PPL companies

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MAR 26 2015

PUBLIC SERVICE COMMISSION

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Jeff DeRouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

March 26, 2015

Re: ***The Application of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities***
Case No. 2010-00204

Dear Mr. DeRouen:

Pursuant to the Commission's Order of September 30, 2010, in the above-referenced proceeding, Regulatory Commitment No. 7, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively "the Companies") hereby file a Second Amended and Restated Transmission Coordination Agreement between LG&E and KU. The Companies filed this Agreement with the Federal Energy Regulatory Commission ("FERC") on July 25, 2013, however, inadvertently omitted filing this Agreement 30 days in advance to the Commission per this Regulatory Commitment. This filing was accepted by FERC on September 17, 2013. KU apologizes for this oversight.

The Second Amended and Restated TCA reflects a couple of ministerial changes. First, the agreement reflects the Coordinating Committee chairman's new title which changed from Senior Vice President to Chief Operating Officer.

Second, the formulas are contained in Schedules A and B of the Second Amended and Restated TCA, and use inputs from the companies' FERC Form 1s to update the companies' respective allocations on an annual basis. Schedules A and B also contain examples demonstrating how the formulas work with FERC Form 1 inputs; LG&E/KU have updated these examples with more recent FERC Form 1 inputs as a means of showing how the formulas will be applied. Also in Schedule B of the Second Amended and Restated TCA, LG&E/KU have clarified the description of the formula used to allocate revenues from ancillary service Schedule 2 (Reactive Supply and Voltage Control) between the companies; this particular formula does not utilize FERC Form 1 inputs. To be clear, LG&E/KU are not proposing changes to the cost/revenue allocation formulas themselves.

Please place the file stamp of your Office on the enclosed additional copy of this notice and return it in the envelope provided.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Rick E Lovekamp / DJH

Rick E. Lovekamp

SECOND AMENDED AND RESTATED TRANSMISSION COORDINATION AGREEMENT

Between

Louisville Gas and Electric Company

and

Kentucky Utilities Company

July 2, 2013

SECOND AMENDED AND RESTATED
TRANSMISSION COORDINATION AGREEMENT

Between

Louisville Gas and Electric Company

and

Kentucky Utilities Company

THIS SECOND AMENDED AND RESTATED TRANSMISSION COORDINATION AGREEMENT, hereinafter called "Agreement," is made and entered into as of the 2nd day of July 2013 by and between Louisville Gas and Electric Company ("LG&E"), and Kentucky Utilities Company ("KU"), hereinafter separately referred to as "Company" and jointly as "Companies."

WHEREAS, LG&E and KU are the owners and operators of interconnected generation, transmission and distribution facilities with which they are engaged in the business of transmitting and selling electric power to the general public, to other entities and to other electric utilities; and

WHEREAS, in 1997 LG&E's holding company parent, LG&E Energy Corp. ("LEC", now named LG&E and KU Energy LLC), and KU's holding company parent, KU Energy Corporation ("KUC"), agreed to a merger, pursuant to which KU became a wholly owned subsidiary of LEC;

WHEREAS, the Companies entered into a Transmission Coordination Agreement, dated October 9, 1997, which set forth the terms for the coordinated planning, operation and maintenance of their transmission facilities;

WHEREAS, since the merger LG&E and KU have been operating as a single interconnected and coordinated Transmission System pursuant to the Transmission Coordination Agreement;

WHEREAS, due to certain changes since 1997 the Transmission Coordination Agreement needs to be updated and modified to reflect current operations;

NOW, THEREFORE, the Companies mutually agree as follows:

ARTICLE I
TERM OF AGREEMENT

1.1 Effective Date

This Agreement shall become effective upon the later of July 2, 2013, or such date as approved by the Federal Energy Regulatory Commission. This Agreement shall continue in force and effect for a period of five (5) Years from the effective date hereinabove described, and continue from Year to Year thereafter until terminated by either Company.

1.2 Periodic Review

This Agreement will be reviewed periodically by the Coordinating Committee, as defined herein, or by the Companies in their individual capacities to determine whether revisions are necessary to meet changing conditions. In the event that revisions are made by the Companies pursuant to Section 8.5, and after requisite approval or acceptance for filing by the appropriate regulatory authorities, the Coordinating Committee will thereafter, for the purpose of ready reference to a single document, prepare for distribution to the Companies an amended document reflecting all changes in and additions to this Agreement with notations thereon of the date amended.

ARTICLE II

DEFINITIONS

For purposes of this Agreement, the following definitions shall apply:

2.1 Agreement shall mean this Agreement including all attachments and schedules applying thereto and any amendments made hereafter.

2.2 Ancillary Services shall mean those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Companies' Transmission System in accordance with Good Utility Practice.

2.3 Balancing Authority shall mean the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.

2.4 Balancing Authority Area shall mean the collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-resource balance within this area.

2.5 Designated Agent shall mean any entity that performs actions or functions on behalf of the Transmission Provider, an Eligible Customer, or the Transmission Customer required under the LG&E-KU Open Access Transmission Tariff.

2.6 Direct Assignment Facilities shall mean facilities or portions of facilities that are constructed by the Transmission Provider for the sole use/benefit of a particular Transmission Customer requesting service under the LG&E-KU Open Access Transmission Tariff.

2.7 Month shall mean a calendar month consisting of the applicable 24-hour periods as measured by Eastern Standard Time.

2.8 LG&E-KU Open Access Transmission Tariff shall mean the LG&E-KU Open Access Transmission Tariff
filed with the Federal Energy Regulatory Commission on behalf of the Companies on a combined basis as it may be amended from time to time.

2.9 Point-to-Point Transmission Service shall mean service provided under Part II of the LG&E-KU Open Access Transmission Tariff.

2.10 Scheduling, System Control and Dispatch Service shall mean the service required to schedule the movement of power through, out of, within, or into a Balancing Authority Area, as specified in Schedule 1 of the LG&E-KU Open Access Transmission Tariff.

2.11 Transmission Customer shall mean any Eligible Customer as defined in the LG&E-KU Open Access Transmission Tariff (or its Designated Agent) that (i) executes a Service Agreement, or (ii) requests in writing that the Transmission Provider file with the Federal Energy Regulatory Commission, a proposed unexecuted Service Agreement to receive Transmission Service under Part II of the LG&E-KU Open Access Transmission Tariff. This term is used in the Part I Common Service Provisions of the LG&E-KU Open Access Transmission Tariff to include customers receiving service under Part II and Part III of the LG&E-KU Open Access Transmission Tariff.

2.12 Transmission Provider shall mean the Transmission System Operator (or its Designated Agent).

2.13 Transmission Service shall mean service provided under Part II and Part III of the LG&E-KU Open Access Transmission Tariff on a firm and non-firm basis.

2.14 Transmission System shall mean the facilities owned, controlled or operated by the Companies that are used to provide service under the LG&E-KU Open Access Transmission Tariff.

2.15 Transmission System Operator shall mean the organization described in Article VI of this Agreement.

ARTICLE III
OBJECTIVES

3.1 Purpose

The purpose of this Agreement is to provide the contractual basis for the coordinated planning and operation of the Transmission System to achieve optimal economies, consistent with reliable electric service and environmental requirements.

ARTICLE IV
COORDINATING COMMITTEE

4.1 Coordinating Committee

The Coordinating Committee is the organization established to oversee planning, construction, operation, and maintenance of the Transmission System. The Coordinating Committee members shall include at least one member from LG&E and at least one member from KU who are not members of the Operating Committee established under the Power Supply System Agreement. The chairperson, who shall be the Chief Operating Officer – Energy Services of LG&E and KU Energy LLC, shall appoint the member representative(s) of LG&E and KU. Other than the chairperson, there shall be the same number of members representing each Company. Coordinating Committee decisions shall be by a majority vote of those present. However, any member not present may vote by proxy. The chairperson shall vote only in case of a tie.

4.2 Responsibilities of the Coordinating Committee

The Coordinating Committee shall be responsible for overseeing:

(a) the Companies in the coordinated planning of the Transmission System, including studies for transmission planning purposes; and

(b) compliance with the terms of the LG&E-KU Open Access Transmission Tariff and the rules and regulations of the Federal Energy Regulatory Commission relating thereto.

4.3 Delegation and Acceptance of Authority

The Companies hereby delegate to the Coordinating Committee, and the Coordinating Committee hereby accepts, responsibility and authority for the duties listed in this Article and elsewhere in this Agreement.

4.4 Reporting

The Coordinating Committee shall provide periodic summary reports of its activities under this Agreement to the Companies and shall keep the Companies informed of situations or problems that may materially affect the outcome of these activities. Furthermore, the Coordinating Committee agrees to report to the Companies in such additional detail as is requested regarding specific issues or projects under its oversight.

4.5 Expenses

All expenses incurred by the Coordinating Committee in the performance of its responsibilities shall be settled in accordance with arrangements made by the Companies for services provided between or on behalf of the Companies.

ARTICLE V
PLANNING

5.1 Transmission Planning

The Companies agree that their transmission facilities shall be planned and developed on the basis that their combined individual systems constitute an integrated Transmission System and that the objective of their planning shall be to maximize the economy, efficiency and reliability of the Transmission System as a whole. In this connection, the Transmission System Operator will from time to time, as it deems appropriate, direct studies for transmission planning purposes.

ARTICLE VI
TRANSMISSION

6.1 Delegation to the Transmission System Operator

(a) The Companies shall delegate to the Transmission System Operator the responsibility and authority to act as Transmission Provider on behalf of the Companies for all of the requirements and purposes of the LG&E-KU Open Access Transmission Tariff.

(b) Expenses of the Transmission System Operator shall be recovered from the Companies, in accordance with Schedule A. To recover these costs, the Companies may include costs incurred by the Transmission System Operator in the transmission revenue requirement and in their rates for Ancillary Services in future rate filings.

6.2 Transmission Facilities

Each Company shall make its Transmission System available to the Transmission System Operator.

6.3 Transmission Service Revenues

(a) The Companies shall share transmission service revenues obtained from the use of the transmission facilities that comprise the Transmission System as shown on Schedule B.

(b) Revenues received for third-party use of Direct Assignment Facilities shall be distributed to the Company(ies) owning such facilities.

(c) The distribution to the Companies of revenues received for stranded costs or new transmission facilities received from third-party customers under the LG&E-KU Open Access Transmission Tariff shall be determined on a case-by-case basis.

6.4 Costs for Point-to-Point Transmission Service for Third Party Sales

The cost of Transmission Service for Third Party Sales shall be allocated to each Company as determined by the results of the After the Fact Billing (AFB) program. The AFB program's primary function is the allocation of energy production costs for the Network Load of each Company and off-system sales. Each Company's portion of Point-to-Point Transmission costs for Third Party Sales shall be a ratio of that Company's resources assigned to Third Party Sales by the AFB program divided by the total Third Party Sales.

ARTICLE VII
ANCILLARY SERVICES

7.1 Ancillary Services

(a) Each Company shall make available Ancillary Services as required by the LG&E-KU Open Access Transmission Tariff.

(b) Revenues received for Ancillary Services will be allocated between the Companies in accordance with Schedule B.

ARTICLE VIII
GENERAL

8.1 Regulatory Authorization

This Agreement is subject to certain regulatory approvals and the Companies shall diligently seek all necessary regulatory authorization for this Agreement.

8.2 Effect on Other Agreements

This Agreement shall not modify the obligations of either Company under any agreement between such Company and others not parties to this Agreement in effect on the effective date of this Agreement.

8.3 Waivers

Any waiver at any time by a Company of its rights with respect to a default by the other Company under this Agreement shall not be deemed a waiver with respect to any subsequent default of similar or different nature.

8.4 Successors and Assigns; No Third Party Beneficiary

This Agreement shall inure to and be binding upon the successors and assigns of the respective Companies, but shall not be assignable by either Company without the written consent of the other Company, except upon foreclosure of a mortgage or deed of trust. Nothing expressed or mentioned or to which reference is made in this Agreement is intended or shall be construed to give any person or corporation other than the Companies any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained, expressly or by reference, or any schedule hereto, this Agreement, any such schedule and any and all conditions and provisions hereof and thereof being intended to be and being for the sole exclusive benefit of the Companies, and for the benefit of no other person or corporation.

8.5 Amendment

It is contemplated by the Companies that it may be appropriate from time to time to change, amend, modify or supplement this Agreement or the schedules that are attached to this Agreement, to reflect changes in operating practices or costs of operations or for other reasons. This Agreement may be changed, amended, modified or supplemented by an instrument in writing executed by all of the Companies after requisite approval or acceptance for filing by the appropriate regulatory authorities.

8.6 Independent Contractors

By entering into this Agreement the Companies shall not become partners, and as to each other and to third persons, the Companies shall remain independent contractors in all matters relating to this Agreement.

8.7 Responsibility and Liability

The liability of the Companies shall be several, not joint or collective. Each Company shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs and expenses as provided in this Agreement, and any liability resulting herefrom. Each Company will defend, indemnify, and save harmless the other Company hereto from and against any and all liability, loss, costs, damages, and expenses, including reasonable attorney's fees, caused by or growing out of the gross negligence, willful misconduct, or breach of this Agreement by such indemnifying Company.

IN WITNESS WHEREOF, each Company has caused this Agreement to be executed and attested by its duly authorized officers on the day and year first above written.

LOUISVILLE GAS AND ELECTRIC COMPANY

By: ______________________________
Chief Operating Officer

KENTUCKY UTILITIES COMPANY

By: ______________________________
Chief Operating Officer

SCHEDULE A
ALLOCATION OF OPERATING EXPENSES
OF THE TRANSMISSION SYSTEM OPERATOR

1. Purpose

The purpose of this Schedule is to provide a basis for the allocation between the Companies for the costs of the Transmission System Operator.

2. Costs

Costs for the purpose of this Schedule shall include all costs incurred by the Transmission System Operator, including, among others, such items as salaries, wages, rentals, the cost of materials and supplies, interest, taxes, depreciation, transportation, travel expenses, and other professional services.

3. Allocation of Costs

Transmission System Operator Company allocation percentages will be calculated during June of each year to be effective on July 1st of each year using the previous year's summation of the Transmission Peak Demands as found in FERC Form 1 for Kentucky Utilities Company (KU) and Louisville Gas & Electric Company (LG&E) page 400 line 17(b).

Allocation of Costs to each Company will be calculated by the following formulas:

KU Expense Allocation % = KU FERC Form 1, page 400 line 17(b) divided by the sum of (KU FERC Form 1, page 400 line 17(b) plus LG&E FERC Form 1, page 400 line 17(b).

LG&E Expense Allocation % = 1 minus KU Expense Allocation %

For example, based on the 2012 FERC Form 1 data for the calendar year 2012:
KU Expense Allocation % = 55,343/(55,343+28,923) = 65.68%
LG&E Expense Allocation % = 1 – 65.68% = 34.32%

SCHEDULE B
ALLOCATION OF TRANSMISSION REVENUES and COSTS

1. <u>Allocation of Transmission Revenues</u>

The revenue the Transmission Service Operator receives pursuant to Section 6.4 of the Agreement for service provided by the Companies under Parts II and III of the LG&E-KU Open Access Transmission Tariff, other than revenues received pursuant to Sections 26 (Stranded Cost Recovery), 27 (Compensation for New Facilities and Redispatch Costs), and 34.4 (Redispatch Charge) thereof, will be allocated between the Companies based on Company allocation percentages that will be calculated during June of each year to be effective on July 1st of each year using the previous year's net book value of Transmission assets as found in FERC Form 1 for Kentucky Utilities Company (KU) and Louisville Gas & Electric Company (LG&E).

Allocation of Transmission Revenues to each Company will be calculated by the following formulas:

KU Net Book Transmission Value (KU Net) = KU FERC Form 1, page 207 line 58(g) minus KU FERC Form 1, page 219 line 25(b)

LG&E Net Book Transmission Value (LG&E Net) = LG&E FERC Form 1, page 207 line 58(g) minus LG&E FERC Form 1, page 219 line 25(b)

KU Allocation % for Revenue = KU Net divided by sum of KU Net plus LG&E Net

LG&E Allocation % for Revenue = 1 minus KU Allocation % for Revenue

For example, based on the 2012 FERC Form 1 data for the calendar year 2012:
KU Net = 690,259,156 – 329,380,085 = 360,879,071
LG&E Net = 304,594,408 – 140,557,153 = 164,037,255
KU Allocation % for Revenue = 360,879,071 / (360,879,071 + 164,037,255) = 68.75%
LG&E Allocation % for Revenue = 1 – 68.75% = 31.25%

Revenues related to redispatch costs and Direct Assignment Facilities will be assigned to LG&E and KU in proportion to the related costs that each of them incurred. Assignment of revenues received from a third party related to stranded cost or new transmission facilities shall be determined on a case-by-case basis.

2. <u>Allocation of Ancillary Service Revenues</u>

(a) Revenues received from Scheduling, System Control and Dispatch Service under Schedule 1 of the LG&E-KU Open Access Transmission Tariff will be allocated between the Companies based on the same percentages as Schedule A above.

(b) All revenues received for Ancillary Services under Schedule 2 - Reactive Supply and Voltage Control,

Transmission System Operator Company allocation percentages will be calculated during June of each year to be effective on July 1st of each year using the latest Schedule 2 true up filing filed at FERC per Schedule 2 rate schedule.

Allocation of Ancillary Service Revenues to each Company will be calculated by the following formulas:

KU Schedule 2 Revenue % (KU-2 Rev) = MVAR-Hours produced by LG&E/KU Units located on KU divided by the total MVAR-Hours produced by LG&E/KU Units.

LG&E Schedule 2 Revenue % (LG&E-2 Rev) = 1 minus KU-2 Rev

For Example, based on calendar year 2012:
KU-2 Rev = 300,735 MVAR-Hours / 791,031 MVAR-Hours = 38.02%
LG&E-2 Rev = 1 – 38.02% = 61.98%

(c) All revenues received for Ancillary Services under Schedule 4 - Energy Imbalance Service, shall be allocated to the Company that produced the energy as assigned by the AFB process.

(d) All revenues received for Ancillary Services under Schedule 3 – Regulation and Frequency Response, Schedule 5 - Operating Reserve Spinning Reserve Service and Schedule 6 - Operating Reserve Supplemental Reserve Service of the LG&E-KU Open Access Transmission Tariff will be allocated between the Companies during June of each year to be effective on July 1st of each year using the previous year's net annual generation amount as found in FERC Form 1 for Kentucky Utilities Company (KU) and Louisville Gas & Electric Company (LG&E).

3. Allocation of Generation Services Costs

Generation cost allocation percentages will be calculated during June of each year to be effective on July 1st of each year using the latest Schedule 2 true up filing filed at FERC per Schedule 2 rate schedule.

Allocation of cost to each Company will be calculated by the following formulas:

KU Gen. Services % = KU FERC Form 1, page 401a line 9(b) divided by the sum of (KU FERC Form 1, page 401a line 9(b) plus LG&E FERC Form 1, page 401a line 9(b).

LG&E Gen. Services % = 1 minus KU Gen. Services %

For Example, based on the 2012 FERC Form 1 data for the calendar year 2012:
KU Gen. Services % = 18,387,838 / (18,378,838 +15,040,682) = 55.01%
LG&E Gen. Services % = 1 – 55.01% = 44.99%

LOUISVILLE GAS AND ELECTRIC COMPANY

By: ______________________________
Chief Operating Officer

KENTUCKY UTILITIES COMPANY

By: ______________________________
Chief Operating Officer