EAST KENTUCKY POWER COOPERATIVE

February 7, 2013

RECEIVED

FEB 07 2013

PUBLIC SERVICE COMMISSION

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

Re: Case No. 2012-00169

Dear Mr. Derouen:

In accordance with Ordering paragraph 5 of the Commission's Order dated December 20, 2012 in the above-referenced case, please find enclosed for filing with the Commission East Kentucky Power Cooperative, Inc.'s ("EKPC") monthly status report relating to EKPC's integration into the PJM Interconnection, LLC ("PJM").

This monthly status report includes all filings made with the Federal Energy Regulatory Commission ("FERC") to date. The specific filings are:

- Exhibit 1—Docket No. RM10-23-000—October 3, 2012--EKPC's Motion for Extension of Time to Comply with FERC Order 1000
- Exhibit 2—Docket No. RM10-23-000—October 12, 2012--FERC Order Granting Extension of Time
- Exhibit 3—Docket No. ER13-414-000—November 15, 2012—Request for Waiver to Participate in the PJM Reliability Pricing Model ("RPM") Auctions
- Exhibit 4—Docket No. ER13-478-000—November 30, 2012—EKPC's Petition to Submit an Out-of-Time FRR Plan to PJM (EKPC seeking to serve approximately 35 MW of its member load connected to Duke Energy Kentucky transmission for the period February 1, 2013 to May 31, 2013)
- Exhibit 5—Docket RM10-23-000—December 27, 2012—EKPC's Informational Filing advising of Kentucky Public Service Commission approval of EKPC's transfer of control filing
- Exhibit 6--Docket Nos. ER13-414-000 and ER13-478-000—January 14, 2013—FERC Order granting the requested waiver to participate in the PJM RPM auctions and granting the submission of an initial FRR plan to PJM out-of-time (approvals of items in Exhibits 3 and 4, above)
- Exhibit 7—Docket No. ER13-478-000—January 16, 2013—Informational Filing for EKPC—Advising FERC of its plan to serve the member load connected to Duke Energy Kentucky beginning March 1, 2013 rather than February 1, 2013)

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- Exhibit 8—Docket No. ER13-793-000—January 23, 2013—Filing of Fixed Resource Requirements Plan for PJM Integration

This filing also includes the consent of the Rural Utilities Service ("RUS").

- Exhibit 9—February 1, 2013—Consent of RUS

Please contact me if you have any questions.

Very truly yours,

Ann F Wood

Ann F. Wood
Director, Regulatory Services

Enclosures

Exhibit 1

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

East Kentucky Power Cooperative, Inc.	)))	Docket No. RM10-23-___

MOTION FOR EXTENSION OF TIME TO COMPLY WITH ORDER NO. 1000 OF EAST KENTUCKY POWER COOPERATIVE

Pursuant to Rule 212 of the Federal Energy Regulatory Commission's Rules of Practice and Procedure,[1] East Kentucky Power Cooperative ("EKPC") respectfully submits this Motion for Extension of Time to submit its compliance filing in response to Order Nos. 1000 and 1000-A.[2] This request is premised on EKPC's ongoing and active efforts to join and integrate into the PJM Regional Transmission Organization ("PJM"), effective June 1, 2013. Once integrated, PJM would assume operational control of EKPC's Transmission Facilities. Additionally, service over EKPC's Transmission Facilities would be governed by the PJM Open Access Transmission Tariff ("OATT") and EKPC would become part of the overall PJM planning region. The requested extension will provide EKPC time to finalize its arrangements, obtain state approval, which is pending before the Kentucky Public Service Commission ("KPSC"), and allow EKPC to focus on the significant efforts necessary to achieve integration into PJM by the targeted date of June 2013.

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[1] 18 C.F.R. 385.212 (2012).

[2] *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats & Regs., ¶ 31,323 (2011) ("Order No. 1000"), *order on reh'g and clarif.*, Order No. 1000-A, 139 FERC ¶ 61,132 (2012) ("Order No. 1000-A").

Additionally, EKPC's anticipated integration into PJM in the relatively near future makes it virtually impossible for EKPC to contract with other non-PJM entities on the matters necessary to comply with Order No. 1000 because other non-PJM utilities have indicated no interest in entering into a short-term contract with EKPC when the subject of that contract must address long-term transmission planning. Insofar as revisions to EKPC's non-jurisdictional OATT are concerned, the PJM Tariff will supersede EKPC's OATT upon EKPC's integration into PJM. EKPC respectfully suggests that its resources are better devoted to integrating into PJM than to modifying an OATT that will soon be superseded.

I. BACKGROUND

EKPC is an electric generation and transmission cooperative formed under Chapter 279 of the Kentucky Revised Statutes. EKPC owns approximately $3.1 billion in assets, serving approximately 521,000 customers in 87 Kentucky counties through its sixteen member distribution cooperatives. EKPC owns and/or purchases nearly 3,100 MW of electric generation capacity and approximately 2,800 miles of electric transmission lines. EKPC currently has on file with the Commission a non-jurisdictional OATT.

In considering Order No. 1000, the Commission proposed that transmission providers that are not public utilities (i.e., non-public utility transmission providers) would have to adopt the requirements of the proposed rule as a condition of maintaining the status of their safe harbor tariff or otherwise satisfying the reciprocity requirement of Order No. 888.[3] The Final Rule found that, to maintain a safe harbor tariff, a non-public utility transmission provider must ensure

[3] *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities,* Notice of Proposed Rulemaking, FERC Stats. & Regs. ¶ 32,660 at P 181 (2010).

that the provisions of that tariff substantially conform, or are superior, to the *pro forma* OATT as revised by Order No. 1000.[4]

The Commission declined to require non-public utility transmission providers that have safe harbor tariffs on file to modify those tariffs specifically to address the transmission planning and cost allocation processes required by the Final Rule. However, the Commission clarified that it remains up to each non-public utility transmission provider to determine whether it wants to maintain its safe harbor status by meeting the transmission planning and cost allocation requirements of the Final Rule.[5] The Commission stated its expectation for all public utility and non-public utility transmission providers participate in the transmission planning and cost allocation processes set forth in the Final Rule.[6]

EKPC wishes to maintain its safe harbor status for as long as it maintains its OATT on file with the Commission. As discussed below, EKPC has determined that joining PJM will be beneficial to EKPC and its members. EKPC anticipates that its OATT will be superseded by the PJM Tariff upon EKPC's integration into PJM. In parallel with its efforts to obtain the necessary state approvals to join PJM, EKPC has been an active participant in the PJM stakeholder processes associated with Order No. 1000 planning requirements.

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[4] Order No. 1000, FERC Stats & Regs. ¶ 31,323 at P 815.

[5] *Id.* at P 816.

[6] *Id.* at P 818.

II. COMMUNICATIONS

The following individuals should be added to the official service list compiled by the Secretary for this proceeding:

David Smart, General Counsel
Sherman Goodpaster, Senior Corporate Counsel
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P.O. Box 707
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Phone: (859) 744-4812
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Alan I. Robbins
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Alan J. Rukin
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EKPC requests waiver of the requirements of Rule 203(b) to enable each person above to be placed on the official service list for this proceeding.

III. GRANTING AN EXTENSION OF TIME TO EKPC IS WARRANTED AND IN THE PUBLIC INTEREST

A. EKPC's Efforts to Join PJM Render Immediate Compliance with Order No. 1000 Both Impractical and Impossible.

EKPC considered transferring functional control of its Transmission Facilities to an RTO ten years ago. However, at that time, RTOs were still evolving; leading EKPC to conclude that joining an RTO was not likely to be cost effective.[7] EKPC has periodically reconsidered membership over the years,[8] and has now concluded that its integration into PJM would be beneficial to its members.

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[7] *In re: Application of East Kentucky Power Cooperative, Inc to Transfer Functional Control of Certain Transmission Facilities to PJM Interconnection, LLC.*, Kentucky Public Service Commission, Case No. 2012-00169 at PP 7-8, filed May 3, 2012.

[8] *Id.*

On May 3, 2012, EKPC filed an application before the KPSC seeking authorization to transfer functional control of Transmission Facilities to PJM, effective June 1, 2013. EKPC has requested the KPSC issue an order approving the transfer by December 31, 2012.

As noted by EKPC in its Application to the KPSC, EKPC currently operates its own dispatch control area and balancing authority.[9] However, increasing transmission constraints between EKPC and potential counterparties and more stringent regulatory requirements continue to place additional economic pressure on EKPC's ability to operate independently.[10] EKPC has determined that transferring functional control of its Transmission Facilities will preserve or improve network reliability and yield long term benefits to EKPC's members. EKPC's participation in the PJM markets will also bring diversity to the PJM market in that EKPC is a winter-peaking system while PJM is a summer-peaking system. Additionally, joining PJM as a Transmission Owner will allow EKPC to participate in PJM's arrangements to comply with Order No. 1000, including participation in PJM's established Regional Transmission Expansion Plan ("RTEP") process.

Extending the time is appropriate in this case to allow sufficient time for the KPSC to rule on the pending application. It will also allow EKPC time to work through issues associated with integration into PJM. EKPC commits to filing a status report to the Commission within 10 days of receiving an order from the KPSC on EKPC's pending application to join PJM, or by January 10, 2013, whichever comes first, in order to keep the Commission apprised of developments at the state level. EKPC also anticipates working with PJM to submit to the

[9] *Id.* at P 26.

[10] *Id.*

Commission by March 30, 2013 certain approvals associated with EKPC's integration into PJM, which EKPC projects to occur on or about June 1, 2013.

Absent integration into PJM, EKPC would need to enter into arrangements with other neighboring utilities in order to comply with the regional planning requirements of Order No. 1000. Not surprisingly, surrounding utilities' awareness of EKPC's active efforts to integrate into PJM impede EKPC's ability to otherwise comply with Order No. 1000's regional planning requirements. Other utilities, understandably, have shown no interest in entering into arrangements with EKPC that focus on long-term planning when they know that EKPC expects to terminate its participation in such arrangements in the short term.

B. EKPC Should not be Required to Modify an OATT that will be Superseded by the PJM Tariff upon EKPC's Integration into PJM

Just as it is not practical for EKPC to be able to comply with regional planning requirements of Order No. 1000 while it is working to integrate into PJM, it is also neither practical nor a useful dedication of resources for EKPC to focus on modifying its OATT that EKPC expects will soon be superseded by the PJM Tariff. EKPC will cease to be the transmission provider over its transmission facilities and expects to terminate its OATT upon its integration into PJM.[11] Compliance with Order No. 1000 would entail a substantial amount of work that would require significant attention and resources. EKPC's personnel and outside consultants are focused on a broad array of matters that must be addressed in connection with EKPC's efforts to join PJM, in addition to their normal activities associated with management and operation of EKPC. EKPC respectfully submits that no practical or useful purpose would be

[11] A currently open question is whether EKPC's OATT will terminate in its entirety or whether it will be modified to serve as a wholesale distribution tariff.

served by redirecting resources that are focused on EKPC's integration into PJM in favor of amending an OATT that presumably will soon be superseded by the PJM Tariff.

C. Request for Alternative Compliance Date in the Event EKPC Does Not Integrate Into PJM

EKPC and PJM are currently targeting an effective date of June 1, 2013 for EKPC's integration into PJM. The fact and timing of EKPC's integration depend on various factors, not the least of which are regulatory approvals associated with this effort. As previously noted, EKPC's application to the KPSC is currently pending with a request that the KPSC's determination be issued not later than December 12, 2012. In addition, both EKPC and PJM will be making various filings with FERC by the end of the first quarter of 2013.

In the event that EKPC's anticipated June 1, 2013 integration is not supported by the required regulatory approvals such that the integration is rejected or significantly delayed, EKPC will need additional time thereafter in order to take the necessary steps to become compliant with Order No. 1000. EKPC accordingly seeks an extension of the compliance date until December 31, 2013. This would provide EKPC a six-month buffer in which to achieve compliance in the event that it becomes apparent that EKPC will be unable to integrate into PJM and therefore must implement an alternative compliance strategy.

IV. CONCLUSIONS

For the foregoing reasons, EKPC respectfully requests an extension of time until December 31, 2013 to comply with Order No. 1000.

Respectfully submitted,

Alan I. Robbins
Debra D. Roby
Alan J. Rukin
Jennings, Strouss & Salmon, P.L.C.
1350 I Street NW, Suite 810
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(202) 464-0539

Submitted: October 3, 2012

CERTIFICATE OF SERVICE

I hereby certify that I have on this 3rd day of October 2012, caused a copy of the foregoing document to be served upon all those listed in the official service list in this Proceeding.

//s// Silma Alleyne
Silma Alleyne
Legal Assistant
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Document Content(s)

Exhibit 2

141 FERC ¶ 61,029
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

October 12, 2012

In Reply Refer To:
Transmission Planning and Cost
Allocation by Transmission Owning and
Operating Public Utilities
Docket No. RM10-23-000

Jennings, Strouss & Salmon, P.L.C.
1350 I Street NW, Suite 810
Washington, DC 20005-3305

Attention: Alan I. Robbins
Attorney for East Kentucky Power Cooperative

Dear Mr. Robbins:

1. On October 3, 2012, you filed on behalf of East Kentucky Power Cooperative (East Kentucky) a motion requesting an extension of time to submit a filing to comply with the requirements of Order Nos. 1000 and 1000-A.[1] East Kentucky states that it is engaging in ongoing and active efforts to join and integrate into the PJM Regional Transmission Organization and notes that the PJM Open Access Transmission Tariff (OATT) will supersede East Kentucky's reciprocity OATT upon East Kentucky's anticipated integration into PJM on June 1, 2013.[2] East Kentucky states that it will comply with the Order No. 1000 regional transmission planning requirements as of that date by participating as a transmission owner in the PJM Regional Transmission Expansion Plan process.

[1] *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, 76 Fed. Reg. 49,842 (Aug. 11, 2011), FERC Stats. & Regs. ¶ 31,323 (2011), Order No. 1000-A, 139 FERC ¶ 61,132 (2012).

[2] East Kentucky is a non-public utility transmission provider that maintains a reciprocity OATT. *See, e.g.*, *East Kentucky Power Coop., Inc.*, 130 FERC ¶ 61,072 (2010) (finding that East Kentucky's OATT continued to be an acceptable reciprocity tariff).

2. East Kentucky commits to filing a status report with the Commission within 10 days of receiving an order from the Kentucky Public Service Commission on East Kentucky's pending application to join PJM, or by January 10, 2013, whichever comes first, to keep the Commission apprised of developments at the state level. In addition, East Kentucky states that it anticipates working with PJM to submit to the Commission by March 30, 2013 filings related to East Kentucky's proposed June 1, 2013 integration into PJM.

3. In the event that East Kentucky's anticipated June 1, 2013 integration into PJM is significantly delayed or does not proceed, East Kentucky states that it will need additional time to take the necessary steps to become compliant with Order No. 1000. Thus, East Kentucky seeks an extension of the Order No. 1000 compliance deadline for its filing until December 31, 2013. East Kentucky states that such an extension "would provide a six-month buffer in which to achieve compliance in the event that it becomes apparent that [East Kentucky] will be unable to integrate into PJM and therefore must implement an alternative compliance strategy."[3]

4. On October 3, 2012, the Commission issued a notice of East Kentucky's motion, and provided a shortened answer period to and including October 10, 2012. No answers were filed.

5. The Commission grants East Kentucky's request for an extension of time until March 30, 2013 so that East Kentucky can meet the regional compliance requirements of Order No. 1000 through its anticipated integration into PJM on June 1, 2013. The filings related to East Kentucky's planned integration into PJM that East Kentucky anticipates being filed by March 30, 2013 should address East Kentucky's compliance with Order No. 1000. In addition, the Commission accepts East Kentucky's commitment to file an informational status report with the Commission within 10 days of receiving an order from the Kentucky Public Service Commission on East Kentucky's pending application to join PJM, or by January 10, 2013, whichever comes first.[4]

6. The Commission will not address at this time East Kentucky's alternate request for an additional extension to December 31, 2013 if East Kentucky's planned integration into

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[3] East Kentucky Motion for Extension at 7.

[4] Upon receipt, the Commission will not act on or notice this informational status report.

PJM is significantly delayed or does not proceed. If this further extension becomes necessary, East Kentucky should make an additional filing with the Commission.

By direction of the Commission. Commissioner Clark is not participating.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Exhibit 3

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

East Kentucky Power Cooperative, Inc.	)))	Docket No. ER13-414-000

ERRATA TO REQUEST FOR WAIVER TO PARTICIPATE IN PJM RELIABILITY PRICING MODEL AUCTIONS OF EAST KENTUCKY POWER COOPERATIVE

On November 15, 2012, East Kentucky Power Cooperative, Inc. ("EKPC") submitted a Request for Waiver to Participate in the PJM Interconnection, L.L.C. ("PJM") Reliability Pricing Model Auctions ("Waiver Request"). In the Waiver Request, EKPC stated that it filed a Motion for Extension of Time to Comply with Order No. 1000 ("Motion for Extension"), but incorrectly identified that docket as RM12-23-000. *See* Waiver Request at 1 n.4. That docket should have been identified as RM10-23-000. EKPC has attached a revised Waiver Request reflecting this correction.

Respectfully submitted this 13th day of December 2012.

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Counsel to East Kentucky Power Cooperative, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have on this 13th day of December 2012, caused a copy of the foregoing document to be served upon all those listed in the official service list in this Proceeding.

//Silma Alleyne//
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November 15, 2012

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: East Kentucky Power Cooperative, Inc., Docket No. ER13-414-000

Dear Secretary Bose:

Pursuant to Part 35 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission[1] (the "Commission" or "FERC"), Rule 207[2] and Rule 212,[3] East Kentucky Power Cooperative, Inc. ("EKPC") submits the instant filing ("Initial Filing") as the first step toward its integration into PJM Interconnection, L.L.C. ("PJM"). EKPC previously informed the Commission of its intention to become a member of PJM and integrate into PJM effective June 1, 2013.[4]

In the spring of 2013, PJM will hold the PJM Reliability Pricing Model ("RPM") Base Residual Auctions for commitments in the delivery year 2016-17 ("DY2016-17"). In this Initial Filing, EKPC respectfully requests that the Commission issue an order by January 15, 2013, authorizing EKPC's participation in the Spring 2013 Base Residual Auction prior to the June 1, 2013, integration date with respect to load and resources in the EKPC footprint. Although participation in the auctions would precede integration into PJM, this timing is necessary given the three-year forward nature of the RPM. The technical implementation plan for integration into PJM is set forth in the *Agreement To Implement Expansion Of PJM Region For East*

[1] 18 C.F.R. Part 35 (2012).

[2] 18 C.F.R. § 385.207 (2012).

[3] 18 C.F.R. § 385.214 (2012).

[4] Motion for Extension of Time to Comply with Order No. 1000 of East Kentucky Power Cooperative, Docket No. RM10-23-000, filed October 3, 2012.

This filing is the first in a series of filings necessary for EKPC to integrate into PJM; therefore, EKPC seeks limited approvals at this time. EKPC does not address the following issues in this filing:

- EKPC's Fixed Resource Requirement Integration Plan ("FRR Integration Plan") to meet PJM resource adequacy requirements from the date of transmission system integration (June 1, 2013) through the date of full participation in RPM (June 1, 2016); and

- Rates for transmission service for the zone that will be developed for EKPC within PJM (the "EKPC Zone"). Such rates will be filed with the Commission on or before March 29, 2013, consistent with EKPC's anticipated June 1, 2013 integration date.

EKPC and PJM have been closely coordinating and are continuing to coordinate on all of the arrangements and filings necessary to effectuate EKPC's integration into PJM. EKPC submits this Initial Filing to the Commission in anticipation of EKPC obtaining ruling from the Kentucky Public Service Commission ("KY PSC") on or before December 31, 2012 regarding EKPC's request to integrate into PJM. It is necessary to submit this Initial Filing prior to receipt of the KY PSC ruling because EKPC must receive an order from the Commission authorizing such participation in advance of PJM posting the planning parameters for the May 2013 Base Residual Auction in order to participate in the May 2013 Base Residual Auction. PJM will post the planning parameter for the May 2013 Base Residual Auction on February 1, 2013. The EKPC Zone must be included in those parameters in order to be included in the May 2013 Base Residual Auction.[5] Thus, EKPC respectfully requests that the Commission issue an order by January 15, 2013, authorizing EKPC's participation in the May 2013 Base Residual Auction prior to EKPC's anticipated integration into PJM in June 1, 2013.

I. BACKGROUND

A. Description of EKPC

EKPC is an electric generation and transmission cooperative formed under Chapter 279 of the Kentucky Revised Statutes. EKPC owns approximately $3.1 billion in assets, serving approximately 521,000 customers in 87 Kentucky counties through its sixteen member distribution cooperatives. EKPC owns and/or purchases nearly 3,100 MW of electric generation capacity and approximately 2,800 miles of electric transmission lines. Kentucky Power ("AEP"), Duke Energy Ohio, Inc. ("Duke") and Louisville Gas & Electric Company/Kentucky

[5] PJM Manual 18.

Utilities Company ("LG&E/KU") each utilize the EKPC transmission system to serve their respective retail loads in Kentucky.[6]

B. Affected Third Parties

The following third parties have generation or load within the EKPC footprint. The following Transmission Customers currently serve load from the EKPC system:

EKPC Member Cooperatives:

- Big Sandy Rural Electric Cooperative Corporation
- Blue Grass Energy Cooperative Corporation
- Clark Energy Cooperative, Inc.
- Cumberland Valley Electric
- Farmers Rural Electric Cooperative Corporation
- Fleming-Mason Energy Cooperative
- Grayson Rural Electric Cooperative Corporation
- Inter-County Energy Cooperative Corporation
- Jackson Energy Cooperative
- Licking Valley Rural Electric Cooperative Corporation
- Nolin Rural Electric Cooperative Corporation
- Owen Electric Cooperative
- Salt River Electric Cooperative Corporation
- Shelby Energy Cooperative, Inc.
- South Kentucky Rural Electric Cooperative Corporation
- Taylor County Rural Electric Cooperative Corporation

Certified Retail Electric Providers:[7]

- LG&E/KU
- Duke
- AEP

[6] AEP, Duke and LG&E/KU each take transmission service from EKPC to serve certain of their retail customers, but EKPC has no reason to think that these entities will require any integration auctions. AEP and Duke are already integrated into PJM and LG&E/KU is a stand-alone company. The LG&E/KU load served from the EKPC transmission system is part of the LG&E/KU Balancing Authority, and LG&E/KU, EKPC and PJM intend to continue to treat it as such.

[7] Current as of November 15, 2012.

The following third party wholesale generators are currently connected to the EKPC system:

- City of Hamilton, Ohio (Greenup Hydroelectric Project, FERC Project No. 2614)
- Southeastern Power Administration (Laurel Dam)

C. Proposed Integration Timeline And Identification Of Future Filings

EKPC seeks to integrate into PJM on June 1, 2013. That date coincides with the beginning of the next PJM Delivery Year (DY2013-14). While EKPC has planned its integration into PJM for June 1, 2013, complete integration into the RPM cannot occur on that date because the Base Residual Auctions for DY2013-14, DY2014-15 and DY2015-16 have already occurred. Accordingly, EKPC seeks to integrate the EKPC Zone load into the PJM RPM process for DY2016-17. This means that EKPC Zone load needs to be included in the May 2013 Base Residual Auction, and that load needs be committed into that auction before February 1, 2013.[8] To meet these deadlines, and to allow sufficient time for all concerned to address any contingency issues that may arise, EKPC respectfully requests that the Commission grant the requested relief by January 15, 2013.

EKPC and PJM have scheduled future filings for the purpose of creating the EKPC Zone within PJM. Such future filings include, but are not limited to:

(i) a request, to be filed in approximately 30 days, for approval of EKPC's FRR Integration Plan to meet PJM resource adequacy requirements from the date of transmission system integration (June 1, 2013) through the date of full participation in RPM (June 1, 2016);

(ii) additions to the PJM Open Access Transmission Tariff ("PJM OATT") of zonal transmission rates for the EKPC Zone and any other revisions to the PJM OATT that may be necessary to effectuate EKPC's integration into PJM;

(iii) execution of certain required PJM agreements, including the PJM Reliability Assurance Agreement ("PJM RAA"),[9] the PJM Consolidated Transmission Owners Agreement ("PJM CTOA")[10] and the PJM Operating Agreement ("PJM OA");

(iv) execution or modification of various network integration transmission service agreements and/or point-to-point transmission service agreements among PJM and the appropriate transmission customers in the EKPC footprint;

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[8] *E.g.*, PJM Manual No. 18, RPM Auction Timeline at 78-79, available at http://www.pjm.com.

[9] PJM RRA, Rate Schedule FERC No. 44.

[10] PJM CTOA, Rate Schedule FERC No. 42.

(v) execution of new generator and load interconnection agreements among PJM, EKPC, and third-party generators and loads, if any are required, or transfer of existing agreements to be administered under the PJM Tariff; and

(vi) if necessary, a filing also will be made to address transition of transmission service, generator and load interconnection queues, generator deactivation requests, and grandfathered agreements.

II. THE EKPC PROPOSAL TO JOIN PJM

This first stage of EKPC's proposal to join PJM requires that generation and load connected to the EKPC transmission system align their operations with PJM. Thus, EKPC describes the transmission, load and generation within the EKPC footprint. EKPC has attached a map illustrating the reconfiguration of the PJM borders as Exhibit 2.

At this time, EKPC submits the PJM-EKPC Implementation Agreement and seeks a ruling on the request for pre-integration participation in the RPM Base Residual Auction in 2013. As noted, this is the first step in EKPC's plan to join PJM.

A. The PJM-EKPC Implementation Agreement

The PJM-EKPC Implementation Agreement submitted with the instant filing is modeled on prior integration agreements between PJM and other utilities.[11] The PJM-EKPC Implementation Agreement includes a project implementation plan to accommodate the integration of EKPC transmission facilities into PJM and the timing and amount of costs to be paid to PJM for the services provided. Among other things, the PJM-EKPC Implementation Agreement requires EKPC to execute the PJM CTOA,[12] the PJM RAA,[13] and the PJM OA. These steps will result in operating EKPC's transmission facilities under the PJM OATT, thereby meeting the requirement to provide for replacement transmission arrangements that are consistent with Order Nos. 888 and 890.[14]

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[11] *See, e.g.*, Agreement to Implement Expansion of PJM Region for Duke Energy Ohio and Duke Energy Kentucky, provided as Exhibit 1 to June 25, 2010 Duke Energy Ohio and Duke Energy Kentucky request for Commission approval of RTO realignment (Docket No. ER10-1562); Agreement to Implement Expansion of PJM Region for FirstEnergy Service Company, provided as Exhibit 1 to August 17, 2009 FirstEnergy request for Commission approval of RTO realignment (Docket No. ER09-1589); *PJM Interconnection, L.L.C.*, 109 FERC ¶ 61,012 (2004), *order* on *reh'g*, 110 FERC ¶ 61,234 (2005) (establishing PJM South to incorporate Dominion into PJM); *PJM Interconnection, L.L.C.*, 108 FERC ¶ 61,318 (2004), *reh'g denied*, 110 FERC ¶ 61,395 (2005) (incorporating AEP and DP&L into PJM).

[12] PJM CTOA, Rate Schedule FERC No. 42.

[13] PJM RAA, Rate Schedule FERC No. 44.

[14] *See LG&E Withdrawal Order*, 114 FERC ¶ 61,282 at PP 96-97; *Duquesne Withdrawal Order*,

B. Integration Into The PJM Capacity Market

EKPC respectfully requests approval to join PJM effective June 1, 2013, the beginning of DY2013-14. The "three-year forward" structure of the RPM creates two issues for EKPC under this timeline. First, in order to participate fully in the RPM at the earliest possible date following integration into PJM, EKPC will need to participate in the Base Residual Auction for DY2016-17 before the June 1, 2013 date when EKPC plans to integrate into PJM. Second, EKPC will need to prepare and submit an independent Fixed Resource Requirement ("FRR") plan covering the period from June 1, 2013 through May 31, 2016 to satisfy independent resource adequacy obligations for DY2013-14, DY2014-15 and DY2015-16 because PJM has already conducted the Base Residual Auctions for those delivery years.

There will be two separate processes to manage these issues. EKPC is developing – and will in a separate filing request Commission approval of – an out-of-time FRR Integration Plan to cover capacity arrangements during the period from June 2013 through May 2016. EKPC anticipates filing the FRR Integration Plan with the Commission in approximately 30 days.

In this filing, EKPC seeks authorization for all load and generation in the EKPC footprint to participate in the May 2013 Base Residual Auction (for DY2016-17). Participation in this auction would precede EKPC's integration into PJM, but this timing is necessary and appropriate due to the three-year forward nature of the PJM RPM. The Commission authorized similar prior participation in *Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc.*, in *FirstEnergy* and in the *Duquesne Settlement Order*.[15] As discussed above, EKPC respectfully requests that the Commission authorize such participation by January 15, 2013. This will help to ensure that all affected parties have sufficient time to understand the process, resolve any open issues and allow EKPC to submit the data to PJM by February 1, 2013, as PJM requires, in order to include EKPC in the Base Residual Auction.[16]

III. CONTENTS OF THIS FILING

In addition to this filing letter, EKPC submits the following Exhibits:

Exhibit 1 – PJM-EKPC Implementation Agreement
Exhibit 2 – RTO Configuration Map
Exhibit 3 – List of Generator Interconnection and Transmission Customers

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124 FERC ¶ 61,219 at P 42.

[15] *See Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc.*, 133 FERC ¶ 61,058 at P 15 (2010); *FirstEnergy*, 129 FERC ¶ 61,249 at P 78; *Duquesne Settlement Order,* 126 FERC ¶ 61,074 at P 35 ("The Settlement Agreement permits Duquesne to participate in PJM's upcoming RPM auctions and to otherwise satisfy PJM's capacity commitment protocols as they apply to future delivery years."); Duquesne Settlement § II.C.2.

[16] *See* PJM Manual 18 at 78.

Exhibit 4 – List of Grandfathered Transmission Service Agreements

IV. COMMUNICATIONS

Communications regarding this proceeding should be directed to the following individuals, who should also be designated for service on the Secretary's official service list for this proceeding:

Mr. David Smart, General Counsel
Mr. Sherman Goodpaster, Senior Corporate Counsel
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V. SERVICE AND REQUEST FOR WAIVER OF ANY ADDITIONAL REQUIREMENTS

EKPC has served a copy of this filing, electronically or by first class mail, with attachments, upon all of the generator interconnection and transmission customers identified in Exhibits 3 and 4, the Kentucky Public Service Commission, PJM and the Independent Market Monitor for PJM. EKPC is also advised that PJM will post the filing on the PJM website.

EKPC respectfully requests waiver of any requirements of 18 C.F.R. § 35.13 that have not been fulfilled by this filing. In addition, EKPC respectfully requests waiver of any other Commission rule or regulation as may be necessary to permit the Commission to grant the requested relief.

VI. CONCLUSION

WHEREFORE, for the foregoing reasons, EKPC respectfully requests that the Commission issue an order by January 15, 2013 approving its proposal for pre-integration participation in PJM's 2013 RPM Base Residual Auction.

Respectfully submitted this 15th day of November 2012.

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Counsel to East Kentucky Power Cooperative, Inc.

Exhibit 1

PJM-EKPC Implementation Agreement

AGREEMENT TO IMPLEMENT EXPANSION OF PJM REGION FOR EAST KENTUCKY POWER COOPERATIVE

This Agreement To Implement Expansion Of PJM Region For East Kentucky Power Cooperative ("Implementation Agreement"), dated January 9, 2012, by and between,

East Kentucky Power Cooperative ("Transmission Owner"); and

PJM Interconnection, L.L.C. ("PJM"), a limited liability company organized under the laws of Delaware

(Each a "Party" and together, "Parties").

Whereas, Transmission Owner owns electric transmission facilities which form an integrated transmission system used to provide electric service to its member electric distribution cooperatives and to provide open access transmission service pursuant to its non-jurisdictional, safe harbor Open Access Transmission Tariff which has been filed with and accepted by FERC;

Whereas, PJM is the regional transmission organization ("RTO") comprised of interconnected electric transmission systems in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, North Carolina and the District of Columbia.

Whereas, PJM is the transmission provider under, and the administrator of, the PJM Tariff, operates the PJM Interchange Energy Market and Reliability Pricing Model, administers the Regional Transmission Expansion Planning Process ("RTEPP"), and controls the day-to-day operations of the bulk power system of the PJM Region;

Whereas, subject to the terms and conditions of the Transmission Owners Agreement, Operating Agreement, the PJM Tariff, and the Reliability Assurance Agreement, all as defined herein, and subject to any required regulatory approvals of any amendments thereto, Transmission Owner has elected to become a member of PJM, transfer functional control of its Transmission Facilities to PJM for inclusion in the PJM Region, integrate its control area into the PJM Interchange Energy Market and other PJM markets, and otherwise facilitate the establishment and operation of PJM as the ISO, RTO and transmission provider with respect to its Transmission Facilities as contemplated by this Implementation Agreement;

Whereas, in order to accept functional control of the Transmission Facilities and commensurately expand the PJM markets, PJM will be required to make additions and modifications to its systems and facilities and thereby incur Expansion Costs, as defined herein; and

Whereas, the Parties accordingly enter into this Implementation Agreement to provide for the payment of Expansion Costs to PJM and to develop a project implementation plan to accommodate the integration of the Transmission Owner's transmission facilities into PJM.

NOW THEREFORE, in consideration of the covenants and agreements set forth herein, and intending to be legally bound thereby, and for other good and valuable consideration the receipt and adequacy of which is hereby acknowledged, the Parties agree as follows:

ARTICLE 1
GLOSSARY AND RULES OF CONSTRUCTION

Unless the context otherwise specifies or requires, capitalized terms used in this Implementation Agreement shall have the meanings assigned or referred to in this Article 1 (such definitions to be equally applicable to both the singular and the plural forms of the terms defined). Unless otherwise specified, all references to articles or sections are to articles or sections of this Implementation Agreement. Exhibits and schedules referred to in this Implementation Agreement are incorporated herein and made a part hereof. As both Parties have been involved in the drafting of this Implementation Agreement and represented by competent counsel, no rule that a contract shall be construed against the drafter shall be applied to the construction or interpretation of this Implementation Agreement.

1.1 **"Capitalized Expansion Costs"** shall have the meaning stated in section 4.1.2.1.

1.2 **"Completion Date"** shall mean the earliest date on which both of the following conditions have occurred: (1) PJM has commenced to serve as the transmission provider under the PJM Tariff with respect to the Transmission Facilities and (2) PJM has commenced to perform all functions allocated to PJM under section 3.2.1 in the Control Area of Transmission Owner.

1.3 **"Control Area"** shall have the meaning stated in section 1.7 of the Operating Agreement.

1.4 **"Directly Assigned Expansion Costs"** shall have the meaning stated in section 4.1.3.1.

1.5 **"Effective Date"** of this Implementation Agreement shall be as provided in section 2.1.

1.6 **"Expansion Costs"** shall have the meaning stated in section 4.1.1.

1.7 **"FERC"** shall mean the Federal Energy Regulatory Commission or any successor federal agency, commission or department exercising jurisdiction over the PJM

Tariff, Transmission Owners Agreement, Operating Agreement, or the Reliability Assurance Agreement.

1.8 "**ISO**" shall mean Independent System Operator as that term is defined by the FERC.

1.9 **"Operating Agreement"** shall mean the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., as in effect and which may be amended from time to time.

1.10 **"Party" or "Parties"** shall have the meaning stated in the preamble.

1.11 **"PJM Tariff"** shall mean the PJM Open Access Transmission Tariff providing transmission and other related services within the PJM Region, including any schedules, appendices, attachments, charts, annexes, or exhibits attached thereto, as in effect and which may be amended from time to time.

1.12 **"PJM Region"** shall mean the aggregate of the Control Areas recognized by the North American Electric Reliability Council that are integrated into and operate as part of the PJM RTO.

1.13 **"Project Implementation Plan"** shall have the meaning stated in section 3.2.5.

1.14 **"Reliability Assurance Agreement"** shall mean the PJM Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region as in effect and which may be amended from time to time.

1.15 **"RTO"** shall mean Regional Transmission Organization as that term is defined by the FERC.

1.16 **"Transmission Facilities"** shall have the meeting stated in section 1.44 of the Operating Agreement.

1.17 **"Transmission Owners Agreement"** shall mean the Consolidated Transmission Owners Agreement (Rate Schedule FERC No. 42) among PJM and Certain Owners of Electric Transmission Facilities, as may be amended from time to time.

ARTICLE 2
EFFECTIVE DATE

2.1 **Effective Date Not Subject to Regulatory Approval.** The Effective Date of this Implementation Agreement shall occur upon execution by the Parties and shall not be conditioned upon whether regulatory approval of this Implementation Agreement is sought or obtained. Transmission Owner shall fulfill its payment obligations under this Implementation Agreement without regard to whether any regulatory authority has asserted jurisdiction over the Implementation Agreement or approved, disapproved, or conditioned, any provision of this Implementation Agreement, or any other agreement related to the establishment of PJM as the RTO for the Transmission Facilities.

ARTICLE 3
PARTIES' UNDERTAKINGS IN FURTHERANCE OF EXPANSION OF PJM REGION

3.1 Undertakings to Execute Agreements and Seek Regulatory Approvals from the FERC.

3.1.1 Upon the Parties' obtaining any and all necessary regulatory approvals on the terms and conditions described in the Transmission Owner's application for the same from the FERC and the Kentucky Public Service Commission ("PSC"), Transmission Owner shall execute, in a manner consistent with such approvals, the Consolidated Transmission Owners Agreement, Operating Agreement and Reliability Assurance Agreement.

3.1.2 It is agreed that in order for Transmission Owner to transfer functional control of its Transmission Facilities to PJM for inclusion in the PJM Region, integrate its Control Area into the PJM Interchange Energy Market and other PJM markets, and otherwise facilitate the establishment and operation of PJM as the RTO with respect to its Transmission Facilities, it will be necessary to amend the following documents: (a) Consolidated Transmission Owners Agreement; (b) Reliability Assurance Agreement; (c) Operating Agreement; and (d) PJM Tariff. PJM and Transmission Owner, in the context of PJM's stakeholder review process, shall negotiate in good faith all such amendments. Promptly upon agreement to such amendments, the Parties shall make good faith efforts to initiate and, subject to section 3.1.3, pursue diligently, all proceedings necessary and appropriate to seek and obtain all regulatory approvals required from the FERC of all such amendments, of the transfer of functional control of the Transmission Facilities to PJM. The filings to initiate and prosecute such proceedings shall be initiated on or about **February 1, 2013**, and shall be joint except as provided in section 3.1.3.

3.1.3 Transmission Owner shall have sole responsibility for obtaining regulatory approval of amendments to the PJM Tariff that provide for Transmission Owner's transmission rates and/or revenue requirements with respect to service provided on the Transmission Facilities. Additionally, Transmission Owner shall have sole responsibility to ensure its transmission rates comply with applicable FERC orders and PJM shall not oppose Transmission Owner's filings with respect to such rates.

3.1.4 If, in accepting amendments submitted for approval under section 3.1.2, or related agreements or filings in furtherance of PJM's service as the RTO for the Transmission Facilities, the FERC rejects, modifies or conditions its acceptance of such amendments, agreements or filings, within thirty (30) days of the FERC order rejecting, modifying or otherwise imposing such conditions, the Parties shall either: (1) notify the FERC and each other of their acceptance of any such modification or condition; (2) negotiate with FERC on mutually agreeable terms for the amendment, agreement or filing; or (3) enter into and complete discussions to determine whether the amendment, agreement or filing would be mutually beneficial in light of the FERC's action. If a Party shall determine that the amendment, agreement or filing would not be beneficial, the amendment, agreement, or other filing shall become null and void, provided, that nothing in this section shall diminish Transmission Owner's obligation to pay all amounts otherwise due to PJM under this Implementation Agreement.

3.2 Undertakings to Exercise Functional Control Over the Transmission Facilities and Integrate the PJM Markets Into the Transmission Owner Control Area.

3.2.1 "Transmission Owner Expansion" shall mean the upgrade, expansion, modification, development, design, or acquisition by PJM of any new or existing hardware, software, systems, or facilities of PJM of any kind or description, or any other work required or appropriate to be performed as more specifically set forth in the Project Implementation Plan; *provided however*, that the Parties acknowledge and agree that the internal timing milestones described in the Project Implementation Plan provide guidance and estimates based on present assumptions relating to the Transmission Owner Expansion and should not be construed as firm obligations on the part of PJM; *provided further however*, that PJM shall nonetheless remain obligated to use best efforts, as described in section 3.2.5, to meet the **June 1, 2013** deadline. Upon completion of Transmission Owner Expansion, PJM shall serve as the RTO for the Transmission Facilities and administer the PJM markets to include Transmission Owner's Control Area. By way of further explanation, and not in qualification of the above, Transmission Owner Expansion shall not include any upgrade, expansion, modification, development, design, acquisition, or other work in furtherance of expansion of the PJM Region to include the transmission facilities of any entity not a Party to this Agreement or any other development or expansion of PJM. The foregoing notwithstanding, the Parties recognize and agree that if PJM incurs expenses to implement Transmission Owner Expansion, which expenses are attributable to some further expansion of PJM Region proceeding concurrently with the Transmission Owner Expansion, then PJM shall allocate such expenses between Expansion Costs hereunder and such other Control Areas or regions, as applicable, on the basis of the ratio of the total load of Transmission Owner to the total loads of the other Control Areas or regions benefiting from the common tasks.

3.2.2 Expansion Goals. Upon completion of Transmission Owner Expansion, PJM agrees to exercise functional control over the Transmission Facilities and to fully integrate the PJM markets into the Control Area of Transmission Owner. PJM shall make good faith efforts to achieve such functionality in accordance with the goals stated in the Project Implementation Plan as defined in Section 3.2.5.

3.2.3 PJM Staffing. PJM shall exercise reasonable efforts to achieve completion of Transmission Owner Expansion by June 1, 2013 as provided in Section

3.2.5, but nothing in this Implementation Agreement shall require that PJM (a) increase internal staffing to perform Transmission Owner Expansion or (b) allocate staff in a manner that PJM determines may jeopardize its ability to meet its obligations as the RTO for any Control Area where it serves in such capacity.

3.2.4 Designees for Contract Administration. By Notice, each Party shall designate in writing an individual who shall have the primary responsibility of administering responsibilities under this Implementation Agreement and shall designate an alternate to perform such responsibilities in the event the primary designee is unavailable (the primary or alternate designee, as applicable, is referred to as the "Project Designee"). A Party may change its designations by Notice.

3.2.5 "Project Implementation Plan" shall mean the plan for a timeline for Transmission Owner Expansion attached hereto as Schedule 3.2.5 or as amended by the Parties from time to time in accordance with this section. It is recognized that PJM or Transmission Owner may reasonably determine, from time to time, that changes to the Project Implementation Plan are necessary or appropriate to achieve economies, efficiencies, or the success of the Transmission Owner Expansion or other PJM projects. In such event, the Party making such determination shall give Notice to the other Party of the change and the Parties shall in good faith negotiate amendments to the Project Implementation Plan, provided, that the notified Party shall not unreasonably withhold consent to reasonable changes to the Project Implementation Plan proposed by the other Party, and provided further, that nothing in this section shall override the rights of Transmission Owner under section 4.2. Furthermore, it is recognized by PJM that Transmission Owner requires full integration into PJM by the first clock minute of **June 1, 2013**, that the Project Implementation Plan will be structured, and PJM will use best efforts, to meet that goal. Except as otherwise expressly stated herein, the Project Implementation Plan shall be modified only if agreed to by the Parties.

3.2.6 PJM Requests for Information. Transmission Owner shall respond, at its own cost, with a full and timely good faith effort to all reasonable requests for information or technical support made by PJM from time to time to facilitate Transmission Owner Expansion.

3.2.7 Financing Condition. It is understood that subject to reimbursement (see section 4.1.2.2), PJM will be required to make initial expenditures to cover Capitalized Expansion Costs as defined herein (see section 4.1.2) and it is further understood that PJM may lack capital necessary to make such expenditures. It is agreed, therefore, that PJM shall not be required to incur Capitalized Expansion Costs until and unless PJM has closed transactions necessary to obtain all required financing for Capitalized Expansion Costs in a total amount no less than specified in section 4.1.2.1. PJM agrees to use reasonable best efforts to secure such financing.

ARTICLE 4
ALLOCATION AND PAYMENT OF EXPANSION COSTS

4.1 Definitions and Certain Payment Obligations.

4.1.1 "Expansion Costs" are all costs and expenses PJM incurs from the Effective Date of this Implementation Agreement through thirty (30) days after the Completion Date in order to perform Transmission Owner Expansion, including the costs of vendors, consultants, independent contractors, PJM employees (including allocable compensation and general and administrative overhead) attributable to Transmission Owner Expansion. In the event Transmission Owner gives Notice under section 5.2 or section 5.3.1 or otherwise does not transfer control of Transmission Facilities to PJM, Expansion Costs shall also include any reasonable suspension, termination and demobilization costs and expenses incurred. PJM will take commercially reasonable measures to mitigate any suspension, termination and demobilization costs.

Expansion Costs consist of the following cost categories:

Capitalized Expansion Costs (see section 4.1.2)

Directly Assigned Expansion Costs (see section 4.1.3)

Suspension, termination and demobilization costs and expenses (if any)

The Parties expect that most Expansion Costs will be incurred by PJM and recovered by PJM under sections 4.1.2.2 and 4.1.3.2 of this Implementation Agreement, and that Transmission Owner will directly incur only relatively minor additional costs, such as telecom system upgrades and any such similar costs. The Parties agree that carrying costs for Capitalized Expansion Costs will be expensed and that, subject to section 5.4, PJM will recover Capitalized Expansion Costs as described in section 4.1.2.2. To the extent that PJM incurs common costs or expenses for expansion on common tasks applicable to PJM expansion into any other Control Areas, PJM shall allocate such costs between Expansion Costs hereunder and such other Control Areas or regions, as applicable, on the basis of the ratio of the total load of Transmission Owner to the total loads of the other Control Areas or regions benefiting from the common tasks.

4.1.2 Capitalized Expansion Costs.

4.1.2.1 "Capitalized Expansion Costs" shall mean all Expansion Costs that are properly capitalized by PJM according to Generally Accepted Accounting Principles ("GAAP"), excluding any such costs that are Directly Assigned Expansion Costs. As of the Effective Date of this Implementation Agreement, the Parties estimate that Capitalized Expansion Costs, excluding any suspension, termination and demobilization costs and expenses, will be **$150,000**.

4.1.2.2 PJM Recovery of Capitalized Expansion Costs. Subject to section 5.3.2, PJM shall recover Capitalized Expansion Costs from users of PJM services under Schedule 9 of the PJM Tariff.

4.1.3 Directly Assigned Expansion Costs.

4.1.3.1 "Directly Assigned Expansion Costs" are: all Expansion Costs PJM incurs to conform Transmission Owner's internal systems with PJM's technology and communications requirements, and for PJM to establish telecommunication links with Transmission Owner. As of the Effective Date of this Implementation Agreement, the Parties estimate that Directly Assigned Expansion Costs, excluding any suspension, termination and demobilization costs and expenses, will be **$600,000.**

4.1.3.2 Payment of Directly Assigned Expansion Costs. Transmission Owner agrees to fund all applicable Directly Assigned Expansion Costs in accordance with the procedures set forth in sections 4.4.1 and 4.4.2.

4.2 Provision of Certain Expansion Costs Estimates. As of the Effective Date of this Implementation Agreement, the Parties estimate that total Expansion Costs will be **$750,000**, excluding any suspension, termination and demobilization costs and expenses. In the event PJM incurs or expects to incur Expansion Costs (subject to these exclusions) that exceed this estimate by more than twenty percent (20%), it shall notify Transmission Owner and, without in any way limiting the applicability of Article 5, Transmission Owner may withdraw from Transmission Owner Expansion. In the event Transmission Owner withdraws under this provision, section 5.3.2 shall apply.

4.3 Cost Records and Inspection of Books of Account. PJM shall create and maintain records pertaining to all amounts it is entitled to recover under this Implementation Agreement, including records pertaining to Transmission Owner Expansion and the performance of all tasks performed hereunder and all payments made to vendors, subcontractors or any other third parties hereunder. Transmission Owner shall have the right, upon 48-hour Notice, to inspect such records at the PJM corporate office during PJM's customary business hours. In the event Transmission Owner determines in good faith that an expenditure attributed to Transmission Owner Expansion should not be so attributed, Transmission Owner shall pay the entire amount specified in the invoice within such sixty (60) day period and may seek recovery of the disputed amount under the dispute resolution procedures set forth in Article 6.

4.4. Deposit and Billing Procedures.

4.4.1 Within three (3) business days after the Effective Date of this Implementation Agreement, Transmission Owner shall pay PJM a deposit equal to the total of **$200,000.** PJM shall draw payments from deposited funds in accordance with the billing and payment procedures set forth in section 4.4.2. On the tenth business day of each month thereafter, and until the Completion Date, PJM shall provide Transmission Owner with a written forecast of Directly Assigned Expansion Costs to be incurred during the three-month period commencing with the following month. On or after the date when the FERC and the Kentucky PSC issues the regulatory approvals described in section 3.1.1 hereof, and in accordance with the billing and payment procedures set forth in section 4.4.2, Transmission Owner shall deposit with PJM such additional funds as are necessary such that the total amount of funds deposited with PJM equals **$200,000** until such point when PJM's most recent written forecast delivered pursuant to the immediately preceding sentence is less than that **$200,000**, at which time the deposit obligation shall be reduced to an amount that is equal to the written forecast. After the Completion Date, and after all obligations under sections 4.1.3.2 have been satisfied, PJM shall refund to Transmission Owner any remaining funds on deposit with PJM, if any.

4.4.2 On the 10^{th} day of each month (or, if such day falls on a Saturday, Sunday, or holiday, on the next business day), PJM shall issue monthly billing statements to Transmission Owner for Directly Assigned Expansion Costs under section 4.1.3, and PJM shall deduct such amounts from Transmission Owner's funds on deposit under section 4.4.1 to the extent available. Such statements shall set forth: (a) any additional payments required that were not covered by deposited funds; (b) any additional funds required to be deposited under section 4.4.1; (c) an itemization of the costs and expenses incurred; and (d) an estimate of the remaining Expansion Costs. Transmission Owner shall make payment no later than the 20^{th} day of the same month, or if such day falls on a Saturday, Sunday, or holiday, on the next business day.

ARTICLE 5
LIMITATIONS ON AND PAYMENT OBLIGATIONS IN THE EVENT OF WITHDRAWAL

5.1 Withdrawal; Unconditional Character of Payment Obligations.

5.1.1 Limitation on Withdrawal. Except as provided under this Article 5 and in section 4.2, neither Party shall withdraw from this Implementation Agreement after the Effective Date.

5.1.2 Payment Obligation. Neither the failure of Transmission Owner to transfer control of the Transmission Facilities to PJM, nor any withdrawal by Transmission Owner from Transmission Owner Expansion, nor any subsequent withdrawal of the Transmission Facilities from PJM shall excuse or diminish Transmission Owner's obligation to pay all reasonably incurred Expansion Costs under this Implementation Agreement, except as may be provided in this Article 5. By way of example, but not limitation, the following events shall not excuse or diminish such payment obligations: (a) a failure by Transmission Owner to meet any obligation under sections 3.1.1, 3.1.2, 3.1.3, or 3.1.4; (b) any action or inaction by the FERC, the Kentucky Public Service Commission, or any other regulatory agency that has the effect of denying or failing to grant any required regulatory approval; (c) any change in law or regulation that reduces or eliminates any regulatory basis or incentive for such transfer of control of the Transmission Facilities to, or retention of control of the

Transmission Facilities by, an ISO or RTO; (d) any decision to transfer control, or seek to transfer control, of the Transmission Facilities to an ISO, RTO, other than PJM or an organization other than PJM that seeks or intends to seek approval from the FERC to serve as an ISO, RTO, or Independent Transmission Provider; or (e) any order of the FERC approving withdrawal of Transmission Owner from this Implementation Agreement or the withdrawal of any other owner of transmission facilities from PJM in any region.

5.2 **Suspension for Regulatory Delay.** In the event that on or before December 31, 2012, the FERC and/or the Kentucky PSC, has not issued an initial order concerning approval of the terms and conditions described in the Transmission Owner's application for authorization to transfer of functional control of the Transmission Facilities to PJM required to effect the integration of Transmission Owner into the PJM Region, and Transmission Owner reasonably believes that such approval is not expected to be forthcoming within a reasonable time as will permit integration on the requested terms, then by Notice to PJM, Transmission Owner may suspend Transmission Owner Expansion. In the event of such suspension, Transmission Owner shall compensate PJM for all reasonable documented costs of suspension, including demobilization costs and expenses, and costs, expenses, and penalties incurred in terminating or suspending contracts with consultants, landlords, vendors, and employees. PJM will take commercially reasonable measures to mitigate any suspension, termination and demobilization costs. During Transmission Owner Expansion, PJM will respond to reasonable requests from Transmission Owner for estimates of the costs of suspension that would be due under this section if such suspension were invoked under this section.

5.3 **Obligations of Transmission Owner If Transmission Owner Does Not Transfer Control of the Transmission Facilities to PJM or Withdraws from PJM.**

5.3.1 **Notice; Termination of Region Expansion.** If Transmission Owner determines that there is a material possibility that it will not transfer control of the Transmission Facilities to PJM under the Operating Agreement and Transmission Owners Agreement, such that PJM will not serve as the RTO with respect to such Transmission Facilities, Transmission Owner shall give Notice to PJM pursuant to section 7.8 a soon as reasonably practicable. Upon receipt of such Notice, PJM and Transmission Owner shall confer and, unless Transmission Owner and PJM agree in writing that Transmission Owner Expansion shall continue, PJM shall immediately commence termination of such Transmission Owner Expansion, including demobilization and giving notice of termination or other applicable notice under contracts with third parties. In the event Transmission Owner fails to give Notice under this section, PJM shall not be expected to terminate Transmission Owner Expansion regardless of whether or not PJM is aware of any event or occurrence or circumstance giving rise to the right to give Notice, and PJM may continue Transmission Owner Expansion at Transmission Owner's cost under this Implementation Agreement until Notice is given under this section.

5.3.2 Transmission Owner's Obligation to Reimburse PJM for Expansion Costs If Transmission Owner Does Not Transfer Control of the Transmission Facilities. In the event Transmission Owner gives Notice to PJM under section 5.3.1, withdraws under section 4.2 or otherwise does not transfer control of Transmission Facilities to PJM, then Transmission Owner shall pay PJM its unpaid Directly Assigned Expansion Costs, , and Capitalized Expansion Costs incurred by PJM and calculated in accordance with Article 4. Reimbursement shall be made first from any amounts on deposit with PJM under section 4.4.1 of this Implementation Agreement, and the balance shall be paid to PJM no later than sixty (60) days after PJM issues an invoice therefor, which invoice shall include an itemization of all applicable Expansion Costs incurred through the date of such notice. In the event Transmission Owner disputes the amount stated in PJM's invoice, Transmission Owner shall pay the entire amount specified in the invoice within such sixty (60) day period and may seek recovery of the disputed amount under the dispute resolution procedures set forth in Article 6. The remedies provided herein are not exclusive. If, after Transmission Owner has paid PJM its unpaid Directly Assigned Expansion Costs and Capitalized Expansion Costs incurred by PJM and calculated in accordance with Article 4, a positive balance of funds on deposit with PJM remains, PJM shall refund to Transmission Owner such balance within a commercially reasonable period.

5.4 Obligations If Transmission Owner Transfers Control of Transmission Facilities to PJM but Withdraws Control Prior to Recovery by PJM of All Capitalized Expansion Costs Under the PJM Tariff. In the event Transmission Owner withdraws control of its Transmission Facilities from PJM within three (3) years from the Completion Date, PJM shall issue an invoice to Transmission Owner for Capitalized Expansion Costs calculated in accordance with section 4.1.2, if any, that PJM shall not have recovered pursuant to section 4.1.2.2 under the PJM Tariff as of the effective date of such withdrawal. No later than thirty (30) days after receipt of such invoice, Transmission Owner shall pay the amount stated in the invoice. In the event Transmission Owner disputes the amount stated in the invoice, Transmission Owner shall pay the entire amount specified in the invoice within such thirty (30) day period and may seek recovery of the disputed amount under the dispute resolution procedures set forth in Article 6. In the event Transmission Owner withdraws and pays the amounts due under this section, and PJM determines in good faith that some or all of the work product funded through Capitalized Expansion Costs will be of recoupable value to PJM, then Transmission Owner and PJM shall negotiate in good faith any appropriate rebate to Transmission Owner of the amounts paid by Transmission Owner under this section.

5.5 Injunctive Relief.

5.5.1 PJM's Rights. Transmission Owner understands and agrees that PJM relies on recovery of expenditures under the PJM Tariff to fund its operations, and that, in the event PJM does not recover any portion of Expansion Costs under sections 4.1 (and subsections thereof), 5.1 (and subsections thereof), 5.2, 5.3 (and subsections thereof), or 5.4, PJM will suffer irreparable harm. Therefore, Transmission Owner consents, stipulates, and agrees to the issuance of a temporary, preliminary, and permanent injunction by any federal or state court with jurisdiction to require that Transmission Owner comply with its payment obligations under sections 4.1 (and subsections thereof) 5.1 (and subsections thereof), 5.2, 5.3 (and subsections thereof), and 5.4, as applicable. Transmission Owner expressly consents to the personal jurisdiction of any such court located in Pennsylvania for this purpose. PJM's entitlement to a grant of injunctive relief under this section shall be without prejudice to any rights PJM may have to additional remedies at law or in equity.

5.5.2 Transmission Owner's Rights. PJM understands and agrees that in the event that PJM does not comply with its obligations set forth in sections 4.4.1, 5.3.2 or 7.6(ii) Transmission Owner will suffer irreparable harm. Therefore, PJM consents, stipulates, and agrees to the issuance of a temporary, preliminary, and permanent injunction by any federal or state court with jurisdiction to require that PJM comply with its obligations under section 4.4.1, 5.3.2 or 7.6(ii). PJM expressly consents to the personal jurisdiction of any such court located in Pennsylvania for this purpose. Transmission Owner's entitlement to a grant of injunctive relief under this section shall be without prejudice to any rights Transmission Owner may have to additional remedies at law or in equity.

ARTICLE 6
DISPUTE RESOLUTION

Should a dispute arise under or relating to this Implementation Agreement, the Parties shall undertake good-faith negotiations between designated executive representatives with authority to resolve the matter in dispute. In the event such negotiations fail, the dispute shall be subject to binding arbitration under the Commercial Arbitration Rules of the American Arbitration Association, to be held in Washington, D.C., and judgment thereon may be entered by a court with jurisdiction; provided, that in the event Transmission Owner fails to make a payment required under this Implementation Agreement, PJM, in its sole discretion, may submit the dispute to binding arbitration under this Article, seek injunctive relief under section 5.5, or seek both injunctive and arbitral remedies, and this Article shall not bar such an action for injunctive relief brought by PJM or the grant of such relief therein; provided, further, that in the event PJM fails to make a payment required under section 7.6(ii) or a refund required under this Implementation Agreement, Transmission Owner, in its sole discretion, may submit the dispute to binding arbitration under this Article, seek injunctive relief under section 5.5, or seek both injunctive and arbitral remedies, and this Article shall not bar such an action for injunctive relief brought by Transmission Owner or the grant of such relief therein.

ARTICLE 7
ADDITIONAL AND MISCELLANEOUS MATTERS

7.1 Relationship of the Parties. This Implementation Agreement shall not be interpreted or construed to create any association, joint venture, or partnership between or among the Parties or to impose any partnership obligation liability upon any

Party. No Party shall have the right, power or authority under this Implementation Agreement to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, any other Party.

7.2 No Third-Party Beneficiaries. This Implementation Agreement is intended solely for the benefit of the Parties and their respective successors and permitted assigns and is not intended to and shall not confer any rights or benefits on, any third party (other than the Parties' successors and permitted assigns) that is not a signatory hereto.

7.3 Term and Termination. This Implementation Agreement shall be effective upon the Effective Date and shall continue in effect from year to year thereafter unless and until terminated by the terms of this Implementation Agreement or by satisfaction of all obligations of each Party.

7.4 Successors and Assigns. This Implementation Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors, but except for assignments by Transmission Owner to the Rural Utilities Service (RUS) and/or the National Rural Utilities Cooperative Finance Corporation (CFC), shall not be assigned without the prior written consent of the other Party , and except, in the case of Transmission Owner, to a successor in the operation of the Transmission Facilities by reason of a merger, consolidation, reorganization, sale, spin-off, or foreclosure, as a result of which all or substantially all such Transmission Facilities are acquired by such a successor and assign, and such successor and assign expressly is made a party to this Implementation Agreement.

7.5 Force Majeure No Excuse. The occurrence of an Act of God or event of Force Majeure, as customarily defined, shall neither excuse Transmission Owner from making any payment required under this Implementation Agreement, nor excuse PJM from using best efforts to integrate Transmission Owner into PJM as anticipated by section 3.2.6.

7.6 Limitations on Liability. Neither Party shall be liable to the other Party for any claim for damages, whether direct, indirect, actual, incidental, special, punitive or consequential damages, or loss of the other Party, including, but not limited to, loss of profits or revenues, cost of capital of financing, or loss of goodwill arising from such Party's carrying out, or failing to carry out, any obligations contemplated by this Implementation Agreement. Notwithstanding the foregoing:

(i) Transmission Owner shall remain liable with respect to the payment obligations provided in this Implementation Agreement;

(ii) PJM shall be liable in the event it willfully and without justification abrogates its undertakings described in this Implementation Agreement or misappropriates or converts deposits or funds advanced hereunder by Transmission Owner; in either event, such liability shall be limited strictly to the return of any misappropriated or converted deposits or funds, together with interest; and

(iii) provided, however, that nothing herein shall be deemed to reduce or limit the obligation of any Party with respect to the claims of persons or entities not a party to this Implementation Agreement.

7.7 Governing Law. This Implementation Agreement shall be interpreted, construed and governed by the laws of the state of Delaware without regard to conflicts of law principles.

7.8 Notice. Whether or not expressly stated, all notices, demands, requests and other communications required or permitted by or provided for in this Implementation Agreement ("Notice") shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this section, and shall be delivered in person, by first class, registered or certified mail, or by overnight courier service:

For all Notices:

PJM Interconnection, L.L.C.
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497
Attn: Terry Boston
President & CEO

With a copy to:

PJM Interconnection, L.L.C.
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497
Attn: Vincent Duane
Vice President & General Counsel

East Kentucky Power Cooperative
4775 Lexington Road
P.O. Box 707
Winchester, KY 40392-0707
Attn: Don Mosier
Chief Operating Officer

7.9 Execution of Counterparts. This Implementation Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together will constitute one instrument, binding upon the Parties, notwithstanding that all such Parties may not have executed the same counterpart.

7.10 Representations and Warranties.

7.10.1 Each Party represents and warrants to the other Party that, as of the Effective Date of this Implementation Agreement as to such Party:

7.10.1.1 It is duly organized, validly existing and in good standing under the laws of the jurisdiction where organized, and qualified to do business in each state in which it is required to be so qualified;

7.10.1.2 The execution and delivery of this Implementation Agreement and the performance of its obligations hereunder have been duly and validly authorized by all requisite action on the part of the Party and do not conflict with any applicable law or with any other agreement binding upon the Party. The Implementation Agreement has been duly executed and delivered by the Party. The Implementation Agreement constitutes the legal, valid and binding obligation of the Party enforceable against it in accordance with its terms except insofar as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws affecting the enforcement of creditor's rights generally and by general principles of equity concerning such enforcement, regardless of whether such principles are applied in a proceeding at law or in equity.

7.10.2 PJM hereby disclaims any warranties, express or implied, in the provision of Transmission Owner Expansion.

7.11 Severability and Renegotiation

7.11.1 Severability. Each provision of this Implementation Agreement shall be considered severable and if for any reason any provision is determined by a court or regulatory authority of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall continue in full force and effect and shall in no way be affected, impaired or invalidated, and such invalid, void or unenforceable provision shall be replaced with valid and enforceable provision or provisions which otherwise give effect to the original intent of the invalid, void or unenforceable provision.

7.11.2 Renegotiation. If any provision of this Implementation Agreement is held by a court or regulatory authority of competent jurisdiction to be invalid, void or unenforceable, or if the Implementation Agreement is modified or conditioned by a regulatory authority exercising jurisdiction over this Implementation Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments as will restore the relative benefits and obligations of the Parties immediately prior to such holding, modification or condition. If after 60 days such negotiations are unsuccessful then this Implementation Agreement shall be deemed terminated except that the following shall survive such termination:

Section 4.1.2.2 (payment of capitalized expansion costs)
Section 4.1.3.2
Section 4.3
Section 5.1 (and subsections thereof)
Section 5.3 (and subsections thereof)
Section 5.4
Section 5.5 (and subsections thereof)
Article 6
Article 7

7.12 Headings. The article and section headings used in this Implementation Agreement are for convenience only and shall not affect the construction or interpretation of any of the provisions.

7.13 Entire Agreement. This Implementation Agreement and Schedule 3.2.5 attached hereto shall constitute the entire agreement between the Parties with respect to the subject matter hereof. There are no prior contemporaneous agreements or representations affecting such subject matter other than those expressed in this Agreement. Notwithstanding the foregoing, the Non-Disclosure Agreement executed by and between the Parties, dated April 29, 2010, shall continue in full force and effect and shall govern any continuing exchanges of information by the Parties relating to performance under this Implementation Agreement, as specifically set forth therein.

7.14 Duty to Mitigate. Each party shall take commercially reasonable measures to mitigate any costs and expenses incurred by it in performing its obligations under this Implementation Agreement.

7.15 **Standing.** The parties agree that the provisions of section 11.6 of the Operating Agreement are incorporated herein by reference and that Transmission Owner has standing, in any court or other forum of competent jurisdiction, to enforce said provisions to the same extent, and as if, it were a party to the Operating Agreement.

IN WITNESS WHEREOF, the Parties have caused this Implementation Agreement to be executed by their duly authorized representatives.

PJM Interconnection, L.L.C.
By:

Name: Andrew Ott
Title: Senior Vice President - Markets
Date:

East Kentucky Power Cooperative
By:

Name: Don Mosier
Title: Chief Operating Officer
Date: 1/5/2012

Schedule 3.2.5
Project Implementation Plan

	2012	
1.	Initial integration filing including submission of signed Implementation Agreement	approximately **First Quarter**
2.	Initial Meetings with Project Team	approximately **First Quarter**

3.	Create/Confirm Initial Assumptions	approximately **First Quarter**
4.	Develop Detailed Project Plan & Estimates	approximately **First Quarter**
5.	Create Integration Whitepaper	approximately **First Quarter**
6.	Initial PJM Stakeholder Meetings - Brief Members on: •	approximately **First Quarter**
7.	Initial Meetings with the impacted state commissions.	**March - May**
8.	Planning Retool Models	**March – May**
9.	Planning Conducts Deliverability analysis of Transmission Owner Control Area Resources	**May – June**
10.	Planning Conducts additional Stability and Blackstart analysis	**July - December**
11.	Operations Procedures Enhancements & Manual Rewrite	**June – March 2013**
12.	PJM Stakeholder Training	**June – March 2013**
13.	EMS & Markets Model Enhancements	**June – March 2013**
14.	NERC ORS Approves PJM Reliability Plan	**December**
	2013	
15.	PJM Forecast changes to IRM Projections	**January**
16.	Within reasonable time after issuance of FERC and/or Kentucky Public Service Commission order approving	**Approximately January**
17.	FERC filings for (i) OA, TOA and RAA revisions to add Transmission Owner; and (ii) Tariff rates and other Tariff revisions for a June 1st effective date	Approximately **February 1st**
18.	Planning Parameters Released for 2016/2017 Base Residual Auction	**February 1st**
19.	Conduct PJM & Transmission Owner Operator Training	**January-March**
20.	Transmission Owner Operators Complete PJM Operator Certification	**January-May**
21.	PJM EMS Expansion In Production (Contingencies Not Alarmed)	**January – February**
22.	**2013/2014** Annual ARR/FTR Allocation/Auction Process Including Transmission Owner Zones	**February – April**
23.	RFC/NERC BA & RC Certifications Complete	
24.	DA and RT Market Trials	March
25.	PJM Spring Seminar for All Operators – Training on Operational Changes with Transmission Owner Integration	**February-May**
26.	Members Approve Manual Rewrites	**March – May**
27.	Develop Migration Plan	**March - April**

28.	**2016/2017** RPM BRA Including Transmission Owner Zone	**April – May**
29.	Integration Dry Runs	**May**
30.	File report with FERC 20 days in advance of integration date to explain testing of data exchange and communication systems per Order issued March 18, 2004, in Docket No. ER04-375, 106 FERC ¶ 61,251(2004).	**May**
31.	**INTEGRATION "GO LIVE"**	**June 1st**
32.	Issue Identification/Resolution	**June 1st**
33.	Final Integration Issues Closed Out	**June - July**

Exhibit 2

RTO Configuration Map

EKPC to integrate into PJM operations on June 1, 2013

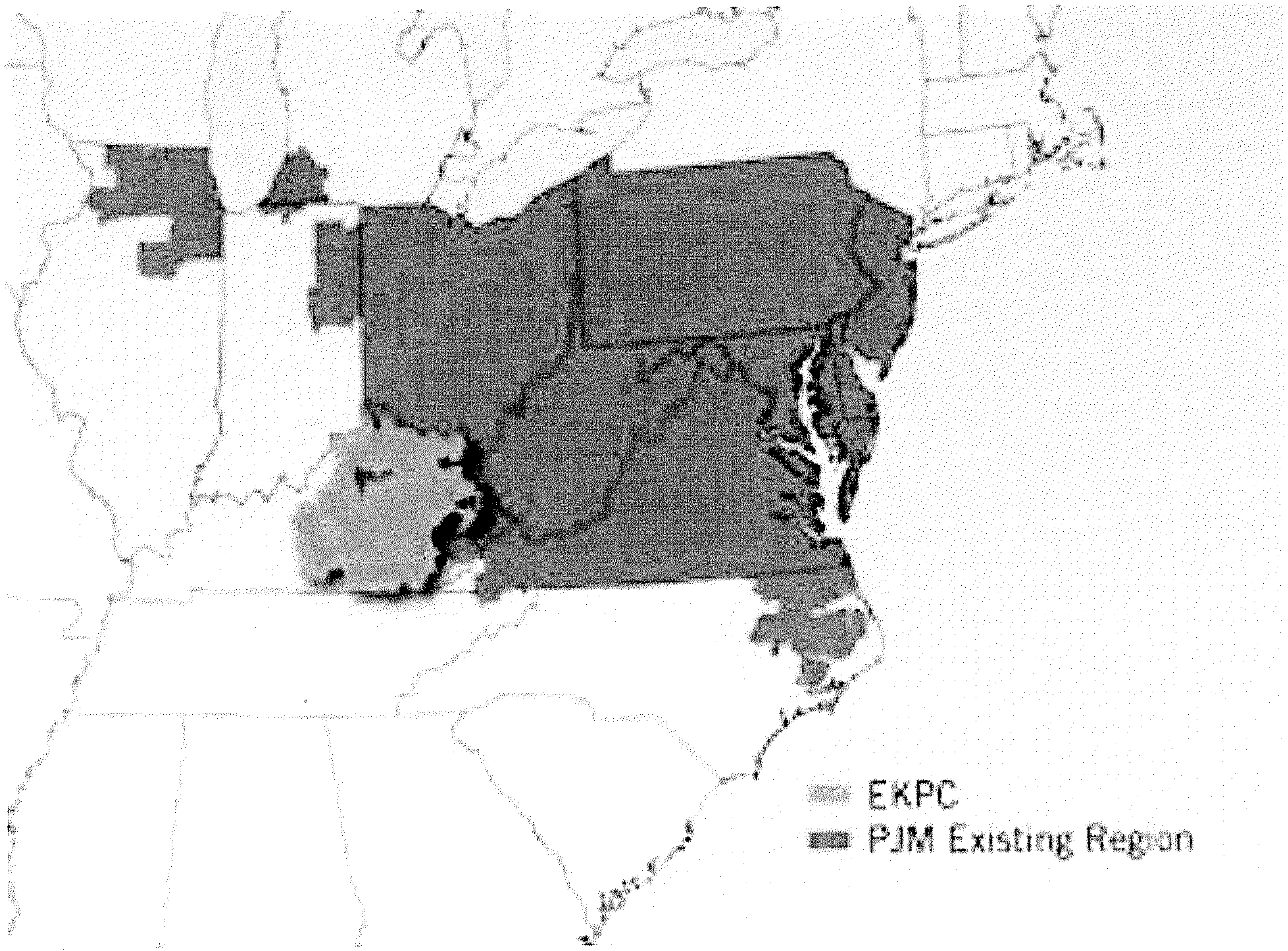

Exhibit 3

Transmission And Interconnection Customers And Interconnected Transmission Owners

EKPC's transmission system is interconnected with the following utilities:

Duke Energy Ohio, Inc.
Louisville Gas & Electric Company/Kentucky Utilities Company
City of Hamilton, Ohio
Tennessee Valley Authority

The following Transmission Customers currently serve load from the EKPC transmission system (by class):

EKPC Member Cooperatives (NITS):

Big Sandy Rural Electric Cooperative Corporation
Blue Grass Energy Cooperative Corporation
Clark Energy Cooperative, Inc.
Cumberland Valley Electric
Farmers Rural Electric Cooperative Corporation
Fleming-Mason Energy Cooperative
Grayson Rural Electric Cooperative Corporation
Inter-County Energy Cooperative Corporation
Jackson Energy Cooperative
Licking Valley Rural Electric Cooperative Corporation
Nolin Rural Electric Cooperative Corporation
Owen Electric Cooperative
Salt River Electric Cooperative Corporation
Shelby Energy Cooperative, Inc.
South Kentucky Rural Electric Cooperative Corporation
Taylor County Rural Electric Cooperative Corporation

Certified Retail Electric Providers (NITS):[17]

Louisville Gas & Electric Company/Kentucky Utilities Company
Duke Energy Ohio, Inc.

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[17] Current as of November 15, 2012.

The following third party wholesale generators are currently connected to the EKPC system (PTP):

City of Hamilton, Ohio (Greenup Hydroelectric Project, FERC Project No. 2614)
Southeastern Power Administration (Laurel Dam)

Exhibit 4

Grandfathered Transmission Agreements

LG&E/KU – Amended and Restated Interconnection Agreement between East Kentucky Power Cooperative, Inc. and Louisville Gas and Electric Company and Kentucky Utilities Company, dated September 19, 2011.

City of Hamilton, Ohio – Interconnection Agreement between East Kentucky Power Cooperative, Inc. and City of Hamilton, Ohio, dated December 5, 1995.

Exhibit 4

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

East Kentucky Power Cooperative, Inc.	)))	Docket No. ER13-478-000

ERRATA TO PETITION OF EAST KENTUCKY POWER COOPERATIVE TO SUBMIT AN OUT-OF-TIME FIXED RESOURCE REQUIREMENT PLAN TO PJM

On November 30, 2012, East Kentucky Power Cooperative, Inc. ("EKPC") submitted a petition to submit an out-of-time Fixed Resource Requirement ("FRR") Plan to PJM Interconnection, L.L.C. ("PJM") ("Petition"). In the Petition, EKPC stated that it filed a Motion for Extension of Time to Comply with Order No. 1000 ("Motion for Extension"), but incorrectly identified that docket as RM12-23-000. *See* Petition at 1 n.4. That docket should have been identified as RM10-23-000. EKPC has attached a revised Petition reflecting this correction.

Respectfully submitted this 13th day of December 2012.

Alan I. Robbins
Debra D. Roby
Alan J. Rukin
Jennings, Strouss & Salmon, P.L.C.
1350 I Street, NW, Suite 810
Washington, DC 20005-3305
(202) 370-4124
arobbins@jsslaw.com
droby@jsslaw.com
arukin@jsslaw.com

Counsel to East Kentucky Power Cooperative, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have on this 13th day of December 2012, caused a copy of the foregoing document to be served upon all those listed in the official service list in this Proceeding.

//Silma Alleyne//
Silma Alleyne
Legal Assistant
Jennings Strouss & Salmon, P.L.C.
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Admitted only in Washington, DC

November 30, 2012

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: Petition of East Kentucky Power Cooperative to Submit an Out-of-Time FRR Plan to PJM; Docket No. ER13-478-000

Dear Secretary Bose:

Pursuant to Part 35 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission[1] (the "Commission" or "FERC"), Rule 207[2] and Rule 212,[3] East Kentucky Power Cooperative, Inc. ("EKPC") submits this filing to seek waiver of certain provisions of the Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region ("RAA") and of the PJM Open Access Transmission Tariff ("PJM Tariff"), as necessary, in order to permit EKPC to submit an out-of-time Fixed Resource Requirement ("FRR") Plan to PJM (the "Initial FRR Plan"). EKPC is seeking to serve approximately 35 MW of EKPC's member load ("EKPC DEOK Zone Load") that is connected to the Duke Energy Kentucky ("Duke") transmission system (which is part of the DEOK Zone in PJM) under this Initial FRR Plan for the period February 1, 2013 through May 31, 2013. EKPC expects to fully integrate into PJM effective June 1, 2013, as EKPC previously informed the Commission.[4]

EKPC currently has in place with PJM a Network Integration Transmission Service Agreement ("NITSA") to provide EKPC with the transmission service needed to serve this load.[5] That NITSA designates certain EKPC generators as the Designated Network Resources

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[1] 18 C.F.R. Part 35 (2012).

[2] 18 C.F.R. § 385.207 (2012).

[3] 18 C.F.R. § 385.214 (2012).

[4] Motion for Extension of Time to Comply with Order No. 1000 of East Kentucky Power Cooperative, Docket No. RM10-23-000, filed October 3, 2012.

[5] PJM filed the NITSA with FERC on October 21, 2011; Docket No. ER12-167-000. The Commission accepted the NITSA for filing by a delegated letter order issued December 7, 2011.

("DNRs") from which the EKPC DEOK Zone Load is served. Those DNRs are external to PJM. Thus, the EKPC DEOK Zone Load does not currently participate in the PJM markets and instead is served by EKPC from these external DNRs.[6]

EKPC and PJM have agreed that it is not only feasible, but beneficial, for EKPC to begin serving the EKPC DEOK Zone Load under the Initial FRR Plan, described more fully below, beginning February 1, 2013. In this manner, EKPC will have an opportunity to gain experience operating under the PJM markets before integrating its full load into PJM on June 1, 2013.

The requested waiver is necessary because the PJM Reliability Pricing Model ("RPM") Base Residual Auctions for commitments in the delivery year 2013 was conducted in 2009, long before EKPC began its current efforts to integrate into PJM. In the EKPC RPM Waiver Petition,[7] EKPC indicated that it will be filing its FRR Plan for the period June 1, 2013 through May 31, 2016. That FRR Plan will cover EKPC's entire load (including the EKPC DEOK Zone Load that is the subject of this request). In contrast, the current request for leave to submit the Initial FRR Plan covers only the EKPC DEOK Zone Load, and only for the limited period of February 1, 2013 through May 31, 2013.

EKPC and PJM have been closely coordinating and are continuing to coordinate on all of the arrangements and filings necessary to effectuate EKPC's integration into PJM, including the proposed Initial FRR Plan that is the subject of this Filing. EKPC respectfully requests that the Commission issue an order authorizing EKPC's participation in the PJM markets under the Initial FRR Plan effective as of February 1, 2013. PJM has authorized EKPC to represent to the Commission that PJM has reviewed a draft of this filing and that PJM supports this filing.

A. Description of EKPC

EKPC is an electric generation and transmission cooperative formed under Chapter 279 of the Kentucky Revised Statutes. EKPC owns approximately $3.1 billion in assets, serving approximately 521,000 customers in 87 Kentucky counties through its sixteen member distribution cooperatives. EKPC owns and/or purchases nearly 3,100 MW of electric generation capacity and approximately 2,800 miles of electric transmission lines. Kentucky Power ("AEP"), Duke Energy Ohio, Inc. ("Duke") and Louisville Gas & Electric Company/Kentucky

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[6] As discussed with PJM, EKPC intends to terminate the current NITSA and replace it with a new NITSA, effective as of February 1, 2013, in order to provide the transmission service needed to effectuate the out-of-time FRR Plan. The principle difference between the existing and forthcoming NITSAs is that the current NITSA designates EKPC's external generation as the DNRs for the designated load, whereas, the new NITSA will provide for the load to be served out of the PJM markets. Additionally, EKPC will also designate Capacity Resources as required by the PJM Tariff.

[7] On November 15, 2013, EKPC filed its request for a waiver in order to permit it to participate in the PJM Spring 2013 RPM Base Residual Auctions for DY2016-17; Docket No. ER13-414-000 (the "EKPC RPM Waiver Petition"). That waiver request is pending.

Utilities Company ("LG&E/KU") each utilize the EKPC transmission system to serve a portion of their respective retail loads in Kentucky.[8]

B. The Proposed Initial FRR Plan

EKPC is seeking to submit the Initial FRR Plan in order to serve the EKPC DEOK Zone Load through the PJM capacity and energy markets for the period February 1, 2013 through May 31, 2013. This load is currently served through the Smith and Downing substations, which are connected to transmission facilities owned by Duke Energy and that comprise the DEOK Zone within PJM. The EKPC DEOK Zone Load is presently served by EKPC under dynamic interchange arrangements between EKPC and PJM. Consequently, EKPC currently obtains transmission service from PJM to serve that load but does not otherwise participate in the PJM markets. The objective of the Initial FRR Plan is to terminate the dynamic interchange arrangements to enable EKPC to serve the EKPC DOEK Zone Load from the PJM markets prior to the integration of EKPC's total load into PJM as of June 1, 2013.

EKPC is requesting approval for exemption or waiver from certain provisions of the RAA and the obligations under Attachment DD of the PJM Tariff[9] with respect to the EKPC DEOK Zone Load during the period from February 1, 2013 through May 31 2013 (the "Interim Period"). Prior to May 31, 2013, and as a part of its filings to implement its integration into PJM, EKPC intends to file a revised and expanded FRR Plan adequate to meet EKPC's transitional RPM obligations as it is fully integrated into PJM.

The waiver of certain provisions of the RAA and the PJM Tariff proposed for the Initial FRR Plan are limited to provisions affected by the out-of-time nature of EKPC's proposal to serve the EKPC DEOK Zone Load during the Interim Period. The provisions for which EKPC is seeking waiver as part of the Initial FRR Plan are contained in the FRR Alternative as stated in Schedule 8.1 of the RAA and apply to requirements for the timing of submitting a FRR filing and the duration of the FRR Plan. EKPC proposes to adhere to all other applicable RAA provisions governing FRR Plans.

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[8] AEP, Duke and LG&E/KU each take transmission service from EKPC to serve certain of their retail customers, but EKPC has no reason to think that these entities will require any integration auctions. AEP and Duke are already integrated into PJM, and LG&E/KU is a stand-alone company. The LG&E/KU load served from the EKPC transmission system is part of the LG&E/KU Balancing Authority, and LG&E/KU, EKPC, and PJM intend to continue to treat it as such. Additionally, the City of Hamilton, Ohio's Greenup Hydroelectric Project (FERC Project No. 2614) is interconnected with EKPC's transmission system at EKPC's Argentum Substation. Hamilton's municipal electric system is interconnected with DEOK's transmission system and thus is now in PJM's DEOK Zone.

[9] PJM Interconnection, L.L.C., FERC Electric Tariff, Sixth Revised Volume No. 1, Sixth Revised Sheet No. 562, Superseding Fifth Revised Sheet No. 562; *PJM Interconnection L.L.C.*, Order Denying Rehearing and Approving Settlement Subject to Conditions, 117 FERC ¶ 61,331 (2006), Order on Rehearing and Clarification and Accepting Compliance Filing, 119 FERC ¶ 61,318 (2007), Order Denying Rehearing, 121 FERC ¶ 61,173.

Under the proposed Initial FRR Plan, EKPC will designate capacity in EKPC's H.L. Spurlock Station ("Spurlock") as the Capacity Resource[10] that will supply the EKPC DEOK Zone Load under the Initial FRR Plan. EKCP will designate capacity from Spurlock in an amount adequate to satisfy the criteria for an FRR Alternative Capacity Plan for the EKPC DEOK Zone Load under Schedule 8.1 of the RAA and the applicable PJM rules and Manuals.

Because there is no third party wholesale or retail wheeling load included in the EKPC DEOK Zone Load, no other parties are affected by the Interim FRR Plan.

There are several additional timing-related waivers requested by EKPC as a part of this filing:

1. EKPC is requesting waiver of Section C.1 of Schedule 8.1 of the RAA, along with any applicable corresponding or related provisions of any PJM Manual, to the extent the provision(s) would have required EKPC to submit an FRR Plan prior to the Base Residual Auctions for the period including the Interim Period, or which would otherwise restrict EKPC's compliance with the RAA and the PJM Tariff for the Initial FRR Plan.

2. EKPC seeks waiver of Section C.2 of Schedule 8.1 of the RAA regarding notice of termination, to the extent any such waiver is necessary due to the short duration and pre-determined termination date for the Initial FRR Plan.

3. EKPC seeks waiver of the provisions of Section D.1 of Schedule 8.1 of the RAA regarding the requirement to update the Initial FRR Plan one month prior to the PJM Base Residual Auction. The Base Residual Auction for the period covering the term of the Initial FRR Plan will have already occurred prior to the requested effective date for the Initial FRR Plan.

EKPC assumes all other requirements applicable to FRR plans, in general, will fully apply to the Interim FRR Plan, absent any further filing with the Commission that affects the Interim FRR Plan.

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10 Spurlock meets the requirements for qualifying as a Capacity Resource under the RAA as it is existing and operating generating capacity that is owned by EKPC and is not and will not be dedicated to other uses during the effective period of the Interim FRR Plan. Spurlock is an External Resource, but the transmission path is through EKPC's PJM interconnection, where the transmission to the EKPC DEOK Zone Load is covered under the existing NITSA. As previously discussed, EKPC and PJM anticipate that the existing NITSA will be terminated and replaced with a new NITSA, effective as of February 1, 2013, in order to reflect the update the designation of resources.

C. Communications

Communications regarding this proceeding should be directed to the following individuals, who should also be designated for service on the Secretary's official service list for this proceeding:

Mr. David Smart, General Counsel
Mr. Sherman Goodpaster, Senior Corporate Counsel
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P.O. Box 707
Winchester, KY 40391
(859) 744-4812
david.smart@ekpc.coop
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Alan I. Robbins, Esq.
Debra D. Roby, Esq.
Alan J. Rukin, Esq.
Jennings, Strouss & Salmon, P.L.C.
1350 I Street, NW, Suite 810
Washington, DC 20005-3305
(202) 371-9030
arobbins@jsslaw.com
droby@jsslaw.com
arukin@jsslaw.com

D. Request for Wavier of Any Additional Requirements

EKPC respectfully requests waiver of any requirements of 18 C.F.R. § 35.13 that have not been fulfilled by this filing. In addition, EKPC respectfully requests waiver of any other Commission rule or regulation as may be necessary to permit the Commission to grant the requested relief.

E. Conclusion

WHEREFORE, for the foregoing reasons, EKPC respectfully requests that the Commission issue an order by January 15, 2013 approving its proposal to submit an out-of-time Initial FRR Plan to PJM to allow EKPC to serve the EKPC DEOK Zone Load for pre-integration period of February 1, 2013 through May 31, 2013.

Respectfully submitted this 30th day of November 2012.

Alan I. Robbins, Esq.
Debra D. Roby, Esq.
Alan J. Rukin, Esq.
Jennings, Strouss & Salmon, P.L.C.
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arukin@jsslaw.com

Counsel to East Kentucky Power Cooperative, Inc.

Exhibit 5

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities	)	Docket No. RM10-23-000

INFORMATIONAL FILING OF EAST KENTUCKY POWER COOPERATIVE, INC.

Pursuant to the Federal Energy Regulatory Commission's ("Commission") Order dated October 12, 2012,[1] East Kentucky Power Cooperative, Inc. ("EKPC") submits this informational filing advising that EKPC's application before the Kentucky Public Service Commission ("KY PSC") to transfer functional control of certain transmission facilities to the PJM Interconnection, L.L.C. ("PJM") Regional Transmission Organization has been approved.

On October 3, 2012, EKPC submitted a request to the Commission seeking an extension of time to comply with the regional transmission planning and cost allocation directives of Order Nos. 1000 and 1000-A. In its request, EKPC explained that it was taking active measures to integrate into PJM by June 1, 2013, and, if successful, such integration would accomplish compliance with the requirements of Order Nos. 1000 and 1000-A. EKPC also informed the Commission that at that time, its petition before the KY PSC to obtain approval to integrate with PJM was pending and that an Order from the KY PSC was expected by December 31, 2012. EKPC committed to providing the Commission a status report within 10 days of receiving the KY PSC order, or by January 10, 2013, whichever came first. The Commission granted EKPC's

[1] *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, 141 FERC ¶ 61,029 at P 5 (2012) (Letter Order granting EKPC's request for extension of time).

requested extension to March 30, 2013, and accepted EKPC's commitment to file the aforementioned status report.[2]

Accordingly, EKPC hereby informs the Commission that on December 20, 2012, the KY PSC issued an order granting EKPC's petition to transfer functional control of certain transmission facilities to PJM. A copy of the KY PSC order is attached hereto as Attachment A. EKPC continues taking active steps toward achieving the anticipated integration date of June 1, 2013. Most recently, EKPC filed with the Commission a request to participate in the PJM Reliability Pricing Model Base Residual Auction[3] and a request to submit an out-of-time Fixed Resource Requirement Plan to PJM.[4] Both EKPC and PJM expect to make various additional filings with the Commission by the end of the first quarter of 2013.

Respectfully submitted this 27th day of December 2012.

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[2] *Id.*

[3] Request to Participate in the PJM Reliability Pricing Model Base Residual Auction, *East Kentucky Power Cooperative, Inc.*, Docket No. ER13-414-000 (Nov. 15, 2012).

[4] Request to Submit Out-of-Time Fixed Resource Requirement Plan, *East Kentucky Power Cooperative, Inc.*, Docket No. ER13-478-000 (Nov. 30, 2012).

CERTIFICATE OF SERVICE

I hereby certify that I have on this 27th day of December 2012, caused a copy of the foregoing document to be served upon all those listed in the official service list in this Proceeding.

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Attachment A

KY PSC Order Approving EKPC's Request To Transfer Functional Control Of Transmission Facilities To PJM

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. TO TRANSFER FUNCTIONAL CONTROL OF CERTAIN TRANSMISSION FACILITIES TO PJM INTERCONNECTION, LLC	)))))	CASE NO. 2012-00169

ORDER

On May 3, 2012, East Kentucky Power Cooperative, Inc. ("EKPC") filed an application seeking approval, pursuant to KRS 278.218, to transfer functional control of certain transmission facilities to the PJM Interconnection, L.L.C. ("PJM") effective June 1, 2013. EPKC is organized under KRS Chapter 279 as an electric generating and transmission cooperative and is a utility subject to the jurisdiction of the Commission.[1] Intervention in this case was requested by, and granted to: the Attorney General's Office, Rate Intervention Division ("AG"); PJM; Gallatin Steel Company ("Gallatin Steel"); and Kentucky Utilities Company and Louisville Gas and Electric Company ("KU/LG&E").

By Order dated June 7, 2012, the Commission established a procedural schedule for this case which included two rounds of discovery on EKPC, the opportunity for intervenors to file testimony, one round of discovery on intervenors, and a public hearing. Informal conferences were held at the Commission's offices on October 12,

[1] KRS 279.210(1).

19, and 26, 2012. A public hearing was held at the Commission's offices on November 7, 2012, and EKPC has requested the Commission to issue a decision in this case by December 31, 2012, to provide adequate time for EKPC to complete the preliminary steps needed to accomplish the transfer of control by June 1, 2013.

Standard of Review

EKPC's application is subject to the Commission's jurisdiction under KRS 278.218, which governs a change in ownership or control of assets of an electric utility where those assets have an original book value of $1,000,000 or more. That statute provides, in part, that "[t]he commission shall grant its approval if the transaction is for a proper purpose and is consistent with the public interest."[2] While the statute does not define "public interest," the Commission has, in the context of a transfer of a utility, interpreted the "public interest" as follows:

> [A]ny party seeking approval of a transfer of control must show that the proposed transfer will not adversely affect the existing level of utility service or rates or that any potentially adverse effects can be avoided through the Commission's imposition of reasonable conditions on the acquiring party. The acquiring party should also demonstrate that the proposed transfer is likely to benefit the public through improved service quality, enhanced service reliability, the availability of additional services, lower rates or a reduction in utility expenses to provide present services. Such benefits, however, need not be immediate or readily quantifiable.[3]

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[2] KRS 278.218(2).

[3] Case No. 2002-00018, *Application for Approval of the Transfer of Control of Kentucky-American Water Company to RWE Aktiengesellschaft and Thames Water Aqua Holdings GmbH*, at 7 (Ky. PSC May 30, 2002).

This standard establishes a two-step process: First, there must be a showing of no adverse effect on service or rates; and second, there must be a demonstration that there will be some benefits.[4]

While the application in this case involves the transfer of functional control of utility assets, rather than a transfer of ownership of a utility, the same criteria apply in determining whether the proposed transfer satisfies the "public interest" standard.

EKPC's Application

EKPC has almost 3,100 MW of generation and 2,800 miles of transmission lines. It provides generating and transmission service at wholesale to, and is owned by, its 16 member electric distribution cooperatives who, in turn, provide retail electric service to approximately 521,000 customers in 87 Kentucky counties. PJM is a regional transmission organization ("RTO") that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia. PJM also operates an energy market and a capacity market. The energy market sets a market price for electricity by matching supply and demand for both a day-ahead and a real-time market. The capacity market uses a three-year planning horizon to create a long-term price signal for the cost of capacity needed to reliably serve load within the PJM system.

EKPC has been a member of PJM since 2005 for purposes of participating in its energy market and to reserve transmission service within the PJM region. This has allowed EKPC the ability to purchase and sell energy in PJM and to reserve firm and

[4] Case No. 2002-00475, *Application of Kentucky Power Company d/b/a American Electric Power, for Approval, to the Extent Necessary, to Transfer Functional Control of Transmission Facilities Located in Kentucky to PJM Interconnection, L.L.C. Pursuant to KRS 278.218* (Ky. PSC Aug. 25, 2003).

nonfirm transmission service. EKPC's current PJM membership is in its capacity as an "Other Supplier" under the PJM Operating Agreement and as an electric utility under the terms of PJM's Open Access Transmission Tariff ("OATT"). EKPC now requests authority to fully integrate into PJM by transferring to it functional control of all of EKPC's transmission lines and substations that operate at 100 kv and above. If the Commission approves the transfer, EKPC will be required to execute the PJM Transmission Owners Agreement and the PJM Reliability Assurance Agreement, transfer functional control of 100 kv and above transmission assets to PJM, and participate in the PJM markets. EKPC will then have the option of changing its membership status to either a Transmission Owner or a Generation Owner in PJM.

EKPC states that over the past decade it had periodically assessed whether to join a RTO, but concluded that membership would not be cost-effective. Then in 2010, the Commission hired Liberty Consulting Group ("Liberty") to conduct a focused management audit of EKPC. One of the audit findings was that the benefits of membership in a RTO could now well outweigh any costs, and Liberty recommended that EKPC hire an independent consultant to perform a detailed assessment of the costs and benefits of a RTO membership.

As a result, in 2010, EKPC engaged ACES Power Marketing ("ACES") to conduct a preliminary directional analysis of various energy- and capacity-market scenarios. ACES, which provides energy-trading and risk-management services, is owned by EKPC and 18 other power supply cooperatives, and for some years has performed power-marketing functions for EKPC. The ACES analysis concluded that fully integrating into PJM was economically advantageous.

EKPC then decided to engage another independent consultant to provide a more detailed analysis of RTO costs and benefits. After conducting a competitive bidding process, EKPC retained Charles River Associates ("CRA") in 2011 to conduct a second review, which was independent of the ACES directional analysis. The CRA Report, dated March 20, 2012, concluded that the net expected economic benefit of EKPC joining PJM, based on a 10-year present value, was $142 million. The CRA Report was based on an EKPC load forecast performed in 2010 and refreshed in 2011.[5] In accordance with the requirements of the Rural Utilities Service ("RUS"), EKPC began to perform a new load forecast in 2012, which indicated some changes from the refreshed 2010 forecast. A copy of EKPC's interim 2012 forecast was sent to CRA with a request that it supplement its March 20, 2012 Report to reflect this most recent forecast, updated assumptions related to bilateral seasonal capacity swaps, and reduced costs for PJM's Regional Transmission Expansion Plan due to the termination of two major projects.[6] The CRA Supplemental Report, dated September 10, 2012, affirmed all of CRA's prior findings, but reflected a decrease to $131.9 million for the 10-year present value benefits of joining PJM.

CRA concluded that EKPC could achieve three key benefits from membership in PJM:

1. Trade benefits consisting of more efficient commitment and dispatch of EKPC's generating resources leading to lower adjusted production costs for EKPC (i.e., fuel, variable operations and maintenance expenses, and emission costs). By

[5] EKPC Supplemental Response to AG Data Request Item 31, p.1 of 12, filed Sept. 10, 2012.

[6] *Id.* at 2 of 12.

decreasing impediments to trade and fully participating in PJM's integrated regional energy market, EKPC will be able to purchase more power at lower costs to substitute for higher-cost generation on its own system;

2. Impacts on PJM's capacity market resulting from EKPC being a winter-peaking utility while PJM is a summer-peaking system, which creates advantageous peak-load diversity for EKPC relative to PJM as a whole, results in significantly less planning reserves needed by EKPC, and produces cost savings by maintaining a lower reserve margin. EKPC also requests authority to bid its customers' interruptible load into the PJM demand-response program to provide additional revenue; and

3. Avoided long-term, firm point-to-point transmission charges of approximately $7.5 million annually that EKPC is currently paying.

EKPC also identified three major challenges it must face as a result of not being a fully integrated member of an RTO. First, operating as a stand-alone dispatch control area and balancing authority is becoming increasingly challenging for EKPC, which is surrounded by PJM to the north and east, KU and LG&E to the west, and the Tennessee Valley Authority ("TVA") to the south. Without a RTO membership, EKPC would have to rely upon its own resources or those of its neighbors to match generation to load, which is not always the most economic choice due to transmission constraints.

Second, the cost of securing firm transmission access to regional energy markets is increasing. For EKPC to engage in the sale of excess energy or to make economic energy purchases, it must ensure the availability of a reliable and firm transmission path between the market and the EKPC system. To secure this requisite transmission path, EKPC purchased 400 MW of long-term, firm point-to-point transmission service to facilitate importing power to meet its reserve and economic purchase needs. Maintaining this 400 MW transmission path costs EKPC approximately $7 million per year.

Third, EKPC must maintain an adequate amount of capacity reserve in order to safely and reliably operate its system. Currently, for planning purposes, EKPC has an internal target to maintain a 12 percent capacity reserve margin on its winter peak load, or approximately 360 MW. In addition, EKPC must carry operating reserves during all periods of time. EKPC currently relies on the TEE Contingency Reserve Sharing Group ("TCRSG"), along with TVA, KU, and LG&E, to meet the North American Electric Reliability Council imposed contingency reserve standards. As part of this arrangement, EKPC must hold back 94 MW of reserves it could otherwise sell on the market. This reserve sharing limits EKPC's fleet-wide plant optimization, making its generation dispatch less optimal.

In addition to identifying these three challenges that would be ameliorated by membership in PJM, EKPC indicated that there were a number of non-quantifiable benefits of PJM's membership. They include being better positioned to respond to future federal environmental and regulatory requirements and the structural protections in place to safeguard the integrity and stability of the PJM markets.

Positions of the Parties

AG

The AG is of the opinion that EKPC has met its burden of establishing that the proposed transfer of its transmission assets to PJM is for a proper purpose and is consistent with the public interest. The AG notes that the proposed transfer will not adversely affect EKPC's level of service, but rather will save ratepayers money while allowing the EKPC system to become more efficient and reliable. The AG also recognizes the concerns expressed by KU/LG&E (as discussed below) and recommends that EKPC, PJM, and KU/LG&E develop mutually satisfactory conditions upon which all may agree and which will ensure that no harm will result to the transmission or rates for either utility's members or ratepayers.

Gallatin Steel

Gallatin Steel also supports EKPC's request, asserting that the transfer of control of certain of EKPC's transmission facilities to PJM is for a proper purpose and consistent with the public interest. Gallatin Steel notes that EKPC's full integration into PJM would result in multiple benefits, including lower adjusted production costs due to more efficient generation resource commitment and dispatch, significantly lower planning reserves, and avoided long-term firm point-to-point transmission charges. Gallatin Steel takes no issue with the conclusions in the CRA Report that EKPC would achieve an estimated net benefit should it fully integrate into PJM.

KU/LG&E

KU/LG&E have taken no position on the issue of whether EKPC should or should not be authorized to join PJM. Rather, KU/LG&E have focused exclusively on the potential impacts to the KU/LG&E system and to their respective ratepayers in the event that EKPC becomes a full member of PJM.

EKPC's and KU's systems are heavily interconnected, given the geographic proximity of the two systems and the fact that the companies share 67 interconnection points between their transmission systems. The companies also use each other's facilities to serve their respective customers through numerous load interconnection points. KU/LG&E serve over 100 MW (peak) of their native-load using EKPC's transmission system. EKPC serves approximately 450 MW of its native-load customers' load using KU/LG&E's transmission system. EKPC and KU/LG&E are signatories to a Network Integration Transmission Service Agreement which provides for KU/LG&E to pay EKPC formula rates to use EKPC's transmission system. The EKPC formula rates are set forth in EKPC's OATT, which is under the exclusive jurisdiction of the Federal Energy Regulatory Commission ("FERC"). Currently, KU/LG&E pay cost-based rates under EKPC's transmission tariff that are calculated using EKPC's transmission-asset rate base. KU/LG&E include these transmission costs in their base rates.

Although KU/LG&E do not object to EKPC's full integration into PJM, KU/LG&E contend that EKPC's full membership in PJM will increase EKPC's transmission rates by changing the calculation methodology to reflect PJM costs and requirements. This will impose new costs and risks on KU/LG&E and their customers unless EKPC and PJM commit to hold KU/LG&E harmless from the impacts of this transaction. KU/LG&E also expressed concerns over the potential negative impact on the TCRSG as a result of EKPC's decision to fully join PJM, and they recommend that if the transaction is approved it should be conditioned on a requirement that EKPC and PJM develop a plan for how EKPC can fulfill its obligations as a member of TCRSG, and require that the plan be completed and vetted with LG&E/KU and TVA.

Stipulation and Recommendation

A Stipulation and Recommendation ("Stipulation") dated November 2, 2012, was filed in the record on November 7, 2012. The Stipulation relates solely to the issues raised by KU/LG&E, and was signed by, and agreed to by, KU/LG&E, EKPC, PJM and the AG. The remaining party to this case, Gallatin Steel, did not agree to the Stipulation, but did sign it as "Hav[ing] No Objection."[7] The Stipulation is in general intended to hold KU/LG&E harmless from any cost increases or other adverse effects they might incur as a result of EKPC joining PJM. The Stipulation provides, in pertinent part, as follows:

1. KU/LG&E, EKPC, and PJM shall work together, subject to FERC approval, to keep the KU/LG&E load served by the EKPC transmission system as part of the KU/LG&E balancing authority by use of a pseudo-tie between PJM and KU/LG&E, with each party bearing its own cost to implement this arrangement;

2. KU/LG&E shall pay for transmission service provided by EKPC for deliveries to the KU/LG&E load in accordance with the terms of the PJM OATT applicable to the EKPC pricing zone, subject to change based on EKPC's revenue requirements;

3. PJM shall not charge KU/LG&E any other rates or charges that are assessed on load in the PJM markets;

4. KU/LG&E will contract with EKPC for ancillary services at the terms and conditions set forth in EKPC's OATT, Schedules 1 and 2, subject to change based on EKPC's costs, not PJM's costs;

[7] A copy of the Stipulation is attached to this Order as an Appendix and is incorporated herein.

5. EKPC and PJM will work with KU/LG&E and TVA to develop a plan for how EKPC can continue to fulfill its reserve obligation as a member of TCRSG after it becomes a member of PJM;

6. If FERC does not approve the requisite terms of the Stipulation, EKPC agrees to not unilaterally pursue integration into PJM, but EKPC will work in good faith with KU/LG&E to achieve a resolution acceptable to all parties, FERC, and the Commission;

7. EKPC's load served from the KU/LG&E transmission system is within the PJM balancing authority, will be treated as EKPC zonal load, and will pay the KU/LG&E OATT;

8. EKPC and PJM agree to maintain the current interconnection agreement with KU/LG&E, including the amended September 2011 interconnection agreement between EKPC and KU/LG&E;

9. PJM agrees to recognize and honor flowgates identified by LG&E and KU to their reliability coordinator, TVA;

10. PJM agrees to provide KU/LG&E with modeling information and results of analyses related to critical contingencies identified in network integration studies for EKPC; and

11. The Commission shall retain jurisdiction following EKPC's transfer of transmission assets to monitor and enforce the provisions of the Stipulation and shall have jurisdiction over PJM for purposes of enforcing PJM's commitments to the extent not inconsistent with FERC jurisdiction and to the extent any requisite FERC approvals have been granted.

Commission Findings

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that EKPC has filed a significant amount of evidence, consisting of expert testimony and financial analysis, to support its application to join PJM. EKPC filed the CRA Report and Supplemental Report to demonstrate that the benefits of membership in PJM outweigh the costs. CRA performed its cost/benefit analysis using existing state-of-the-art modeling tools: GE MAPS, a dispatch model which estimates the locational marginal price, as well as the North American Electricity and Environment Model ("NEEM"), which takes into account environmental requirements and likely plant retirements. The NEEM modeling outputs (which include fuel cost and variable operation and maintenance costs) were used as inputs into the GE MAPS modeling of prices at different locations in the PJM system.

CRA also utilized their own extensive experience in estimating costs and benefits of RTO membership. CRA used the study period 2013-2022, based upon that experience, and projected costs and benefits on an annual basis throughout the study period, as well as cumulatively for the 10-year period on a net present value basis.

As described in the Supplemental Report, CRA estimated $40 million in trade benefits over the study period. In general, this is the benefit of being able to sell excess generation into the PJM Market, taking into account the production costs associated with that generation as well as the benefit associated with being able to buy needed generation or generation that is less expensive than EKPC can generate at any given time.

CRA also estimated positive PJM capacity market impacts for EKPC by participating in PJM's Reliability Pricing Model ("RPM"). Under the RPM forward market construct, PJM annually conducts an auction in May for generation owners to make capacity available three years in advance of the delivery year and for load serving entities to buy capacity as needed for that delivery year. Thus, in May 2013, PJM will conduct a capacity auction for the June 2016 – May 2017 delivery year. The capacity auction includes not only generation capacity but also demand response and transmission assets as resources. As a participant in RPM, EKPC may bid its entire generation capacity into the market and receive the market price for that generation, while simultaneously purchasing at the market price the generation needed to serve its load. Alternatively, EKPC can elect to self-supply its generation needs by participating under a Fixed Resource Requirement ("FRR") for capacity. Under the FRR, EKPC can use its own generation and any capacity available to it under bilateral contracts to meet its load, with any capacity shortfall or excess being bought or sold in the PJM capacity market at market prices.

EKPC has requested authorization to participate under RPM, although the two other Kentucky jurisdictional utilities in PJM, Duke Energy Kentucky, Inc. and Kentucky Power Company, have always participated under FRR. EKPC notes that it is a winter-peaking utility and now must meet a 12 percent generation planning reserve requirement, which currently equates to 360 MW, in both the winter and the summer season. However, PJM is a summer peaking system and, if EKPC becomes a member of PJM and participates in RPM, EKPC will be required to hold a much smaller planning reserve requirement of 2.8 percent, which currently equates to 70 MW, during the summer season only. The ability to maintain a lower reserve margin is expected to produce additional revenue for EKPC, since any generating capacity in excess of its load and reserve margin can be sold at the PJM capacity market price. These capacity market benefits are substantial, and are expected to yield $137 million over the study period.

In addition to the benefit of EKPC's seasonal load diversity with the PJM system, EKPC will be allowed to maintain a lower reserve margin as a participant under RPM. If EKPC participates under FRR, it would be required to hold back an additional three percent of its reserve requirement, thereby reducing the amount of generation capacity it could sell for delivery into the PJM summer peaking market. This additional hold back of three percent is estimated to reduce EKPC's capacity market benefits by $3 million to $9 million annually.

Due to the three-year future delivery year structure for RPM, capacity auctions for the 2013-2014, 2014-2015, and 2015-2016 delivery years have already taken place. Thus, upon joining PJM, EKPC will be required to initially participate in FRR. Although existing PJM rules require a FRR participant to provide five years notice before switching to RPM, EKPC and PJM will seek a waiver from FERC to allow EKPC to switch at the start of the 2016 RPM auction year.

The final area of benefits to accrue to EKPC is the elimination of the long-term firm point-to-point transmission charges that are associated with the annual reservation of 400 MW of transmission capacity on the PJM system. This transmission capacity currently is needed by EKPC to economically meet its load requirements during certain times of the year. As a member of PJM, EKPC will be entitled to receive transmission service without paying this $7.5 million annual charge, resulting in estimated benefits of $56.1 million over the 2013-2022 study period.

The cost of RTO membership includes annual administrative charges payable to PJM and FERC. Over the 10-year study period, these amount to $35 million to PJM and $7.7 million to FERC. EKPC is also expected to incur one-time costs and ongoing costs for equipment and personnel needed to interface with PJM, for a total of $5.6 million over the study period. Finally, there will be net transmission costs estimated at $53 million over the study period. This category is comprised of two components: EKPC's share of costs for the expansion of transmission facilities throughout the entire PJM region; and EKPC's share of transmission revenues allocated to transmission owning members in PJM for firm point-to-point transmission service. Both of these components are calculated on a pro rata basis to all members.

In summary, CRA estimates that over the 10-year study period, EKPC will see a net economic benefit of approximately $131.9 million associated with membership in PJM. Subject to rounding, as set forth in the CRA Supplemental Report, the estimated cost and benefit values, expressed on a net present value basis, are summarized in the table below:[8]

[8] *Id.* at 11 of 12.

Category	Costs	Benefits
Administrative Costs	$48.3 Million	
Transmission Costs	$53.0 Million	
Trade Benefits		$40.0 Million
Capacity Benefits		$137.0 Million
Avoided PTP Transmission Charges		$56.1 million
Subtotal	$101.3 Million	$233.1 Million
Net Benefits		$131.9 Million

The Commission finds that EKPC has demonstrated that membership in PJM will not have an adverse impact on its rates or quality of service, and that there will be substantial benefits from cost savings in each of the years covered by the study period, including PJM planning years 2016-2023 in which EKPC seeks to participate in RPM. Consequently, EPKC's request to transfer functional control of its transmission assets to PJM effective June 1, 2013 is for a proper purpose, is consistent with the public interest, and should be approved. The Commission will, therefore, authorize EKPC to execute the PJM owners Agreement and the PJM Reliability Assurance Agreement, copies of which were attached to the EKPC's application as Exhibits 5 and 6, and all other documents and agreements necessary to effectuate EKPC's full integration into PJM. We will also approve EKPC's participation in RPM, with the caveat discussed below relating to annual reporting and reviews.

The Commission further finds that approval of EKPC's Application will not diminish the Commission's jurisdiction or authority with respect to: (1) the Commission's review and prescription of rates for EKPC based upon the value of EKPC's property used to provide electric service; (2) EKPC's obligation of to file any Integrated Resource Plans or any other information required under Commission statute, regulation, or Order; (3) EKPC's obligation to provide bundled generation and transmission service to its members; and (4) EKPC's obligation to obtain any Certificate of Public Convenience and Necessity or Site Compatibility Certificate that may be required prior to commencing construction of an electric generation or transmission facility. In addition to needing Commission approval to join PJM, EKPC also needs approval of FERC and will seek the consent of the RUS. To properly keep the Commission fully informed, EKPC should file a report by the seventh day of each month, beginning with February 2013, describing the prior month's actions related to its efforts to join PJM. The monthly reports should include the status of FERC proceedings and RUS review, copies of any other agency decisions approving, approving with conditions, or denying membership in PJM, and the date that either functional control of EKPC's transmission assets are transferred to PJM or the proposed transfer is terminated.

EKPC has requested that, in conjunction with membership in PJM, each of its customers' interruptible loads under contact and under its Direct Load Control program be authorized to be included in PJM's Demand Response program as of the date of membership. The Commission recognizes that EPKC is not requesting authority for the retail customers who participate by contract or tariff in an interruptible load control program to participate, either directly or through a third party, in any PJM Demand Response program. Rather, the request is for authorization for EKPC, as the generation supplier, to be the participant in the PJM Demand Response programs so that EKPC can bid into PJM the interruptible load that is available to EKPC under contract or tariff.

The Commission recognizes that the PJM Demand Response program can be an effective planning tool with potential benefits for both EKPC and PJM, and we encourage EKPC to have a dialogue with its customers to utilize this tool in such a way as to maximize those benefits. We find that EKPC's participation in the PJM Demand Response program on behalf of its 16 member cooperatives and their retail customers is reasonable, provided that each existing or new interruptible load contract or tariff has been filed with and accepted or approved by the Commission. In the event that EKPC determines in the future that it will be beneficial to its system to allow retail interruptible customers to participate, directly or through third parties, in the PJM Demand Response program, EKPC and its member cooperatives will need prior Commission approval of new contracts or amendments to existing contracts and tariffs.[9] EKPC should review all existing interruptible contracts and its two existing tariffs, designated as Section D–Interruptible Service and Section F–Voluntary Interruptible Service, to ensure compliance with the terms of this Order and the PJM Demand Response program and file revisions as appropriate or needed within 30 days.

With respect to the Stipulation, the Commission finds that the terms, conditions, and commitments contained therein are reasonable and should be accepted as a complete resolution and satisfaction of the issues raised in this case by KU/LG&E. The Commission commends the parties, particularly PJM, for their diligent efforts to work in a collaborative manner to structure an agreement that will ensure no adverse impacts to KU/LG&E, while preserving for EKPC all of the benefits that are projected to accrue from membership in PJM. The Commission also recognizes that on December 5, 2012,

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[9] The same requirement for Commission approval of retail customer participation in PJM Demand Response was imposed in Case No. 2010-00203, *Application of Duke Energy Kentucky, Inc. for Approval to Transfer Functional Control of Its Transmission Assets from the Midwest Independent Transmission System Operator to the PJM Interconnection Regional Transmission Organization* (Ky PSC Dec 22, 2010)

EKPC filed notice that KU/LG&E and TVA have now determined that once EKPC joins PJM, EKPC's continued participation in the TCRSG, as provided for in Article III of the Stipulation, should be terminated. EKPC's notice, which included confirming letters from KU/LG&E and TVA, states that EKPC has given the requisite six months' notice to withdraw from the TCRSG as requested by KU/LG&E and TVA due to their concerns that there are North American Electric Reliability Corporation compliance risks associated with PJM's performance of EKPC's reserve obligations.

EKPC's withdrawal from the TCRSG constitutes a modification of the Stipulation. While the evidence of record indicates that EKPC and LG&E/KU have agreed to the modification, the record does not indicate agreement by the other parties to the Stipulation. Consequently, we will conditionally accept the Stipulation, subject to the filing of documentation that all of the parties have agreed to the modification.

EKPC's membership in PJM does create some degree of risk, particularly with respect to EKPC being granted sufficient transmission rights to be able to serve its own load without having to pay higher prices for energy due to transmission congestion. Consequently, the Commission will require EKPC to file by May 31 of each year a comprehensive report setting forth in detail the amount of transmission rights awarded and purchased; a description of hedging plans and strategies to address transmission congestion and market prices for capacity and energy; a breakdown by category of the prior years' benefits and costs of PJM membership; and a projection of future benefits and costs reflecting the most recent PJM capacity auction results. Based on the Commission's annual review of these reports, actions may be taken as necessary to ensure that EKPC's continued membership in PJM is beneficial to its members and consumers, and that EKPC is participating in PJM in a manner that maximizes all available RTO benefits.

Finally, the Commission finds that the bulk of the trade benefits that EKPC expects to accrue as a member of PJM will flow back to its 16 member cooperatives and their retail customers through the Fuel Adjustment Clause. However, absent a base rate case filing by EKPC, there is no existing mechanism to flow back to customers the capacity market benefits. While we recognize that the capacity market benefits will not actually increase EKPC's revenues until June 2016 and thereafter, those benefits are expected to be more than three times the trade benefits. For this reason, the Commission finds that EKPC's membership in PJM should be conditioned upon EKPC agreeing to file, no later than November 30, 2015, an application for approval of a rate mechanism to flow back to customers the capacity market benefits expected to accrue from membership in PJM. EKPC's Chief Executive Officer should file within seven days of the date of this Order, a letter accepting and agreeing to be bound by this condition.

IT IS THEREFORE ORDERED that:

1. EKPC's request to transfer functional control of its transmission facilities operated at 100 kv and above to PJM is approved subject to the filing, within 10 days of the date of this Order, of: (a) the letter from EKPC's Chief Executive Officer agreeing to file, no later than November 30, 2015, a rate mechanism to flow back to customers the PJM capacity market benefits; and (b) documentation that all parties agree to modify the Stipulation to allow EKPC to withdraw from the TCRSG.

2. The Stipulation, dated November 2, 2012, as modified by the December 5, 2012 filing to extinguish any obligation arising under Article III, is incorporated herein and is conditionally approved subject to the filing of the documentation discussed in Ordering paragraph 1.

3. EKPC shall file within 30 days of the date of this Order any appropriate or needed amendments to existing special contracts or tariffs to reflect that EKPC is authorized to bid any customer's interruptible load into the PJM Demand Response program.

4. Any customer on the EKPC system that seeks to participate directly or through a third party in the PJM Demand Response program shall do so under the terms of an EKPC special contract or tariff that has been approved by the Commission.

5. EKPC shall file monthly status reports as described in the findings above until it has fully integrated into PJM or the transaction is terminated.

6. By May 31 of each year, EKPC shall file with the Commission the comprehensive report detailing transmission rights, hedging strategies, and PJM benefits and cost as more fully described in the findings above.

7. The reports required to be filed by EKPC pursuant to Ordering paragraphs 5 and 6 shall reference the number of this case and shall be retained in EKPC's general correspondence file.

By the Commission

ENTERED
DEC 20 2012
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00169 DATED DEC 20 2012

RECEIVED
NOV 07 2012
PUBLIC SERVICE COMMISSION

STIPULATION AND RECOMMENDATION

This Stipulation and Recommendation is entered into this 2nd day of November 2012 by and among Louisville Gas and Electric Company ("LG&E"); Kentucky Utilities Company ("KU") (LG&E and KU are hereafter collectively referenced as "the Utilities"); East Kentucky Power Cooperative, Inc. ("EKPC"); Office of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG") and PJM Interconnection, L.L.C., ("PJM") in the proceeding involving the above parties, which are the subject of this Stipulation and Recommendation, as set forth below. (The Utilities, EKPC, AG and PJM are referred to collectively herein as the "Parties.")

WITNESSETH:

WHEREAS, EKPC filed on May 3, 2012, with the Kentucky Public Service Commission ("Commission") its Application *In the Matter of: The Application of East Kentucky Power Cooperative, Inc. to Transfer Functional Control of Certain Transmission Facilities to PJM Interconnection, L.L.C.*, and the Commission has established Case No. 2012-00169;

WHEREAS, the Utilities, AG and PJM have been granted intervention by the Commission in this proceeding;

WHEREAS, informal conferences, attended in person or by teleconference by representatives of the Parties and Commission Staff took place on October 12, 19, and 26, 2012, at the offices of the Commission, during which a number of procedural and substantive issues were discussed, including terms and conditions related to the issues pending before the Commission in this proceeding that might be considered by all Parties to constitute reasonable means of addressing their concerns;

WHEREAS, the Parties desire to recommend to the Commission that it enter its Order setting the terms and conditions that the Parties believe are reasonable as stated herein;

WHEREAS, it is understood by all Parties that this agreement is a stipulation among the Parties concerning all matters at issue in these proceedings pursuant to 807 KAR 5:001, Section 4(6);

WHEREAS, the Parties have spent many hours to reach the stipulations and agreements that form the basis of this Stipulation and Recommendation;

WHEREAS, the Parties, who represent diverse interests and divergent viewpoints, agree that this Stipulation and Recommendation, viewed in its entirety, is a fair, just and reasonable resolution of all the issues in this proceeding; and

WHEREAS, the Parties recognize that this agreement constitutes only an agreement among, and a recommendation by, themselves, and that all issues in this proceeding remain open for consideration by the Commission at the formal hearing in this proceeding.

NOW, THEREFORE, in consideration of the premises and conditions set forth herein, the Parties hereby stipulate, agree, and recommend as follows:

ARTICLE I. Agreement to Support EKPC's Integration Into in PJM

Section 1.1. Subject to all of the commitments and conditions contained herein, all Parties agree to support EKPC's request to integrate into PJM.

ARTICLE II. Maintenance of the Utilities' Load Outside of the PJM Markets

Section 2.1. The load served by the Utilities utilizing EKPC's transmission system (the "the Utilities' Load") has been, and the Utilities desire that it continue to be, part of the Utilities' Balancing Authority ("BA") and not treated as being within the PJM markets by virtue of EKPC's integration into PJM. The Utilities and EKPC, in coordination and cooperation with each other and with PJM, and subject to approval by the Federal Energy Regulatory

Commission ("FERC"), shall keep the Utilities' Load outside of PJM as set forth in this Section.

Section 2.1.1. The Utilities' Load shall be pseudo-tied between PJM and the Utilities, so that such load will be in the Utilities' BA. The Utilities, EKPC, and PJM shall cooperate in good faith to determine the specific metering and related equipment and protocols in order to implement the pseudo-tying of the Utilities' Load between PJM and the Utilities' BA. Except as otherwise agreed between PJM and EKPC, each party shall bear its own costs to implement such arrangements, and in no events shall Utilities be responsible for costs incurred by PJM.

Section 2.1.2. The Utilities shall pay for transmission service on the EKPC transmission system for deliveries to the Utilities' Load in accordance with the terms of the PJM Open-Access Transmission Tariff ("OATT"), i.e., the EKPC Transmission Pricing Zone rate, subject to all other provisions of this Article II. The Utilities will be billed by and shall make payments to PJM for such service. The Utilities understand and acknowledge that the EKPC zonal rate, and thus the rate payable by the Utilities, is subject to change in accordance with EKPC's rights under the PJM Tariff and applicable laws and regulations, but such changes shall not contravene any provision in this Article II and will be calculated based on EKPC's transmission revenue requirements using PJM-prescribed and FERC-approved rate calculation methodologies.

Section 2.1.3. Because the Utilities' Load will be in the Utilities' BA and not in the PJM markets, PJM shall not charge the Utilities with any other rates or charges that are assessed on load that is within the PJM Markets pursuant to the PJM tariff, including, but not limited to Regional Transmission Expansion Plan, locational marginal prices, congestion, and administrative costs. This provision applies only to charges for transmission service for the Utilities' Load and does not address costs that may develop in furtherance of possible future, unknown FERC policies or requirements.

Section 2.1.4. With respect to Ancillary Services Schedules 1 (Scheduling, System Control and Dispatch Service) and 2 (Reactive Supply and Voltage Control from Generation or Other Sources Service), the Utilities will contract with EKPC to supply such services to the Utilities, who will purchase them based upon the terms and conditions as currently set forth in Schedules 1 and 2 of EKPC's current Open Access Transmission Tariff. EKPC reserves its right to modify the rates for Schedules 1 and 2, and thus the charges payable by the Utilities; however, any such change shall be based only on EKPC's costs and not PJM's costs.

Section 2.1.5. The objective of this Article is to insulate the Utilities' Load from the effects of EKPC's integration into PJM by maintaining arrangements comparable to those that existed prior to EKPC's integration into PJM. If the FERC does not approve all of the terms of this Stipulation and Recommendation that require FERC approval, EKPC shall not unilaterally pursue its integration efforts; rather, recognizing the importance of EKPC fully integrating into PJM on or before June 1, 2013, EKPC and the Utilities shall work with all good faith, best efforts, and reasonable speed to negotiate and achieve modified means by which EKPC may fully integrate into PJM on terms acceptable to the Parties, the Commission, and FERC. If the Parties cannot agree upon such means in a timely manner, each Party reserves its right to make such proposals to the Commission and FERC as it deems appropriate and to protest and contest proposals by the other Party.

Section 2.1.6. The Utilities, EKPC and PJM acknowledge and agree that the EKPC load served from the Utilities' transmission system ("EKPC Load") is within the PJM BA and will be treated as EKPC zonal load. EKPC shall pay for transmission service on the Utilities' transmission system for deliveries to the EKPC Load in accordance with the Utilities' OATT; however, the Utilities shall not charge or allocate to EKPC Load the cost of any transmission project outside the Utilities' service territory arising from regional transmission expansion or planning associated with the Utilities' involvement in the Southeastern Regional Transmission Planning

("SERTP") group, which is the Utilities' planned means of complying with FERC Order No. 1000 and related policies or requirements. This provision applies only to charges for transmission service for EKPC Load and does not address costs that may develop in furtherance of possible future, unknown FERC policies or requirements. In the event Utilities' involvement in the SERTP is not a successful means of complying with FERC Order No. 1000 and related policies or requirements, EKPC reserves the right to challenge the Utilities' subsequent means of complying with FERC Order No. 1000 and related policies or requirements to the extent such subsequent means of compliance would result in increased charges or rates being assessed to the EKPC Load within the PJM BA and treated as EKPC zonal load.

Section 2.2. Any intervention by the Utilities into EKPC's filings with FERC relating to EKPC's integration into PJM shall be in support of these filings with FERC and shall not contest these arrangements or otherwise be of an adversarial nature; however, the Utilities reserve the right to oppose EKPC or PJM concerning any issue(s) that have not arisen in this proceeding, as well as to contest any deviation from EKPC's planned integration into PJM according to the terms of EKPC's application in this proceeding as modified or conditioned by the terms of this Stipulation and Recommendation. For the purposes of this provision, the following issues shall be deemed to have arisen in this proceeding (in addition to those that have actually arisen in this proceeding):

1. EKPC's request to shorten time to be eligible to participate in the Reliability Pricing Model ("RPM") market from 5 years to 3 years;
2. Filing of PJM-EKPC Network Integration Transmission Service ("NITS") Agreement;
3. Transfer of existing EKPC OATT, Point-to-Point, and NITS service agreements and interconnection agreements to the PJM tariff;
4. EKPC revenue requirements (rate) filing and ancillary services filing;
5. Notice of cancellation of EKPC's current OATT; and
6. PJM tariff amendments necessary to reflect EKPC's integration (adding EKPC as a pricing zone, EKPC's rates).

Section 2.3. EKPC agrees to engage in a good faith review of any FERC proceeding filed by the Utilities, either individually or in concert with other utilities, seeking approval of the SERTP as the Utilities' means of complying with FERC Order No. 1000 and related policies or requirements. If, following such review, EKPC agrees with the filing, it will intervene to support the Utilities' application in that proceeding insofar as it is consistent with the provisions and intent of this Stipulation and Recommendation.

Section 2.4. Concerning load switching for maintenance and restoration purposes, the Utilities and EKPC will continue to address load switching on the same terms as exist today.

ARTICLE III. EKPC's Contingency Reserve Sharing Group ("CRSG") Participation

Section 3.1. EKPC and PJM agree to work with the Utilities and TVA to develop a plan for how EKPC can fulfill its obligations (currently 94 MW of reserves) as a member of the CRSG. The Utilities acknowledge that EKPC and PJM have begun this effort. EKPC, the Utilities, and PJM agree to work with all good faith and best practices with TVA to complete the plan timely, with a target completion date of December 31, 2012.

Section 3.2. EKPC and PJM further commit to use all good faith and best practices to resolve all disputes or issues that arise with TVA or the Utilities concerning the CRSG.

Section 3.3. EKPC, PJM, and the Utilities agree that the continuation of the CRSG is contingent upon NERC Standards as they exist today. If NERC Standards change that adversely impact any member of the CRSG, then that party or parties may exercise their rights to withdraw under the current CRSG agreement.

Section 3.4. Immediately upon TVA's issuance of its notice of withdrawal from the CRSG, the provisions of this Article III shall cease to be of any effect, and any and all obligations between any of the Parties to this Stipulation and Recommendation created solely by this Article III shall immediately end.

ARTICLE IV. Transmission System Operations

Section 4.1. EKPC and PJM agree to maintain the current interconnection agreement with the Utilities. PJM agrees that the amended September 2011 interconnection agreement entered into between EKPC and the Utilities does not have to be terminated. PJM can file the interconnection agreement with FERC with a PJM Service Agreement on it as part of the integration. This will ensure continued effective coordination of the Utilities' and EKPC's systems.

Section 4.2. EKPC and the Utilities further agree to operate and coordinate their 69 kV systems according to operating guides, procedures, and practices, written and unwritten, that exist today and impact the Utilities. This provision shall not conflict with the provisions of Section 4.1.

Section 4.3. PJM agrees to recognize and honor flowgates the Utilities identify to their RC, TVA.

The Joint Reliability Coordination Agreement Among and Between Midwest Independent System Operator, Inc.("MISO"), PJM Interconnection, LLC, and Tennessee Valley Authority ("JRCA"), revised May 1, 2009, is in effect as between PJM and TVA. (MISO has withdrawn from the JRCA.) The JRCA addresses the process by which a transmission entity, like the Utilities, identifies flowgates to be included in the Congestion Management Process, the required testing to verify the impacts of the flowgates, the requirements for data exchange to ensure that the identified flowgates are included in models, and the methods by which congestion management is implemented in real time operations.

PJM is committed via the JRCA to recognize and honor flowgates that the Utilities identify to TVA, the Utilities' Reliability Coordinator, if those identified flowgates pass the required testing that is specified in the FERC-approved Congestion Management Process, which is an attachment to the JRCA.

ARTICLE V. PJM Network Integration Study

Section 5.1. PJM agrees to provide to the Utilities modeling information and results of analyses related to critical contingencies identified in network integration studies for EKPC. PJM and EKPC further agree to work with the Utilities in a cooperative way, using all good faith and best practices, to supply to the Utilities such input, modeling, and analytical data concerning the EKPC network integration study as the Utilities reasonably request to understand and analyze any potential impacts to their system that EKPC's full integration into PJM may cause. EKPC, PJM, and the Utilities agree to follow all applicable Critical Energy Infrastructure protocols in their data exchanges. PJM commits to work with the Utilities to ensure a thorough understanding of analyses performed and to discuss alternative measures to mitigate planning criteria violations identified.

ARTICLE VI. Kentucky Public Service Commission's Ongoing Jurisdiction

Section 6.1. The Commission shall retain jurisdiction following the transfer of control from EKPC to monitor and enforce these commitments.

Section 6.2. The Commission shall have jurisdiction over PJM for the limited purpose of enforcing PJM's commitments as set forth in this Stipulation and Recommendation to the extent not inconsistent with the jurisdiction of the FERC; however, the Commission shall have no authority to enforce any commitment of PJM that is subject to acceptance by FERC but which acceptance FERC denies.

ARTICLE VII. Miscellaneous Provisions

Section 7.1. Except as specifically stated otherwise in this Stipulation and Recommendation, the Parties agree that making this Stipulation and Recommendation shall not be deemed in any respect to constitute an admission by any Party hereto that any computation, formula, allegation, assertion, or contention made by any other Party in these proceedings is true or valid.

Section 7.2. The Parties agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein and are consistent with the public interest for purposes of approving EKPC's full membership in PJM pursuant to KRS 278.218.

Section 7.3. The Parties agree that, following the execution of this Stipulation and Recommendation, the Parties shall cause the Stipulation and Recommendation to be filed with the Commission by November 2, 2012, together with a recommendation that the Commission enter its Order on or before December 31, 2012, implementing the terms and conditions herein.

Section 7.4. Each signatory waives all cross-examination of the other Parties' witnesses unless the Commission disapproves this Stipulation and Recommendation, and each signatory further stipulates and recommends that the application, testimony, pleadings, and responses to data requests filed in this proceeding be admitted into the record (subject to all pending Petitions for Confidential

Treatment and all applicable Confidentiality Agreements) and approved as filed, except as modified by this Stipulation and Recommendation. The Parties stipulate that after the date of this Stipulation and Recommendation they will not otherwise contest EKPC's application in this proceeding, as modified by this Stipulation and Recommendation, during the hearing in this proceeding, and that they will refrain from cross-examination of all witnesses during the hearing, except insofar as such cross-examination supports the Stipulation and Recommendation or EKPC's application subject to the commitments and conditions of this Stipulation and Recommendation.

Section 7.5. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Stipulation and Recommendation be accepted and fully incorporated into any Order approving EKPC's application in this proceeding.

Section 7.6. If the Commission issues an Order adopting all of the terms and conditions recommended herein, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such Order.

Section 7.7. The Parties agree that if the Commission does not implement all of the terms recommended herein in its final Order in this proceeding, or if the Commission in its final Order in this proceeding adds or imposes additional conditions or burdens upon the proposed transfer of control or upon any or all of the Parties that are unacceptable to any or all of the Parties, then: (a) this Stipulation and Recommendation shall be void and withdrawn by the Parties from further consideration by the Commission and none of the Parties shall be bound by any of the provisions herein, provided that no Party is precluded from advocating any position contained in this Stipulation and Recommendation; and (b) neither the terms of this Stipulation and Recommendation nor any matters raised during the settlement negotiations shall be binding on any of the Parties to this Stipulation and Recommendation or be construed against any of the Parties.

Section 7.8. The Parties agree that this Stipulation and Recommendation shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

Section 7.9. The Parties agree that this Stipulation and Recommendation shall inure to the benefit of, and be binding upon, the Parties, their successors and assigns.

Section 7.10. The Parties agree that this Stipulation and Recommendation constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations, or agreements made prior hereto or contemporaneously herewith, shall be null and void, and shall be deemed to have been merged into this Stipulation and Recommendation.

Section 7.11. The Parties agree that, for the purpose of this Stipulation and Recommendation only, the terms are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation. The Parties further agree that the resolution proposed herein is in accordance with law, for a proper purpose, and is consistent with the public interest, all as contemplated by KRS 278.218.

Section 7.12. The Parties agree that neither the Stipulation and Recommendation nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the terms herein. This Stipulation and Recommendation shall not have any precedential value in this or any other jurisdiction.

Section 7.13. The signatories hereto warrant that they have informed, advised, and consulted with the Parties they represent in this proceeding in regard to the contents and significance of this Stipulation and Recommendation, and based upon the foregoing are authorized to execute this Stipulation and Recommendation on behalf of the Parties they represent.

Section 7.14. The Parties agree that this Stipulation and Recommendation is a product of negotiation among all Parties, and that no provision of this Stipulation and Recommendation shall be strictly construed in favor of, or against, any Party.

Section 7.15. The Parties agree that this Stipulation and Recommendation may be executed in multiple counterparts.

IN WITNESS WHEREOF, the Parties have hereunto affixed their signatures.

East Kentucky Power Cooperative, Inc.

HAVE SEEN AND AGREED:

Mark David Goss, Counsel

Louisville Gas and Electric Company
and Kentucky Utilities Company

HAVE SEEN AND AGREED:

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

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

HAVE SEEN AND AGREED:

Jennifer B. Hans, Assistant Attorney General

PJM Interconnection, L.L.C.

HAVE SEEN AND AGREED:

Jason R. Bentley, Counsel

Gallatin Steel Company

HAVE SEEN AND HAVE NO OBJECTION:

Michael L. Kurtz, Counsel
Kurt Boehm, Counsel

Honorable Jason R Bentley
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Ann F Wood
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707

Exhibit 6

142 FERC ¶ 61,028
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

January 14, 2013

In Reply Refer To:
East Kentucky Power Cooperative, Inc.
Docket Nos. ER13-414-000
ER13-478-000 (not consolidated)

Jennings, Strouss & Salmon, P.L.C.
Attn: Alan I. Robbins, Esq.
Counsel to East Kentucky Power Cooperative, Inc
1350 I Street, NW
Suite 810
Washington, DC 20005-3305

Dear Mr. Robbins:

1. On November 15, 2012, East Kentucky Power Cooperative (EKPC) filed in Docket No. ER13-414-000 a request for waiver to authorize its participation in PJM Interconnection, L.L.C.'s (PJM) Spring 2013 Reliability Pricing Model Base Residual Auction (November 15 Filing).

2. On November 30, 2012, EKPC filed in Docket No. ER13-478-000, a petition to submit an out-of-time initial Fixed Resource Requirement Plan (FRR Plan) to PJM allowing EKPC to serve approximately 35 MW of EKPC's member load (EKPC DEOK Zone load) covering the period February 1, 2013, through May 31, 2013 (November 30 Filing). Specifically, EKPC requests waivers of certain provisions in Section 8.1 of the Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region (RAA) and of obligations under the PJM Open Access Transmission Tariff (OATT) which, among other things, will allow EKPC to submit its FRR Plan out-of-time.[1]

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[1] PJM Reliability Assurance Agreement, Rate Schedule FERC No. 44. The PJM Reliability Assurance Agreement is a PJM agreement intended to ensure that adequate capacity resources will be planned and made available to provide reliable service to loads within the PJM Region, to assist other parties during emergencies, and to coordinate planning of such resources.

3. As discussed below, we grant EKPC's requested waiver in Docket No. ER13-414-000 so that it may participate in the PJM Spring 2013 Reliability Pricing Model Base Residual Auction. We also grant EKPC's request for waivers in Docket No. ER13-478-000 and allow the submission of an initial FRR Plan to PJM out-of-time.

4. In Docket No. ER13-414-000, EKPC states that it has previously informed the Commission of its intent to fully integrate into PJM effective June 1, 2013.[2] EKPC adds that it has attached for the Commission's information a technical implementation plan for integration into PJM as set forth in the Agreement to Implement Expansion of PJM Region for East Kentucky Power Corporation (PJM-EKPC Implementation Agreement), which the parties executed on January 9, 2012.[3]

5. EKPC asserts that the first stages of its integration implementation plan require that generation and load connected to the EKPC transmission system align their operations with the PJM system. EKPC states that its proposed June 1, 2013 integration date coincides with the beginning of the next PJM Delivery Year 2013-2014. EKPC also asserts that, while it has planned its integration into PJM for June 1, 2013, due to the three-year forward looking structure of the Reliability Pricing Model, PJM's Base Residual Auctions for Delivery Years 2013-2014, 2014-2015, and 2015-2016 have already occurred. EKPC explains that, in the future, it plans to file a FRR Plan covering the period from June 1, 2013 through May 31, 2016[4] to satisfy independent resource adequacy obligations for Delivery Years 2013-14, 2014-15 and 2015-16 because, as stated previously, PJM has already conducted the Base Residual Auctions for those years. However, with regard to the upcoming PJM Base Residual Auction, EKPC seeks to integrate the EKPC zone load into the PJM Reliability Pricing Model Auction for Delivery Year 2016-2017 by participating in PJM's May 2013 Base Residual Auction prior to its June 1, 2013 integration date. EKPC, therefore, requests that the Commission authorize EKPC's participation in the PJM May 2013 Base Residual Auction for Delivery Year 2016-2017 prior to its June 1, 2013 integration into PJM by granting all necessary waivers of any Commission requirement, rule, or regulation for participation in this auction.

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[2] November 15 Filing at 1 (citing Motion for Extension of Time to Comply with Order No. 1000 of EKPC, Docket No. RM12-23-000, filed October 3, 2012).

[3] EKPC attached a copy of this agreement to its November 15 Filing and it is labeled as "Exhibit 1."

[4] The Commission notes that EKPC submitted a proposed initial FRR Plan covering the period February 1, 2013 through May 31, 2013 in Docket No. ER13-478-000, which is also being addressed in the instant order.

6. In addition, EKPC requests that the Commission grant its requested relief by January 15, 2013. EKPC asserts that granting waiver by January 15, 2013, will: (1) ensure that all affected parties have sufficient time to understand the process; (2) allow sufficient time for it to resolve any outstanding issues; and (3) allow EKPC to submit any necessary data that PJM requires by February 1, 2013, in order to include EKPC in the Base Residual Auction.[5]

7. Notice of EKPC's November 15 Filing in Docket No. ER13-414-000 was issued on November 19, 2012, with interventions and protests due on or before December 6, 2012. PJM filed a motion to intervene and comments. American Municipal Power filed a motion to intervene. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2012), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

8. PJM supports EKPC's November 15 Filing. PJM states, as EKPC has indicated, the three-year forward structure of PJM's Reliability Pricing Model requires EKPC to participate in the Base Residual Auction for Delivery Year 2016-2017 before EKPC's June 1, 2013, integration into PJM. PJM asserts that EKPC must, therefore, seek Commission authorization to do so. PJM states that it supports this action and that such action is consistent with prior Commission precedent.[6] Accordingly, PJM asks that the Commission grant EKPC's requested waiver.

9. In Docket No. ER13-478-000, EKPC filed a petition for waiver of certain provisions of the PJM RAA and the PJM OATT to allow EKPC's submission of an out-of-time, initial FRR Plan to PJM. EKPC's petition includes details of EKPC's proposed initial FRR Plan. In its initial FRR Plan, EKPC intends to serve approximately 35 MW of EKPC's member load that is connected to the Duke Energy Kentucky (Duke) transmission system (which is part of the DEOK Zone in PJM) from February 1, 2013 through May 31, 2013. EKPC states that this load is currently served through the Smith and Downing substations, which are connected to transmission facilities owned by Duke Energy and that comprise the DEOK Zone within PJM. EKPC contends that the EKPC DEOK Zone load is presently served by EKPC under dynamic interchange agreements between EKPC and PJM; consequently, EKPC currently obtains transmission service from PJM to serve that load. EKPC states that the objective of the initial FRR Plan is to

[5] November 15 Filing at 6.

[6] PJM Comments at 3 (citing *Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc.*, 133 FERC ¶ 61,058, at P 15 (2010); *American Transmission Systems, Inc and First Energy Service Co.*, 129 FERC ¶ 61,249, at P 78 (2009)).

terminate the dynamic interchange arrangements and enable EKPC to serve the EKPC DEOK Zone load from the PJM markets prior to the integration of EKPC's total load into PJM as of June 1, 2013.

10. EKPC asserts that the provisions for which it is requesting waiver as part of the initial FRR Plan are contained in the FRR Alternative as stated in Schedule 8.1 of the RAA and apply to requirements for the timing of submitting a FRR filing and the duration of the FRR Plan. EKPC proposes to designate capacity from its H.L. Spurlock Station (Spurlock), in an amount adequate to satisfy the criteria for an FRR Alternative Capacity Plan for the EKPC DEOK Zone Load under Schedule 8.1 of the RAA and the applicable PJM rules and manuals.

11. Therefore, EKPC requests a waiver of Section C.1 of Schedule 8.1 of the RAA, and the obligations under Attachment DD of the PJM OATT, along with any applicable corresponding or related provisions of any PJM manual, to the extent the provision(s) would have required EKPC to submit an FRR Plan prior to the Base Residual Auctions for the period including the interim period, or which would otherwise restrict EKPC's compliance with the RAA and the OATT for the initial FRR Plan. EKPC also seeks waiver of Section C.2 of Schedule 8.1 of the RAA regarding notice of termination, to the extent any such waiver is necessary due to the short duration and pre-determined termination date for the initial FRR Plan. EKPC also requests waiver of the provisions of Section D.1 of Schedule 8.1 of the RAA regarding the requirement to update the initial FRR Plan one month prior to the PJM Base Residual Auction, because these auctions will have already occurred.

12. EKPC contends that the requested waivers are necessary because the PJM Reliability Pricing Model Base Residual Auction for commitments in the Delivery Year 2013 was conducted in 2009, long before EKPC began its current efforts to fully integrate into PJM. EKPC further argues that, because there is no third-party wholesale or retail wheeling load included in the EKPC DEOK Zone Load, no other parties are affected by the proposed initial FRR Plan.

13. Notice of EKPC's filing in Docket No. ER13-478-000 was issued on November 30, 2012, with interventions and protests due on or before December 21, 2012. No interventions, comments or protests were filed.

14. The Commission has typically granted waivers when: (1) the waiver is of limited scope; (2) a concrete problem needed to be remedied; and (3) the waiver does not have undesirable consequences, such as harming third parties.[7]

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[7] *See, e.g.*, *Demand Response Partners, Inc.*, 140 FERC ¶ 61,093 (2012); *New York Power Authority.*, 139 FERC ¶ 61,157 (2012); *ISO New England, Inc.*, 134 FERC (continued...)

15. With regard to Docket No. ER13-414-000, the Commission finds that the requested waiver to allow EKPC's participation in the PJM Spring 2013 Reliability Pricing Model Base Residual Auction is of limited scope, as the waiver will only apply to EKPC. Second, the waiver will address a concrete problem. The three-year forward planning process structure of PJM's Reliability Pricing Model requires EKPC to participate in PJM's Spring 2013 Base Residual Auction for Delivery Year 2016-2017 prior to its June 1, 2013 integration into PJM. Granting waiver will allow EKPC's participation in this upcoming auction so that EKPC's Zone load will be included in the PJM Reliability Pricing Model process for Delivery Year 2016-2017. Third, granting the waiver so that EKPC can participate in the upcoming auction will not have undesirable consequences, such as harming third parties. Granting EKPC's request to participate in the Spring 2013 auction will allow EKPC to align its operations with PJM and resolve any open issues to allow for EKPC's full participation in PJM. Further, PJM supports EKPC's request for waiver and also requests Commission action in this matter. Accordingly, we will grant the requested waiver and thus allow EKPC to participate in PJM's May 2013 Base Residual Auction for Delivery Year 2016-17 prior to EKPC's June 1, 2013 integration into PJM.

16. With regard to Docket No. ER13-478-000, we grant EKPC's request for waivers of Sections C.1, C.2, and D.1 of Schedule 8.1 of the RAA and the obligations under Attachment DD of the PJM OATT,[8] and allow submission of an out-of-time FRR Plan to PJM. We find that the requested waivers are limited in scope, as the waivers will only apply to EKPC's initial FRR Plan for the period February 1, 2013 through May 31, 2013. Second, granting the requested waivers will resolve a concrete problem because, as stated previously, the PJM Reliability Pricing Model Base Residual Auctions for commitments in the Delivery Year 2013 occurred long before EKPC sought to integrate into PJM. Hence, granting the waiver will allow EKPC to serve the EKPC DEOK Zone Load for a limited period and EKPC will have an opportunity to gain experience in operating under the PJM markets before integrating its full load on June 1, 2013. Finally, granting the requested waivers will not have undesirable consequences, such as harming third parties

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¶ 61,182 (2011); *New York Indep. Sys. Operator, Inc.*, 122 FERC ¶ 61,119 (2008); *ISO New England, Inc.*, 117 FERC ¶ 61,171 (2006); *New York Indep. Sys. Operator, Inc.*, 112 FERC ¶ 61,347 (2005). The Commission notes that there can be a fourth factor appropriate for consideration, which is that "the underlying error was made in good faith." However, this factor is not applicable here since there is no error involved, and so we need not consider it in our analysis of EKPC's waiver requests.

[8] In addition, to the extent that there are other provisions of the PJM manuals or Commission rule or regulation requiring waiver to grant EKPC's requested action in this matter, we hereby grant such relief.

because, as EKPC argues, there is no third party wholesale or retail wheeling load included in the DEOK Zone Load covered by the initial FRR Plan. Accordingly, we will grant EKPC's request for waivers and allow the submission of an initial FRR Plan to PJM out-of-time.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

Exhibit 7

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January 16, 2013

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: Informational Filing – East Kentucky Power Cooperative, Inc.
FERC Docket No. ER13-478-000

Dear Secretary Bose:

By Order issued January 14, 2013 in the captioned docket, the Commission granted the November 30, 2012 petition of East Kentucky Power Cooperative, Inc. ("EKPC") to submit an out-of-time initial Fixed Resource Requirement Plan ("FRR Plan") to PJM to allow EKPC to serve approximately 35 MW of EKPC's member load (EKPC DOEK Zone Load) from the PJM markets beginning February 1, 2013. East Kentucky Power Coop., Inc., 124 FERC ¶ 61,028 at P 16. EKPC submits this informational filing to advise the Commission that EKPC's commencement of service under the FRR Plan has been deferred from February 1, 2013 to March 1, 2013.

EKPC maintains an internal authorization matrix that sets forth the trading parameters within which EKPC personnel are authorized to transact business. EKPC has identified a need to adjust EKPC's authorization matrix because the PJM market transactions sufficiently differ from EKPC's historical trading patterns. The revised authorization matrix must be approved by the EKPC Board following management reviews. This is an example of the learning experience that EKPC sought to gain by initiating the FRR Plan in advance of its full integration into PJM on June 1, 2013. Due to the foregoing, EKPC expects to begin implementation of the FRR Plan on March 1, 2013 rather than February 1, 2013 as originally contemplated.

Respectfully submitted,

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Counsel for East Kentucky Power Cooperative, Inc.

Exhibit 8

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January 23, 2013

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: East Kentucky Power Cooperative Filing of Fixed Resource Requirements Plan for PJM Integration; Docket No. ER13-_____-000

Dear Secretary Bose:

Pursuant to section 205 of the Federal Power Act ("FPA"),[1] and Part 35 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission[2] (the "Commission" or "FERC"), Rule 207[3] and Rule 212,[4] East Kentucky Power Cooperative, Inc. ("EKPC") submits this filing requesting that the Commission approve a Transitional Fixed Resource Requirements Plan ("Transitional FRR Plan"), as discussed in detail below, as a necessary component of EKPC's integration into and participation in PJM Interconnection, L.L.C. ("PJM"). The Transitional FRR Plan is an out-of-time Fixed Resource Requirement Plan ("FRR Plan") that permits EKPC to transition into full participation in the PJM Reliability Pricing Model ("PJM RPM"). EKPC is also requesting a waiver of, or exemption from, certain provisions of the Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region ("RAA")[5] and of the PJM Open Access Transmission Tariff ("PJM Tariff"), as necessary, to permit EKPC's implementation of the Transitional FRR Plan.

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[1] 16 U.S.C. § 824d (2006).

[2] 18 C.F.R. Part 35 (2012).

[3] 18 C.F.R. § 385.207 (2012).

[4] 18 C.F.R. § 385.214 (2012).

[5] PJM RAA, Rate Schedule FERC No. 44.

I. Introduction

EKPC presently operates outside of any established regional transmission organization ("RTO"). While EKPC presently engages in coordinated planning and some operational exchanges with other non-RTO utilities, EKPC desires to avail itself of the broader range of benefits available through full participation in an established RTO, including satisfying EKPC's obligations under Order No. 1000 and Order No. 1000-A.[6] Towards that end, EKPC has engaged in detailed discussions with PJM concerning EKPC's integration into PJM as a Transmission Owning Member. This filing requests approval for an FRR Transition Plan that is different in some aspects from PJM's ordinary FRR process. Such differences are largely due to the out-of-time, integration-related nature of this proposal, and are based upon similar proposals previously approved by the Commission.[7]

A. Description of EKPC

EKPC is an electric generation and transmission cooperative formed under Chapter 279 of the Kentucky Revised Statutes. EKPC is a not-for-profit organization obligated to provide electric service at the lowest cost reasonably possible. EKPC is not a "public utility" under the provisions of the Federal Power Act.

EKPC owns approximately $3.1 billion in assets, serving approximately 521,000 customers in 87 Kentucky counties through its sixteen member distribution cooperatives. EKPC owns and/or purchases nearly 3,100 MW of electric generation capacity and approximately 2,800 miles of electric transmission lines. Kentucky Power ("AEP"), DEOK and Louisville Gas &

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[6] On October 3, 2012, EKPC filed a motion for Extension of Time under RM10-23 concerning compliance with requirements of Order Nos. 1000 and 1000-A. In the filing, EKPC explained it was involved in discussions to join PJM, with an expected integration date of June 1, 2013. The Commission approved the requested extension of time until March 30, 2013, by which time EKPC was to make the necessary filing for its integration into PJM. *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, 141 FERC ¶ 61,029 (2012). Those filings are also to address how EKPC will comply with Orders Nos. 1000 and 1000-A as a transmission-owning member of PJM.

[7] On August 16, 2010, Duke Energy Ohio and Duke Energy Kentucky ("DEOK") filed an FRR Plan Filing under ER10-2254 as a part of DEOK's realignment from membership in the Midwest ISO to membership in PJM. The Commission approved the DEOK FRR Plan Filing subject to a compliance filing to address an issue related to wholesale load connected to the DEOK system. *Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc.*, 133 FERC ¶ 61,058 (2010).

Electric Company/Kentucky Utilities Company ("LG&E/KU") each utilize the EKPC transmission system to serve a portion of their respective retail loads in Kentucky.[8]

B. Proposed Integration Timeline

EKPC and PJM have agreed to an effective date of June 1, 2013 at 0001 hours for EKPC's integration into PJM. This will synchronize EKPC's entry with the start of PJM's 2013-14 Delivery Year under the PJM RPM and with the effective date of the 2013-14 Schedule 7 and Schedule 8 rates under PJM's Tariff. These dates are consistent with the previously-filed PJM-EKPC Implementation Plan, dated January 9, 2012, and the request for approval of an out-of-time participation in PJM's May 2013 RPM Base Residual Auction.[9]

C. Timing of FERC Approvals

In order to allow PJM and EKPC to meet the preceding integration timeline, EKPC requests Commission approval of the provisions of this filing no later than March 30, 2013.

II. Requested Commission Approvals

As EKPC is not presently a member of an RTO, the only approvals required are those necessary to allow: (i) EKPC and its customers to transition from EKPC's stand-alone Open Access Transmission Tariff to the PJM Tariff; (ii) EKPC's transmission rate to be included under a new zone in PJM; (iii) approval of those agreements and arrangements necessary for EKPC's implementation into the PJM RPM; and (iv) execution of agreements necessary to recognize EKPC's integration under PJM's Balancing Area Authority with attendant division of operating and NERC Reliability Standards obligations between PJM and EKPC. This filing is a limited waiver request for approval of those deviations from PJM's FRR process that are necessary to allow EKPC to begin a phased-in process leading to full participation in the PJM RPM.

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[8] AEP, DEOK and LG&E/KU each take transmission service from EKPC to serve certain of their retail customers, but EKPC has no reason to think that these entities will require any integration auctions. AEP and Duke are already integrated into PJM and LG&E/KU is a stand-alone company. The LG&E/KU load served from the EKPC transmission system is part of the LG&E/KU Balancing Authority, and LG&E/KU, EKPC and PJM intend to continue to treat it as such. Additionally, the City of Hamilton, Ohio's Greenup Hydroelectric Project (FERC Project No. 2614) is interconnected with EKPC's transmission system at EKPC's Argentum Substation. Hamilton's municipal electric system is interconnected with DEOK's transmission system and thus is now in PJM's DEOK Zone.

[9] EKPC made an Initial Filing under ER13-414-000 on November 15, 2012 for approval of participation in the May 2013 PJM RPM Base Residual Auction, which the Commission approved on January 14, 2013. *East Kentucky Power Coop., Inc.*, 142 FERC ¶ 61,028 (2013). The PJM-EKPC Implementation Plan was included as a part of that filing.

A. Transitional FRR Plan

EKPC has developed and hereby requests Commission approval of the framework for an out-of-time Transitional FRR Plan to cover capacity arrangements during the period from June 1, 2013 – when EKPC integrates into PJM – until June 1, 2016 – the earliest date on which PJM will begin procuring capacity for the EKPC Zone "in the normal course" of the PJM RPM. The period from EKPC's integration into PJM (expected to be June 1, 2013) through June 1, 2016 is referred to herein as the "Transition Period."

EKPC intends to integrate its loads and resources fully into the PJM markets. This includes participation in the PJM RPM capacity market. However, due to the three-year-forward nature of PJM's capacity market under the PJM RPM, EKPC is requesting approval for exemption from or waiver of certain provisions of the RAA and obligations under Attachment DD of the PJM Tariff for the duration of the Transition Period.[10] The waiver of certain provisions of the RAA and the PJM Tariff proposed for the Transitional FRR Plan are limited to provisions affected by the out-of-time nature of EKPC's entry into the PJM RPM. The provisions for which EKPC is seeking waiver as part of the Transitional FRR Plan are included in the FRR Alternative provisions contained in Schedule 8.1 of the RAA. The provisions in Schedule 8.1 for which EKPC seeks waiver apply to the timing requirements for submitting an FRR filing and the duration of the Transitional FRR Plan. EKPC proposes to adhere to all other applicable RAA provisions governing FRR Plans.

In its November 30, 2012 filing in Docket No. ER13-478-000, EKPC requested Commission approval of an Initial FRR Plan. The Initial FRR Plan was intended to allow EKPC to begin serving EKPC load that is connected to DEOK transmission facilities – and thereby physically located within the present PJM footprint – from the PJM market. EKPC requested that the Initial FRR Plan be effective from February 1, 2013 through May 31, 2013, at which time EKPC plans to complete its integration into PJM. On January 14, 2013, the Commission approved EKPC's Initial FRR Plan.[11] The timing of the Commission approval was such that EKPC could not conform to an internal authorization matrix and implement the Initial FRR Plan by February 1, 2013. EKPC made an informational filing on January 16, 2013, informing the Commission of EKPC's need to delay the start of the Initial FRR Plan to March 1, 2013 to comply with the EKPC internal authorization matrix.

In its November 15, 2012 filing in Docket No. ER13-414-000, EKPC requested Commission approval for, among other things, an out-of-time participation by EKPC in the May 2013 PJM Base Residual Auction. EKPC's participation in that auction will predate the actual

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[10] PJM Interconnection, L.L.C. FERC Electric Tariff, Sixth Revised Volume No. 1, Sixth Revised Sheet No. 562, Superseding Fifth Revised Sheet No. 562; *PJM Interconnection L.L.C.*, 117 FERC ¶ 61,331 (2006), *and*, 119 FERC ¶ 61,318 (2007), *reh'g denied*, 121 FERC ¶ 61,173.

[11] *East Kentucky Power Coop., Inc.*, 142 FERC ¶ 61,028.

integration of EKPC into PJM. However, participation in that auction is necessary for EKPC to satisfy PJM's capacity commitment protocols as they apply to future delivery years. Specifically, participation in the May 2013 Base Residual Auction is necessary because that auction will procure capacity for the 2016-17 Delivery Year that begins June 1, 2016. EKPC's participation in the May 2013 Base Residual Auction is assumed as a part of the EKPC Transitional FRR Plan. On January 14, 2013, the Commission approved EKPC's participation in the May 2013 PJM Base Residual Auction.[12]

There are no provisions for third-party supplies included in EKPC's Transitional FRR Plan. While there are third party loads that are served over the EKPC transmission system, no special provisions are required of EKPC to provide capacity for those loads. The loads of LG&E/KU that are connected to the EKPC system are dynamically scheduled into the LGE/KU Balancing Area, with capacity obligations for those loads met by capacity resources owned or contracted for by LGE/KU. There are also DEOK and AEP loads that are connected to the EKPC transmission system. Capacity to meet the PJM RPM obligations for those loads is already provided for by DEOK and AEP, respectively, through arrangements made by those companies to meet the capacity obligations for the respective loads under the PJM RPM. Therefore, the only load obligations included in the EKPC Transitional FRR Plan are for EKPC native loads.

EKPC's Transitional FRR Plan is similar in most respects to the FRR plans submitted by Duquesne,[13] FirstEnergy[14] and DEOK[15] as a part of their respective integrations into PJM. The main dissimilarity is that EKPC's Transitional FRR Plan is simpler, as it does not require provisions for EKPC to either provide capacity for, or provide for an opt-out of, third-party wholesale loads connected to the EKPC transmission facilities.

1. Capacity Requirements for the Period June 1, 2013Through May 31, 2016 and EKPC's Proposed Transitional FRR Plan

Subject to certain procedural and other differences described herein, EKPC's Transitional FRR Plan is designed to satisfy the FRR "alternative" that is described in the PJM RAA. EKPC consulted with PJM and the PJM Market Monitor concerning the Transitional FRR Plan presented herein. PJM and the PJM Market Monitor have authorized EKPC to represent they do not object to the Transitional FRR Plan as presented herein.

Under the Transitional FRR Plan, EKPC will dedicate certain generating resources owned and operated by, or under firm contract to, EKPC that qualify as Capacity Resources as

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[12] *Id.*

[13] *See Duquesne Light Co.*, 126 FERC ¶ 61,074 (2009) ("*Duquesne Settlement Order*").

[14] FirstEnergy RTO Realignment and Integration Agreement; ER09-1589 (2009).

[15] Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc., FRR Plan Filing, Docket No. ER10-2254-000 (filed Aug. 16, 2010).

defined in the PJM RAA, to meet the EKPC RPM obligations for the 2013-14, 2014-15 and 2015-16 Delivery Years as described herein. Specifically, EKPC will designate qualified units for this purpose such that the total of the UCAP[16] values of the resources will satisfy the Forecast Pool Requirement for the EKPC Zone as calculated by PJM for each of the 2013-14, 2014-15 and 2015-16 Delivery Years. Further, EKPC will comply with PJM commitment, scheduling, operational and metering requirements during the 2013-14, 2014-15 and 2015-16 Delivery Years as if those resources had been offered into and accepted under the PJM RPM. It is EKPC's intention that those Capacity Resources will be offered into the PJM RPM as a part of the May 2013 Base Residual Auction as EKPC comes under the "normal" PJM RPM provisions starting with the 2016-17 Delivery Year that begins on June 1, 2016.

2. Generation in Excess of EKPC Transitional FRR Plan Requirements

All Capacity Resources owned by EKPC that are not used to meet EKPC's RPM obligations as described in the preceding paragraph, and that qualify to participate in an "Incremental Auction" as described in applicable PJM tariffs and manuals (including but not limited to Section E of Schedule 8.1 of the PJM RAA) will be offered into the PJM RPM auctions outside of the Transitional FRR Plan.

B. Waiver of Provisions for the Transitional FRR Plan

EKPC requests several waivers or exemptions of certain provisions of the PJM Tariff to allow for implementation of the Transitional FRR Plan. These waivers or exemptions are described in the following paragraphs.

1) EKPC requests that the Commission waive Section C.1 of Schedule 8.1 of the RAA, and any corresponding or related provisions of any PJM Manual to the extent these provisions would have required EKPC to submit the Transitional FRR Plan prior to the Base Residual Auctions for the period including June 1, 2013 through May 31, 2016, or which would otherwise restrict EKPC's with the RAA and the PJM Tariff in implementing the Transitional FRR Plan.

2) EKPC seeks waiver of Section C.2 of Schedule 8.1 of the RAA regarding notice of termination, to the extent that such waiver is necessary given the pre-determined termination date for the Transitional FRR Plan of EKPC.

[16] UCAP is the Unforced Capacity, which is defined in *PJM M35 – Acronyms and Abbreviations* as "Installed capacity rated at summer conditions that are not on average experiencing a forced outage or forced derating, calculated for each Capacity Resource on the 12-month period from October to September without regard to the ownership of or the contractual rights to the capacity of the unit."

3) EKPC seeks waiver of the provisions of Section D.1 of Schedule 8.1 of the RAA regarding updating the FRR Plan one month prior to the Base Residual Auction, since the Base Residual Auctions for the years in question have already occurred.

4) EKPC seeks waiver of Section D.3 of Schedule 8.1 of the RAA regarding the Preliminary Zonal Peak Load Forecast used, so that EKPC can use a Preliminary Zonal Peak Load Forecast that is based on the preliminary forecast peak load of the EKPC Zone that takes into account summer 2012 peaks.

5) EKPC seeks waiver of the Schedule 8.1, Section E.2 limit on the sale of Capacity Resources above the Threshold Quantity into auctions conducted under Attachment DD to the PJM Tariff in order to maximize the ability of EKPC to participate in the RPM prior to full participation beginning with the May 2016 auction.

All other requirements applicable to FRR plans generally will apply fully to the Transitional FRR Plan of EKPC absent a further filing with the Commission.

D. Communications

Communications regarding this proceeding should be directed to the following individuals, who should also be designated for service on the Secretary's official service list for this proceeding:

Mr. David Smart, General Counsel
Mr. Sherman Goodpaster, Senior Corporate Counsel
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E. Request for Wavier of Any Additional Requirements

EKPC respectfully requests waiver of any requirements of 18 C.F.R. § 35.13 that have not been fulfilled by this filing. In addition, EKPC respectfully requests waiver of any other Commission rule or regulation as may be necessary to permit the Commission to grant the requested relief.

F. Conclusion

WHEREFORE, for the foregoing reasons, EKPC respectfully requests that the Commission issue an order by March 30, 2013 approving EKPC's proposals and requested approvals contained in this filing. Approval by that date is necessary in order for EKPC to be able to meet its target date of June 1, 2013 for integration into PJM as a Transmission Owning Member.

Respectfully submitted this 23rd day of January 2013.

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Counsel to East Kentucky Power Cooperative, Inc.

Exhibit 9

USDA Rural Development

United States Department of Agriculture
Rural Development

FEB 01 2013

Mr. Anthony Campbell
President and Chief Executive Officer
East Kentucky Power Cooperative, Inc.
P.O. Box 707
Winchester, Kentucky 40392-0707

Dear Mr. Campbell:

The Rural Utilities Service (RUS) has reviewed your **REQUEST FOR RUS CONSENT FOR EAST KENTUCKY POWER COOPERATIVE, INC. TO TRANSFER FUNCTIONAL CONTROL OF CERTAIN TRANSMISSION FACILITIES TO PJM INTERCONNECTION, L.L.C.** as submitted in a letter from Mr. Mike McNalley dated November 12, 2012. We have also reviewed the **EKPC RTO Membership Assessment** as prepared by *Charles River Associates* dated March 20, 2012, also submitted by Mr. Mike McNalley in his letter dated June 12, 2012. The Board approved the pursuit of PJM membership on March 22, 2012.

RUS hereby consents to the transfer. Formal approval of the transfer of functional control will be via RUS approval of the PJM Transmission Owners Agreement.

If you should have any questions regarding this consent, please contact Bard Jackson at (202) 720-1406.

Sincerely,

Bard Jackson Acting For

STEVEN M. SLOVIKOSKY
Chief, Power Delivery Engineering Branch
Power Supply Division