

David S. Samford
(859) 368-7740

November 13, 2015

VIA HAND DELIVERY

RECEIVED

NOV 13 2015

PUBLIC SERVICE
COMMISSION

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

Re: PSC Case No. 2015-00267

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten redacted copies of the responses of East Kentucky Power Cooperative, Inc. ("EKPC"), to the Post-Hearing Data Requests of the Commission Staff from the hearing held on November 4, 2015. Also enclosed are an original and ten copies of EKPC's Motion for Confidential Treatment of Information ("Motion"). One un-redacted copy of the designated confidential portions of these responses, which are the subject of the Motion, is enclosed in a sealed envelope. Please return file-stamped copies of these filings to my office.

Very truly yours,



David S. Samford

Enclosures

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NOV 13 2015

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR APPROVAL OF THE)
ACQUISITION OF EXISTING COMBUSTION TURBINE)
FACILITIES FROM BLUEGRASS GENERATION) Case No. 2015-00267
COMPANY, LLC AT THE BLUEGRASS GENERATING)
STATION IN LAGRANGE, OLDHAM COUNTY, KENTUCKY)
AND FOR APPROVAL OF THE ASSUMPTION OF CERTAIN)
EVIDENCES OF INDEBTEDNESS)

MOTION FOR CONFIDENTIAL TREATMENT

Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), by and through counsel, pursuant to KRS 61.878, 807 KAR 5:001, Section 13 and other applicable law, and for its Motion requesting that the Kentucky Public Service Commission ("Commission") afford confidential treatment to certain portions of EKPC's responses to requests for information propounded in the course of the hearing held in the above-captioned proceeding on November 4, 2015, respectfully states as follows:

1. EKPC's Application requests that the Commission issue a Certificate of Public Convenience and Necessity ("CPCN") for the acquisition and operation of the existing simple cycle combustion turbine facilities in LaGrange, Oldham County, Kentucky ("Bluegrass Station"), from Bluegrass Generation Company, LLC ("Bluegrass"), and for approval to assume certain evidences of indebtedness related to such acquisition.

2. On November 4, 2015, the Commission conducted a formal hearing in this matter. During the hearing, certain questions were posed by Commission Staff and other participants that

EKPC agreed to respond to via subsequent filing on or before November 13, 2015. These responses, in both redacted and un-redacted form, are tendered herewith.

3. Certain of EKPC's responses to the requests for information propounded at the above-referenced hearing contain information which is proprietary, confidential, sensitive, and/or commercially valuable. Pursuant to applicable law, EKPC seeks confidential treatment for this information (hereinafter, the "Confidential Information"), which is more particularly described as follows:

a. The amount of capacity revenues received by EKPC during the 2014/2015 PJM Delivery Year, which is provided as part of EKPC's response to Request No. 2;

b. The inputs, including but not limited to the purchase price of the Bluegrass Station,¹ utilized as part of the calculation to determine the extent to which EKPC's equity ratio will be impacted as a result of its proposed acquisition of the Bluegrass Station, which are provided as part of EKPC's response to Request No. 8; and

c. The journal accounting entries to be made by EKPC as a result of its proposed acquisition of the Bluegrass Station, which are provided as part of EKPC's response to Request No. 9.

4. The Confidential Information includes highly sensitive economic data that, if publicly disclosed, would permit an unfair commercial advantage to EKPC's competitors. The portion of the Confidential Information relating to revenues received by EKPC in the PJM capacity market is strictly proprietary because interested parties could utilize that information to determine

¹ EKPC has consistently requested that the purchase price of the Bluegrass Station be afforded confidential treatment. See EKPC's Motions for Confidential Treatment filed July 24, 2015, and September 21, 2015, respectively. Notably, Bluegrass Generation Company, LLC, has specifically requested that the purchase price remain confidential. See Email from M. Strength to D. Crews (July 22, 2015), a copy of which is attached as Exhibit 1 to EKPC's Motion for Confidential Treatment filed July 24, 2015.

EKPC's capacity bidding strategies, which strategies are based on confidential internal economic and operational modeling assumptions, methods and calculations. This information is commercially valuable and should not be freely distributed to EKPC's competitors or the power market at large. Moreover, the inputs utilized by EKPC as part of its equity ratio calculations, as well as the anticipated journal accounting entries provided by EKPC, either directly or indirectly reveal the purchase price of the Bluegrass Station (*i.e.*, the purchase price is stated or could be easily ascertained through simple calculation). The Kentucky Open Records Act exempts the entirety of the Confidential Information from disclosure. *See* KRS 61.878(1)(c)(1).

5. KRS 61.878(1)(c)(1) protects "records confidentially disclosed to an agency or required by an agency to be disclosed to it, generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records." The Kentucky Supreme Court has stated, "information concerning the inner workings of a corporation is 'generally accepted as confidential or proprietary'" *Hoy v. Kentucky Industrial Revitalization Authority*, 907 S.W.2d 766, 768 (Ky. 1995). All of the Confidential Information is critical to EKPC's effective execution of business decisions and strategy. If disclosed, the Confidential Information would give EKPC's competitors insights into EKPC's business operations and strategies that are otherwise publicly unavailable. Accordingly, the Confidential Information satisfies both the statutory and common law standards for affording confidential treatment.

6. The Confidential Information is proprietary information that is retained by EKPC on a "need-to-know" basis and that is not publicly available. The Confidential Information is distributed within EKPC only to those employees who must have access for business reasons, and is generally recognized as confidential and proprietary in the energy industry.

7. EKPC does not object to limited disclosure of the Confidential Information described herein, pursuant to an acceptable confidentiality and nondisclosure agreement, to intervenors with a legitimate interest in reviewing the same for the sole purpose of participating in this case.²

8. In accordance with the provisions of 807 KAR 5:001, Section 13(2), EKPC is filing separately under seal one (1) copy of the responses to the relevant requests for information with the Confidential Information highlighted or otherwise denoted. EKPC is also filing ten (10) copies of the foregoing responses with the Confidential Information redacted or removed.

9. In accordance with the provisions of 807 KAR 5:001, Section 13(2), EKPC respectfully requests that the Confidential Information be withheld from public disclosure for ten (10) years.

10. If, and to the extent, the Confidential Information becomes publicly available or otherwise no longer warrants confidential treatment, EKPC will notify the Commission and have its confidential status removed, pursuant to 807 KAR 5:001 Section 13(10).

WHEREFORE, on the basis of the foregoing, EKPC respectfully requests that the Commission classify and protect as confidential the specific Confidential Information described herein for a period of ten (10) years.

² EKPC has entered into a confidentiality and nondisclosure agreement with the Attorney General and Nucor Steel Gallatin, respectively, and the Confidential Information described herein has been or will be provided to those intervenors consistent with said agreements. EKPC has also entered into a confidentiality and nondisclosure agreement with Kentucky Utilities Company/Louisville Gas & Electric Company ("KU/LG&E"); however, because the Confidential Information described herein falls outside the scope of that agreement, EKPC does not intend to provide the Confidential Information to KU/LG&E.

This 13th day of November, 2015.

Respectfully submitted,



Mark David Goss
David S. Samford
Allyson L. Honaker
M. Evan Buckley
GOSS SAMFORD, PLLC
2365 Harrodsburg Road, Suite B-235
Lexington, KY 40504
(859) 368-7740
mdgoss@gosssamfordlaw.com
david@gosssamfordlaw.com
allyson@gosssamfordlaw.com
ebuckley@gosssamfordlaw.com

Counsel for East Kentucky Power Cooperative, Inc.

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing was deposited in the custody and care of the U.S. Mail, postage prepaid, on this the 13th day of November, 2015, addressed to the following:

Jennifer Black Hans
Lawrence W. Cook
Stephanie J. Kingsley
Assistant Attorneys General
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204

Allyson C. Sturgeon
Senior Corporate Attorney
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202

Michael L. Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202



Counsel for East Kentucky Power Cooperative, Inc.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR APPROVAL)	
OF THE ACQUISITION OF EXISTING)	
COMBUSTION TURBINE FACILITIES FROM	)	CASE NO.
BLUEGRASS GENERATION COMPANY, LLC AT	)	2015-00267
THE BLUEGRASS GENERATING STATION IN)	
LAGRANGE, OLDHAM COUNTY, KENTUCKY,)	
AND FOR APPROVAL OF THE ASSUMPTION)	
OF CERTAIN EVIDENCES OF INDEBTEDNESS)	

RESPONSES TO POST HEARING DATA REQUESTS
TO EAST KENTUCKY POWER COOPERATIVE, INC.
FROM HEARING HELD ON NOVEMBER 4, 2015

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

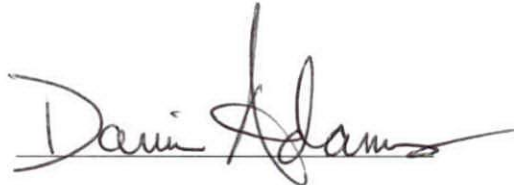
In the Matter of:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR APPROVAL)	
OF THE ACQUISITION OF EXISTING)	
COMBUSTION TURBINE FACILITIES FROM	)	CASE NO.
BLUEGRASS GENERATION COMPANY, LLC AT	)	2015-00267
THE BLUEGRASS GENERATING STATION IN)	
LAGRANGE, OLDFHAM COUNTY, KENTUCKY,)	
AND FOR APPROVAL OF THE ASSUMPTION)	
OF CERTAIN EVIDENCES OF INDEBTEDNESS)	

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Darrin Adams, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Post Hearing Data Requests from the hearing in the above-referenced case held on November 4, 2015, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 13th day of November, 2015.

 #560144
Notary Public



COMMONWEALTH OF KENTUCKY
 BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

NOV 13 2015

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)
 POWER COOPERATIVE, INC. FOR APPROVAL)
 OF THE ACQUISITION OF EXISTING)
 COMBUSTION TURBINE FACILITIES FROM)
 BLUEGRASS GENERATION COMPANY, LLC AT)
 THE BLUEGRASS GENERATING STATION IN)
 LAGRANGE, OLDHAM COUNTY, KENTUCKY,)
 AND FOR APPROVAL OF THE ASSUMPTION)
 OF CERTAIN EVIDENCES OF INDEBTEDNESS)

CASE NO.
2015-00267

CERTIFICATE

STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Michelle K. Carpenter, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff’s Post Hearing Data Requests from the hearing in the above-referenced case held on November 4, 2015, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Michelle K. Carpenter

Subscribed and sworn before me on this 11th day of November, 2015.

Terri K. Combs ID# 479010
 Notary Public
 My Commission Expires 12/20/2016

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR APPROVAL)	
OF THE ACQUISITION OF EXISTING)	
COMBUSTION TURBINE FACILITIES FROM	)	CASE NO.
BLUEGRASS GENERATION COMPANY, LLC AT	)	2015-00267
THE BLUEGRASS GENERATING STATION IN)	
LAGRANGE, OLDHAM COUNTY, KENTUCKY,)	
AND FOR APPROVAL OF THE ASSUMPTION)	
OF CERTAIN EVIDENCES OF INDEBTEDNESS)	

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

David Crews, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Post Hearing Data Requests from the hearing in the above-referenced case held on November 4, 2015, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 13th day of November, 2015.


Notary Public #506144

Notary Public

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR APPROVAL)	
OF THE ACQUISITION OF EXISTING)	
COMBUSTION TURBINE FACILITIES FROM	)	CASE NO.
BLUEGRASS GENERATION COMPANY, LLC AT	)	2015-00267
THE BLUEGRASS GENERATING STATION IN)	
LAGRANGE, OLDHAM COUNTY, KENTUCKY,)	
AND FOR APPROVAL OF THE ASSUMPTION)	
OF CERTAIN EVIDENCES OF INDEBTEDNESS)	

CERTIFICATE

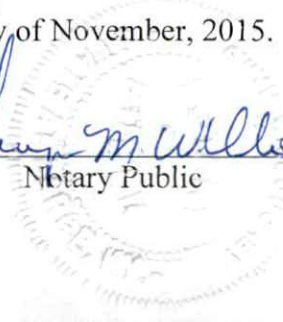
STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Mark Horn, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Post Hearing Data Requests from the hearing in the above-referenced case held on November 4, 2015, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Mark Horn

Subscribed and sworn before me on this 13th day of November, 2015.

Gene M. Wilkey #500144
 Notary Public



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR APPROVAL)	
OF THE ACQUISITION OF EXISTING)	
COMBUSTION TURBINE FACILITIES FROM	)	CASE NO.
BLUEGRASS GENERATION COMPANY, LLC AT	)	2015-00267
THE BLUEGRASS GENERATING STATION IN)	
LAGRANGE, OLDHAM COUNTY, KENTUCKY,)	
AND FOR APPROVAL OF THE ASSUMPTION)	
OF CERTAIN EVIDENCES OF INDEBTEDNESS)	

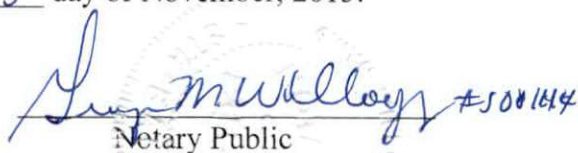
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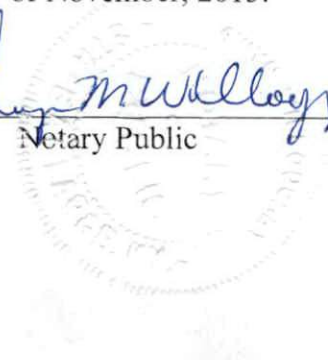
STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Craig A. Johnson, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Post Hearing Data Requests from the hearing in the above-referenced case held on November 4, 2015, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 13th day of November, 2015.


Notary Public



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR APPROVAL)	
OF THE ACQUISITION OF EXISTING)	
COMBUSTION TURBINE FACILITIES FROM	)	CASE NO.
BLUEGRASS GENERATION COMPANY, LLC AT	)	2015-00267
THE BLUEGRASS GENERATING STATION IN)	
LAGRANGE, OLDHAM COUNTY, KENTUCKY,)	
AND FOR APPROVAL OF THE ASSUMPTION)	
OF CERTAIN EVIDENCES OF INDEBTEDNESS)	

CERTIFICATE

STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Mike McNalley, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Post Hearing Data Requests from the hearing in the above-referenced case held on November 4, 2015, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 11th day of November, 2015.

Notary Public Jeri K. Combs ID# 479010
 My Commission Expires 12/20/2016

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR APPROVAL)	
OF THE ACQUISITION OF EXISTING)	
COMBUSTION TURBINE FACILITIES FROM	)	CASE NO.
BLUEGRASS GENERATION COMPANY, LLC AT)	2015-00267
THE BLUEGRASS GENERATING STATION IN)	
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AND FOR APPROVAL OF THE ASSUMPTION)	
OF CERTAIN EVIDENCES OF INDEBTEDNESS)	

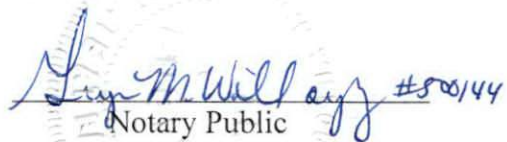
CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Patrick C. Woods, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Post Hearing Data Requests from the hearing in the above-referenced case held on November 4, 2015, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 6th day of November, 2015.


Notary Public #500144

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00267

**POST HEARING DATA REQUESTS
FROM HEARING HELD ON 11/04/15**

East Kentucky Power Cooperative, Inc. ("EKPC") hereby submits responses to the Post Hearing Data Requests in this case from the hearing held on November 4, 2015. Each response with its associated supportive reference materials is individually tabbed.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00267
POST HEARING INFORMATION REQUEST RESPONSE

POST HEARING INFORMATION REQUEST DATED 11/04/15
REQUEST 1

RESPONSIBLE PERSON: Michelle K. Carpenter
COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. Please provide the total amount of power purchase costs above EKPC's highest cost unit during the winter of 2015.

Request 1. Purchases in excess of EKPC's highest cost unit for the months of January 2015 through April 2015 were \$5,076,064. The chart below details the excess purchases by month which were excluded from recovery in the applicable monthly FAC calculations. These months are comparable to the months used in 2014 to derive the \$8.5 million of purchases in excess of EKPC's highest cost unit ordered to be refunded per Case No. 2014-00226.

Month	Purchases in Excess of Highest Cost Unit
January 2015	\$ 914,286
February 2015	3,313,130
March 2015	680,551
April 2015	<u>\$ 168,097</u>
Totals	<u>\$ 5,076,064</u>

REDACTED

Post Hearing Request 2

Page 1 of 1

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00267
POST HEARING INFORMATION REQUEST RESPONSE

POST HEARING INFORMATION REQUEST DATED 11/04/15
REQUEST 2

RESPONSIBLE PERSON: David Crews

COMPANY: East Kentucky Power Cooperative, Inc.

Request 2. Please provide the total amount of capacity revenues received by EKPC during the 2014/2015 PJM Delivery Year.

Response 2. The net capacity revenues received by EKPC from June 1, 2014 through May 31, 2015 were \$[REDACTED].

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00267
POST HEARING INFORMATION REQUEST RESPONSE

POST HEARING INFORMATION REQUEST DATED 11/04/15
REQUEST 3

RESPONSIBLE PERSON: Mark Horn

COMPANY: East Kentucky Power Cooperative, Inc.

Request 3. Please explain whether the ninety (90) day termination provision in the existing agreement between Bluegrass and Texas Gas Transmission creates any supply risk for EKPC.

Response 3. The ownership provision in the Facilities Agreement where Texas Gas Transmission Corporation (“Texas Gas”) shall provide Customer with written notice at least ninety (90) days prior to filing for authority from FERC to abandon or remove the Connection Facilities is not a supply risk for EKPC. This ownership provision is generally considered standard language between natural gas pipelines and the customer. In fact, this provision is actually a risk mitigation measure in itself for both Texas Gas and EKPC. This provision mitigates risk by establishing a timeline and mechanism for due process on behalf of both parties should the need arise. Based on multiple discussions with Texas Gas representatives, Texas Gas is looking forward to transporting natural gas to EKPC through the properly maintained Connection Facilities.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00267
POST HEARING INFORMATION REQUEST RESPONSE

POST HEARING INFORMATION REQUEST DATED 11/04/15
REQUEST 4

RESPONSIBLE PERSON: Mike McNalley

COMPANY: East Kentucky Power Cooperative, Inc.

Request 4. Please reconcile the \$9.8 million figure set forth on page five (5) of David Crews' testimony with the \$8.5 million figure that is set forth in ordering paragraph one of the Commission's Order in Case No. 2014-00226.

Response 4. Please see the schedule below.

East Kentucky Power Cooperative, Inc.				
"Non-Economy" Purchased Power Costs				
FAC Review Period	FAC Case No.	Cost Incurred (millions)	Cost Billed	Status
Jan-Apr 2014	2014-00226	\$ 8.5	\$ 8.5	Refunded
May-Oct 2014	2014-00451	\$ 1.0	\$ 1.0	Refund in progress
Nov-Dec 2014	2015-00233	\$ 0.3	\$ 0.3	Anticipate refund in current FAC review
Subtotal 2014		\$ 9.8	\$ 9.8	
Jan-Sep 2015		\$ 5.1	\$ -	Not billed, so no action

EKPC notes that these amounts are recoverable in base rates or billing mechanism other than FAC

**EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00267
POST HEARING INFORMATION REQUEST RESPONSE**

**POST HEARING INFORMATION REQUEST DATED 11/04/15
REQUEST 5**

RESPONSIBLE PERSON: Patrick C. Woods

COMPANY: East Kentucky Power Cooperative, Inc.

Request 5. Please describe the basis for which confidentiality is sought for information provided by EKPC in its 2015 Annual Report on PJM Participation.

Response 5. In accordance with discussions by the parties at the conclusion of the hearing, no response is required for this Request.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00267

POST HEARING INFORMATION REQUEST RESPONSE

POST HEARING INFORMATION REQUEST DATED 11/04/15

REQUEST 6

RESPONSIBLE PERSON: Patrick C. Woods

COMPANY: East Kentucky Power Cooperative, Inc.

Request 6. Please provide a copy of the complaint filed by EKPC against KU/LGE before the Federal Energy Regulatory Commission regarding the cost of transmission associated with the acquisition of the Bluegrass Station.

Response 6. A copy of the complaint filed by EKPC against KU/LGE before the Federal Energy Regulatory Commission regarding the cost of transmission associated with the acquisition of the Bluegrass Station is provided on pages 2 through 56 of this response.

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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)	
East Kentucky Power Cooperative, Inc.)	
v.)	Docket No. EL16-__-000
Louisville Gas & Electric/Kentucky Utilities)	
)	
)	

NOTICE OF COMPLAINT

(November __, 2015)

Take notice that on October 30, 2015, the East Kentucky Power Cooperative, Inc. (“East Kentucky”) filed a formal complaint against Louisville Gas & Electric/Kentucky Utilities (“LKE”) pursuant to Sections 206, 211, and 306 of the Federal Power Act (“FPA”) and Rule 206 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission, alleging that LKE’s failure to accept East Kentucky’s designation of new Network Load under the East Kentucky-LKE Network Service Agreement is contrary to the terms of the LKE Open Access Transmission Tariff and the Commission’s policies concerning open access and transmission pricing.

East Kentucky certifies that copies of the complaint were served on the contacts for LKE as listed on the Commission’s list of Corporate Officials.

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. The Respondent’s answer and all interventions, or protests must be filed on or before the comment date. The Respondent’s answer, motions to intervene, and protests must be served on the Complainants.

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 5 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 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, DC. 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).

Kimberly D. Bose,
Secretary.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

)	
)	
East Kentucky Power Cooperative, Inc.)	
v.	)	Docket No. EL16-___-000
Louisville Gas & Electric/Kentucky Utilities)	
)	
)	

COMPLAINT

Pursuant to Sections 206, 211, and 306 of the Federal Power Act (“FPA”)¹ and Rule 206 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”),² East Kentucky Power Cooperative, Inc., (“East Kentucky”) submits this Complaint against Louisville Gas & Electric/Kentucky Utilities (“LKE”). LKE’s failure to accept East Kentucky’s designation of new Network Load under East Kentucky’s Network Integrated Transmission Service Agreement (“NITSA”) with LKE is contrary to the terms of the LKE Open Access Transmission Tariff (“Tariff”) and the Commission’s policies concerning open access and transmission pricing.

East Kentucky respectfully requests that the Commission order LKE to accept East Kentucky’s identification of a new Delivery Point and designation of new Network Load as set forth in the attached proposed amended NITSA between East Kentucky and LKE.³ The amended NITSA is needed in connection with East Kentucky’s acquisition of the Bluegrass Generating Station (“Bluegrass”), an existing gas-fired peaking facility interconnected with LKE’s

¹ 16 U.S.C. §§ 824e, 824j-1, and 825e (2006).

² 18 C.F.R. § 385.206 (2015).

³ See Proposed Amended East Kentucky NITSA with LKE appended hereto as Attachment 1.

transmission system. East Kentucky will integrate Bluegrass with its other resources and Network Load. The proposed agreement complies with the terms of the LKE Tariff, correctly identifies new Network Load, and fairly compensates LKE for the transmission service that LKE will provide. If necessary, East Kentucky requests waiver of the LKE Tariff and acceptance of the attached proposed amended NITSA as a non-conforming agreement in order to allow the Commission to grant the requested relief.

The instant Complaint is necessitated by LKE's refusal to accept the arrangements East Kentucky has proposed in order to integrate Bluegrass as a new Network Resource in a reasonable and economic manner. LKE instead insists that East Kentucky either: (1) reserve and pay for several hundreds of megawatts of excessive and duplicative Point-to-Point service that would increase LKE's annual transmission charges to East Kentucky from approximately \$7 million to approximately \$17 million; or (2) purchase several hundreds of megawatts of additional Network Service for additional specific delivery points already served by the East Kentucky transmission system so that, during any hour in the year, the amount of East Kentucky's Network Load under its NITSA with LKE is at least equal to the nominal capacity of the Bluegrass units.

I. COMMUNICATIONS

East Kentucky requests that all correspondence and communications regarding this filing be addressed to the following persons, who should be placed on the Commission's official service list in this proceeding:

Mr. David Crews
Senior Vice President, Power Supply
East Kentucky Power Cooperative, Inc.
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East Kentucky respectfully requests waiver of Rule 203(b) of the Commission's Rules of Practice and Procedure⁴ to allow each of these individuals to be included on the official service list in this proceeding.

⁴ 18 C.F.R. § 385.203(b).

II. DESCRIPTION OF THE PARTIES

A. East Kentucky Power Cooperative, Inc.

East Kentucky is a not-for-profit electric generation and transmission cooperative organized and existing under Chapter 279 of the Kentucky Revised Statutes.⁵ East Kentucky owns and purchases 2,794 MW of net summer generating capability and 3,009 MW of net winter electric generating capability to serve approximately 525,000 homes, businesses, and industries in 87 Kentucky counties through its 16 member distribution cooperatives.⁶ East Kentucky experienced an all-time winter peak of 3,507 MW on February 20, 2015. East Kentucky is a transmission owning member of the PJM Interconnection, LLC (“PJM”), owning 2,938 miles of electric transmission lines.⁷ East Kentucky has outstanding debt through the Rural Utilities Service and therefore is not a Commission-jurisdictional “public utility” under the Federal Power Act.⁸

Most of East Kentucky’s member load (3,000 MW, or approximately 80%) is physically connected to transmission facilities owned by East Kentucky. Through East Kentucky’s voluntary integration into PJM, that portion of East Kentucky’s load is located within the PJM footprint in the EKPC Zone, as are East Kentucky’s current Network Resources.⁹ A smaller portion of East Kentucky’s load, however, is physically connected to the LKE transmission system.¹⁰ LKE is outside the PJM footprint and has not participated in a Regional Transmission

⁵ Kentucky Revised Statutes, Section 279.010 *et seq.*

⁶ See Affidavit of David Crews at P 5 (“Crews Affidavit”), appended hereto as Attachment 2.

⁷ *Id.* at PP 5, 8.

⁸ See 16 U.S.C. § 824(e), (f).

⁹ Crews Affidavit at P 8.

¹⁰ *Id.* at PP 6, 8.

Organization since it withdrew from MISO in 2006.¹¹ That portion of East Kentucky's load is pseudo-tied to PJM and is treated as part of East Kentucky's internal zonal load in PJM.¹² As a result of these arrangements, all of East Kentucky's Network Resources and East Kentucky's entire Network Load are internal to PJM, regardless of whether the resources or load are connected to the East Kentucky transmission system or the LKE transmission system. The Commission previously approved these arrangements as part of its broader approval of the PJM-East Kentucky filings to integrate East Kentucky into PJM.¹³

East Kentucky also purchases network transmission service from LKE to deliver the energy dispatched by PJM to serve the pseudo-tied East Kentucky load.¹⁴ The designated Network Load under the LKE NITSA is comprised of the sum of the East Kentucky delivery points on the LKE system.¹⁵

The Bluegrass facility is physically connected to the LKE system. The amendment to East Kentucky's NITSA with LKE that is the subject of this Complaint is needed to address delivery of Bluegrass output to the portion of East Kentucky's Network Load that is connected to East Kentucky's transmission facilities.

¹¹ See *Louisville Gas and Electric Co.*, 114 FERC ¶ 61,282 at P 4 (2006) (approving LKE's withdrawal from MISO).

¹² Crews Affidavit at P 8.

¹³ See Letter Order issued May 22, 2013 in Docket Nos. ER13-1177-000, *et al.*

¹⁴ Crews Affidavit at P 10. See Service Agreement No. 4 for Network Integration Transmission Service between LKE and East Kentucky ("Current LKE-East Kentucky NITSA"), approved via Letter Order in Docket No. ER14-2968, January, 6, 2015. The rate charged by LKE for transmission service across the LKE system is calculated pursuant to the LKE Tariff and is not an item of dispute in this complaint.

¹⁵ *Id.* Likewise, LKE has a non-conforming NITSA with PJM to serve its load on the East Kentucky-PJM transmission system. Under that non-conforming agreement, LKE pays the East Kentucky transmission rate to serve its load but does not buy ancillary services from PJM. See PJM Service Agreement No. 3518, Service Agreement For Network Integration Transmission Service between LKE and PJM.

B. Louisville Gas & Electric/Kentucky Utilities (“LKE”)

Louisville Gas & Electric (“LG&E”) is a public utility that owns and operates electric generation, transmission, and distribution facilities, and also natural gas distribution, transmission, and storage facilities in Kentucky and Indiana.¹⁶ Kentucky Utilities (“KU”) is a public utility that owns and operates electric generation, transmission, and distribution facilities in Kentucky, with limited operations in Tennessee and Virginia.¹⁷ LG&E and KU (“LKE”) together own or control approximately 8,300 MW of generating capacity and, in addition, hold minority interests in several entities that own generation. LG&E and KU are owned by PPL Corporation. Together LG&E and KU serve approximately 943,000 electric customers.

LKE operates a joint electric balancing authority area for LG&E and KU and owns approximately 5,484 circuit miles of electric transmission lines.¹⁸ In addition, LG&E and KU each has franchised retail service territories. KU also supplies power to several wholesale customers under cost-based formula rates.¹⁹

LKE provides transmission service over its combined LG&E and KU transmission systems under a single Tariff. Pursuant to the terms set by the Commission in approving LKE’s withdrawal from the Midcontinent Independent System Operator, Inc. (“MISO”), TranServ International, Inc. (“TranServ”) and the Tennessee Valley Authority serve as the Independent Transmission Organization and the reliability coordinator, respectively, for LKE’s electric transmission facilities.²⁰

¹⁶ *Bluegrass Generation Company, L.L.C.*, 139 FERC ¶ 61,094 at P 3 (2012) (“Bluegrass Generation Co.”).

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *E.ON U.S. LLC*, 133 FERC ¶ 61,012 (2010) (accepting the revised independent transmission organization agreement).

III. BACKGROUND

A. The Parties' Intertwined Transmission Systems and Cross-Use of their Respective Transmission Facilities

The LKE and East Kentucky transmission systems and service territories are extensively intertwined. This highly intertwined configuration originates from a series of Kentucky administrative and court decisions aimed at protecting Kentucky customers from having to pay for wasteful duplication of facilities.²¹ Today, LKE and East Kentucky share 66 interconnection points between their transmission systems.²² Each uses the other's facilities to serve a portion of its native-load customers through numerous load interconnection points. Specifically, East Kentucky serves 566 MW (peak) of its member load that is directly connected to the LKE transmission system, while LKE serves approximately 100 MW (peak) of LKE load that is connected directly to the East Kentucky transmission system.²³

B. East Kentucky's Acquisition of Bluegrass and Related Transmission Service Request

On June 26, 2015, East Kentucky executed an agreement with Bluegrass Generating Company, LLC to purchase the Bluegrass facility, an existing three-unit, 495 MW (summer capability) gas-fired generating station located in Oldham County, Kentucky.²⁴ As noted above,

²¹ See *Kentucky Utilities Company v. Public Service Commission*, 252 S.W.2d 885 (Ky. 1952).

²² Crews Affidavit at P 6.

²³ *Id.* at P 6.

²⁴ *Id.* at P 12. In 2012, LKE sought to purchase Bluegrass to add to LKE's fleet. The Commission conditionally approved the transaction, but concluded that LKE's purchase of Bluegrass raised market power concerns that required mitigation. The Commission stated that such market power mitigation measures could have included LKE relinquishing operational control of Bluegrass. See *Bluegrass Generation Company, L.L.C.*, 139 FERC ¶ 61,094 (2012). Shortly thereafter, LKE withdrew its application and terminated its acquisition efforts. See Letter from LKE to the Commission in Docket No. EC12-29 dated June 19, 2012 (stating that the Bluegrass-LKE transaction would not be consummated).

Bluegrass is interconnected to the LKE transmission facilities.²⁵ The Bluegrass asset transaction is scheduled to close by December 31, 2015.²⁶ East Kentucky intends to use Bluegrass as a Network Resource to serve its member load.²⁷ East Kentucky will use output from Bluegrass chiefly to serve that portion of East Kentucky's Network Load that is connected to the LKE transmission facilities.²⁸ However, there may be some hours during which the output of Bluegrass exceeds the amount of East Kentucky member load on the LKE system. In these hours, East Kentucky intends to deliver any Bluegrass output that exceeds the amount of East Kentucky's Network Load connected to the LKE transmission facilities to the East Kentucky Network Load connected to the East Kentucky transmission facilities.²⁹

East Kentucky intends to use its NITSA with LKE to integrate Bluegrass with East Kentucky's loads in the manner described above.³⁰ Accordingly, East Kentucky submitted a transmission service request to TranServ to designate Bluegrass as a Network Resource under East Kentucky's NITSA with LKE.³¹ TranServ, in its capacity as LKE's Independent Transmission Organization, studied the peak load and generation conditions of Bluegrass and concluded that transmission service is available to deliver the Bluegrass output to East

²⁵ Crews Affidavit at P 12. Under the purchase agreement, East Kentucky would buy the entire Bluegrass facility. However, one of the Bluegrass units is under contract with LKE for its full output until May 1, 2019.

²⁶ *Id.* at P 13.

²⁷ *Id.* at P 14. Pursuant to East Kentucky's request to LKE to designate Bluegrass as a Network Resource, TranServ, in its capacity as LKE's Independent Transmission Organization, conducted a transmission service study and determined that although some network upgrades are necessary to provide service, the upgrades can be in place to allow the service to commence as requested.

²⁸ *Id.* at P 14.

²⁹ *Id.*

³⁰ *Id.*

³¹ On November 26, 2014, East Kentucky requested Network Service for Bluegrass Units 1 and 2, and on April 29, 2015, East Kentucky requested Network Service for Bluegrass Unit 3. Affidavit of Denver York at P 10, appended hereto as Attachment 3 ("York Affidavit").

Kentucky's Network Load on the LKE system.³² LKE confirmed that East Kentucky may add Bluegrass as a new Network Resource under the East Kentucky-LKE NITSA.³³ To East Kentucky's knowledge, there is no dispute regarding delivery of Bluegrass output to East Kentucky's Network Load on the LKE system. Rather, the dispute arises from the charges LKE seeks to impose in order for East Kentucky to deliver Bluegrass output to East Kentucky's Network Load on the East Kentucky system.

East Kentucky approached TransServ and LKE on several occasions to resolve delivery of the Bluegrass output to East Kentucky Network Loads connected to East Kentucky system in the manner described.³⁴ East Kentucky proposed to modify its existing NITSA with LKE to add a new delivery point at one or more points of interconnection between the LKE and East Kentucky systems. East Kentucky further proposed that the designated Network Load at that new delivery point would in each hour be the difference between the output of Bluegrass and East Kentucky's Network Load on the LKE system.³⁵ The sum of the delivery point requirements in each hour would be the basis for determining East Kentucky's monthly coincident peak on the LKE system, which is the demand used for billing for network service under the LKE Tariff.³⁶ East Kentucky would fully compensate LKE for the use of the LKE transmission system by paying LKE's network charge based on East Kentucky's monthly coincident peak usage of the LKE

³² Crews Affidavit at P 17. As Mr. Crews explains, TransServ concluded that although some network upgrades are necessary to provide the requested service, the service could be granted given the upgrades are expected to be completed prior to the timeframe needed. Additionally, operating parameters were specified under certain real-time loading conditions that permit LKE's Reliability Coordinator to curtail Bluegrass on a non-discriminatory basis with possible curtailment of LKE's own generation and/or load.

³³ York Affidavit at P 11. Although LKE has confirmed this to East Kentucky, LKE has not filed with the Commission an amended Network Service Agreement to add Bluegrass as a Designated Network Resource.

³⁴ *Id.* at P 13.

³⁵ *Id.* at P 14.

³⁶ See Attachment 1. East Kentucky provided this proposed NITSA to both LKE and TransServ during discussions involving the Bluegrass transmission arrangements.

transmission system because any Bluegrass output delivered to East Kentucky's Network Load on the East Kentucky system would be included in that coincident peak demand.

East Kentucky's efforts to discuss the arrangement with TranServ and LKE were unproductive. TranServ simply referred East Kentucky to LKE.³⁷ LKE rejected the arrangement and has not offered any reasonable alternative.³⁸ LKE instead has advised East Kentucky that, if East Kentucky intends to deliver any of the Bluegrass output to serve East Kentucky loads on East Kentucky's system, then East Kentucky may purchase Point-to-Point service for the full amount of the Bluegrass facility less the anticipated minimum load physically connected to the LKE system—over 400 MW of transmission service—in addition to the existing East Kentucky-LKE Network Service arrangements for East Kentucky's load on the LKE system.³⁹ LKE also suggested that East Kentucky could designate delivery points currently served from East Kentucky's own transmission system as delivery points under the LKE NITSA, in sufficient amounts so that East Kentucky's minimum load on the LKE system would always be at least equal to the nominal nameplate rating of Bluegrass.⁴⁰ This would force East Kentucky to designate several hundred megawatts of load served by East Kentucky's own transmission facilities as Network Load on the LKE transmission system.⁴¹ East Kentucky advised LKE of its view that requiring East Kentucky to reserve 400 MW or more of Point-to-Point service or adding hundreds of megawatts of additional load as Network Load are both unreasonable

³⁷ York Affidavit at P 17.

³⁸ *Id.* at PP 14-15.

³⁹ *Id.* at P 15.

⁴⁰ *Id.* at P 16.

⁴¹ *Id.*

approaches.⁴² LKE's approach would subject East Kentucky to duplicative transmission charges as well as excessive charges for an amount of transmission service that LKE would not be providing.⁴³

East Kentucky's current payments to LKE for Network Service total approximately \$7 million per year.⁴⁴ Under LKE's approach, East Kentucky's aggregate annual payments to LKE would increase by \$10 million, totaling approximately \$17 million.⁴⁵

Bluegrass is a gas-fired peaking resource that typically will be dispatched when demand is at its highest.⁴⁶ Bluegrass is also subject to NOx restrictions and can only run up to 7% of the year's total hours.⁴⁷ Under economic dispatch, East Kentucky forecasts Bluegrass will run less than 6% of the year's total hours.⁴⁸ For the first few years of East Kentucky's ownership, only two of the three Bluegrass units will be available for East Kentucky's use because the output of the third unit is committed under a power purchase contract with LKE until May 1, 2019.⁴⁹ During that time, it is unlikely that the Bluegrass output will exceed the East Kentucky load on the LKE system at the time of LKE's system peak.⁵⁰ East Kentucky expects the same will be true during a majority of the off-peak hours as well.⁵¹

⁴² York Affidavit at P 18.

⁴³ *Id.*

⁴⁴ *Id.* at P 19.

⁴⁵ *Id.*

⁴⁶ Crews Affidavit at P 12.

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ *Id.* at P 13.

⁵⁰ *Id.* at P 15.

⁵¹ *Id.*

After May 1, 2019, all three Bluegrass units will be available to East Kentucky. However, by then, East Kentucky forecasts that its peak load on the LKE system may exceed 600 MW.⁵² Because of this increase in demand on the LKE system, and because of the peaking nature of the plant and NOx restrictions, the Bluegrass output will likely exceed East Kentucky's LKE-connected load during only a limited number of hours each year.⁵³

Under the terms of the Bluegrass asset purchase agreement, the sale of the facility is scheduled to close by December 31, 2015.⁵⁴ East Kentucky needs the Bluegrass facility to serve its native-load customers. East Kentucky is facing deactivation of several facilities in its fleet by April 16, 2016, growing demand on its system, and winter peaks in excess of its remaining resources.⁵⁵ East Kentucky has spent the last several months attempting to resolve the issue with LKE. It is imperative that LKE's refusal to grant transmission service on just and reasonable terms not disrupt this transaction. East Kentucky is thus left with no recourse but to submit this Complaint.

IV. COMPLAINT

East Kentucky is seeking to amend its NITSA with LKE in order to deliver the output of Bluegrass that exceeds East Kentucky's member load connected to LKE's transmission facilities to East Kentucky's member load connected to East Kentucky's transmission facilities, as shown on the attached proposed amended NITSA.⁵⁶ The proposed amendments seek to: (1) establish the

⁵² Crews Affidavit at PP 15-16.

⁵³ *Id.* at P 16.

⁵⁴ *Id.* at P 13.

⁵⁵ *Id.* at P 11.

⁵⁶ *See* Attachment 1.

Point of Delivery as one or more points of interconnection between LKE and East Kentucky transmission facilities; and (2) designate a portion of East Kentucky's member load connected to the East Kentucky transmission facilities as new Network Load under the East Kentucky-LKE NITSA, with the amount of that load stated as the output of Bluegrass in any hour minus the aggregate East Kentucky member load served from the LKE transmission facilities.

For the following reasons, the Commission should find that the proposed arrangements are just and reasonable and consistent with the LKE Tariff. Alternatively, if the Commission finds that the proposed arrangements are not consistent with the LKE Tariff, East Kentucky requests that the Commission find that the LKE Tariff is unjust and unreasonable as applied to East Kentucky. Additionally, if and to the extent necessary, East Kentucky seeks waiver of the LKE Tariff in order to adopt the amended NITSA as a non-conforming agreement.

A. East Kentucky's Proposed Relief is Consistent with Both the *pro forma* Tariff and the LKE Tariff

- 1. The *pro forma* and LKE Tariffs allow East Kentucky to designate a portion of the East Kentucky member load not directly connected to the LKE system as Network Load under the NITSA with LKE.**

East Kentucky's proposal is consistent with the flexibility provided for under Section 31.3 of the *pro forma* and LKE Tariffs. Section 31.3 permits a Network Service customer to designate load that is not directly connected to the Transmission Provider as part of the customer's Network Load. The LKE Tariff adopts this provision essentially *verbatim*. Section 31.3 of the LKE Tariff provides:

"This section applies to both initial designation pursuant to Section 31.1 and the subsequent addition of new Network Load not physically interconnected with the Transmission Owner. To the extent that the Network Customer desires to obtain transmission service for a load outside the Transmission Owner's Transmission

System, the Network Customer shall have the option of (1) electing to include the entire load as Network Load for all purposes under Part III of the Tariff and designating Network Resources in connection with such additional Network Load, or (2) excluding that entire load from its Network Load and purchasing Point-to-Point Transmission Service under Part II of the Tariff. To the extent that the Network Customer gives notice of its intent to add a new Network Load as part of its Network Load pursuant to this section the request must be made through a modification of service pursuant to a new Application.”

Section 31.3 permits East Kentucky to designate, as part of its Network Load under a modified NITSA with LKE, its member load that is not directly connected to the LKE system. The only condition to doing so is that East Kentucky must designate one or more Network Resources for that load, which East Kentucky has satisfied by identifying Bluegrass as that designated Network Resource.⁵⁷

In attempting to justify its proposal that East Kentucky add to the LKE NITSA the load served at numerous delivery points on the East Kentucky System, LKE contended that its Tariff would not permit East Kentucky to add less than all of the load at any given substation or delivery point. LKE also contended that East Kentucky’s approach, which would measure the amount of Bluegrass output at the new delivery point as the difference between the output in that hour and East Kentucky’s Network Load served from the LKE transmission facilities in the same hour, is tantamount to splitting load in purported violation of the LKE Tariff.

These contentions are invalid for several reasons, including: (a) the heavily integrated nature of the LKE and East Kentucky systems; (b) the fact that the designated Network Resource associated with that load (*i.e.* Bluegrass) has a total capacity of 495 MW, and only a portion of

⁵⁷ York Affidavit at P 11.

Bluegrass output would be delivered from the LKE transmission facilities to East Kentucky's Network Load connected to the East Kentucky transmission facilities; (c) that East Kentucky's *entire* load is served as Network Load under the PJM Tariff or the LKE Tariff; and (d) that network service is intended to afford flexibility in economically integrating resources and loads, not to impose artificial restrictions that produce unjust and unreasonable results.

Examination of the purpose underlying Section 31.3 further confirms that LKE's contentions are unreasonable. Section 31.3 must be read in conjunction with section 1.25 of the Tariff. In defining "Network Load," section 1.25 states, in relevant part, that a "Network Customer may elect to designate less than its total load as Network Load but may not designate only part of the load at a discrete Point of Delivery." Network Load was defined in this manner to prevent customers from combining Network and Point-to-Point service at a single, discrete delivery point (*e.g.*, a customer utilizing behind-the-meter generation).⁵⁸

East Kentucky is not a transmission-dependent wholesale customer with behind-the-meter generation. It is an interconnected utility with its own transmission system and fleet of generating resources, and is a voluntary participating transmission owner in PJM.⁵⁹ East Kentucky is not seeking the proposed arrangements to avoid paying for Network Service. East

⁵⁸ An example of this combination of Network and Point-to-Point service would include a customer that wished to serve a portion of its load at a single delivery point with behind-the-meter generation firmed up through non-firm Point-to-Point service, and exclude that amount of load from its Load Ratio Share. *See Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, FERC Stats. & Regs. ¶ 31,036 (1996), *order on reh'g*, Order No. 888-A at p. 30,260-61, FERC Stats. & Regs. ¶ 31,048, *order on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff'd in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002) ("For the reasons stated above, a network customer will not be permitted to take a combination of both network and point-to-point transmission services under the *pro forma* tariff to serve the same discrete load... Moreover, the Commission will allow a network customer to either designate all of a discrete load as network load under the network integration transmission service or to exclude the entirety of a discrete load from network service and serve such load with the customer's 'behind-the-meter' generation and/or through any point-to-point transmission service.")

⁵⁹ Crews Affidavit at P 8.

Kentucky pays the LKE network rate to serve East Kentucky's total Network Load on the LKE system.⁶⁰ Indeed, because East Kentucky's *entire* Network Load (*i.e.*, its member load on both its own system and the LKE system) is treated as internal load in the East Kentucky transmission pricing zone in PJM, East Kentucky pays the zonal network rate to serve East Kentucky's *entire* Network Load (East Kentucky's member load on both systems) pursuant to the East Kentucky-PJM NITSA.⁶¹ All of East Kentucky's load is subject to PJM's Network Service charges, and is not at all akin to load served from behind-the-meter generation that might escape paying for Network Service in the absence of this Tariff provision.

2. East Kentucky's proposed NITSA accurately reflects East Kentucky's use of the LKE system.

LKE should be fairly compensated for the service it provides to East Kentucky for service associated with East Kentucky's delivery of Bluegrass output to the proposed delivery point for the new Network Load. The amended NITSA, as proposed by East Kentucky, defines East Kentucky's new Network Load as the amount of Bluegrass output that exceeds East Kentucky's Network Load on the LKE system.⁶² Defining the amount of new Network Load in this manner accurately reflects the transmission service that LKE will provide and ensures that LKE will receive its full Network Service rate for this service.

East Kentucky's proposal also is consistent with Commission policy as expressed in Order No. 888-A. There, the Commission addressed pricing for transmission service to entities with load in multiple control areas. Several commenters complained that, if a Network Service customer with resources and loads in control area A also wished to serve Network Load in

⁶⁰ York Affidavit at P 8.

⁶¹ *Id.* at P 7.

⁶² See Attachment 1. The new Network Load is defined as the "Bluegrass Load."

control area B, the customer would be required to include the control area B load as Network Load in both control areas, and that the customer would be exposed to the possibility of paying two Network Service charges for the control area B load. In Order No. 888-A, the Commission summarized the solution proposed by these commenters as:

[T]hese entities propose that a network customer be allowed to use its network service to transmit power and energy from resources in control area A to serve load in control area B without designating the control area B load as network load for billing purposes. These entities suggest that no additional compensation should be required if such transfers to load in adjacent control areas plus other network transactions on behalf of the transmission customer in control area A do not exceed the customer's coincident demand in control area A.⁶³

The Commission rejected the argument that a customer receiving Network Service in control area A should be able to serve load in control area B without that load being designated as additional Network Load in control area A. In so ruling, the Commission stated that, “[b]ecause the additional transmission service to non-designated network load outside of the transmission provider’s control area is a service for which the transmission provider must separately plan and operate its system beyond what is required to provide service to the customer’s designated network load, it is appropriate to have an additional charge associated with the additional service.”⁶⁴

East Kentucky’s proposed amended NITSA satisfies the Commission’s concern about appropriately compensating the transmission provider for transmission planning and operations. The East Kentucky load (the “control area B” load in the Commission’s example) is designated

⁶³ Order No. 888-A, FERC Stats & Regs. 31,048 at pp. 30,254-55.

⁶⁴ *Id.* at p. 30,255.

as additional Network Load in the NITSA with LKE. Whenever East Kentucky uses LKE transmission service to serve the East Kentucky Network Load on the East Kentucky system with Bluegrass output, which only will be during the hours when Bluegrass output exceeds the amount of East Kentucky load connected to LKE's system, the "Network Load" value for the amount of Bluegrass output delivered to the East Kentucky-connected load will be included in the determination of East Kentucky's coincident peak for billing under East Kentucky's NITSA with LKE. East Kentucky's proposed amendments would compensate LKE for this additional service at the LKE Network Service rate, while not requiring East Kentucky to pay for service that it will not use.⁶⁵ LKE would be sufficiently and justly compensated for the service it provides.

By contrast, LKE's refusal to provide the flexibility East Kentucky seeks would result in excessive charges to East Kentucky and is inconsistent with the Commission's policy of encouraging transmission providers to design rates that avoid double recovery of transmission costs.⁶⁶ When adopting the *pro forma* tariff, the Commission stated:

[We] did not intend for a transmission provider to receive two payments for providing service to the same portion of a transmission customer's load. Any such double recovery is unacceptable and inconsistent with cost causation principles.⁶⁷

The Commission further stated that it would evaluate claims of double recovery on a case-by-case basis, and that a customer could file a Section 206 complaint where such concerns exist.⁶⁸

⁶⁵ See Attachment 1.

⁶⁶ Order No. 888-B at p. 62,096 ("Moreover, while we expect transmission providers to design rates that will avoid double recovery of such transmission costs or ancillary costs, we believe that this is a fact-specific issue that is appropriately addressed on a case-by-case basis.")

⁶⁷ *Id.*

⁶⁸ *Id.*

Here, East Kentucky is already a Network Customer of LKE for that portion of East Kentucky's load connected to the LKE system. LKE has approved East Kentucky's addition of Bluegrass as a Network Resource under the East Kentucky-LKE NITSA to serve East Kentucky's load connected to the LKE system. In most hours, the Bluegrass output will be delivered to the LKE-connected East Kentucky load. It is only when the Bluegrass output exceeds that Network Load that such output will be used to serve East Kentucky's Network Load connected to East Kentucky's system.

LKE's proposal would require East Kentucky to purchase Point-to-Point or Network Service for the full amount of Bluegrass capacity less the anticipated minimum value of the load physically connected to the LKE system, in addition to the existing charges East Kentucky pays to LKE under the current East Kentucky-LKE NITSA. The result would be a double charge in that East Kentucky would pay the NITSA charge for the East Kentucky load on the LKE system (500-570 MW, depending on coincident peak), plus a *separate* Network Service or Point-to-Point charge for delivering Bluegrass output to that same load. And it would result in excessive charges because East Kentucky would never use the combined 900 to 1,000 MW total of LKE transmission service for which LKE seeks to charge East Kentucky. The largest amount of transmission service that East Kentucky would use on the LKE system would be the greater of the East Kentucky Network Load on the LKE system, or the Bluegrass output, but not both at the same time.

The Commission's policy that transmission providers provide flexibility to address unique circumstances should not be lost on LKE. Indeed, LKE itself is the beneficiary of the Commission's willingness to accept a NITSA with specific terms to address unusual circumstances. When East Kentucky integrated into PJM, LKE was concerned that it would be

subjected to PJM charges in connection with service across East Kentucky's facilities to serve the LKE load that is physically connected to the East Kentucky system.⁶⁹ LKE itself is not a transmission owning member of PJM and is outside the PJM footprint. LKE required a Network Service agreement with PJM to serve this load. Under its agreement, LKE pays East Kentucky's zonal transmission rate but does not buy any ancillary services from PJM. The Commission also approved arrangements that treat LKE's load on the East Kentucky system as outside PJM, notwithstanding East Kentucky's integration into PJM.⁷⁰ East Kentucky is not challenging these arrangements. The point is that LKE is the beneficiary of the Commission's policy that transmission customers should be afforded flexibility in structuring arrangements to integrate their resources and loads. Here, East Kentucky is seeking an arrangement that is flexible yet consistent with the LKE tariff and the Commission's policies on transmission pricing and the nature of Network Service.

B. The Commission Has Accepted Agreements Similar to the Agreement East Kentucky Proposes

East Kentucky's proposed arrangements are consistent with other arrangements accepted for filing by the Commission. For example, in 2012, the Commission accepted for filing an amended Network Service Agreement between Southern Company Services, Inc. ("Southern") and Southern Mississippi Electric Power Association ("SMEPA").⁷¹ According to the filing, SMEPA's transmission facilities, load, and generation are widely dispersed throughout the state

⁶⁹ See East Kentucky filing letter in Docket No. ER13-1177 at 10-12 (March 28, 2013) (discussing the treatment of the LKE load on the East Kentucky system, the stipulation between East Kentucky, LKE, and PJM which held LKE harmless from the additional charges that it might incur as a result of East Kentucky joining PJM, and the non-conforming NITSA between LKE and PJM that implemented that stipulation.)

⁷⁰ See Letter Order in Docket Nos. ER13-1177-000, *et al.* (May 22, 2013)

⁷¹ See Letter Order in Docket No. ER12-1724-000, at 2 (June 4, 2012).

of Mississippi and heavily intertwined with the facilities of Mississippi Power Company (“Mississippi Power”), a Southern Company subsidiary, and with Entergy Mississippi, Inc., an Entergy operating company.⁷² SMEPA has approximately 150 MW of load interconnected with the transmission facilities of Mississippi Power. Under the Southern-SMEPA arrangements, that load is pseudo-tied to SMEPA’s Balancing Authority Area.⁷³ To serve this load, SMEPA takes Network Service from Southern Company pursuant to a NITSA under the Southern Company open access transmission tariff.⁷⁴ The SMEPA-Southern NITSA allows SMEPA’s pseudo-tied loads to be served from various resources. In order to permit SMEPA “to improve its efficiency in its use of the system,” SMEPA and Southern amended their NITSA in two material respects: (1) to establish a new delivery point at the interchange point between the Southern system and the SMEPA system; and (2) to calculate the Network Load at the new delivery point, which would be “a calculated value for flow into the SMEPA balancing authority area.”⁷⁵ The value of the Network Load at the new delivery point would be calculated on an hourly basis to equal the energy generated by Network Resources located within the Southern Balancing Authority Area that is not used to serve SMEPA’s Network Load located within the Southern Balancing Authority Area.⁷⁶ The Commission accepted the amended NITSA for filing.⁷⁷

In 2013, the Commission accepted similar arrangements between SMEPA and MISO in connection with SMEPA’s integration into MISO.⁷⁸ MISO recognized the heavily intertwined

⁷² Filing letter in FERC Docket No. ER12-1724-000, at 2 (May 7, 2012).

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ See Letter Order in Docket No. ER12-1724-000, at 2 (June 4, 2012).

⁷⁸ *Midcontinent Indep. System Operator, Inc.*, 145 FERC ¶ 61,242 (2013).

systems of SMEPA, Southern Company, and Entergy Mississippi. At that time, Entergy Mississippi was in the process of integrating into MISO. SMEPA's integration into MISO would soon follow. Southern Company is not a transmission-owning member of MISO, which meant that a portion of SMEPA's load and resources would be physically located outside of the MISO region. However, the SMEPA-Southern load would be pseudo-tied into the SMEPA-MISO Local Balancing Area.⁷⁹ SMEPA intended to serve that portion of SMEPA's load that is physically connected to the Southern Company system with resources internal to the SMEPA-MISO system.⁸⁰ MISO did not require SMEPA to arrange for separate Point-to-Point service under the MISO Tariff to allow SMEPA to deliver its internal resources to SMEPA load on the Southern Company system.⁸¹ MISO instead patterned the SMEPA-MISO Network Service Agreement after the SMEPA-Southern Network Service Agreement. In its filing letter to the Commission, MISO stated:

Requiring SMEPA to take MISO's drive-out Point-to-Point Transmission Service for the Southern NITSA load will create operational inefficiencies and deprive SMEPA and its members of certain key benefits of the commercial bargain underpinning the FERC-accepted Southern NITSA arrangements...[T]his load supply arrangement requires a high level of transmission service flexibility that only Network Service can provide.⁸²

MISO further acknowledged that Network Service is inherently more flexible than Point-to-Point transmission service, which would be the only alternative on the MISO side, in that Point-to-Point service requires reserving and scheduling specific amounts of service between specific Points of Receipt and Points of Delivery. MISO explained that such an arrangement would be

⁷⁹ See Filing Letter in Docket No. ER13-2008 at 3 (July 23, 2013).

⁸⁰ *Id.*

⁸¹ *Id.* at 4.

⁸² *Id.*

particularly unsuitable in SMEPA's case and would impose undue cost and operational burdens.⁸³

MISO also found it appropriate to provide flexibility in its NITSA with SMEPA because of the fact that the loads served under the SMEPA-Southern NITSA represent an integral part of SMEPA's total native load. The loads are indistinguishable from the rest of SMEPA's native load, which is attached to the transmission and distribution facilities of SMEPA and its members. MISO patterned the SMEPA-MISO NITSA after the SMEPA-Southern NITSA because it provides SMEPA with "sufficient" firm transmission to designate the network resources under the Southern NITSA as designated Network Resources under the MISO Tariff. MISO found that there was no basis for treating SMEPA's Southern loads differently than SMEPA's MISO loads. Requiring a subset of SMEPA's native load to take drive-out Point-to-Point service while the rest of the SMEPA native load can enjoy the benefits of Network Service would be unduly discriminatory and would result in cost-shifts among its members.

The approach embodied in the SMEPA-Southern NITSA and the subsequent SMEPA-MISO NITSA reflects an appropriate solution for East Kentucky and LKE. The SMEPA-Southern and SMEPA-MISO Network Service arrangements ensure efficient use of the transmission system and appropriately compensate the affected transmission owners for SMEPA's use of their transmission facilities. Like SMEPA, East Kentucky's Network Loads and generating resources straddle different systems and control areas. East Kentucky appropriately modeled its proposed amended NITSA with LKE after the SMEPA-Southern and SMEPA-MISO NITSA's.⁸⁴

⁸³ *Id.* at 5.

⁸⁴ See Attachment 1; see also filed NITSA in Docket No. ER12-1724 (May 7, 2012).

Notably, for the SMEPA-Southern arrangements, no waiver of the Southern Tariff was sought or required, meaning that the arrangements contained in the NITSA were proposed and accepted as being consistent with and conforming to the provisions of the Tariff. Southern and SMEPA were able to adopt the provisions that allowed SMEPA to designate a portion of the SMEPA load on the SMEPA system as additional Network Load under its NITSA with Southern, and to calculate that additional Network Load as the amount of flow onto the SMEPA system from the Southern system. Nor was it considered a departure under the MISO Tariff for MISO to permit SMEPA to identify points of delivery as being certain points of interconnection between SMEPA and Southern Company, and to identify its load at those points of delivery as a calculated value for flow into the balancing authority area.⁸⁵ Likewise, East Kentucky's proposed amended NITSA is a conforming arrangement under the LKE Tariff in that Section 31.3 of LKE's Tariff contains the same language as the *pro forma* tariff.⁸⁶

V. REQUESTED RELIEF

East Kentucky seeks relief in the form of the attached Amended Network Integrated Transmission Service Agreement.⁸⁷ The proposed modifications include the addition of a new delivery point (the "Bluegrass Delivery Point"). The new Network Load at the Bluegrass Delivery Point would be a calculated value for flow into the East Kentucky system at the Bluegrass Delivery Point.

⁸⁵ MISO did obtain waiver of Section 31.3 of its Tariff in order to allow SMEPA to pseudo-tie its load on the Southern Company system to the MISO footprint. That waiver was necessitated by a requirement in the MISO Tariff that network load be physically connected to the MISO transmission system. MISO's provision is a Commission approved departure from the *pro forma* tariff, and is not included in the LKE Tariff.

⁸⁶ See section IV.A.1 *supra*.

⁸⁷ See Attachment 1.

VI. ALTERNATIVE REQUEST

The Commission should find that East Kentucky's requested relief is consistent with the LKE Tariff as well as the Commission's intent that transmission customers have flexibility when structuring arrangements to integrate their load and resources, its open access and transmission pricing policies, and its acceptance of similar arrangements.⁸⁸ That said, if the Commission concludes otherwise, East Kentucky respectfully requests that the Commission find that the LKE Tariff is unjust and unreasonable as applied to East Kentucky. Additionally, if and to the extent necessary, East Kentucky seeks waiver of Section 31.3 of the LKE Tariff in order to adopt the amended NITSA as a non-conforming agreement.

Generally, a request for waiver of a Tariff provision must meet four requirements: (1) a concrete problem exists that needs to be remedied; (2) the waiver will not produce undesirable consequences; (3) the waiver is of limited scope; and (4) the entity seeking the waiver acted in good faith.⁸⁹ The Commission has stated, "[w]here good cause for a waiver of limited scope exists, there are no undesirable consequences, and the resultant benefits to customers are evident, the Commission has found that a one-time waiver [of tariff provisions] is appropriate."⁹⁰

The Commission has previously granted waiver of Section 31.3 of the Tariff. For example, in the SMEPA-MISO proceeding,⁹¹ MISO sought and obtained waiver of Section 31.3

⁸⁸ See section IV *supra*.

⁸⁹ *PJM Interconnection, L.L.C.*, 135 FERC ¶ 61,069 at PP 8-9 (2011); *ISO New England Inc.*, 134 FERC ¶ 61,182 at P 8 (2011); *California Indep. Sys. Operator, Inc.*, 132 FERC ¶ 61,004 at P 10 (2010); *Hudson Transmission Partners, LLC*, 131 FERC ¶ 61,157 at P 10 (2010); *Pittsfield Generating Co., L.P.*, 130 FERC ¶ 61,182 at P 9-10 (2010); *accord ISO New England Inc. EnerNOC*, 122 FERC ¶ 61,297 at P 13 (2008); *Central Vermont Public Service Corp.*, 121 FERC ¶ 61,225 at P 28 (2007); *Waterbury Generation LLC*, 120 FERC ¶ 61,007 at P 31 (2007); *Acushnet Co.*, 122 FERC ¶ 61,045 at P 14(2008).

⁹⁰ *California Independent System Operator Corp.*, 124 FERC ¶ 61,031 at P 19 (2008), *reh'g denied*, 124 FERC ¶ 61,293 (2008) (granting waiver request).

⁹¹ See, e.g., *Midcontinent Indep. System Operator, Inc.*, 145 FERC ¶ 61,242 at P 11 (2013).

H. Documents that Support the Complaint (Rule 206(b)(8))

East Kentucky submits the following Attachments and Exhibits in support of the facts set forth in this Complaint:

Attachment 1: Proposed Amended East Kentucky NITSA with LKE

Attachment 2: Affidavit of David Crews

Attachment 3: Affidavit of Denver York

I. Dispute Resolution (Rule 206(b)(9))

Prior to filing this complaint, East Kentucky engaged in good-faith negotiations with TranServ and LKE in an attempt to resolve the issues concerning East Kentucky's right to designate new Network Load under its NITSA with LKE pursuant to section 31.3 of the LKE Tariff. The parties have not been able to resolve the issues presented in this Complaint in a mutually-agreeable manner. East Kentucky therefore does not believe that the Commission's alternative dispute resolution procedures would help dispose of this matter.

J. Form of Notice (Rule 206(b)(10))

A Form of Notice suitable for publication in the Federal Register is attached.

K. Service on Respondent (Rule 206(c))

In accordance with Rule 206(c), East Kentucky is serving a copy of this Complaint on LKE, through the individuals listed on the Commission's list of Corporate Officials, concurrent with East Kentucky's filing of the complaint at the Commission.

VIII. CONCLUSIONS

East Kentucky respectfully requests that the Commission accept East Kentucky's proposed amended NITSA. This relief is consistent with and conforms to the LKE Tariff and Commission policy. If the Commission views East Kentucky's requested relief as a non-conforming arrangement, East Kentucky respectfully requests that the Commission find that the circumstances between East Kentucky and LKE warrant a non-conforming arrangement. Thus, if necessary, East Kentucky alternatively requests that the Commission find that the LKE Tariff is unjust and unreasonable as applied to East Kentucky, or grant waiver of the LKE Tariff in order to allow the Commission to grant the requested relief.

Respectfully submitted,



Alan Robbins
Debra Roby
Melissa Alfano
Jennings Strouss & Salmon, PLC
1350 I Street, NW, Suite 810
Washington, DC
Tel. 202.371.9030

October 30, 2015

Attachment 1

Proposed East Kentucky – LKE NITSA

AMENDED SERVICE AGREEMENT No. 4
FOR NETWORK INTEGRATION TRANSMISSION
SERVICE

This Amended Service Agreement, made and entered into this 25th day of September, 2014, is by and between Louisville Gas & Electric Company / Kentucky Utilities Company ("LG&E/KU" or "Transmission Owner") and East Kentucky Power Cooperative ("Network Customer") (LG&E/KU and the Network Customer are hereinafter referred to jointly as "Parties") to provide Network Integration Transmission Service ("NITS"), as approved by the Independent Transmission Organization ("ITO") under the Transmission Owner's Open Access Transmission Tariff (hereinafter referred to as the "Tariff").

The Network Customer agrees to all terms and conditions set forth in the Tariff as may be in effect from time to time. The applicable terms and conditions from FERC-approved Rate Schedule No. 400 executed between LG&E/KU and EKPC on January 5, 2006 are incorporated herein by reference. The Network Customer must fulfill requirements outlined in Section 29.1 of the Tariff, Conditions Precedent for Receiving Service.

Any notice or request made to or by the Transmission Owner or Network Customer regarding this Service Agreement shall be made in writing and shall be telecommunicated or delivered either in person or by prepaid mail to the representative of the other party as indicated below. Such representative and address for notices or requests may be changed from time to time by notice by one party to the other.

Service under this Service Agreement shall commence on the later of (1) September 1, 2006, (2) the date on which construction of all of the Direct Assignment Facilities and/or Network Upgrades are completed that are required to provide reliable service, or (3) such other date as it is permitted to become effective by the Commission. Service under this Service Agreement shall terminate on August 31, 2026.

The terms and conditions of the Network Operating Agreement between the Transmission Owner and the Network Customer are incorporated by reference herein.

TRANSMISSION OWNER:
LG&E/KU VP, Transmission 220 West
Main St PO Box 32010 Louisville, KY
40232

NETWORK CUSTOMER: EKPC
Executive VP & COO, P.O. Box 707
Winchester, KY 40392-0707

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

Transmission Customer:

By: */s/ Don Mosier* *EVP & COO* *9/17/14*
Name Title Date

Transmission Owner:

By: */s/ Tom Jesse* *VP of Transmission* *9/25/14*
Name Title Date

SPECIFICATIONS FOR NETWORK INTEGRATION TRANSMISSION SERVICE

1.0 Term of Network Service: Twenty Years

Start Date: September 1, 2006

Termination Date: August 31, 2026

2.0 Description of capacity and/or energy to be transmitted across the Transmission Owner's Transmission System (including electric Balancing Area in which the transaction originates).

See Section 3.0

3.0 Network Resources

(1) Transmission Customer Generation Owned:

Resource Capacity Designated as Network Resource

EKPC system resources up to amount of network load, EKPC system resources are listed in Exhibit A, attached hereto.

(2) Transmission Customer Generation Purchased:

Source Capacity

Market purchases up to amount of network load if/as approved through the appropriate Tariff process.

Total Network Resources: (1) + (2) = Amount of Network Load

4.0 Network Load

Transmission Customer Loads:

Transmission Voltage	Level	Total MWs	Interruptible MWs
ALEX CREEK	69		0
ARKLAND	69		0
BEDFORD	69		0
BEULAH BEAM	69		0
BLEDSON	69		0
BLUE LICK	69		0
BRIDGEPORT	69		0
BRIDGEPORT #2	69		0
BROOKS	69		0
BUSH	69		0
CAMP GROUND	69		0
CAMPBELLSBURG	69		0
CAMPBELLSVILLE (Taylor County REA)		69	0
CARPENTER	69		0
CAVE RUN	69		0
CEMETERY ROAD	69		0
CHAD	69		0
CUMBERLAND FALLS	69		0
EAST CAMPBELLSVILLE	69		0
EKPC OFFICE	69		0
EMANUEL	69		0
GALLATIN STEEL	345		0
GIRDLER	69		0
GOSPEL HILL	34		0
GREEN RIVER PLAZA	69		0

HINKLE	69	0
HINKSTON	69	0
JERICO	69	0
JONESVILLE	69	0
KNOB CREEK	34	0
LEBANON	69	0
LONG LICK	69	0
LONG RUN	69	0
MILE LANE	69	0
MILLERS CREEK	69	0
MILTON	69	0
MT VICTORY	69	0
MT WASHINGTON	69	0
NINEVAH	69	0
NORTH CORBIN	69	0
NORTH MADISON	69	0
OVEN FORK	69	0
OXFORD	69	0
PINE MOUNTAIN	69	0
RICE	69	0
ROCKHOLD	69	0
SHARKEY	138	0
SHELBY CITY	69	0
SOUTH ELKHORN	69	0
SOUTHVILLE	69	0
SOUTHPOINT	69	0
TAYLORSVILLE	69	0
TREEHAVEN	69	0
VAN METER	69	0
WEST MT WASHINGTON	69	0
	*	0

Total MWs:

Total Interruptible MWs: 0

* This Delivery Point ("Bluegrass Delivery Point") shall be the point at which output from Bluegrass in excess of Transmission Customer's Network Load on the Transmission Owner's system shall be delivered to Transmission Customer's Network Load on Transmission Customer's system. The Network Load at the Bluegrass Delivery Point will be a calculated value (on an integrated hourly basis) for flows into the Transmission Customer's system at the Bluegrass Delivery Point. The Network Load for the Bluegrass Substation Delivery Point shall be calculated as follows:

$$\begin{aligned} \text{Bluegrass Load} &= \text{Bluegrass Resource Energy} \\ &\quad \text{less} \\ &\quad \text{LG\&E/KU BAA Network Load} \end{aligned}$$

For the purposes of this provision, the terms in the above calculation shall be defined as:

Bluegrass Load shall mean the amount of hourly Network Load at the Bluegrass Delivery Point. The minimum value for the Network Load for the Bluegrass Delivery Point shall be zero. The maximum value of the Bluegrass Load during a calendar month shall not exceed the higher of: (1) the amount of Transmission Customer Network Load located in the LG&E/KU Balancing Authority Area, excluding the load associated with the Bluegrass Delivery Point; or (2) the total output of the Bluegrass Facility.

Bluegrass Resource Energy shall mean the hourly sum of all energy delivered from the Bluegrass Generating Station to serve Transmission Customer's Network Load.

LG&E/KU BAA Network Load shall mean Transmission Customer's hourly Network Load located in the LG&E/KU Balancing Authority Area, excluding the load associated with the Bluegrass Delivery Point.

5.0 Designation of party subject to reciprocal service obligation:

6.0 Service under this Agreement may be subject to some combination of the charges detailed below. (The appropriate charges for individual transactions will be determined in accordance with the terms and conditions of the Tariff.)

6.1 Load Ratio Share of Annual Transmission Revenue Requirement:

Intentionally Left Blank

6.2 Facilities Study Charge:

Intentionally Left Blank

6.3 Direct Assignment Facilities Charge:

EKPC Long Lick - All costs incurred to add the tap structure for the EKPC Long Lick substation on the existing KU 69kV line between Adams and Scott County. These costs are estimated to be approximately \$900,000 per ITO System Impact Study LGE-2013-015. The cost includes a tap structure with

three-way switch and raising the parallel 138kV circuit to maintain clearance for the tap line. The cost estimate includes motor operated switches at the request of the customer. Upon the authorization to proceed, this project will take approximately twelve months to complete. Service to the EKPC Long Lick new delivery point shall not commence until all necessary construction of facilities has been completed, or June 1, 2016, whichever is later.

EKPC Bridgeport #2 - All costs incurred to add a 69kV breaker and all associated equipment at the KU West Frankfort substation to facilitate EKPC construction of a 69kV line to their existing Bridgeport substation. These costs are estimated to be approximately \$840,000 per ITO System Impact Study LGE-2014-007. Upon the authorization to proceed, this project will take approximately twelve months to complete. Service to the EKPC Bridgeport #2 new delivery point shall not commence until all necessary construction of facilities has been completed, or June 1, 2016, whichever is later.

6.4 Ancillary Services Charge:

Schedule 1 (Schedule, System Control and Dispatch Services), Schedule 2 (Reactive Supply and Voltage Control from Generation Sources Service) and Schedule 11 (Loss Compensation Service)

6.5 Rates for NITS Service:

The Transmission Owner will share Form 1 data with EKPC at least 30 days prior to populating the Transmission Owners Attachment O with such Form 1 data and will provide a copy of the populated Attachment O not later than May 15 of each year. The Transmission Owner shall provide such supporting material as may reasonably be requested by EKPC in order to understand and verify the basis for LG&E's population of its Attachment O each year.

For transmission service charged under this Service Agreement, EKPC shall pay the Network Integration Transmission Service rate under Schedule 10 of the OATT as modified herein.

6.6 Redispatch Charges:

Intentionally Left Blank

Attachment A

Date of Update: 19-Sep-08

Customer	Resource	Unit	Source	Sink	Percent Owned	Resource Capacity {MW}	Capacity Designated as a Network Resource	Start Time	Stop Time	Location of DNR	Electrical Location
EKPC	Dale	1	EKPC	EKPC.LGEE		23	23	September 1, 2006	N/A	Clark County, KY	Dale Station 69 kV
EKPC	Dale	2	EKPC	EKPC.LGEE		23	23	September 1, 2006	N/A	Clark County, KY	Dale Station 69 kV
EKPC	Dale	3	EKPC	EKPC.LGEE		75	75	September 1, 2006	N/A	Clark County, KY	Dale Station 69 kV
EKPC	Dale	4	EKPC	EKPC.LGEE		75	75	September 1, 2006	N/A	Clark County, KY	Dale Station 138 kV
EKPC	Cooper	1	EKPC	EKPC.LGEE		116	116	September 1, 2006	N/A	Pulaski County, KY	Cooper Station 69 kV
EKPC	Cooper	2	EKPC	EKPC.LGEE		225	225	September 1, 2006	N/A	Pulaski County, KY	Cooper Station 69 kV
EKPC	Spurlock	1	EKPC	EKPC.LGEE		325	325	September 1, 2006	N/A	Mason County, KY	Spurlock Station 345 kV
EKPC	Spurlock	2	EKPC	EKPC.LGEE		525	525	September 1, 2006	N/A	Mason County, KY	Spurlock Station 345 kV
EKPC	Gilbert	3	EKPC	EKPC.LGEE		268	268	September 1, 2006	N/A	Mason County, KY	Spurlock Station 345 kV
EKPC	J.K. Smith	1	EKPC	EKPC.LGEE		150	150	September 1, 2006	N/A	Clark County, KY	J.K. Smith Station 138 kV
EKPC	J.K. Smith	2	EKPC	EKPC.LGEE		150	150	September 1, 2006	N/A	Clark County, KY	J.K. Smith Stallion 138 kV
EKPC	J.K. Smith	3	EKPC	EKPC.LGEE		150	150	September 1, 2006	N/A	Clark County, KY	J.K. Smith Station 138 kV
EKPC	J.K. Smith	4	EKPC	EKPC.LGEE		98	98	September 1, 2006	N/A	Clark County, KY	J.K. Smith Station 138 kV
EKPC	J.K. Smith	5	EKPC	EKPC.LGEE		98	98	September 1, 2006	N/A	Clark County, KY	J.K. Smith Station 138 kV
EKPC	J.K. Smith	6	EKPC	EKPC.LGEE		98	98	September 1, 2006	N/A	Clark County, KY	J.K. Smith Station 138 kV
EKPC	J.K. Smith	7	EKPC	EKPC.LGEE		98	98	September 1, 2006	N/A	Clark County, KY	J.K. Smith Station 138 kV
EKPC	Bavarian	1-4	EKPC	EKPC.LGEE		3	3	September 1, 2006	N/A	Boone County, KY	Boone-Renaker 138 kV line
EKPC	Green Valley	13	EKPC	EKPC.LGEE		2	2	September 1, 2006	N/A	Boyd County, KY	Argentum-Leon 69 kV line
EKPC	Laurel Ridge	1-4	EKPC	EKPC.LGEE		3	3	September 1, 2006	N/A	Laurel County, KY	North Landon-Laurel Co. 69 kV line
EKPC	Laurel Ridge	5	EKPC	EKPC.LGEE		1	1	September 1, 2006	N/A	Laurel County, KY	North Landon-Laurel Co. 69 kV line
EKPC	Hardin County	1-3	EKPC	EKPC.LGEE		2	2	September 1, 2006	N/A	Hardin County, KY	Elizabethtown-Nelson Co. 69 kV line
EKPC	Pendleton Co.	1-4	EKPC	EKPC.LGEE		3	3	September 1, 2006	N/A	Pendleton County, KY	Stanley Parker-Bracken Co. 138 kV line
EKPC	Bluegrass Generating Purchase	2	LGEE	EKPC.LGEE	0	160	160	December 1, 2008	April 1, 2009	Oldham, KY	Buckner 345 kV

<u>EKPC</u>	<u>Bluegrass Station</u>	<u>1</u>	<u>LGEE</u>	<u>EKPC.LGEE</u>	<u>100</u>	<u>165</u>	<u>165</u>	<u>January 1, 2016</u>	<u>N/A</u>	<u>Oldham County, KY</u>	<u>Buckner 345 kV</u>
<u>EKPC</u>	<u>Bluegrass Station</u>	<u>2</u>	<u>LGEE</u>	<u>EKPC.LGEE</u>	<u>100</u>	<u>165</u>	<u>165</u>	<u>January 1, 2016</u>	<u>N/A</u>	<u>Oldham County, KY</u>	<u>Buckner 345 kV</u>

Note 1: Resource Capacity and Capacity Designated as Network Resource based on the higher of the summer or winter rating

Note 2: Load is pseudo tied into the EKPC Control Area

Attachment 2

Affidavit of David Crews

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

)	
)	
East Kentucky Power Cooperative, Inc.)	
v.	)	Docket No. EL16-__-000
Louisville Gas & Electric/Kentucky Utilities)	
)	
)	

Affidavit of David Crews

Introduction

1. My name is David Crews. I am the Senior Vice President of Power Supply at the East Kentucky Power Cooperative, Inc. ("East Kentucky"). My business address is 4775 Lexington Road, Winchester, Kentucky 40391.
2. I received a bachelor's degree in Civil Engineering from North Carolina State University and I am a registered professional engineer in North Carolina. Prior to joining East Kentucky, I served as Manager of Federal Regulatory Affairs at Progress Energy Service Co. I also served as the Director of Coal Marketing and Trading for Progress Fuels, and as Director of Power Trading Operations at Progress. I began working at East Kentucky in January of 2011. In all, I have more than 32 years of experience in the electric utility industry.
3. In my capacity as Senior Vice President of Power Supply, I oversee East Kentucky's Power Supply, which includes the areas of Power Supply Planning, Load Forecasting, PJM Market Operations, Fuel Supply, Renewable Energy Projects, Demand Side Management and Energy Efficiency.
4. The purpose of this affidavit is to provide background information concerning East Kentucky and the history and nature of the East Kentucky and Louisville Gas & Electric, Company/ Kentucky Utilities ("LKE") intertwined systems. I also discuss East Kentucky's purchase arrangement for the Bluegrass Generating Station.

The Intertwined Systems of East Kentucky and LKE

5. East Kentucky is a not-for-profit electric generation and transmission cooperative serving 16 member distribution systems throughout Kentucky. East Kentucky owns and purchases 2,794 MW of net summer generating capability and 3,009 MW of net winter electric generating capability to serve approximately 525,000 homes, businesses and industries in 87 Kentucky counties. East Kentucky experienced an all-time winter peak of

3,507 MW on February 20, 2015. East Kentucky owns 2,938 miles of electric transmission lines.

6. Due to geography and a series of Kentucky administrative and court decisions dating back to the 1950's, the service territories and facilities of electric utility companies in Kentucky are heavily intertwined. East Kentucky's transmission system is heavily intertwined with the transmission system of the LKE. As a result, East Kentucky has load on the LKE system and LKE has load on the East Kentucky system. East Kentucky serves 566 MW (peak) of its member load that is connected directly to the LKE transmission system, while LKE serves approximately 100 MW (peak) of LKE load that is connected directly to the East Kentucky transmission system. Today, LKE and East Kentucky share 66 interconnection points between their transmission systems.
7. In 2014, East Kentucky's load on the LKE system peaked at approximately 566 MW, while LKE's load on the East Kentucky system peaked at 112 MW
8. In June 2013, East Kentucky became a transmission owning member of PJM Interconnection, LLC ("PJM"). At that time, East Kentucky turned over operational control of its transmission system to PJM. Approximately 80% of East Kentucky's load is physically connected to the PJM system. The East Kentucky load that is physically connected to the LKE transmission system is pseudo-tied to PJM and is treated as part of East Kentucky's internal zonal load in PJM. East Kentucky serves its entire member load under the East Kentucky/PJM Network Integration Transmission Service Agreement ("NITSA"). These arrangements were approved by the Commission when East Kentucky integrated with PJM in 2013.
9. LKE is not a transmission owning member of PJM. It is my understanding that LKE was formerly a member of the Mid-continent Independent System Operator, Inc., but withdrew in 2006 and is not currently a member of any regional transmission organization.
10. In addition to the East Kentucky/PJM NITSA, East Kentucky has a NITSA with LKE. The East Kentucky/LKE NITSA allows East Kentucky to serve its network load on the LKE system with East Kentucky's network resources. East Kentucky's transmission arrangements are more fully described in the affidavit of Denver York.

East Kentucky's Purchase of the Bluegrass Facility to Serve Member Load

11. East Kentucky serves its member load with resources owned or under contract by East Kentucky. Due to environmental regulations and restrictions, East Kentucky is facing deactivation of certain of its coal-fired plants by April 16, 2016. East Kentucky is also experiencing growing demand on its system and has a winter peak in excess of its remaining resources. East Kentucky is in the process of securing replacement resources.
12. On June 26, 2015, East Kentucky executed an agreement with Bluegrass Generating Company, LLC to purchase the Bluegrass Facility ("Bluegrass"). Bluegrass is an existing

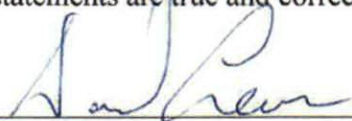
- three-unit, 495 MW (summer capability) gas-fired generating station located in Oldham County, Kentucky and is physically connected to the LKE system. Bluegrass is a peaking resource that typically will be dispatched when demand is at its peak. Bluegrass is also subject to NOx restrictions, which permit the facility to run only up to 7% of the year's total hours. Under economic dispatch, East Kentucky forecasts Bluegrass will run less than 6% of the year's total hours.
13. The Bluegrass transaction is scheduled to close by December 31, 2015. For the first few years of East Kentucky's ownership, two of the three Bluegrass units will be available for East Kentucky's use. The output of the third unit is under a power purchase contract with LKE until May 1, 2019, after which East Kentucky will be entitled to the output.
 14. East Kentucky intends to use the Bluegrass resource to serve its member-load. Because of its location, output from Bluegrass will first be used to serve East Kentucky network load on the LKE system. However, there may be some hours during which the Bluegrass output exceeds the amount of East Kentucky load on the LKE system. In these hours, East Kentucky intends to deliver any Bluegrass output that exceeds the amount of East Kentucky's Network Load on the LKE system to East Kentucky's Network Load on the East Kentucky system using its NITSA with LKE.
 15. From January 2016 through April 2019, it is unlikely that the Bluegrass output will exceed the East Kentucky load on the LKE system at the time of LKE's system peak. East Kentucky expects the same will be true for a majority of the off-peak hours as well. After May 1, 2019, all three Bluegrass units will be available to East Kentucky.
 16. East Kentucky expects its load on the LKE system to grow. By 2019, East Kentucky's peak demand on the LKE system is projected to exceed 600 MW. Because of this increase in demand on the LKE system, and because of peaking nature of the plant and NOx restrictions, the Bluegrass output will likely only exceed East Kentucky's LKE-based load during a limited number of hours each year. Even so, East Kentucky must be able to utilize Bluegrass as a Network Resource for its total network load, whether that load is on the LKE system or the East Kentucky system.
 17. In order to facilitate its use of Bluegrass, East Kentucky filed a request with LKE to designate Bluegrass as a Network Resource under East Kentucky's NITSA with LKE. TranServ, acting as LKE's Independent Transmission Organization, studied the peak load and generation conditions of Bluegrass and concluded that transmission service is available to deliver the Bluegrass output to East Kentucky's load. TranServ determined that some network upgrades are necessary to provide service, but the upgrades can be in place to allow the service to commence as requested. Furthermore, operating parameters were specified under certain real-time loading conditions that permit LKE's Reliability Coordinator to curtail Bluegrass on a non-discriminatory basis with possible curtailment of LKE's own generation and/or load. East Kentucky has no objection to these operating parameters. LKE also confirmed that East Kentucky may add the Bluegrass resource as a Network Resource under the East Kentucky/LKE NITSA. Thus, to my knowledge, there

is no apparent dispute associated with delivering the Bluegrass output to East Kentucky's network load on the LKE system, or the appropriate charges for that network service.

18. The dispute arises in connection with how to bill East Kentucky when East Kentucky delivers that amount of Bluegrass output that is in excess of the East Kentucky load on the LKE system to the East Kentucky load on the East Kentucky system. At East Kentucky's request, several meetings and calls were convened for East Kentucky and LKE to discuss East Kentucky's transmission needs and how these can be met to the satisfaction of both East Kentucky and LKE. The early indication from LKE staff in these discussions was that some agreement could be reached that would accomplish East Kentucky's objective at a reasonable cost. However, LKE expressed reluctance in subsequent discussions to offer any arrangements that were fair, equitable, and financially appropriate.
19. As discussed more fully in the affidavit of my colleague Denver York, East Kentucky has proposed an arrangement that would compensate LKE for its actual usage of the LKE transmission system coincident with the system's monthly peak, which is how network service is billed under the LKE Tariff. The proposed arrangement is based on an agreement accepted by the Commission for another cooperative with a similarly intertwined system. LKE has indicated no interest in pursuing that proposal. Instead, LKE has taken the position that East Kentucky must reserve point-to-point transmission or designate additional delivery points on the East Kentucky system as network loads under its NITS reservation to provide adequate coverage for the potential excess output from Bluegrass Station. Under LKE's approach, East Kentucky would be paying duplicative and unnecessary transmission charges for transmission service that East Kentucky does not actually use in real-time operations. We have estimated that the point to point approach would increase East Kentucky's annual transmission payment to LKE for network service from approximately \$7 million to approximately \$17 million.
20. In order to ensure delivery of Bluegrass, East Kentucky expects to submit transmission service requests to LKE in the manner that LKE has dictated, but East Kentucky did so under protest. East Kentucky worked with LKE to understand its position and to try to develop an arrangement that fairly compensates LKE for East Kentucky's use of the LKE transmission system without unjustly placing a financial burden on the East Kentucky Owner-Member ratepayers.
21. This concludes my affidavit.

Affidavit of David Crews

I, **David Crews**, being duly sworn according to law, state under oath that the forgoing statements are true and correct to the best of my knowledge, information, and belief.



David Crews

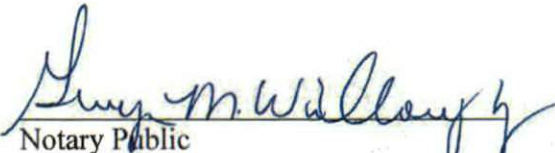
Date: 10/30/2015

Verification

State of Kentucky)

County of Clark)

Subscribed and sworn before me, a Notary Public, on this 30th day of October, 2015.



Notary Public

My commission expires: 11/30/17



Attachment 3

Affidavit of Denver York

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

East Kentucky Power Cooperative, Inc.)	
v.	)	Docket No. EL16-____-000
Louisville Gas & Electric/Kentucky Utilities)	

Affidavit of Denver York

1. My name is Denver York. I am the Senior Vice President of Power Delivery and system Operations at East Kentucky Power Cooperative, Inc. (“East Kentucky”). My business address is 4775 Lexington Road, Winchester, Kentucky 40391.
2. I received a bachelor’s degree in electrical engineering from the Florida Institute of Technology and a masters degree in electrical engineering and math from the Georgia Institute of Technology.
3. In my capacity as Vice President of Power Delivery and system Operations, I oversee the physical planning, design, and operations of the East Kentucky transmission system in the long-term and in real-time.
4. A description of East Kentucky, the history and intertwined nature of the East Kentucky and LKE systems, as well as East Kentucky’s purchase of the Bluegrass facility, is provided in the affidavit of my colleague, David Crews.
5. The purpose of my affidavit is to describe East Kentucky’s overall transmission arrangements, including the transmission arrangements between East Kentucky and PJM and separately, East Kentucky and Louisville Gas & Electric/ Kentucky Utilities (“LKE”). I will also describe the meetings between East Kentucky and LKE where we attempted to resolve our differences concerning Network Service arrangements for the delivery of the Bluegrass Generating Station (“Bluegrass”).
6. In June 2013, East Kentucky voluntarily became a transmission owning member of PJM Interconnection, Inc. (“PJM”). At that time, East Kentucky turned over operational control of its transmission system to PJM. Approximately 80% of East Kentucky’s load is physically connected to the PJM system. The East Kentucky load that is physically connected to the LKE transmission system is pseudo-tied to the PJM Balancing Authority and is treated as part of East Kentucky’s internal zonal load in PJM. These arrangements were approved by the Commission when East Kentucky integrated with PJM in 2013.
7. East Kentucky serves its entire member load, including its pseudo-tied load from the LKE system, pursuant to the East Kentucky/PJM Network Integration Transmission

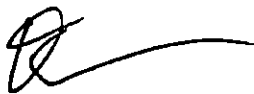
- Service Agreement (“NITSA”), and it pays the PJM zonal network service rate for East Kentucky’s entire load.
8. In addition to the East Kentucky/PJM NITSA, East Kentucky is party to a NITSA with LKE. The East Kentucky/LKE NITSA allows East Kentucky to serve its network load on the LKE system with East Kentucky’s network resources. East Kentucky pays the LKE network rate for the amount of East Kentucky network load on the LKE system.
 9. As discussed in the affidavit of David Crews, East Kentucky has entered into a purchase agreement for the Bluegrass facility and intends to use the Bluegrass resource to serve its member-load. That transaction is scheduled to close by December 31, 2015. As Mr. Crews explains, because of its location, output from Bluegrass will first be used to serve East Kentucky load on the LKE system.
 10. East Kentucky submitted requests to LKE to designate Bluegrass as a Network Resource under East Kentucky’s NITSA with LKE. On November 26, 2014, East Kentucky requested Network Service for Bluegrass Units 1 and 2, and on April 29, 2015, East Kentucky requested Network Service for Bluegrass Unit 3.
 11. On June 11, 2015 (for Units 1 and 2) and October 5, 2015 (for Unit 3), TransServ, acting as the LKE Independent Transmission Organization, notified EKPC that network transmission service is available, and that East Kentucky may add Bluegrass output as a new Network Resource under the East Kentucky/LKE NITSA.
 12. As Mr. Crews also explains in his affidavit, there may be times when the Bluegrass output will exceed East Kentucky’s LKE-based load. In those hours, East Kentucky intends to use that excess output to serve its member-load on East Kentucky’s system.
 13. During the summer of 2015, I, along with other representatives East Kentucky, met with LKE to discuss amending the East Kentucky/LKE NITSA to also allow East Kentucky to deliver Bluegrass output to East Kentucky load on the East Kentucky system. During those discussions, we reminded LKE that Bluegrass output would only need to be delivered to East Kentucky member-load on the East Kentucky system when the output of Bluegrass exceeded the demand of the East Kentucky load on the LKE system.
 14. East Kentucky proposed to amend the East Kentucky/LKE NITSA in two respects. First, we would add a new delivery point at one or more points of interconnection between the LKE and East Kentucky systems. Second, we would calculate the load at that new delivery point as the difference between the output of Bluegrass and East Kentucky’s network load on the LKE system. This would determine East Kentucky’s total Network Load on the LKE system. Specifically, if the Bluegrass output exceeded the East Kentucky load on the LKE system, then the positive difference at the time of the system monthly peak would be added to the sum of the load at the other East Kentucky delivery points at the time of LKE’s peak. If the Bluegrass output did not exceed the East

- Kentucky load on the LKE system, then there would be nothing to add. LKE rejected this arrangement.
15. LKE instead advised East Kentucky that if it intends to deliver any of the Bluegrass output to serve its network load on East Kentucky's system, then it would need to submit a request to purchase Point-to-Point service for an amount equal to the difference between the nominal nameplate rating of Bluegrass and the minimum amount of East Kentucky network load on the LKE system at any time during the year, *in addition* to the existing East Kentucky/LKE Network Service arrangements for East Kentucky's load on the LKE system.
 16. LKE also suggested that East Kentucky could designate delivery points served from East Kentucky's own transmission system as delivery points under the LKE NITSA in sufficient amounts so that East Kentucky's minimum load on the LKE system would always be at least equal to the nominal nameplate rating of Bluegrass. This would mean that East Kentucky would have to designate (and pay for) several hundred megawatts of additional load that is currently served by East Kentucky's own system as new network load on the LKE system.
 17. During the course of our discussions with LKE, East Kentucky approached TranServ to assist in resolving the issue. TranServ is the independent entity charged with administering LKE's transmission tariff in a non-discriminatory manner. TranServ simply referred East Kentucky back to LKE.
 18. During the course of our discussions with LKE over several months, I and others at East Kentucky advised LKE that requiring East Kentucky to reserve Point-to-Point service, which would be several hundred additional megawatts, or to require us to designate delivery points from our own system in order to add several hundred additional megawatts of network load under the LKE NITSA was an unreasonable approach given the nature of the two systems and the amount of service actually needed. We also advised them that this would double charge East Kentucky for service that it is already paying for, as well as subject East Kentucky to charges for transmission that East Kentucky would not use. The largest amount of transmission service that East Kentucky would use on the LKE system would be the greater of East Kentucky's member load on the LKE system *or* the Bluegrass output, but not both in the aggregate.
 19. East Kentucky's current payments to LKE for Network service (approximately 566 MW peak) total approximately \$7 million per year. Under LKE's approach, East Kentucky's aggregate annual payments under East Kentucky's current Network Service and the purchase of additional service that LKE proposed would total approximately \$17 million.
 20. This concludes my affidavit.

Affidavit of Denver York
Page 4

Affidavit of Denver York

I, **Denver York**, being duly sworn according to law, state under oath that the forgoing statements are true and correct to the best of my knowledge, information, and belief.



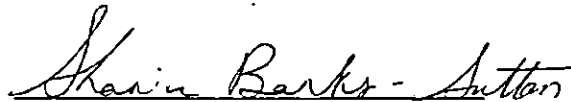
Denver York

Date: 10/30/2015

Verification

Florida)
State of ~~Kentucky~~)
County of ~~Clark~~ Bay)

Subscribed and sworn before me, a Notary Public, on this 30 day of October, 2015.



Shania Banks-Sutton

Notary Public



My commission expires: July 23, 2018

Certificate of Service

I hereby certify that I have this day served the foregoing document upon the following contacts for LKE as listed on the Commission's list of Corporate Officials:

Gerald A. Reynolds
General Counsel, Chief Compliance
Officer and Corporate Secretary
LG&E and KU Energy LLC
220 West Main Street
Louisville, KY 40202
Telephone: 502-627-3297
Fax: 502-627-4622
Email: gerald.reynolds@lge-ku.com

Michael S. Beer
Vice President, Federal Regulatory and
Policy
LG&E and KU Energy LLC
220 West Main Street
Louisville, KY 40202
Telephone: 502-627-3547
Fax: 502-627-4622
Email: mike.beer@lge-ku.com

Dated at Washington, D.C. this 30th day of October, 2015.

/s/ Jennifer Spangler
Jennifer Spangler
Legal Assistant
Jennings, Strouss & Salmon, P.L.C.
1350 I Street, NW, Suite 810
Washington, DC 20005-3305
(202) 464-0572
jspangler@jsslaw.com

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00267
POST HEARING INFORMATION REQUEST RESPONSE

POST HEARING INFORMATION REQUEST DATED 11/04/15
REQUEST 7

RESPONSIBLE PERSON: Darrin Adams

COMPANY: East Kentucky Power Cooperative, Inc.

Request 7. Please provide a copy of the amended NITS Agreement once it is entered into by EKPC and KU/LG&E.

Response 7. EKPC will tender a copy of the amended NITS Agreement once it is fully-executed.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00267
POST HEARING INFORMATION REQUEST RESPONSE

POST HEARING INFORMATION REQUEST DATED 11/04/15
REQUEST 8

RESPONSIBLE PERSON: Mike McNalley

COMPANY: East Kentucky Power Cooperative, Inc.

Request 8. Please provide the calculation to determine the extent to which EKPC's equity ratio will decline as a result of the acquisition of the Bluegrass Station.

Response 8. Please see the schedule below.

East Kentucky Power Cooperative			
	As of September 30, 2015 (Unaudited)	Adjustment: Bluegrass Purchase*	Estimated
Equity			
Assets (Adjusted)			
Ratio	16.1%		15.5%

* Purchase is assumed to be 100% debt financed for this estimate. To the extent it is finance with available cash, the Adjustment would be reduced dollar-for-dollar and the equity ratio impact would be reduced.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00267
POST HEARING INFORMATION REQUEST RESPONSE

POST HEARING INFORMATION REQUEST DATED 11/04/15
REQUEST 9

RESPONSIBLE PERSON: Michelle K. Carpenter

COMPANY: East Kentucky Power Cooperative, Inc.

Request 9. Please provide the journal accounting entries for the Bluegrass Station acquisition.

Response 9. It should be noted that Exhibit "B" circulated by Commission Staff represented the total cost of Bluegrass Station at December 31, 2002. While the \$192 million cited by Commission Staff was likely the appropriate cost of assets in 2002, this balance does not take into consideration additions and retirements of assets that occurred over the last thirteen years, while owned by two separate non-regulated entities. Given these entities were non-regulated, the transfer from Dynegy to LS Power did not follow FERC or RUS regulatory accounting guidance, and thus complicates the determination of original cost and related accumulated depreciation for these assets. Ideally, the journal entry that will ultimately be recorded by EKPC upon the completion of the purchase transaction should represent the "original cost" of assets and related accumulated depreciation that are in LS Power's possession at the date of closing and transferred to

EKPC, accordingly. The RUS Uniform System of Accounts (RUS USoA) permits the purchaser to use estimates if actual information cannot be readily obtained. The original owner of the assets recognized impairments that were included in accumulated depreciation. If adequate information cannot be obtained regarding these impairments, EKPC will record accumulated depreciation based upon the lives of similar assets included in EKPC's most recent depreciation study. Also, EKPC has not yet obtained information to break out the original cost of transmission assets from total plant in-service. Therefore, EKPC may estimate the original cost of these assets at the time of the transaction. Given the fact that efforts are still being made to gather adequate information from the seller regarding these items, for the purposes of the below illustrative journal entries, EKPC will make the following assumptions:

- EKPC will only use account 101, Plant In-Service rather than the specific property accounts that will be affected by the final entry.
- Accumulated depreciation for assets of Dynegy origin will be estimated based upon a 36 year CT Unit life, which is consistent with similar assets within EKPC's most recent depreciation study.
- Accumulated depreciation for LS Power/Bluegrass acquired assets is based upon actual depreciation records.
- Accumulated depreciation was calculated through December 31, 2015.

To Record Purchase (in thousands):

Account	Account Title	Debit	Credit
102	Electric Plant Purchased or Sold	██████	
131	Cash		██████

To Clear Account 102 – Plant Purchased or Sold (in thousands):

Account	Account Title	Debit	Credit
101	Electric Plant In-Service	██████	
154	Plant Materials and Operating Supplies	██████	
108	Accumulated Depreciation		██████
102	Electric Plant Purchased or Sold		██████
114	Electric Plant Acquisition Adjustment	██████	

To Record Acquisition Costs and Clear to Plant (in thousands):

Account	Account Title	Debit	Credit
102	Electric Plant Purchased or Sold	600	
183	Preliminary Survey & Investigation Charges		600
Account	Account Title	Debit	Credit
114	Electric Plant Acquisition Adjustment	600	
102	Electric Plant Purchased or Sold		600

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00267
POST HEARING INFORMATION REQUEST RESPONSE

POST HEARING INFORMATION REQUEST DATED 11/04/15

REQUEST 10

RESPONSIBLE PERSON: Michelle K. Carpenter

COMPANY: East Kentucky Power Cooperative, Inc.

Request 10. Please provide the estimated transaction costs (including interest expense) for the Bluegrass Station acquisition.

Response 10. As noted in Response 9, due diligence costs that include legal, environmental, and engineering are estimated at \$0.6 million. If EKPC is successful in obtaining RUS financing, there will be no financing fees associated with the loan.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00267

POST HEARING INFORMATION REQUEST RESPONSE

POST HEARING INFORMATION REQUEST DATED 11/04/15

REQUEST 11

RESPONSIBLE PERSON: Craig A. Johnson

COMPANY: East Kentucky Power Cooperative, Inc.

Request 11. Please provide the estimated cost to repair the row four diaphragm for Bluegrass Station Unit 3.

Response 11. On Thursday, November 5, 2015, Bluegrass Generation Company, LLC, (“Bluegrass”) informed EKPC that during a routine combustion inspection, damage was found in the Unit 3 compressor section. Bluegrass is repairing the compressor damage and, while the compressor is open, will also repair the cracked row four diaphragm. As Bluegrass is taking care of the repair to the cracked row four diaphragm, the estimated cost to repair the diaphragm is not available to EKPC. It is EKPC’s understanding that Bluegrass undertaking the repair will not affect the purchase price of the facility.