parties' representations and warranties in Section 17.7 shall be true and correct in all material respects as of the Effective Date;

(b) FERC shall have issued an order accepting for filing LG&E/KU's application to FERC in Docket Nos. ER06-20-000 and EC06-4-000 dated October 7, 2005;

(c) LG&E/KU shall have acquired operational control of the Transmission System; and

(d) The Parties shall be prepared and capable to commence their respective obligations under this Agreement, provided that the Parties shall use commercially reasonable efforts to be prepared and capable to commence their respective obligations under this Agreement as soon as practicable after the Execution Date.

4.2 Term. The initial term of this Agreement shall commence on the Execution Date and continue for four (4) years from the Effective Date **(as provided for in Section 3.1), unless terminated early pursuant to the termination provisions hereof** (the “Initial Term”). After the conclusion of the Initial Term, this Agreement shall automatically continue for successive additional one-year terms (each, a “Subsequent Term”) unless and until terminated pursuant to the termination provisions hereof. The Initial Term and any Subsequent Terms, together with the Transition Assistance Period, if any, shall collectively be referred to as the “Term.”

4.3 4.2-Mutually-Agreed Termination. ~~Subject to Section 4.5, this~~ **This** Agreement may be terminated by mutual agreement of the Parties at any time during the Term ~~(other than any Transition Assistance Period).~~

4.4 4.3-Termination at End of Term. ~~Subject to Section 4.5, either~~ **Either** Party may terminate this Agreement at the end of the Initial Term or any Subsequent Term upon six (6) months’ prior written notice to the other Party.

4.5 4.4-Termination for Cause.

4.4.14.5.1 Termination by Either Party. ~~Subject to Section 4.5, either~~ **Either** Party may terminate this Agreement effective immediately upon **thirty (30) days’** prior written notice thereof to the other Party if:

(i) (g)-Material Failure or Default. The other Party fails, ~~in any material respect,~~ to comply with, observe or perform, or defaults, in any material respect, in the performance of the terms and conditions of this Agreement, and such failure or default remains uncured for thirty (30) days after notice thereof, provided that such failure or default is susceptible to cure and the other Party is exercising reasonable diligence to cure such failure or default;

(i) (h)-Pattern of Failure. It determines, in its sole discretion, that there has been a pattern of failure by the other Party to comply with the standards of performance required under this Agreement;

(k) (i)-Gross Negligence, Willful Misconduct or Fraud. The other Party commits gross negligence, willful misconduct or fraud in the performance of its obligations under this Agreement;

(l) (j)-Material Misrepresentation. Any representation made by the other Party hereunder shall be false or incorrect in any material respect

when made and such misrepresentation is not cured within thirty (30) days of such discovery or is incapable of cure;

(m) ~~(k)~~ Bankruptcy. The other Party: (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it; (ii) makes an assignment or any general arrangement for the benefit of creditors; (iii) otherwise becomes bankrupt or insolvent (however evidenced); (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or (v) is generally unable to pay its debts as they fall due; ~~or~~

(n) ~~(l)~~ Dissolution. The other Party dissolves or is dissolved or its legal existence is otherwise terminated; ~~;~~

(o) Failure to Negotiate Amendment. The Parties are unsuccessful in negotiating an amendment or amendments to this Agreement pursuant to Section 17.6;

(p) Regulatory Changes/Modifications. FERC, in accepting for filing LG&E/KU's application to FERC in Docket Nos. ER06-20-000 and EC06-4-000 dated October 7, 2005, or in any other future docket, makes any material changes, modifications, additions, or deletions to this Agreement; or

(i) Extended Force Majeure. A Party is excused because of Force Majeure (as defined in Section 11 herein) for more than thirty (30) days from performing any of its material obligations under this Agreement.

4.4.24.5.2 Termination by LG&E/KU. Subject to ~~Section 4.5~~, LG&E/KU may terminate this Agreement effective immediately upon thirty (30) days' prior written notice thereof to the Reliability Coordinator if:

~~(m)~~ Not Independent. FERC determines that the Reliability Coordinator is not Independent; ~~or~~

~~(n)~~ No Certification. The Reliability Coordinator: (i) fails to obtain certification from the East Central Area (a) the Reliability Coordination Agreement ("ECAR") as a reliability coordinator; or (ii) Coordinator loses its NERC ~~or ECAR~~ certification once obtained; ~~;~~ or

(b) FERC issues an order determining that TVA should no longer serve as LG&E/KU's Reliability Coordinator pursuant to this Agreement.

4.5.3 Termination by the Reliability Coordinator. The Reliability Coordinator may terminate this Agreement effective immediately upon thirty (30) days' prior written notice thereof to LG&E/KU if:

(a) LG&E/KU determines to cease being a Balancing Authority and/or Transmission Operator, provided that LG&E/KU shall provide the Reliability Coordinator as much advance written notice of such determination as is practicable to allow the Reliability Coordinator to terminate this Agreement on or prior to the time LG&E/KU ceases to be a Balancing Authority or Transmission Operator;

(b) FERC or any other person or entity takes any action to subject the Reliability Coordinator to FERC's plenary jurisdiction under the Federal Power Act ("FPA"); or

(c) Effective Date has not occurred within eighteen (18) months of the Execution Date.

~~4.5 FERC Approval. No termination of this Agreement shall be effective until approved by FERC.~~

4.6 Return of Materials. Upon any termination of this Agreement or the conclusion of any Transition Assistance Period pursuant to Section 4.8.1, whichever is later, the Reliability Coordinator shall timely and orderly turn over to LG&E/KU all materials that were prepared or developed prior thereto pursuant to this Agreement, and return or destroy, at the option of LG&E/KU, all Data and other information supplied by LG&E/KU to the Reliability Coordinator or created by the Reliability Coordinator on behalf of LG&E/KU.

4.7 Survival. All provisions of this Agreement which are by their nature or terms intended to survive the termination of this Agreement, including the obligations set forth in ~~Section~~Sections 7 and Section 10, shall survive termination of this Agreement.

4.8 Transition Assistance Services.

4.8.1 Transition Assistance Period. Commencing on the date this Agreement is terminated and continuing for up to six (6) months thereafter (the "Transition Assistance Period"), the Reliability Coordinator shall (a) provide the Functions (and any replacements thereof or substitutions therefor), to the extent LG&E/KU requests such Functions to be performed during the Transition Assistance Period, and (b) cooperate with LG&E/KU in the transfer of the Functions (collectively, the "Transition Assistance Services"). **During the Transition Assistance Period, the Parties shall use good faith efforts to ensure a smooth transition.**

4.8.2 Transition Assistance Services. The Reliability Coordinator shall, upon LG&E/KU's request, provide the Transition Assistance Services during the Transition Assistance Period at the Reliability Coordinator's actual cost for such services. The

quality and level of performance of the Functions by the Reliability Coordinator during the Transition Assistance Period shall not be degraded. After the expiration of the Transition Assistance Period, the Reliability Coordinator shall answer questions from LG&E/KU regarding the Functions on an “as needed” basis at the Reliability Coordinator’s then-standard billing rates.

4.8.3 Key Personnel. During the Transition Assistance Period, the Reliability Coordinator shall not terminate, reassign or otherwise remove any Key Personnel without providing LG&E/KU thirty (30) days’ prior notice of such termination, reassignment or removal unless such employee (a) voluntarily resigns from the Reliability Coordinator, (b) is dismissed by the Reliability Coordinator for cause, or (c) dies or is unable to work due to his or her disability.

4.9 Change in Reliability Entity. This Agreement is based on the existence of NERC and the applicability of the NERC Standards. If NERC ceases to exist in its current form or is replaced with an entity with authority over a Party’s transmission system, the Parties shall promptly meet to determine whether to revise this Agreement to reflect the new reliability entity, if any, and the Parties’ obligations in light of the new reliability entity or to terminate this Agreement in accordance with Section 4.2.

4.10 Prior Obligations and Liabilities Unaffected by Termination. Termination of this Agreement shall not relieve the Parties of any of their respective cost obligations or other obligations and liabilities related to this Agreement that were incurred prior to the effective date of termination of this Agreement.

Section 5 - Data Management.

5.1 Supply of Data. During the Term, LG&E/KU shall supply to the Reliability Coordinator, and/or grant the Reliability Coordinator access to all Data that the Reliability Coordinator reasonably requires to perform the Functions. The Parties shall agree upon the initial format and manner in which such Data shall be provided. For purposes of this Agreement, “Data” means all information, text, drawings, diagrams, images or sounds which are embodied in any electronic or tangible medium and which (a) are supplied or in respect of which access is granted to the Reliability Coordinator by LG&E/KU under this Agreement, which shall be LG&E/KU’s Data, (b) are prepared, stored or transmitted by the Reliability Coordinator solely on behalf of LG&E/KU, which shall be LG&E/KU’s Data; or (c) are compiled by the Reliability Coordinator by aggregating Data owned by LG&E/KU and Data owned by third parties, which shall be Reliability Coordinator’s Data.

5.2 Property of Each Party. Each Party acknowledges that the other Party’s Data and the other Party’s software, base data models and operating procedures for software or base data models (“Processes”) are the property of such other Party and agrees that it will do nothing inconsistent with such ownership, including preserving all intellectual property and/or proprietary rights in such other Party’s Data and Processes as provided in Section 6.

5.3 Data Integrity. Each Party shall reasonably assist the other Party in establishing measures to preserve the integrity and prevent any corruption or loss of Data, and the Parties shall reasonably assist each other in the recovery of any corrupted or lost Data. Each Party shall retain and preserve any of the other Party's Data that are supplied to it during the Term, and shall exercise commercially reasonable efforts to preserve the integrity of the other Party's Data that are supplied to it during the Term, in order to prevent any corruption or loss of the other Party's Data.

5.4 Confidentiality. Each Party's Data shall be treated as Confidential Information in accordance with the provisions of Section 10.

Section 6 - Intellectual Property.

6.1 Pre-Existing Intellectual Property. Each Party shall own (and continue to own) all trade secrets, Processes and designs and other intellectual property that it owned prior to entering this Agreement, including any enhancements thereto ("Pre-Existing Intellectual Property"). Each Party acknowledges the ownership of the other Party's Pre-Existing Intellectual Property and agrees that it will do nothing inconsistent with such ownership. Each Party agrees that nothing in this Agreement shall give it any right, title or interest in the other Party's Pre-Existing Intellectual Property, other than the rights set forth in this Agreement. The Reliability Coordinator's Pre-Existing Intellectual Property shall include the Reliability Coordinator Retained Rights set forth in Section 6.3. LG&E/KU's Pre-Existing Intellectual Property shall include LG&E/KU Retained Rights set forth in Section 6.4.

6.1.1 Exclusion. Nothing in this Agreement shall prevent either Party from using general techniques, ideas, concepts and know-how gained by its employees during the performance of its obligations under this Agreement in the furtherance of its normal business, to the extent that it does not result in disclosure of the other Party's Data or any data generated from the other Party's Data or other Confidential Information or an infringement by LG&E/KU or the Reliability Coordinator of any intellectual property right. For the avoidance of doubt, the use by a Party of such general techniques, ideas, concepts and know-how gained by its employees during the performance of its obligations under this Agreement shall not be deemed to be an infringement of the other Party's intellectual property rights so long as such matters are retained in the unaided memories of such employees and any Confidential Information is treated in accordance with the provisions of Section 10.

6.2 Jointly-Owned Intellectual Property. Except for the Data described in Section 5.1, all deliverables, whether software or otherwise, to the extent originated and prepared by the Reliability Coordinator exclusively in connection with the performance of its obligations under this Agreement shall be, upon payment of all amounts that may be due from LG&E/KU to the Reliability Coordinator, jointly owned by LG&E/KU and Reliability Coordinator ("Jointly-Owned Intellectual Property"). Each Party shall have the right to use the Jointly-Owned Intellectual Property without any right or duty or accounting to the other Party, except as provided in this Section 6.2. Upon the Reliability Coordinator using, transferring or licensing Jointly-Owned Intellectual Property for or to a third party, the Reliability Coordinator shall

reimburse LG&E/KU in an equitable manner as determined by the Parties in good faith for the actual amounts paid by LG&E/KU to the Reliability Coordinator that relate to such Jointly-Owned Intellectual Property. Except as stated in the foregoing sentence, the Reliability Coordinator shall have no other obligation to account to LG&E/KU for any such use, transfer, license, disclosure, copying, modifying or enhancing of the Jointly-Owned Intellectual Property. Notwithstanding anything herein to the contrary, LG&E/KU may use the Jointly-Owned Intellectual Property for its internal business purposes, including licensing or transferring its interests therein to a third party for purposes of operating or performing functions in connection with LG&E/KU's transmission business.

6.3 Reliability Coordinator Retained Rights. The Reliability Coordinator shall retain all right, title and interest in its proprietary know-how, concepts, techniques, processes, materials and information that were or are developed entirely independently of this Agreement ("Reliability Coordinator Retained Rights"), whether or not such Reliability Coordinator Retained Rights are embodied in a deliverable, whether software or otherwise originated and prepared by the Reliability Coordinator in connection with the performance of its obligations under this Agreement. With respect to the Reliability Coordinator Retained Rights embodied in any deliverable, whether software or otherwise originated and prepared by the Reliability Coordinator in connection with the performance of its obligations under this Agreement, LG&E/KU is hereby granted a nonexclusive, perpetual, worldwide, royalty-free, fully paid-up license under such Reliability Coordinator Retained Rights to use such deliverable for LG&E/KU's internal business purposes only, including licensing or transferring its interests therein to an Affiliate of LG&E/KU or a third party for purposes of operating or performing functions in connection with LG&E/KU's transmission business.

6.4 LG&E/KU Retained Rights. LG&E/KU shall retain all right, title and interest in its proprietary know-how, concepts, techniques, processes, materials and information that were or are developed entirely independently of this Agreement ("LG&E/KU Retained Rights"), whether or not such LG&E/KU Retained Rights are embodied in a deliverable, whether software or otherwise originated and prepared by LG&E/KU in connection with the performance of its obligations under this Agreement. With respect to LG&E/KU Retained Rights embodied in any software or otherwise originated and prepared by LG&E/KU in connection with the performance of its obligations under this Agreement, the Reliability Coordinator is hereby granted a nonexclusive, worldwide, royalty-free, fully paid-up license under such LG&E/KU Retained Rights to use such deliverable for the Reliability Coordinator's performance of its obligations under this Agreement only; provided that LG&E/KU shall not be liable in any way for the use of or reliance on such Reliability Coordinator Retained Rights by the Reliability Coordinator's Affiliate or third party for any purpose whatsoever.

6.5 Reliability Coordinator Non-Infringement; Indemnification. The Reliability Coordinator warrants to LG&E/KU that all Reliability Coordinator's Data and Processes, Reliability Coordinator Pre-Existing Intellectual Property, Reliability Coordinator Retained Rights, and deliverables prepared, produced or first developed by the Reliability Coordinator in connection with the performance of its obligations under this Agreement shall not infringe on any third party patent, copyright, trade secret or other third party proprietary rights. The Reliability Coordinator shall defend, hold harmless and indemnify LG&E/KU and its Affiliates

and their respective employees, officers, directors, principals, owners, partners, shareholders, agents, representatives, consultants, and subcontractors (collectively, “LG&E/KU Representatives”) from and against all claims, lawsuits, penalties, awards, judgments, court arbitration costs, attorneys’ fees, and other reasonable out-of-pocket costs incurred in connection with such claims or lawsuits based upon the actual or alleged infringement of any of the foregoing rights; provided that LG&E/KU gives prompt written notice of any such claim or action to the Reliability Coordinator, permits the Reliability Coordinator to control the defense of any such claim or action with counsel of its choice, and cooperates with the Reliability Coordinator in the defense thereof; and further provided that such claim or action is not based on any alteration, modification or combination of the deliverable with any item, information or process not provided by the Reliability Coordinator, where there would be no infringement in the absence of such alteration, modification or combination. If any infringement action results in a final injunction against LG&E/KU or the LG&E/KU Representatives with respect to Reliability Coordinator’s Data and Processes, Reliability Coordinator Pre-Existing Intellectual Property, Reliability Coordinator Retained Rights or deliverables prepared, produced or first developed by the Reliability Coordinator in connection with the performance of its obligations under this Agreement or in the event the use of such matters or any part thereof, is, in such lawsuit, held to constitute infringement, the Reliability Coordinator agrees that it shall, at its option and sole expense, either (a) procure for LG&E/KU or the LG&E/KU Representatives the right to continue using the infringing matter, or (b) replace the infringing matter with non-infringing items of equivalent functionality or modify the same so that it becomes non-infringing and retains its full functionality. If the Reliability Coordinator is unable to accomplish (a) or (b) above, the Reliability Coordinator shall reimburse LG&E/KU for all costs and fees paid by LG&E/KU to the Reliability Coordinator for the infringing matter. The above constitutes the Reliability Coordinator’s complete liability for claims of infringement relating to any ~~of~~ the Reliability Coordinator’s Data and Processes, Reliability Coordinator Pre-Existing Intellectual Property, Reliability Coordinator Retained Rights, and deliverables prepared, produced or first developed by the Reliability Coordinator in connection with the performance of its obligations under this Agreement.

6.6 LG&E/KU Non-Infringement; Indemnification. LG&E/KU warrants to the Reliability Coordinator that, to its knowledge, all LG&E/KU’s Data (except for Data created by the Reliability Coordinator on behalf of LG&E/KU) and Processes, LG&E/KU Pre-Existing Intellectual Property, and LG&E/KU Retained Rights shall not infringe on any third party patent, copyright, trade secret or other third party proprietary rights. LG&E/KU shall defend, hold harmless and indemnify the Reliability Coordinator and its Affiliates and their respective employees, officers, directors, principals, owners, partners, shareholders, agents, representatives, consultants, and subcontractors against all claims, lawsuits, penalties, awards, judgments, court costs, and arbitration costs, attorneys’ fees, and other reasonable out-of-pocket costs incurred in connection with such claims or lawsuits based upon the actual or alleged infringement of any of the foregoing rights; provided that the Reliability Coordinator gives prompt written notice of any such claim or action to LG&E/KU, permits LG&E/KU to control the defense of any such claim or action with counsel of its choice, and cooperates with LG&E/KU in the defense thereof; and further provided that such claim or action is not based on any alteration, modification or combination of the deliverable with any item, information or process not provided by LG&E/KU to the Reliability Coordinator, where there would be no infringement in the absence of such

alteration, modification or combination. The above constitutes LG&E/KU's complete liability for claims of infringement relating to any of the LG&E/KU's Data and Processes, LG&E/KU Pre-Existing Intellectual Property, and LG&E/KU Retained Rights.

Section 7 - Indemnification.

7.1 Indemnification by the Parties. Each Party ("Indemnifying Party") shall indemnify, release, defend, reimburse and hold harmless the other Party and its Affiliates, and their respective directors, officers, employees, principals, representatives and agents (collectively, the "Indemnified Parties") from and against any and all claims, demands, liabilities, losses, causes of action, awards, fines, penalties, litigation, administrative proceedings and investigations, costs and expenses, and attorney fees (each, an "Indemnifiable Loss") asserted against or incurred by any of the Indemnified Parties arising out of, resulting from or based upon (a) a breach by the Indemnifying Party of its obligations under this Agreement, (b) ~~the acts or omissions~~ claims of bodily injury or death of any person or damage to real and/or tangible personal property caused by the negligence or willful misconduct of the Indemnifying Party and its Affiliates and their respective directors, officers, employees, principals, representatives, agents or contractors during the Term, or (c) ~~claims of bodily injury or death of any person or damage to real and/or tangible personal property caused by the negligence or willful misconduct~~ the acts or omissions of the Indemnifying Party and its Affiliates and their respective directors, officers, employees, principals, representatives, agents or contractors during the Term.

7.2 No Consequential Damages. Neither Party shall be liable to the other Party under this Agreement (by way of indemnification, damages or otherwise) for, ~~nor will the measure of damages include,~~ any indirect, incidental, exemplary, punitive, special or consequential damages, except in the case of gross negligence or willful misconduct.

7.3 Cooperation Regarding Claims. If an Indemnified Party receives notice or has knowledge of any Indemnifiable Loss that may result in a claim for indemnification by such Indemnified Party against an Indemnifying Party pursuant to this Section 7, such Indemnified Party shall as promptly as possible give the Indemnifying Party notice of such Indemnifiable Loss, including a reasonably detailed description of the facts and circumstances relating to such Indemnifiable Loss, a complete copy of all notices, pleadings and other papers related thereto, and in reasonable detail the basis for its claim for indemnification with respect thereto. Failure to promptly give such notice or to provide such information and documents shall not relieve the Indemnifying Party from the obligation hereunder to respond to or defend the Indemnified Party against such Indemnifiable Loss unless such failure shall materially diminish the ability of the Indemnifying Party to respond to or to defend the Indemnified Party against such Indemnifiable Loss. The Indemnifying Party, upon its acknowledgment in writing of its obligation to indemnify the Indemnified Party in accordance with this Section 7, shall be entitled to assume the defense or to represent the interest of the Indemnified Party with respect to such Indemnifiable Loss, which shall include the right to select and direct legal counsel and other consultants, appear in proceedings on behalf of such Indemnified Party and to propose, accept or reject offers of settlement, all at its sole cost. If and to the extent that any such settlement is reasonably likely to involve injunctive, equitable or prospective relief or materially and

adversely affect the Indemnified Party's business or operations other than as a result of money damages or other money payments, then such settlement will be subject to the reasonable approval of the Indemnified Party. Nothing herein shall prevent an Indemnified Party from retaining its own legal counsel and other consultants and participating in its own defense at its own cost and expense.

Section 8 - Contract Managers; Dispute Resolution.

8.1 LG&E/KU Contract Manager. LG&E/KU shall appoint an individual (the "LG&E/KU Contract Manager") who shall serve as the primary LG&E/KU representative under this Agreement. The LG&E/KU Contract Manager shall (a) have overall responsibility for managing and coordinating the performance of LG&E/KU's obligations under this Agreement, and (b) be authorized to act for and on behalf of LG&E/KU with respect to all matters relating to this Agreement. Notwithstanding the foregoing, the LG&E/KU Contract Manager may, upon **prior written** notice to the Reliability Coordinator, delegate such of his or her responsibilities to other LG&E/KU employees, as the LG&E/KU Contract Manager deems appropriate. **LG&E/KU may, upon prior written notice to the Reliability Coordinator, change the LG&E/KU Contract Manager.**

8.2 Reliability Coordinator Contract Manager. The Reliability Coordinator shall appoint, among the Key Personnel identified in Attachment B, an individual (the "Reliability Coordinator Contract Manager") who shall serve as the primary Reliability Coordinator representative under this Agreement. The Reliability Coordinator Contract Manager shall (a) have overall responsibility for managing and coordinating the performance of the Reliability Coordinator's obligations under this Agreement, and (b) be authorized to act for and on behalf of the Reliability Coordinator with respect to all matters relating to this Agreement. Notwithstanding the foregoing, the Reliability Coordinator Contract Manager may, upon **prior written** notice to LG&E/KU, delegate such of his or her responsibilities to other Key Personnel, as the Reliability Coordinator Contract Manager deems appropriate. **The Reliability Coordinator may, upon prior written notice to LG&E/KU, change the Reliability Coordinator Contract Manager.**

8.3 Resolution of Disputes. Any dispute, claim or controversy between the Parties arising out of or relating to this Agreement (each, a "Dispute") shall be resolved in accordance with the procedures set forth in this Section 8.3; provided, however, that this Section 8.3 shall not apply to Disputes arising from or relating to confidentiality or intellectual property rights (in which case either Party shall be free to seek available legal or equitable remedies).

8.3.1 Notice of Dispute. Each Party shall provide written notice to the other party of any Dispute, including a description of the nature of the Dispute.

8.3.2 Dispute Resolution by Contract Managers. Any Dispute shall first be referred to the LG&E/KU Contract Manager and the Reliability Coordinator Contract Manager, who shall negotiate in good faith to resolve the Dispute.

8.3.3 Dispute Resolution by Executive Management Representatives. If the Dispute is not resolved within fifteen (15) days of being referred to the LG&E/KU Contract Manager and the Reliability Coordinator Contract Manager pursuant to Section 8.3.2, then each Party shall have five (5) days to appoint an executive management representative who shall negotiate in good faith to resolve the Dispute.

8.3.4 Exercise of Remedies at Law or in Equity. If the Parties' executive management representatives are unable to resolve the Dispute within thirty (30) days of their appointment, then each Party shall be free to pursue any remedies available to it and to take any action in law or equity that it believes necessary or convenient in order to enforce its rights or cause to be fulfilled any of the obligations or agreements of the other Party.

8.4 LG&E/KU Rights Under FPA Unaffected. Nothing in this Agreement is intended to limit or abridge any rights that LG&E/KU may have to file or make application before FERC under Section 205 of the ~~Federal Power Act~~ FPA to revise any rates, terms or conditions of the OATT or any other FPA jurisdictional agreement.

8.5 Reliability Coordinator Rights Under the TVA Act and FPA Unaffected. Nothing in this Agreement is intended to limit or abridge any rights that the Reliability Coordinator may have under the TVA Act or the FPA, nor to require the Reliability Coordinator to violate the area limitations set forth in the TVA Act.

8.6 8.5-Statute of Limitations; Continued Performance. The Parties agree to waive the applicable statute of limitations during the period of time that the Parties are seeking to resolve a Dispute pursuant to Sections 8.3.2 and 8.3.3, and the statute of limitations shall be tolled for such period. The Parties shall continue to perform their obligations under this Agreement during the resolution of a Dispute.

Section 9 - Insurance.

9.1 Requirements. The Reliability Coordinator shall provide and maintain during the Term insurance coverage in the form and with minimum limits of liability as specified below, unless otherwise agreed to by the Parties.

9.1.1 ~~Worker's compensation insurance with statutory limits, and employer's liability insurance with limits of not less than \$1,000,000.~~ **in accordance with the Federal Employees Compensation Act (FECA).**

9.1.2 Commercial general liability or equivalent insurance with a combined single limit of not less than ~~\$10,000,000~~ **1,000,000** per occurrence. Such insurance shall include products/completed operations liability, owners protective, blanket contractual liability, personal injury liability and broad form property damage.

9.1.3 ~~Comprehensive automobile liability insurance with a combined single limit of not less than \$2,000,000 per occurrence.~~ ~~Such insurance shall include coverage~~

~~for owned, hired and non-owned automobiles, and contractual liability.~~ 9.1.4 — Errors & Omissions Insurance in the amount of \$5,000,000.

9.2 Insurance Matters. All insurance coverages required pursuant to Section 9.1 shall (a) be provided by insurance companies that have a Best Rating of A or higher, (b) provide that LG&E/KU is an additional insured (other than the workers' compensation insurance), (c) provide that LG&E/KU will receive at least thirty (30) days written notice from the insurer prior to the cancellation or termination of or any material change in any such insurance coverages, and (d) include waivers of any right of subrogation of the insurers thereunder against LG&E/KU. Certificates of insurance evidencing that the insurance required by Section 9.1 is in force shall be delivered by the Reliability Coordinator to LG&E/KU prior to the Effective Date.

9.3 Compliance. The Reliability Coordinator shall not commence performance of any Functions until all of the insurance required pursuant to Section 9.1 is in force, and the necessary documents have been received by LG&E/KU pursuant to Section 9.2. Compliance with the insurance provisions in Section 9 is expressly made a condition precedent to the obligation of LG&E/KU to make payment for any Functions performed by the Reliability Coordinator under this Agreement. The minimum insurance requirements set forth above shall not vary, limit or waive the Reliability Coordinator's legal or contractual responsibilities or liabilities under this Agreement.

Section 10 - Confidentiality.

10.1 Definition of Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean, in respect of each Party, all activities by such Party and information and documentation of such Party, whether disclosed to or accessed by the other Party, in each case, in connection with this Agreement; provided, however, that the term "Confidential information**Information**" shall not include information that: (a) is independently developed by the recipient, as demonstrated by the recipient's written records, without violating the disclosing Party's proprietary rights; (b) is or becomes publicly known (other than through unauthorized disclosure); (c) is disclosed by the owner of such information to a third party free of any obligation of confidentiality; (d) is already known by the recipient at the time of disclosure, as demonstrated by the recipient's written records, and the recipient has no obligation of confidentiality other than pursuant to this Agreement or any confidentiality agreements between the Parties entered into before the Effective Date; or (e) is rightfully received by a Party free of any obligation of confidentiality.

10.2 Protection of Confidential Information. All Confidential Information shall be held in confidence by the recipient to the same extent and in at least the same manner as the recipient protects its own confidential information, and such Confidential Information shall be used only for purposes of performing obligations under this Agreement. Neither Party shall disclose, publish, release, transfer or otherwise make available Confidential Information of, or obtained from, the other Party in any form to, or for the use or benefit of, any person or entity without the disclosing Party's prior written consent. Each Party shall be permitted to disclose relevant aspects of the other Party's Confidential Information to its officers, directors, agents, professional advisors, contractors, subcontractors and employees and to the officers, directors,

agents, professional advisors, contractors, subcontractors and employees of its Affiliates, to the extent that such disclosure is reasonably necessary for the performance of its duties and obligations or the determination, preservation or exercise of its rights and remedies under this Agreement; provided, however, that the recipient shall take all reasonable measures to ensure that Confidential Information of the disclosing Party is not disclosed or duplicated in contravention of the provisions of this Agreement by such officers, directors, agents, professional advisors, contractors, subcontractors and employees. The obligations in this Section 10 shall not restrict any disclosure pursuant to any local, state or federal governmental agency or authority if such release is necessary to comply with ~~valid~~ applicable laws, governmental regulations or ~~final~~ orders of regulatory bodies or courts; provided that the recipient shall give prompt notice to the disclosing Party in reasonable time to exercise whatever legal rights the disclosing Party may have to prevent or limit such disclosure. Further, the recipient shall cooperate with the disclosing Party in preventing or limiting such disclosure.

10.3 NERC Data Confidentiality Agreement. In addition to, and not in limitation of, the confidentiality restrictions in Section 10.2, each Party shall sign the NERC Data Confidentiality Agreement and shall treat all Confidential Information as transmission operations and transmission system information pursuant to the NERC Data Confidentiality Agreement.

Section 11 - Force Majeure.

11.1 Neither Party shall be liable to the other Party for any failure or delay of performance hereunder due to causes beyond such Party's reasonable control, which by the exercise of reasonable due diligence such Party is unable, in whole or in part, to prevent or overcome (a "Force Majeure"), including acts of God, act of the public enemy, fire, explosion, vandalism, cable cut, storm or other catastrophes, weather impediments, national emergency, insurrections, riots, wars or any law, order, regulation, direction, action or request of any government or authority or instrumentality thereof. Neither Party shall be considered in default as to any obligation under this Agreement if prevented from fulfilling the obligation due to an event of Force Majeure, except for the obligation to pay any amount when due, provided that the affected Party:

11.1.1 gives notice to the other Party of the event or circumstance giving rise to the event of Force Majeure;

11.1.2 affords the other Party reasonable access to information about the event or circumstances giving rise to the event of Force Majeure;

11.1.3 takes commercially reasonable steps to restore its ability to perform its obligations hereunder as soon as reasonably practicable, provided that the affected Party shall not be obligated to take any steps that are not otherwise in accordance with Good Utility Practice; and

11.1.4 exercises commercially reasonable efforts to perform its obligations hereunder.

Section 12 - Reporting; Audit.

12.4 ~~12.1~~ Reporting. The Reliability Coordinator shall make regular reports to FERC and LG&E/KU's retail regulators as may be required by applicable law and regulations or as may be requested by such authorities.

12.1 ~~12.2~~ Books and Records. The Reliability Coordinator shall maintain full and accurate books and records pertinent to this Agreement, and the Reliability Coordinator shall maintain such books and records for three (3) years following the expiration or early termination of this Agreement or longer if necessary to resolve a pending Dispute. LG&E/KU will have the right, at reasonable times and under reasonable conditions, to inspect and audit, or have an independent third party inspect and audit, the Reliability Coordinator's operations and books to (a) ensure compliance with this Agreement, (b) verify any cost claims or other amounts due hereunder, and (c) validate the Reliability Coordinator's internal controls with respect to the performance of the Functions. The Reliability Coordinator shall maintain an audit trail, including all original transaction records, of all financial and non-financial transactions resulting from or arising in connection with this Agreement as may be necessary to enable LG&E/KU or the independent third party, as applicable, to perform the foregoing activities. LG&E/KU shall be responsible for any costs and expenses incurred in connection with any such inspection or audit, unless such inspection or audit discovers that LG&E/KU was charged inappropriate or incorrect costs and expenses, in which case, the Reliability Coordinator shall be responsible for a percentage of the costs and expenses incurred in connection with such inspection or audit equal to the percentage variance by which LG&E/KU was charged inappropriate or incorrect costs and expenses. The Reliability Coordinator shall provide reasonable assistance necessary to enable LG&E/KU or an independent third party, as applicable, and shall not be entitled to charge LG&E/KU for any such assistance. Amounts incorrectly or inappropriately invoiced by the Reliability Coordinator to LG&E/KU, whether discovered prior to or subsequent to payment by LG&E/KU, shall be adjusted or reimbursed to LG&E/KU by the Reliability Coordinator within twenty (20) days of notification by LG&E/KU to the Reliability Coordinator of the error in the invoice.

12.2 ~~12.3~~ Regulatory Compliance. The Reliability Coordinator shall comply with all **reasonable** requests by LG&E/KU to ~~the extent considered reasonably necessary by LG&E/KU to comply with~~ **Section 404 of the Sarbanes-Oxley Act or other and related** regulatory requirements. ~~Notwithstanding the generality of the foregoing, the Reliability Coordinator shall provide to LG&E/KU, at LG&E/KU's request, all reports reasonably deemed necessary or desirable by LG&E/KU to support the review, audit and preparation of~~ **LG&E/KU may hire, at its expense, or LG&E/KU may direct the Reliability Coordinator to hire, at LG&E/KU expense, an independent auditor to review, audit and prepare** audit reports **associated with the Reliability Coordinator's controls and systems** relating to the Functions and LG&E/KU's financial statements and reports, ~~including (a) providing LG&E/KU with an executed copy of a report and opinion, from independent auditors of national reputation engaged and compensated by the Reliability Coordinator, of an examination in accordance with SAS No. 70, Type II, of the Reliability Coordinator's controls and systems relating to the performance of the Functions, as of and for the six (6) month period ending at the end of the first (1st) and third (3rd) calendar quarter~~

of each year of the Term, which shall be delivered not later than forty five (45) days after the end of each such quarter, and (b) providing to LG&E/KU (and exercising commercially reasonable efforts to do so within twenty (20) days of LG&E/KU's request, but in no event more than thirty (30) days from said request) a certificate of an officer of the Reliability Coordinator certifying that there has been no change in such controls and systems or the effective operation of such controls and systems since the date of the most recent opinion of such independent auditors. The report, in its form and preparation, shall follow all SAS No. 70 guidelines and must be comprehensive and cover all significant controls executed by the Reliability Coordinator in connection with its systems and processes underlying the Functions. Additionally, the report must contain an opinion of the independent auditor that concludes that the Reliability Coordinator's description of controls pertaining to the processes and systems underlying the performance of the Functions presents fairly, in all material respects, the relevant aspects of the Reliability Coordinator's controls that had been placed into operation as of the end of each reporting period and whether, in the opinion of the independent auditor, the controls were suitably designed to provide reasonable assurance that the control objectives set forth by the Reliability Coordinator would be achieved if the described controls were complied with satisfactorily. In addition, the report shall state whether, in the opinion of the independent auditor, the controls tested by the independent auditor were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified by the Reliability Coordinator were achieved during the reporting period. Such report and opinion shall have no significant or material exceptions or qualifiers. If the Reliability Coordinator is unable to timely deliver to LG&E/KU an unqualified opinion or certification, the Reliability Coordinator shall: (i) provide LG&E/KU, on the date such opinion or certificate is delivered or due to be delivered, with a written statement describing the circumstances giving rise to any delay in delivering such opinion or certificate or any qualification to such opinion or certificate; (ii) immediately take such actions as shall be necessary to resolve such circumstances and deliver an unqualified opinion or certificate as promptly as practicable thereafter; and (iii) permit LG&E/KU and its external auditors to perform such procedures and testing of the Reliability Coordinator's controls and processes as are reasonably necessary for their assessment of the operating effectiveness of the Reliability Coordinator controls and of LG&E/KU's internal controls. In addition, the Reliability Coordinator expressly agrees that, **Such reports may not be required more frequently than twice per Contract Year. The Reliability Coordinator shall notify LG&E/KU** prior to or at the time of any significant or material change to any internal process or financial control of the Reliability Coordinator that would or might impact the Functions performed for or on behalf of LG&E/KU or that would, or might, have a significant or material effect on such process's mitigation of risk or upon the integrity of LG&E/KU's financial reporting or disclosures, it shall notify LG&E/KU and provide full **sufficient** details of the change so as to enable LG&E/KU **and/or its independent auditors** to review the change and evaluate its impact on its internal controls and financial reporting. LG&E/KU shall have the right to provide all such reports, opinions and certifications delivered hereunder to its attorneys, accountants and other advisors, who shall be entitled to rely thereon. **The Reliability Coordinator shall cooperate with the independent auditors and LG&E/KU to enable the preparation of the reports necessary to comply with Section 404 of the Sarbanes-Oxley Act, consistent with the other provisions of this Agreement.**

Section 13 - Independent Contractor.

The Reliability Coordinator shall be and remain during the Term an independent contractor with respect to LG&E/KU, and nothing contained in this Agreement shall be (a) construed as inconsistent with that status, or (b) deemed or construed to create the relationship of principal and agent or employer and employee, between the Reliability Coordinator and LG&E/KU or to make either the Reliability Coordinator or LG&E/KU partners, joint ventures, principals, fiduciaries, agents or employees of the other Party for any purpose. Neither Party shall represent itself to be an agent, partner or representative of the other Party. Neither Party shall commit or bind, nor be authorized to commit or bind, the other Party in any manner, without such other Party's prior written consent. Personnel employed, provided or used by any Party in connection herewith will not be employees of the other Party in any respect. Each Party shall have full responsibility for the actions or omissions of its employees and shall be responsible for their supervision, direction and control.

Section 14 - Taxes.

Each Party shall be responsible for the payment of its own taxes, including taxes based on its net income, employment taxes of its employees, taxes on any property it owns or leases, and sales, use, gross receipts, excise, value-added or other transaction taxes.

Section 15 - Notices.

~~15.3 — Notices. All notices, requests, consents and other communications hereunder shall be in writing, signed by the Party giving such notice or communication, and shall be hand-delivered or sent by certified mail, postage prepaid, return receipt requested, by nationally recognized courier, to the other Party at the address set forth below, and shall be deemed given upon the earlier of the date delivered or the date delivery is refused.~~

15.1 Notices. Except as otherwise specified herein, any notice required or authorized by this Agreement shall be deemed properly given to a Party when sent to its designated representative by facsimile or other electronic means (with a confirmation copy sent by United States mail, first-class postage prepaid), by hand delivery, or by United States mail, first-class postage prepaid. The Parties' designated representatives are as follows:

If to LG&E/KU:

Louisville Gas and Electric Company

119 North 3rd Street

Louisville, Kentucky 40202

Facsimile: (502) 627-4716

And

Kentucky Utilities Company

119 North 3rd Street
Louisville, Kentucky 40202
Facsimile: (502) 627-4716

If to the Reliability Coordinator:

Tennessee Valley Authority

1101 Market Street, PCC 2A
Chattanooga, Tennessee 37402-2801
Facsimile: (423) 697-4120

15.2 ~~15.4~~ Changes. Either Party may, from time to time, change the names, addresses, facsimile numbers or other notice information set out in Section 15.1 by notice to the other Party in accordance with the requirements of Section 15.1.

Section 16 - Key Personnel; Work Conditions.

16.1 ~~16.5~~ Key Personnel. All Key Personnel shall be properly certified and licensed, if required by law, and be qualified and competent to perform the Functions. The Reliability Coordinator shall provide LG&E/KU prior written notice of the replacement of any Key Personnel.

16.2 ~~16.6~~ Conduct of Key Personnel and Reporting. The Reliability Coordinator agrees to require that the Key Personnel comply with the Reliability Coordinator's employee code of conduct, a current copy of which has been provided to LG&E/KU. The Reliability Coordinator may amend its employee code of conduct at any time, provided that the Reliability Coordinator shall promptly provide the LG&E/KU Contract Manager with a copy of the amended employee code of conduct. If any Key Personnel commits fraud or engages in material violation of the Reliability Coordinator's employee code of conduct, the Reliability Coordinator shall promptly notify LG&E/KU as provided above and promptly remove any such Key Personnel from the performance of the Functions.

16.3 ~~16.7~~ Personnel Screening. The Reliability Coordinator shall be responsible for conducting, in accordance with applicable law (including the Fair Credit Reporting Act, The Fair and Accurate Credit Transactions Act, and Title VII of the Civil Rights Act of 1964), adequate pre-deployment screening of the Key Personnel prior to commencing performance of the Functions. By deploying Key Personnel under this Agreement, the Reliability Coordinator represents that it has completed the Screening Measures (as defined below) with respect to such Key Personnel. To the extent permitted by applicable law, the term "Screening Measures" shall include, at a minimum, a background check including: (a) a Terrorist Watch Database Search;

(b) a Social Security Number trace; (c) motor vehicle license and driving record check; and (d) a criminal history check, including, a criminal record check for each county/city and state/country in the employee's residence history for the maximum number of years permitted by law, up to seven (7) years. Unless prohibited by law, if, prior to or after assigning a Key Personnel to perform the Functions, the Reliability Coordinator learns of any information that the Reliability Coordinator considers would adversely affect such Key Personnel's suitability for the performance of the Functions (including based on information discovered from the Screening Measures), the Reliability Coordinator shall not assign the Key Personnel to the Functions or, if already assigned, promptly remove such Key Personnel from performing the Functions and immediately notify LG&E/KU of such action.

16.4 ~~16.8~~ Security. LG&E/KU shall have the option of barring from LG&E/KU's property any Key Personnel whom LG&E/KU determines is not suitable in accordance with the applicable laws pursuant to Sections 16.1 through 16.3.

Section 17 - Miscellaneous Provisions.

17.1 Governing Law. This Agreement and the rights and obligations of the Parties hereunder shall be governed by and construed in accordance with ~~the~~ applicable state and federal laws of Kentucky, without giving effect to its conflicts of law rules, without regard to the laws requiring the applicability of the laws of another jurisdiction.

~~17.2~~ Consent to Jurisdiction. All Disputes by any Party in connection with or relating to this Agreement or any matters described or contemplated in this Agreement shall be instituted in the courts of the State of Kentucky or of the United States sitting in the State of Kentucky. Each Party irrevocably submits, for itself and its properties, to the exclusive jurisdiction of the courts of the State of Kentucky and of the United States sitting in the State of Kentucky in connection with any such Dispute. Each Party irrevocably and unconditionally waives any objection or defense that it may have based on improper venue or *forum non conveniens* to the conduct of any proceeding in any such courts. This provision does not adversely affect FERC's jurisdiction of this Agreement.

~~17.2~~ ~~17.3~~ Amendment. This Agreement shall not be varied or amended unless such variation or amendment is agreed to by the Parties in writing and accepted by FERC. The Parties explicitly agree that neither Party shall unilaterally petition to FERC pursuant to the provisions of Sections 205 or 206 of the Federal Power Act to amend this Agreement or to request that FERC initiate its own proceeding to amend this Agreement.

~~17.4~~ Assignment. Any assignment of this Agreement or any interest herein or delegation of all or any portion of a Party's obligations, by operation of law or otherwise, by either Party without the other Party's prior written consent shall be void and of no effect; provided, however, that the Reliability Coordinator's consent will not be required for LG&E/KU to assign this Agreement to (a) an affiliate or (b) a successor entity that acquires all or substantially all of LG&E/KU's Transmission System whether by merger, consolidation, reorganization, sale, spin-off or foreclosure; provided, further, that such successor entity agrees to assume all of LG&E/KU's obligations hereunder from and after the date of such assignment.

As a condition to the effectiveness of such assignment (i) LG&E/KU shall promptly notify the Reliability Coordinator of such assignment, (ii) the successor entity shall provide a confirmation to the Reliability Coordinator of its assumption of LG&E/KU's obligations hereunder, and (iii) LG&E/KU shall promptly reimburse the Reliability Coordinator, upon receipt of an invoice from the Reliability Coordinator, for any one-time incremental costs reasonably incurred by the Reliability Coordinator as a result of such assignment. For the avoidance of doubt, nothing herein shall preclude LG&E/KU from transferring any or all of its transmission facilities to another entity or disposing of or acquiring any other transmission assets.

17.3 Assignment. Neither Party shall sell, assign, or otherwise transfer any or all of its respective rights hereunder, or delegate any or all of its respective obligations under this Agreement.

17.4 17.5 No Third Party Beneficiaries. Except as otherwise expressly provided, Nothing in this Agreement, this is intended to confer any benefits upon any person or entity not a Party to this Agreement. This Agreement is made solely for the benefit of the Parties and their successors and permitted assigns and no other person shall have any rights, interest or claims hereunder or otherwise be entitled to any benefits under or on account of nothing herein shall be construed as a stipulation for the benefit of others, and no third party shall be entitled to enforce this Agreement as third party beneficiary or otherwise against any Party hereto.

17.5 17.6 Waivers. No waiver of any provision of this Agreement shall be effective unless it is signed by the Party against which it is sought to be enforced. The delay or failure by either Party to exercise or enforce any of its rights under this Agreement shall not constitute or be deemed a waiver of that Party's right thereafter to enforce those rights, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

17.6 17.7 Severability; Renegotiation. The invalidity or unenforceability of any portion or provision of this Agreement shall in no way affect the validity or enforceability of any other portion or provision herein. If any provision of this Agreement is found to be invalid, illegal or otherwise unenforceable, the same shall not affect the other provisions hereof or the whole of this Agreement and shall not render invalid, illegal or unenforceable this Agreement or any of the remaining provisions of this Agreement. If any provision of this Agreement or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void or unenforceable, or if a modification or condition ~~or~~ **or other change** to this Agreement is imposed by ~~such a~~ **such a** court or regulatory authority, **of competent jurisdiction which materially affects the benefits or obligations of the Parties, then** the Parties shall in good faith negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligation of the Parties immediately prior to such holding, modification or condition. **If such negotiations are unsuccessful, then either Party may terminate this Agreement pursuant to Section 4.5.1.**

17.7 17.8 Representations and Warranties. Each Party represents and warrants to the other Party as of the date hereof **Execution Date and the Effective Date** as follows:

~~17.8.1~~**17.7.1** Organization. It is duly organized, validly existing and in good standing under the laws of the State in which it was organized or applicable Federal law, and has all the requisite power and authority to own and operate its material assets and properties and to carry on its business as now being conducted and as proposed to be conducted under this Agreement.

~~17.8.2~~**17.7.2** Authority. It has the requisite power and authority to execute and deliver this Agreement and, subject to the procurement of applicable regulatory approvals, to perform its obligations under this Agreement. The execution and delivery of this Agreement by it and the performance of its obligations under this Agreement have been duly authorized by all necessary corporate action required on its part.

~~17.8.3~~**17.7.3** Binding Effect. Assuming the due authorization, execution and delivery of this Agreement by the other Party, this Agreement constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or other similar applicable laws affecting creditors' rights generally, and by general principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.

~~17.8.4~~**17.7.4** Regulatory Approval. It has obtained or will obtain by the Effective Date, any and all approvals of, and acceptances for filing by, and has given or will give any notices to, any applicable federal or state authority, ~~including FERC,~~ that are required for it to execute, deliver, and perform its obligations under this Agreement.

~~17.8.5~~**17.7.5** No Litigation. There are no actions at law, suits in equity, proceedings, or claims pending or, to its knowledge, threatened against it before or by any federal, state, foreign or local court, tribunal, or governmental agency or authority that might materially delay, prevent, or hinder the performance by such entity of its obligations hereunder.

~~17.8.6~~**17.7.6** No Violation or Breach. The execution, delivery and performance by it of its obligations under this Agreement do not and shall not: (a) violate its organizational documents; (b) violate any applicable law, statute, order, rule, regulation or judgment promulgated or entered by any applicable federal or state authority, which violation could reasonably be expected to materially adversely affect the performance of its obligations under this Agreement; or (c) result in a breach of or constitute a default of any material agreement to which it is a party.

17.8 ~~17.9~~ Further Assurances. Each Party agrees that it shall execute and deliver such further instruments, provide all information, and take or forbear such further acts and things as may be reasonably required or useful to carry out the purpose of this Agreement and are not inconsistent with the provisions of this Agreement.

17.9 ~~17.10~~ Entire Agreement. This Agreement and the Attachments hereto set forth the entire agreement between the Parties with respect to the subject matter hereof, and supersede

all prior agreements, whether oral or written, related to the subject matter of this Agreement. The terms of this Agreement and the Attachments hereto are controlling, and no parole or extrinsic evidence, including to prior drafts and drafts exchanged with any third parties, shall be used to vary, contradict or interpret the express terms, and conditions of this Agreement.

17.10 ~~17.11~~ **Good Faith Efforts**. Each Party agrees that it shall in good faith take all reasonable actions necessary to permit it and the other Party to fulfill their obligations under this Agreement. Where the consent, agreement or approval of any Party must be obtained hereunder, such consent, agreement or approval shall not be unreasonably withheld, delayed or conditioned. Where a Party is required or permitted to act, or omit to act, based on its opinion or judgment, such opinion or judgment shall not be unreasonably exercised. To the extent that the jurisdiction of any federal or state authority applies to any part of this Agreement or the transactions or actions covered by this Agreement, each Party shall cooperate with the other Party to secure any necessary or desirable approval or acceptance of such authorities of such part of this Agreement or such transactions or actions.

17.11 ~~17.12~~ **Time of the Essence**. With respect to all duties, obligations and rights of the Parties, time shall be of the essence in this Agreement.

17.12 ~~17.13~~ **Interpretation**. Unless the context of this Agreement otherwise clearly requires:

~~17.13.1~~**17.12.1** all defined terms in the singular shall have the same meaning when used in the plural and vice versa;

~~17.13.2~~**17.12.2** the terms “hereof,” “herein,” “hereto” and similar words refer to this entire Agreement and not to any particular Section, Attachment or any other subdivision of this Agreement;

~~17.13.3~~**17.12.3** references to “Section” or “Attachment” refer to this Agreement, unless specified otherwise;

~~17.13.4~~**17.12.4** references to any law, statute, rule, regulation, notification or statutory provision shall be construed as a reference to the same as it applies to this Agreement and may have been, or may from time to time be, amended, modified or re-enacted;

~~17.13.5~~**17.12.5** references to “includes,” “including” and similar phrases shall mean “including, without limitation;”

~~17.13.6~~**17.12.6** the captions, section numbers and headings in this Agreement are included for convenience of reference only and shall not in any way affect the meaning or interpretation of this Agreement;

~~17.13.7~~**17.12.7** “or” may not be mutually exclusive, and can be construed to mean “and” where the context requires there to be a multiple rather than an alternative obligation; and

~~17.13.8~~**17.12.8** references to a particular entity include such entity's successors and assigns to the extent not prohibited by this Agreement.

17.12.9 any capitalized terms used in this Agreement, including the Appendices, that are not defined in this Agreement or in the Appendices, shall have the meaning established in the applicable NERC documentation.

17.13 ~~17.14~~ **Joint Effort.** Preparation of this Agreement has been a joint effort of the Parties and the resulting document shall not be construed more severely against one of the Parties than against the other and no provision in this Agreement is to be interpreted for or against any Party because that Party or its counsel drafted such provision. Each Party acknowledges that in executing this Agreement its has relied solely on its own judgment, belief and knowledge, and such advice as it may have received from its own counsel, and it has not been influenced by any representation or statement made by the other Party or its counsel not contained in this Agreement.

17.14 ~~17.15~~ **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument, binding upon LG&E/KU and the Reliability Coordinator, notwithstanding that LG&E/KU and the Reliability Coordinator may not have executed the same counterpart.

The Parties have caused this Reliability Coordinator Agreement to be executed by their duly authorized representatives as of the dates shown below.

LOUISVILLE GAS AND ELECTRIC COMPANY

Name:
Title:
Date:

KENTUCKY UTILITIES COMPANY

Name:
Title:
Date:

TENNESSEE VALLEY AUTHORITY

Name:
Title:
Date:

**ATTACHMENT A
TO THE RELIABILITY COORDINATOR AGREEMENT**

DESCRIPTION OF THE FUNCTIONS

The Reliability Coordinator is responsible for bulk transmission reliability and power supply reliability functions in accordance with the terms of this Agreement. Bulk transmission reliability functions include reliability analysis, loading relief procedures, re-dispatch of generation and ordering curtailment of transactions and/or load. Power supply reliability functions include monitoring Balancing Area performance and ordering the Balancing Authorities and Transmission Operators to take actions, including load curtailment and increasing/decreasing generation in situations where an imbalance between generation and load places the system in jeopardy. The Reliability Coordinator Procedures shall be consistent with those of NERC and are spelled out in the NERC Approved Reliability Plan for the TVA Reliability Coordination Area and TVA Standard Procedures and Policies.

Under this Agreement, the Reliability Coordinator shall perform the following functions (the "Functions"):

General Functions:

- a) Serve as NERC designated reliability coordinator and represent the TVA Reliability Area at the NERC and regional reliability council level.
- b) Implement applicable NERC and regional reliability criteria initiatives, such as maintaining a connection to NERC's Interregional Security Network ("ISN"), day-ahead load-flow analysis, transmission loading relief procedures, and information exchange.
- c) Develop and coordinate with the RCAC new Reliability Coordinator Procedures and revisions to existing Regional Coordinator Procedures.
- d) Exchange timely, accurate, and relevant transmission system information with LG&E/KU, the Independent Transmission Organization, and with other reliability coordinators.
- e) Develop and maintain system models and tools needed to perform analysis needed to develop operational plans.
- f) Coordinate with neighboring reliability coordinators and other operating entities as appropriate to ensure regional reliability.

g) All other reliability coordinator functions as required for the Parties' compliance with applicable NERC Standards and Regional Reliability Council Standards, as the same may be amended or modified from time to time.

—The Functions are as follows:

1. ~~Security Coordination.~~ The Reliability Coordinator will perform the security coordination functions under the Agreement in accordance with (a) the NERC functional model, (b) Good Utility Practice, (c) all applicable reliability criteria, policies, standards, rules, regulations and other requirements of NERC and any applicable regional reliability council or their successors, (d) LG&E/KU's specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements specified in this Section 1), (e) the OATT, and (f) all applicable laws and the requirements of federal and state regulatory authorities.

Real-time Operations:

2. ~~Coordination with the Independent Transmission Organization.~~

a) Monitor, analyze, and coordinate the reliability of the Parties' facilities and interfaces with other Balancing Authorities, Transmission Operators, and other reliability coordinators.

2.1 ~~In conjunction with its performance of the Functions, the Reliability Coordinator will coordinate and cooperate with the Independent Transmission Organization and provide, subject to the terms and conditions of the Agreement (including the Reliability Coordinator's obligations with respect to Confidential Information in Section 10 thereof), any information that the Independent Transmission Organization may reasonably request in order to carry out its functions under the Independent Transmission Organization Agreement.~~

b) Perform analyses to develop an evaluation of system conditions. LG&E/KU will provide necessary information (e.g., outages and transactions) and transmission system conditions, as applicable, to the Reliability Coordinator in accordance with applicable NERC Standards. The results of these analyses will be provided to LG&E/KU and neighboring reliability coordinators in accordance with applicable NERC Standards and Regional Reliability Council Standards.

2.2 ~~The Reliability Coordinator will provide consultation with the Independent Transmission Organization for the Independent Transmission Organization to develop and revise, as appropriate, operating procedures governing its performance of the functions under the Independent Transmission Organization Agreement.~~

c) Exchange timely, accurate, and relevant transmission system information with LG&E/KU and with other reliability coordinators.

2.3 ~~The Reliability Coordinator will coordinate with the Independent Transmission Organization and LG&E/KU to assist the Independent Transmission Organization in processing and evaluating transmission service requests ("TSRs"), as specified in~~

Attachment L of the OATT, and determining whether upgrades or additions are needed to accommodate such TSRs.

- d) Determine, direct, and document appropriate actions to be taken by the Parties in accordance with the NERC Standards, including curtailment of transmission service or energy schedules, re-dispatch of generation and load shedding as necessary to alleviate facility overloads and abnormal voltage conditions, and other circumstances that affect interregional bulk power reliability.**

2.3.1—Once the Base Case Model (as defined and provided for in Attachment L of the OATT) process is complete, the Reliability Coordinator will coordinate with the Independent Transmission Organization and LG&E/KU regarding any additional regional model development processes necessary to create regional models from the seasonal and annual models. These models, which are updated quarterly or monthly, will serve as the basis for the annual, seasonal, monthly, or daily Base Case Models for the Transmission System used to evaluate TSRs.

- e) Coordinate transmission loading relief and voltage correction actions with LG&E/KU and with other reliability coordinators.**

2.3.2—In order to develop the regional models and Base Case Models for the Transmission System, the Reliability Coordinator will provide to the Independent Transmission Organization and other modeling group participants such data and information as may be necessary to prepare and update the models. The Independent Transmission Organization will review the data inputs provided by the Reliability Coordinator to ensure that the data inputs and resulting models are consistent with the Transmission Study Criteria (as defined in Attachment L of the OATT).

Forward Operations:

2.3.3—The Reliability Coordinator will have the opportunity to review and comment on the initial draft of the Independent Transmission Organization's System Impact Study (as defined in the OATT) report and the Independent Transmission Organization's list of any constrained transmission elements. The Reliability Coordinator will work diligently with the Independent Transmission Organization and LG&E/KU to finalize the required System Impact Study in accordance with the OATT.

- a) Perform analyses to develop an evaluation of the expected next-day transmission system operations. LG&E shall provide generation-related information (e.g., outages and transactions) and expected transmission system conditions (e.g., transmission facility outages and transactions), as applicable, to the Reliability Coordinator for the next-day operation in accordance with applicable NERC Standards and Regional Reliability Council Standards. The results of these analyses shall be provided to LG&E/KU, Independent Transmission Organization and neighboring reliability coordinators in accordance with applicable NERC Standards and Regional Reliability Council Standards.**

~~2.3.4 The Reliability Coordinator will work diligently with the Independent Transmission Organization and LG&E/KU to finalize the required facilities study in accordance with the OATT. The Independent Transmission Organization will provide the Transmission Customer (as defined in the OATT) with the final Facilities Study report and will respond to requests for work papers supporting the Facilities Study.~~

b) Perform analysis of planned transmission and generation outages and coordination of outages with NERC, participants in reliability coordination agreements, and other reliability coordinators as appropriate and as required by NERC. This service provides for the analysis and coordination of planned outages which are beyond next day and intra-day outages.

~~3. Maintenance Scheduling. LG&E/KU will propose maintenance schedules to the Reliability Coordinator and the Reliability Coordinator will either approve or deny such maintenance schedules.~~

c) Analyze and approve all planned maintenance schedules on facilities 100kV and above and planned maintenance of generation facilities submitted by LG&E/KU in conjunction with other work on the regional transmission grid to determine the impact of LG&E/KU's planned maintenance schedule on the reliability of the facilities under TVA's purview as Reliability Coordinator, and the purview of neighboring reliability coordinators, and any other relevant effects; and coordinate impacts on available transfer capability with the designated Independent Transmission Organization.

~~4. Transmission Planning Authority.~~

d) Coordinate, as required by either NERC or other agreements, planned maintenance schedules with all adjacent reliability coordination areas and/or Control Areas and Transmission Providers; as well as the designated Independent Transmission Organization.

~~4.1 The Reliability Coordinator will be responsible for the function of transmission planning reliability which is to encompass the responsibilities assigned to the Planning Authority in the NERC Functional Model⁺ except as regards to resource adequacy planning. The Reliability Coordinator's responsibility as Transmission Planning Authority will include:~~

e) Identify Coordinated Flowgates and determination of flowgates requiring Reciprocal Coordination (twice annually).

~~4.1.1 Reviewing, evaluating, and commenting on LG&E/KU's transmission expansion plans that are intended to eliminate reliability inadequacies or to meet statewide or multi-state transmission planning requirements, and engaging in coordinated transmission planning in accordance with Attachment L of the OATT.~~

f) Historic Firm Flow Calculation -- compile reservation set based on Freeze Date; compile designated resources based on Freeze Date; calculate Historic Firm Flow

⁺ NERC Functional Model is available at:

~~ftp://www.nerc.com/pub/sys/all_updl/oc/fmrtg/Functional_Model_Version_2.doc; pp. 14-16.~~

Issued By: Paul W. Thompson, Senior Vice President, Energy Svcs.

Issued On: ~~October 7, 2005~~, **January 10, 2006**

Effective On Transmission

Owner's Exit from the
Midwest ISO

Values and Ratios for all coordinated flowgates on both LG&E/KU's system and adjoining systems (Bi-annual).

4.1.2—Monitoring LG&E/KU's transmission facility ratings based on access to data reasonably necessary to evaluate such ratings.

- g) Develop reciprocal coordination agreements that establish how each Operating Entity will consider its own flowgate or constraint usage as well as the usage of other Operating Entities when it determines the amount of flowgate or constraint capacity remaining. This process will include both operating horizon determination as well as forward looking capacity allocation.**

4.1.3—Independently reviewing and approving LG&E/KU's Planning Criteria (as defined in Attachment L of the OATT) to ensure that these criteria are sufficiently defined for Transmission Customers to understand how transmission planning is conducted. If the Reliability Coordinator concludes that additional explanatory detail is required, LG&E/KU will modify the appropriate business practice documents to include the additional detail. The Reliability Coordinator will coordinate with the Independent Transmission Organization to ensure that the final versions of the Planning Criteria are posted on OASIS (as defined in the OATT).

- h) Implement AFC Process -- determine AFC attribute requirements; obtain NNL Impact Data; implement Allocation Calculation Process; implement ASTFC Process; implement AFC Calculation Process; implement CMP business rules for AFC vs. ASTFC.**

4.1.4—Reviewing and approving LG&E/KU's Base Case Model to ensure that such model reflects annual and seasonal power flows, includes all existing long-term, firm uses of the transmission system, and is consistent with the approved Planning Criteria.

- i) The Reliability Coordinator will provide LG&E/KU /designated Independent Transmission Organization the data necessary to analyze requests for new transmission service, including Transmission Distribution Factors, flowgate attribute information and flowgate allocations on an hourly basis. (Note: This does not include the software required to analyze new transmission service requests. This software would be required for full participation in the JRCA.)**

4.1.5—Performing an independent reliability assessment and evaluation of the LG&E/KU's Annual Plan (as defined in the Attachment L of the OATT) using the Planning Criteria and the Base Case Model. As part of this assessment, the Reliability Coordinator will independently evaluate whether: (i) LG&E/KU's Annual Plan complies with the Planning Criteria and the Base Case Model; and (ii) there are upgrade projects in the Annual Plan that are not necessary to meet the Planning Criteria and the Base Case Model. In addition to reviewing the Annual Plan, the Reliability Coordinator may also begin the process of identifying opportunities for regional optimization of the Annual Plan.

Planning Coordinator:

~~4.1.6—Providing LG&E/KU with its conclusions regarding the reliability assessment and evaluation of the Annual Plan, including any outstanding issues that the Reliability Coordinator believes LG&E/KU should address. LG&E/KU will have the opportunity to review the Reliability Coordinator’s conclusions and may submit a revised Annual Plan and supporting documentation to the Reliability Coordinator to address any outstanding issues. The Reliability Coordinator will identify any instances where it does not agree with the Annual Plan. The Reliability Coordinator and LG&E/KU will have an affirmative obligation to post information concerning any such disagreement on OASIS. Based on feedback from interested parties, LG&E/KU may revise the Annual Plan.~~

As part of its Functions, the Reliability Coordinator will act as the Planning Coordinator and will ensure a long-term (one year and beyond) plan is available for adequate resources and transmission within the Area. The Reliability Coordinator will integrate and assess the plans from the Transmission Planners and Resource Planners within the PC Area to ensure those plans meet the reliability standards, and coordinate the development of recommended solutions to plans that do not meet those standards.

~~4.1.7—Once the Annual Plan has been finalized by LG&E/KU, coordinating with the Independent Transmission Organization to ensure that the Annual Plan is posted on OASIS.~~

a) Integrate transmission and resource (demand and capacity) system models from PC Area operating entities to evaluate transmission system performance and resource adequacy.

~~4.1.8—Holding a Transmission Planning Conference (as defined in Attachment L of the OATT) to gather input and consider the planning process and LG&E/KU’s Annual Plan.~~

b) Apply methodologies and tools to assess and analyze the transmission systems expansion plans and the resource adequacy plans.

~~4.1.9—Identifying any instances where it does not agree with LG&E/KU’s Annual Plan and providing LG&E/KU with an opportunity to provide any revisions.~~

c) Collect all information and data required for modeling and evaluation purposes.

~~4.2—Determination of Base Case Model and Supplemental Upgrades.~~

d) Review the Independent Transmission Organization analysis of customer requests for interconnection and transmission service.

~~4.2.1—The Reliability Coordinator will assess whether a proposed upgrade should be considered a Base Case Model Upgrade (as defined in Attachment N of the OATT) or Supplemental Upgrade (as defined in Attachment N of the OATT), according to the provisions of Attachment N of the OATT.~~

e) Review the Independent Transmission Organization TTC values (one year and beyond) as appropriate.

~~4.2.2 If the Reliability Coordinator determines that a proposed upgrade or set of upgrades is already in the Base Case Model or will completely eliminate the need of a Base Case Model Upgrade, then the proposed upgrade will not be treated as a Supplemental Upgrade and the cost will be recovered through the Transmission Provider's (as defined in the OATT) transmission rates, including PTP and NITS rates under the OATT, bundled retail rates, and rates charged to grandfathered customers.~~

f) Coordinate a PC Area expansion plan review and communication with key stakeholders.

~~4.2.3 If the Reliability Coordinator determines that a proposed upgrade will materially decrease the cost of a Base Case Model Upgrade, then the amount by which the Base Case Model cost is decreased will be recovered through the Transmission Provider's transmission rates, and the remainder of the cost of the proposed upgrades will be recovered as a Supplemental Upgrade under Attachment N of the OATT.~~

g) Coordinate the integration of PC Area plans with neighboring PA/PCs to provide a broad multi-regional transmission plan.

~~4.2.4 If the Reliability Coordinator determines that a proposed upgrade represents an acceleration of a Base Case Model Upgrade, then the cost of accelerating the Base Case Model Upgrade will be recovered as a Supplemental Upgrade under Attachment N of the OATT.~~

~~4.2.5 After a Supplemental Upgrade has been funded and constructed, the Reliability Coordinator will calculate the total MW of capacity created by the Supplemental Upgrade on the upgraded element. The amount of MW will be used to calculate the Unit Rate and the charge for Long Term Network Resource Service or NRIS, as such terms are defined in Attachment N of the OATT.~~

**ATTACHMENT B
TO THE RELIABILITY COORDINATOR AGREEMENT**

LIST OF KEY PERSONNEL

[To be provided by TVA]

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Notice of Filing

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

LG&E Energy LLC)	Docket No. EC06-4-000
)	
Louisville Gas and Electric Company, et al.)	Docket No. ER06-20-000

**NOTICE OF FILING
()**

Take notice that on January 10, 2006, LG&E Energy LLC, together with and on behalf of its public utility operating company subsidiaries Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) (collectively, “Applicants”), filed amendments to its application with the Commission seeking acceptance of certain rates, terms, and conditions necessary for them to: (i) withdraw from the Midwest Independent Transmission System Operator, Inc. and regain operational control of their respective transmission systems; (ii) install a third party to act as reliability coordinator for their transmission facilities; and (iii) install an independent third party to act as tariff administrator for their transmission system. The amendments include finalized versions of Applicants’ Independent Transmission System Organization and Reliability Coordinator Agreements, as well as a final version of Applicants’ Withdrawal Agreement with the Midwest ISO.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission’s Rules of Practice and Procedure (18 CFR 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. Such notices, motions, or protests must be filed on or before the comment date. Anyone filing a motion to intervene or protest must serve a copy of that document on the Applicants. On or before the comment date, it is not necessary to serve motions to intervene or protests on persons other than the Applicants.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the “eFiling” link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426. This filing is accessible on-line at <http://www.ferc.gov>, using the “eLibrary” link and is available for review in the Commission’s Public Reference Room in Washington, D.C. There is an “eSubscription” link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659. Comment Date: 5:00 pm Eastern Time on (insert date).

Magalie R. Salas
Secretary

CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of January, 2006, I have caused a copy of the foregoing document to be served on each person listed on the Secretary's official service list for the above-referenced proceeding.

/s/

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