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June 1, 2012

HAND DELIVERED

Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

Re: PSC Case No. 2012-00169  
The Application of East Kentucky Power Cooperative, Inc.  
to Transfer Functional Control of Certain Transmission Facilities  
to PJM Interconnection, L.L.C.

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above referenced case, an original and ten copies of East Kentucky Power Cooperative, Inc.'s ("EKPC") Sur-Reply to the Petition for Full Intervention filed by Louisville Gas and Electric Company and Kentucky Utilities Company.

If you have any questions, please contact me at (859) 745-9377.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Roger R. Cowden', is written over the closing text.

Roger R. Cowden  
Corporate Counsel

Cc: Parties of Record

Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF EAST KENTUCKY )  
POWER COOPERATIVE, INC. TO )  
TRANSFER FUNCTIONAL CONTROL OF )  
CERTAIN TRANSMISSION FACILITIES )  
TO PJM INTERCONNECTION, L.L.C. )

CASE NO. 2012-00169

**SUR-REPLY OF EAST KENTUCKY POWER COOPERATIVE, INC. TO THE  
PETITION FOR FULL INTERVENTION FILED BY LOUISVILLE GAS AND  
ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY**

East Kentucky Power Cooperative, Inc. (“EKPC”), by counsel, hereby files its sur-reply to the Petition for Full Intervention (“Petition”) filed by Louisville Gas and Electric Company (“LGE”) and Kentucky Utilities Company (“KU”) (jointly, the “Companies”) in this case on May 10, 2012. While EKPC recognizes that the filing of sur-replies may be outside the normal presentation of legal arguments in judicial and administrative proceedings, this sur-reply is necessary to provide EKPC an opportunity to rebut the substantive arguments presented by the Companies for the first time in its Reply.

As set forth in EKPC’s Response, the Companies’ Petition cites no facts and no legal authority in support of its summary contentions that it should be granted intervention. Instead, it provides nothing more than conclusory statements mirroring the Kentucky Administrative Regulation. EKPC, on the other hand, cites overwhelming facts and law justifying a denial of intervention. The Companies’ Reply is nothing more than an expanded version of its Petition, continually asserting bare conclusions, unsupported by any facts or legal authority.

The Companies seem to equate the interconnectedness of EKPC's and Companies' transmission systems with the requisite grounds justifying intervention in EKPC's application to join PJM. They ubiquitously cite such modifiers as "numerous interconnection points" (Reply, p. 2), "heavily interconnected" (Reply, p. 2 and again on p. 5), "high level of transmission interconnection" (Reply, p. 3), "vastly more interconnected" (Reply, p. 7), "sufficiently interconnected" (Reply, p. 7), and "highly interconnected" (Reply, p. 8). Absent from any discussion, however, is how the interconnectedness of the systems (and EKPC acknowledges that the two systems share numerous interconnections) is relevant in this proceeding at the Kentucky Public Service Commission that will consider EKPC's application to join PJM. As argued by EKPC in its Response, with cited authority, all issues governing transmission operations are addressed exclusively by the Federal Energy Regulatory Commission ("FERC"). Notably, Companies cite the FERC library in footnote six to describe the number of interconnections in their system.

The only authority the Companies cite to support their attempt to discredit the exclusivity of FERC jurisdiction are two cases before the Commission over ten years ago wherein EKPC appropriately intervened in the Companies' acquisitions by PowerGen and Eon. In those cases, the Companies' entire asset base was being consumed by two foreign companies, which acquisitions were two of the first, if not the first, acquisitions of a domestic public utility company by foreign companies. Because of the plethora of uncertainties presented by those transactions, EKPC, along with a host of others, obviously had a special interest in those proceedings. In the case at bar, on the other hand, PJM is a respected and recognized regional transmission organization whose primary responsibilities are to ensure the safe and reliable operation of the transmission system and to facilitate the reliable supply of energy from

generating resources to wholesale customers in all or part of thirteen states and the District of Columbia. Unlike the situations presented by the foreign acquisition cases cited by the Companies, joining PJM will only involve the transfer of functional control of certain of EKPC's transmission facilities, and EKPC will retain ownership of the transmission facilities.

The Companies in their Reply contend that because the Companies and EKPC are parties to a reserve sharing group with the Tennessee Valley Authority, that these "interactions implicate not just transmission operations...but also generating unit dispatch, which can have a direct impact on Kentucky retail customers." Again, the Companies do not offer any facts supporting those conclusory statements. On the other hand, as reflected in the testimony of Don Mosier, Executive Vice President/Chief Operating Officer of EKPC, as part of its Application herein, offers the following:

EKPC plans to remain a member of TCRSG [reserve sharing group]. This will help assure that our integration into PJM does not have an adverse impact upon any of our current reserve sharing partners. EKPC became a member of the TCRSG in November 2009 in order to comply with NERC rules regarding reserve requirements. Although EKPC will not need to remain a member of the TCRSG following its integration into PJM, it plans to remain a member so as to avoid any disruptions to TVA, KU or LG&E. PJM has been advised of EKPC's intentions in this respect and is willing to administer EKPC's participation in the TCRSG as necessary. EKPC has been advised by TVA, KU and LG&E that each of them agrees with this arrangement.

(Testimony of Don Mosier, at p. 26; See also, Application at p. 20-21).

The foregoing testimony of Mr. Mosier is uncontroverted by the Companies in their Petition and in their Reply. The reserve sharing group will be unaffected by EKPC's proposed membership in PJM. The Companies argument in that regard should be rejected.

In conclusion, the Companies, while being afforded the opportunity for two bites at the apple in presenting any facts or law supporting full intervention herein, have failed on both occasions. The Companies' Reply is nothing more than an expanded version of its Petition: a

multitude of modifiers but deficient in substance. Their continuing efforts to portray themselves as having a “wealth of relevant information and experience” is simply not sufficient to satisfy the Commission’s well defined parameters to justify intervention.

For the foregoing reasons, the Companies’ Petition for Full Intervention should be denied.

Dated at Winchester, Kentucky, this 1<sup>st</sup> day of June 2012.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "R. R. Cowden", written over a horizontal line.

ROGER R. COWDEN, Corp. Counsel  
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4775 Lexington Road  
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Winchester, KY 40392-0707  
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**CERTIFICATE OF SERVICE**

It is hereby certified that the foregoing Response and Objections of East Kentucky Power Cooperative, Inc. to the Petition for Full Intervention Filed by Louisville Gas and Electric Company and Kentucky Utilities Company was served by hand delivery this 1<sup>st</sup> day of June 2012, to the following:

Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

It is hereby certified that a true and accurate copy of the foregoing was served by U. S. Mail, postage prepaid, on June 1, 2012 to the following:

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Frost, Brown, Todd, LLC  
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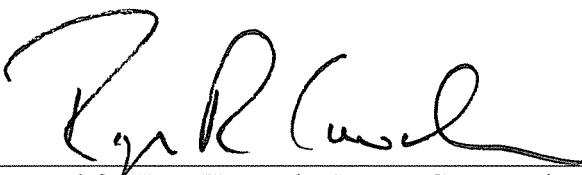
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Counsel for East Kentucky Power Cooperative, Inc.