

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)	
COMPANY AND LOUISVILLE GAS AND)	
ELECTRIC COMPANY TO TRANSFER CONTROL)	CASE NO. 2012-00031
OF CERTAIN TRANSMISSION FUNCTIONS)	

VERIFIED JOINT APPLICATION

Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (collectively, “Companies”) hereby petition the Kentucky Public Service Commission (“Commission”) by application pursuant to KRS 278.218 to issue an order by May 1, 2012, approving a transfer of nearly all of the Independent Transmission Operator (“ITO”) functions currently performed by the Southwest Power Pool, Inc. (“SPP”) to TranServ International, Inc. (“TranServ”) and its subcontractor MAPPCOR; if the Commission approves the requested transfer, the Companies propose to perform certain of SPP’s current ITO functions related to the Companies’ role as a Balancing Authority. The Companies believe such a transfer would be for a proper purpose and in the public interest because TranServ and MAPPCOR can perform ITO functions for the Companies in compliance with requirements to provide open access to transmission services at a lower cost to ratepayers and transmission customers.

In support of this Application, the Companies state as follows:

1. Addresses: Applicant KU’s full name and business address is: Kentucky Utilities Company, One Quality Street, Lexington, Kentucky 40507. KU’s mailing address is Kentucky Utilities Company c/o Louisville Gas and Electric Company, Post Office Box 32010, 220 West Main Street, Louisville, Kentucky 40232.

Applicant LG&E's full name and post office address is: Louisville Gas and Electric Company, 220 West Main Street, Post Office Box 32010, Louisville, Kentucky 40232.

2. Articles of Incorporation: A certified copy of KU's current Articles of Incorporation is on file with the Commission in Case No. 2010-00204, *In the Matter of: Joint Application of PPL Corporation, E.ON AG, E.ON U.S. Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities* filed on May 28, 2010, and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).

Likewise, a certified copy of LG&E's Articles of Incorporation is on file with the Commission in Case No. 2010-00204, *In the Matter of: Joint Application of PPL Corporation, E.ON AG, E.ON U.S. Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities* filed on May 28, 2010, and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).

3. KU is a public utility, as defined in KRS 278.010(3)(a), engaged in the electric business. KU generates and purchases electricity, and distributes and sells electricity at retail in the following counties in Central, Northern, Southeastern, and Western Kentucky:

Adair	Edmonson	Jessamine	Ohio
Anderson	Estill	Knox	Oldham
Ballard	Fayette	Larue	Owen
Barren	Fleming	Laurel	Pendleton
Bath	Franklin	Lee	Pulaski
Bell	Fulton	Lincoln	Robertson
Bourbon	Gallatin	Livingston	Rockcastle
Boyle	Garrard	Lyon	Rowan
Bracken	Grant	Madison	Russell
Bullitt	Grayson	Marion	Scott
Caldwell	Green	Mason	Shelby
Campbell	Hardin	McCracken	Spencer

Carlisle	Harlan	McCreary	Taylor
Carroll	Harrison	McLean	Trimble
Casey	Hart	Mercer	Union
Christian	Henderson	Montgomery	Washington
Clark	Henry	Muhlenberg	Webster
Clay	Hickman	Nelson	Whitley
Crittenden	Hopkins	Nicholas	Woodford
Daviess			

4. LG&E is a public utility, as defined in KRS 278.010(3)(a), engaged in the electric and gas business. LG&E generates and purchases electricity, and distributes and sells electricity at retail in Jefferson County and portions of Bullitt, Hardin, Henry, Meade, Oldham, Shelby, and Trimble Counties. LG&E also purchases, stores, and transports natural gas and distributes and sells natural gas at retail in Jefferson County and portions of Barren, Bullitt, Green, Hardin, Hart, Henry, Larue, Marion, Meade, Metcalfe, Nelson, Oldham, Shelby, Spencer, Trimble, and Washington Counties.

I. History of Control of Companies' Transmission Functions

5. Following the acquisition of KU Energy Corporation by LG&E Energy Corp. in 1997, LG&E and KU began jointly operating their generation and transmission systems on a combined basis for the purpose of achieving more efficient operations than could be achieved independently.¹

6. On February 1, 2002, in an effort to comply with and to help shape emerging federal regulations,² the Companies transferred operational control of their transmission facilities

¹ *In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of Merger*, Case No. 1997-00300, Order (Sept. 12, 1997).

² *In the Matter of: Investigation into the Membership of Louisville Gas and Electric Company and Kentucky Utilities Company in the Midwest Independent Transmission System Operator, Inc.*, Case No. 2003-00266, Companies' Brief at 10 (Apr. 26, 2004).

to the Midwest Independent Transmission System Operator, Inc. (“MISO”), a Federal Energy Regulatory Commission (“FERC”)-approved Regional Transmission Organization (“RTO”).³

7. Subsequent changes in the structure and operation of MISO, including the requirements of its day-ahead and real-time power markets, caused the Companies to reassess their decision and determine to pursue more cost-effective methods of operating their transmission system. After a lengthy investigation in Case No. 2003-00266 to determine whether the Companies’ membership in MISO was still in the public interest, on May 31, 2006, the Commission issued an order authorizing the Companies to withdraw from MISO and to transfer functional control of their transmission facilities back to themselves.⁴

8. Soon thereafter, on July 6, 2006, the Commission approved, under KRS 278.218, the transfer of certain transmission control functions from the Companies to the Tennessee Valley Authority (“TVA”) and SPP.⁵ In particular, the Commission approved the Companies’ request that TVA become the Companies’ Reliability Coordinator (“RC”) and that SPP become the Companies’ ITO.

9. In its role as ITO, SPP’s primary responsibility is to administer the Companies’ Open-Access Transmission Tariff (“OATT”). As such, SPP, among other things, grants and denies transmission service requests pursuant to the OATT, calculates Available Transmission Capacity (“ATC”), performs system impact studies for all interconnections, schedules transmission, administers the Companies’ Open-Access Same-time Information System (“OASIS”), and is responsible for compliance with applicable North American Electric

³ *In the Matter of: Investigation into the Membership of Louisville Gas and Electric Company and Kentucky Utilities Company in the Midwest Independent Transmission System Operator, Inc.*, Case No. 2003-00266, Order at 4 (May 31, 2006).

⁴ *In the Matter of: Investigation into the Membership of Louisville Gas and Electric Company and Kentucky Utilities Company in the Midwest Independent Transmission System Operator, Inc.*, Case No. 2003-00266, Order at 26 (May 31, 2006).

Reliability Council (“NERC”) and South-East Reliability Council (“SERC”) requirements in carrying out its ITO functions.

10. For these services, the Companies paid SPP \$3.4 million per year under their original contract, as well as an additional \$2.27 million one-time payment under a settlement agreement with SPP.⁶ Allocating the settlement amount across the 42 months of ITO services to which it was meant to apply, the Companies paid approximately \$4 million per year for SPP’s ITO services.

11. The original ITO agreement with SPP expired under its terms on August 31, 2010. In July 2009, SPP advised the Companies that it did not desire to renew the contract or otherwise to continue to offer ITO services to the Companies. On October 26, 2009, SPP provided the Companies a written notice of termination of the agreement.

12. Following the verbal notice from SPP in July 2009, the Companies sought out alternative providers of ITO services by issuing a Request for Information to 10 potential providers. Only one company responded with an expression of possible interest. Upon further discussions with the Companies regarding the range and nature of the services being sought, the responding company determined it could not offer the services and declined to respond to a Request for Proposals.

⁵ *In the Matter of: the Application of Louisville Gas and Electric Company and Kentucky Utilities Company to Transfer Functional Control of their Transmission Facilities*, Case No. 2005-00471, Order at 8 (July 6, 2006).

⁶ Southwest Power Pool, Inc., Docket Nos. EC06-4-000; EC06-4-001; ER06-20-000; ER06-20-001; and ER06-20-009; 130 FERC ¶ 61,003; Letter Order (Jan. 5, 2010). On April 24, 2009, SPP notified FERC of a dispute under the ITO Agreement regarding compensation for additional services provided by SPP pursuant to Order No. 890, *et seq.* Following the Companies’ response to SPP’s April 24 notice, the matter was referred to settlement proceedings. As a result of extensive negotiations, the parties were able to settle the dispute, submitting the settlement agreement to FERC on October 19, 2009. FERC approved the settlement agreement by a letter order dated Jan. 5, 2010.

13. In their October 30, 2009 application in Case No. 2009-00427, the Companies proposed to reassign to themselves the ITO functions then (and now) delegated to SPP.⁷ On February 2, 2010, the Commission issued an order approving the transfer of functional control of the Companies' transmission assets from SPP to the Companies. The Commission's order recognized that FERC approval would be necessary to effect the proposed transfer, and required the Companies to file with the Commission "the final order issued by FERC concerning the Joint Applicants' request to reacquire functional control of their ITO functions."⁸

14. Also on October 30, 2009, the Companies filed an application with FERC seeking approval of the same transfer of control from SPP to the Companies.⁹ A number of parties intervened in that proceeding and submitted protests to the Companies' proposal.¹⁰

15. On June 14, 2010, citing the intervener opposition to the proposal to transfer ITO functions from SPP to the Companies, the lack of procedural progress at FERC, and the then-impending expiration of the SPP contract, the Companies filed a joint motion asking the Commission to rescind its February 10, 2010 final order in Case No. 2009-00427, to permit the Companies to withdraw their application, and to declare that Commission approval under KRS 278.218 was not necessary to enter into a new ITO contract with SPP.¹¹ The Companies argued that, under the circumstances, keeping SPP as the Companies' ITO was then a pragmatic means of complying with FERC's transmission independence requirements and providing the FERC

⁷ *In the Matter of Application of Kentucky Utilities Company and Louisville Gas and Electric Company to Transfer Control of Certain Transmission Functions*, Case No. 2009-00427, Application (Oct. 30, 2009).

⁸ *In the Matter of Application of Kentucky Utilities Company and Louisville Gas and Electric Company to Transfer Control of Certain Transmission Functions*, Case No. 2009-00427, Order at 4 (Feb. 2, 2010).

⁹ *E.ON U.S. LLC*, Docket Nos. ER10-191-000 and EC06-4-003, Application (Oct. 30, 2009).

¹⁰ *See, e.g., E.ON U.S. LLC*, Docket Nos. ER10-191-000 and EC06-4-003, Motion to Intervene, Protest, and Motion to Reject Filing as Deficient of Kentucky Municipals (Nov. 20, 2009).

¹¹ *In the Matter of Application of Kentucky Utilities Company and Louisville Gas and Electric Company to Retain Southwest Power Pool, Inc. to Perform Independent Transmission Organization Functions*, Case No. 2010-00237, Application (June 14, 2010). The Commission treated the Companies' joint motion as an application and opened a

interveners, several of which were Kentucky municipalities, assurance that the Companies' OATTs would be impartially administered.

16. On July 26, 2010, the Companies filed with the Commission the current ITO Agreement between SPP and the Companies, which the Commission approved in its October 27, 2010 order in Case No. 2010-00237. The current ITO Agreement has a two-year term, which began on September 1, 2010, and runs through August 31, 2012. The Companies pay SPP a total compensation of \$8 million per year (a \$3 million up-front annual payment and \$416,667 per month).¹²

II. How the Companies Selected TranServ to Replace SPP as their ITO

17. Cognizant of the need to obtain cost-effective and reliable ITO services in sufficient time to ensure a smooth transfer of ITO responsibilities by September 1, 2012, the Companies began their replacement ITO search and selection process in February 2011 by issuing a Request for Information ("RFI") to 19 potential ITO candidates. The RFI provided a general outline of the ITO's responsibilities and asked interested parties to respond no later than March 7, 2011, to receive a copy of the Request for Proposals ("RFP"). Out of the 19 potential ITO candidates, six candidates asked to receive the RFP.

18. On March 21, 2011, the Companies distributed the RFP to the six interested candidates, including the Companies' own transmission staff. The RFP provided a more detailed description of the ITO's responsibilities and asked respondents to submit their qualifications for

new proceeding, Case No. 2010-00237, to address the Companies' requested relief. See Letter from Commission Executive Director to Companies' Counsel dated June 15, 2010, in Case No. 2010-00237.

¹² The Companies committed not to assert federal preemption in subsequent rate cases concerning the amount of SPP ITO costs exceeding \$4 million annually. *In the Matter of Application of Kentucky Utilities Company and Louisville Gas and Electric Company to Retain Southwest Power Pool, Inc. to Perform Independent Transmission Organization Functions*, Case No. 2010-00237, Order at 6 (Oct. 27, 2010) ("Applicants commit for the two-year term of the extended agreement with SPP not to assert that the FERC jurisdiction legally pre-empts the Commission from disallowing retail rate recovery of the compensation in excess of \$4 million per year paid to SPP; however, the Applicants will retain the right to assert that the charges are reasonable and appropriate.").

performing the ITO functions. The RFP asked detailed questions regarding how a candidate would perform the ITO duties, such as:

- The identity and resumes of individuals who would be assigned to work on the contract;
- The minimum requirements and qualifications that an individual must have in order to work on the contract;
- The types of information technology products the candidate proposed to use in order to establish and maintain an OASIS site and facilitate OATT administration;
- How the candidate would address compliance with regulatory requirements, including tracking and documenting compliance with applicable standards, adding compliance with new standards and requirements, and how the candidate would address non-compliance issues;
- The candidate's plan for transitioning the work from SPP; and
- The candidate's proposed method of compensation, whether cost-plus, hourly billing rates, or a fixed monthly amount.

19. The RFP requested responses by April 25, 2011. Based on requests from potential respondents, the Companies extended this deadline to May 2, 2011.

20. On May 2, 2011, the Companies received four bids for the ITO contract, which included one from the Companies' own internal team. Between May 2, 2011, and July 1, 2011, the Companies reviewed and evaluated the bids to determine which entity would most capably perform the required duties at a reasonable price.

21. On July 7, 2011, the Companies forwarded a draft ITO Agreement to TranServ to commence negotiations. Following the negotiations, on August 29, 2011, the Companies and TranServ executed a new ITO Agreement, under which TranServ, with MAPPCOR as a subcontractor, will become the Companies' ITO beginning on September 1, 2012, contingent upon receiving approval from this Commission and the Federal Energy Regulatory Commission ("FERC"). (A copy of the executed contract is attached hereto as Exhibit 1.)

22. The Companies filed for FERC approval of the TranServ ITO Agreement on August 30, 2011. (A copy of the Companies' FERC application is attached hereto as Exhibit 2.) FERC conditionally approved the Companies' application on December 15, 2011, requiring the Companies to make a compliance filing within 30 days concerning three items. (A copy of the FERC order is attached hereto as Exhibit 3.) The three compliance filing requirements were:

- To state explicitly that a transmission customer will receive real-time communications regarding a curtailed schedule and the reasons for the curtailment.
- To state in the Companies' OATT how TranServ will notify customers of curtailments that occur outside of regular business hours.
- To revise Appendix 5 to OATT Attachment P to state that the Companies and TranServ will split the balancing authority functions in accordance with NERC Functional Model Version 5, not Version 2 as the filed version stated.

The Companies made the required compliance filing on January 12, 2012. (A copy of the Companies' compliance filing is attached hereto as Exhibit 4.) The Companies will file with the Commission FERC's final order approving the compliance filing and the proposed ITO transition as quickly as reasonably possible following its issuance.

III. TranServ and MAPPCOR Are Well Qualified to Provide ITO Services to the Companies

23. TranServ is well qualified to provide ITO services to the Companies, and MAPPCOR is well qualified to assist TranServ to provide those services. TranServ and MAPPCOR have an extensive history of working in the transmission field by providing engineering and open access support to transmission owners.

24. TranServ was incorporated in 2005 and is headquartered in Minneapolis, Minnesota. TranServ's staff has extensive experience in power systems operation; transmission planning; tariff services; NERC, North American Energy Standards Board ("NAESB"), and

FERC compliance; project management; and software system support and configuration.

TranServ has performed ITO-like functions for other utilities, including:

- Serving as the Transmission Service Coordinator for MidAmerican Energy Company from 2006 to 2009;
- Providing tariff administrator services to MAPPCOR, the contractor for the Mid-Continent Area Power Pool (“MAPP”) from 2007 to 2010;
- Performing transmission tariff transaction and OASIS management for Minnkota Power Cooperative and Central Iowa Power Cooperative; and
- Administering components of the Western Area Power Administration tariff from 2008 to 2010.

25. In addition to the services provided to other utilities, TranServ has provided the Companies with ongoing engineering services, compliance assessments, and other services on an as-needed basis since 2009.

26. MAPPCOR was incorporated in 1990 as a not-for-profit organization, and has been providing transmission and reliability services since that time. In addition to being a service provider and contractor for MAPP, MAPPCOR also has a broad portfolio of consulting services. MAPPCOR has provided utilities with support regarding transmission planning, operations, reliability coordination, power flow and stability analyses, and project management for transmission study initiatives. MAPPCOR represents MAPP as the NERC-registered Planning Authority, and has provided NERC compliance services to individual MAPP utilities, the Central Nebraska Public Power and Irrigation District, and others.

27. TranServ and MAPPCOR have an extensive history of working together. With regard to the ITO services further described below, TranServ will directly provide transmission service and scheduling functions, such as calculating ATC, receiving and processing transmission service requests, and performing studies, whereas MAPPCOR will generally be responsible for working on the Companies’ long-range transmission planning and facilitating

related stakeholder meetings. The Companies' contract is with TranServ, who will subcontract planning functions to MAPPCOR. MAPPCOR's duties are outlined in Appendix A to the ITO Agreement.

IV. Pertinent Terms of the TranServ ITO Agreement

28. Compensation for TranServ will be \$2,495,938 for the first year of service. This amount will increase 2.5% for each contract year. The Companies will also reimburse TranServ for certain out-of-pocket costs (such as legal support and travel and lodging related to performance of the ITO services). Finally, the Companies may also pay to TranServ an additional amount related to certain transmission study revenue. If TranServ does not receive at least \$225,000 in transmission study revenue during a contract year pursuant to the Companies' OATT, subject to certain conditions the Companies will pay to TranServ the difference between \$225,000 and the amount it received.

29. The term of the ITO Agreement will begin on the later of September 1, 2012, or such other date as the Commission and FERC allow the agreement to go into effect. Once effective, the ITO Agreement will continue for an initial term of three years, with two additional one-year term extensions. The ITO Agreement can terminate at the end of a term upon 180 days' notice by either party, on the fifth anniversary of the agreement's effective date, immediately for cause (such as material default, gross negligence, material misrepresentation, or bankruptcy), or under other certain circumstances (such as regulatory changes or modifications to which the parties cannot agree, or an extended force majeure). Any termination requires regulatory approval before it can become effective. The ITO Agreement contemplates that if the Companies terminate the agreement early and such termination is not for cause, the Companies will provide TranServ with compensation. If termination is for cause, only certain out-of-pocket expenses will be reimbursed.

30. Under the ITO Agreement, the delegation of duties to TranServ as the ITO will be the same as they are to SPP with the exception of certain Balancing Authority duties, which are discussed further in Paragraph 32 below; in no way will the Companies transfer more functional control of their transmission system to TranServ than SPP currently possesses as ITO. Among other things, TranServ will be responsible for:

- Customer interface, including operation and maintenance of OASIS, establishment and maintenance of transmission and generator interconnection queues, drafting and posting Business Practices on OASIS (with final review and approval from the Companies), periodic review and comment on the OATT, and any coordination with third-party systems necessary to support customer transmission service requests;
- Receipt and processing of all transmission and generator interconnection service requests, including ATC evaluation, performance of system impact studies or feasibility analysis studies as provided under the OATT, receipt and processing of requests to designate or undesignated network resources, receipt and processing of service modifications or assignments as provided under the OATT, and tracking and posting all required study performance metrics;
- Calculating and posting ATC; and
- Performing certain interchange and scheduling services as the transmission provider.

31. As TranServ's contractor, MAPPCOR's duties are outlined in ITO Agreement Appendix A. MAPPCOR will generally be responsible for planning functions, including participation in the Companies' transmission planning process, which in turn will include reviewing and approving the Companies' annual transmission plan, reviewing and approving the Companies' models, notifying third parties of any planned transmission changes that may affect service, planning and holding semi-annual stakeholder meetings, and participating with the Stakeholder Planning Committee and associated working groups.

32. Under the TranServ ITO Agreement, if approved, the only way in which TranServ's ITO responsibilities will differ from SPP's current ITO responsibilities is that the

Companies will assume all Balancing Authority functions.¹³ As the NERC-approved Balancing Authority for their Balancing Authority Area, the Companies currently perform almost all of the Balancing Authority functions, but some items are delegated to SPP as the ITO. When TranServ assumes the role of the ITO, the Companies will assume responsibility for evaluating, approving, and monitoring all interchange schedules in and out of the Balancing Authority Area for purposes of ensuring reliability. This includes the responsibility to curtail interchange schedules if necessary to comply with Transmission Loading Relief (“TLR”) procedures. The Companies do not anticipate requiring any additional staffing to perform these services, and any additional software costs that might be incurred should be minimal.

V. **The Companies Respectfully Request Authority to Transfer ITO Functions from SPP to TranServ**

33. The statute that governs transfers of control of utility assets is KRS 278.218, which states:

(1) No person shall acquire or transfer ownership of or control, or the right to control, any assets that are owned by a utility as defined under KRS 278.010(3)(a) without prior approval of the commission, if the assets have an original book value of one million dollars (\$1,000,000) or more and:

(a) The assets are to be transferred by the utility for reasons other than obsolescence; or

(b) The assets will continue to be used to provide the same or similar service to the utility or its customers.

(2) The commission shall grant its approval if the transaction is for a proper purpose and is consistent with the public interest.

¹³ The Companies are the NERC-certified Balancing Authority for their Balancing Authority Area. The former NERC term for Balancing Authority Area was “control area,” and the term for Balancing Authority was “control area operator.”

The Companies stipulate that the transfer of transmission system control they propose herein meets the applicability standard of KRS 278.218(1) and therefore requires Commission approval.

34. Concerning the KRS 278.218(2) requirement that a transfer of the kind the Companies propose be “for a proper purpose and ... consistent with the public interest,” the Commission has said:

The Commission finds that any 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 potential 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, and 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.¹⁴

The Commission subsequently summarized this test: “[F]irst, 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.”¹⁵ When the Commission applied the KRS 278.218(2) standard the Companies’ application to transfer functional control of its transmission system to TVA (as their RC) and SPP (as their ITO), the Commission stated that the public interest “encompasses both network reliability and the cost of electric service.”¹⁶

35. The Companies respectfully submit that the proposed transfer of functional control of their transmission assets from SPP to TranServ is for a proper purpose and consistent

¹⁴ *In the Matter of: Application for Approval of the Transfer of Control of Kentucky-American Water Company to RWE Aktiengesellschaft and Thames Water Aqua Holdings GMBH*, Case No. 2002-00018, Order at 7-8 (May 30, 2002) (emphasis in original).

¹⁵ *In the Matter of: 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*, Case No. 2002-00475, Order at 4 (Aug. 25, 2003).

with the public interest. Because FERC regulations require that access to the Companies' transmission assets and services be open to all eligible customers, and because the Companies are not members of a regional transmission organization that can independently provide such open access (which would be more expensive than the Companies' RC-ITO construct), the RC-ITO construct is necessary. To date, SPP has performed the role of the Companies' ITO. But as described above, the Companies and their customers can realize significant savings by transferring that role from SPP to TranServ; indeed, TranServ will provide nearly all the same services as SPP at less than half the annual cost (SPP's current annual compensation is \$8 million plus out-of-pocket expenses, whereas TranServ's will be less than \$3 million plus out-of-pocket expenses). And TranServ's and MAPPCOR's histories of performing similar services for other entities and working well in coordination ensure that the Companies' transmission system will continue to be capably administered. Therefore, the proposed transfer from SPP to TranServ will not harm customers in terms of cost or service, but will create savings for the Companies and their customers.

36. Nothing about the proposed transfer will diminish or impair TVA's ability to perform its role as the Companies' RC; rather, the proposed transfer and the Companies' performance of all Balancing Authority functions should ensure that possible reliability concerns will continue to be efficiently resolved.

37. In addition to creating savings and preserving reliability, the Companies do not anticipate that the proposed transfer will in any way compromise or impair the Companies' ability to make off-system sales. The FERC order conditionally approving TranServ as the

¹⁶ *In the Matter of: the Application of Louisville Gas and Electric Company and Kentucky Utilities Company to Transfer Functional Control of their Transmission Facilities*, Case No. 2005-00471, Order at 5 (July 6, 2006).

Companies' new ITO confirms that the transfer of the ITO role will not affect the Companies' market-based rate authority.

38. Because the proposed transfer of functional control of the Companies' transmission assets will create only benefits, not detriments, for the Companies and their customers, it is for a proper purpose and consistent with the public interest.

WHEREFORE, Louisville Gas and Electric Company and Kentucky Utilities Company respectfully request that the Commission review this filing on an expedited basis, and approve by May 1, 2012, the proposed ITO Agreement and the related transfer of ITO functions from SPP to TranServ, MAPP COR, and the Companies.

Dated: January 31, 2012

Respectfully submitted,



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and Louisville Gas and Electric Company*

CERTIFICATE OF COMPLIANCE

In accordance with Ordering Paragraph No. 10 of the Commission's January 30, 2012 Order, this is to certify that Louisville Gas and Electric Company and Kentucky Utilities Company's January 31, 2012 electronic filing is a true and accurate copy of the documents being filed in paper medium; that the electronic filing has been transmitted to the Commission on January 31, 2012; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; that an original and one copy of the filing is being hand-delivered to the Commission on January 31, 2012; and that, on January 31, 2012, electronic mail notification the electronic filing will be provided to the Commission and the following:

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Independent Transmission Organization
Agreement

Between

Louisville Gas and Electric Company/
Kentucky Utilities Company

And

TranServ International, Inc.

FINAL

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Appendix A – Service Specification

INDEPENDENT TRANSMISSION ORGANIZATION AGREEMENT

This Independent Transmission Organization (“ITO”) Agreement (this “Agreement”) is entered into on August 29, 2011, between Louisville Gas and Electric Company and Kentucky Utilities Company, corporations organized pursuant to the laws of the Commonwealth of Kentucky (collectively, “Company”), and TranServ International, Inc., an entity organized pursuant to the laws of Delaware (“TranServ”). Company and TranServ may sometimes be individually referred to herein as a “Party” and collectively as the “Parties.”

WHEREAS, Company owns, among other things, an integrated electric transmission system (“Transmission System”), over which open access transmission service is provided to customers in the Company’s Balancing Authority Area (as that term is defined by the North American Electric Reliability Corporation (“NERC”));

WHEREAS, the Company has an Open Access Transmission Tariff (“OATT”) on file with the Federal Energy Regulatory Commission (“FERC”)

WHEREAS, Company currently operates its Transmission System with certain services provided by Southwest Power Pool, Inc. (“SPP”);

WHEREAS, Company’s contract with SPP is scheduled to expire on August 31, 2012;

WHEREAS, Company desires that, upon expiration of the contract with SPP, TranServ will assume certain duties with regard to Company’s Transmission System, as detailed herein;

WHEREAS, Company remains the owner of its Transmission System and shall be the ultimate provider of transmission services to Eligible Customers (as defined in the OATT), including the sole authority to amend the OATT;

WHEREAS, TranServ: (i) is independent from Company; (ii) possesses the necessary competence and experience to perform the functions provided for hereunder; and (iii) is willing to perform such functions under the terms and conditions agreed upon by the Parties as set forth in this Agreement; and

WHEREAS, as part of Company’s goal to maintain independence in the operation of its Transmission System in order to prevent any exercise of transmission market power, Company entered into a Reliability Coordinator Agreement (the “Reliability Coordinator Agreement”) with the Tennessee Valley Authority, NERC-certified reliability coordinator (the “Reliability Coordinator”), pursuant to which the Reliability Coordinator provides to Company certain required reliability functions.

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

Section 1 - Services to be Provided; Standards of Performance

1.1 Services. TranServ shall perform, or cause to be performed, the services described in Appendix A hereto as well as any obligations expressly assigned to the ITO under the OATT (“ITO Services”) during the Term in accordance with the terms and conditions of this Agreement, subject to modification pursuant to Section 1.4 hereto.

1.2 Coordination with Reliability Coordinator. In conjunction with its performance of ITO Services, TranServ shall coordinate and cooperate with the Reliability Coordinator in accordance with the terms of the OATT and all NERC and SERC Reliability Corporation (“SERC”) requirements. TranServ shall provide to the Reliability Coordinator, subject to the terms and conditions of this Agreement, including TranServ’s obligations with respect to Confidential Information in Section 10, any information that the Reliability Coordinator may reasonably request in order to carry out its functions under the Reliability Coordinator Agreement, which agreement is included in the OATT.

1.3 TranServ Performance; Compliance.

1.3.1 Performance. TranServ, TranServ Personnel and any TranServ Designee (as defined in Section 17.5) shall perform TranServ’s obligations (including ITO Services) under this Agreement:

- (a) in an independent, fair, and nondiscriminatory manner; and
- (b) in accordance with:
 - (i) any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition (“Good Utility Practice”). Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region, including those practices required by Federal Power Act Section 2 14(a)(4);
 - (ii) the terms and conditions of the OATT;
 - (iii) all applicable laws and the requirements of federal and state regulatory authorities, including the Kentucky Public Service Commission (“KPSC”), Department of Energy (“DOE”), FERC, NERC, SERC, and the North American Electric Standards Board (“NAESB”) (collectively, “Regulatory Authorities”); and
 - (iv) any methodologies, processes, or procedures relating to ITO Services which Company may develop and which Company determines are necessary or appropriate to ensure safe and reliable system operations and compliance with all applicable laws and the applicable requirements of Regulatory Authorities.

1.4 Changes to ITO Services. The Parties agree that all changes to ITO Services resulting from legal and regulatory developments, as well Company requests, shall be assessed using a change order process. This process will include a written assessment of impacts to ITO Services consistent with Section 5 of Appendix A. Changes will be implemented only after mutual execution of a change document, which may be titled a Change Order or an Amendment. If the Parties are unable to agree on whether a change constitutes a “Minor Change,” or a “Major Change,” as those terms are used in Section 5 of Appendix A, such Dispute shall be resolved in accordance with Section 3.6.

Section 2 - Independence and Standards of Conduct

2.1 TranServ Personnel. All ITO Services shall be performed by staff members of TranServ (“TranServ Personnel”) or TranServ Designees. No TranServ Personnel or TranServ Designee shall also be employed by Company or any of its Affiliates (as defined in FERC’s regulations, 18 C.F.R. § 35.34(b)(3) (2011)). TranServ, TranServ Employees, and TranServ Designees shall (i) be Independent of and (ii) shall not discriminate against Company, any of its Affiliates, or any Tariff Participant. For purposes of this Agreement: (a) “Independent” shall mean that TranServ, TranServ Personnel, and any TranServ Designees are not subject to the control of Company, its Affiliates or any Tariff Participant, and have full decision-making authority to perform all ITO Services in accordance with the provisions of this Agreement. Any TranServ Personnel or TranServ Designee owning securities in Company, its Affiliates or any Tariff Participant shall divest such securities within six (6) months of first being assigned to perform such ITO Services, provided that nothing in this Section 2.1 shall be interpreted or construed to preclude any such TranServ Personnel or TranServ Designee from indirectly owning securities issued by Company, its Affiliates or any Tariff Participant through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or the electric utility industry or any segment thereof) under which the TranServ Personnel or the TranServ Designee does not control the purchase or sale of such securities. Participation by any TranServ Personnel or TranServ Designee in a pension plan of Company, its Affiliates or any Tariff Participant shall not be deemed to be a direct financial interest if the plan is a defined-benefit plan that does not involve the TranServ Personnel’s or TranServ Designee’s ownership of the securities; and (b) “Tariff Participant” shall mean Company Transmission System customers, interconnection customers, wholesale customers, affected transmission providers, any Market Participant (as defined in FERC’s regulations, 18 C.F.R. § 35.34(b)(2) (2011)) and similarly qualified third parties within the Company Balancing Authority Area. For the avoidance of doubt, Company shall have no veto authority over the selection of TranServ Personnel or TranServ Personnel matters, including TranServ’s appointment of a TranServ Project Manager (as provided in Section 8.2).

2.2 Standards of Conduct Treatment. All TranServ Personnel and TranServ Designees shall be treated, for purposes of the FERC’s Standards of Conduct (18 C.F.R. Part 358 (2011)), as transmission function employees. All restrictions relating to information sharing and other relationships between marketing function employees and transmission function employees, as those terms are defined in the Standards of Conduct, including the non-discrimination requirements contained therein, shall apply to TranServ Personnel and TranServ Designees. TranServ Personnel and TranServ Designees shall participate in any Standards of Conduct training that the Company may request for compliance purposes.

Section 3 - Compensation; Billing and Payment; Performance Review

3.1 Compensation for Services. Company shall pay to TranServ an annual fee for performance of the ITO Services (“Annual Fee”). The Annual Fee shall be \$2,495,938 for the first Contract Year, and shall escalate by two and five-tenths percent (2.5%) of the prior year’s Annual Fee for each Contract Year thereafter.

3.2 Out-of-Pocket Costs. Company shall reimburse TranServ for actual out-of-pocket third party costs and expenses, without markup, for (a) regulatory legal support that is reasonably allocable to TranServ’s performance of ITO Services, provided that in no event shall Company reimburse TranServ for legal fees associated with any actual or potential Dispute under this Agreement, (b) travel and lodging that are reasonably allocable to TranServ’s performance of ITO Services and (c) setting up regular stakeholder meetings (collectively, (a), (b) and (c) are “Out-of-Pocket Costs”); provided, however, that all Out-of-Pocket Costs subject to reimbursement under this Section 3.2 must be reviewed and approved by Company prior to TranServ incurring such expense.

3.3 Transmission Study Revenue. During the Term, TranServ expects that it will receive \$225,000 USD annually in System Impact Study (“SIS”) and Interconnection Feasibility Study (as performed under the generator interconnection processes under the OATT, “IFS”) (collectively, SIS and IFS are “Transmission Studies”) revenue from customers requesting service under the OATT. If TranServ fails to receive this amount during any Contract Year, then the Company shall pay TranServ an annual “true-up” payment equal to the difference between the amount TranServ did receive in Transmission Studies revenue and \$225,000 during the applicable Contract Year (“Transmission Study True Up Payment”); provided that TranServ shall be obligated to refund to Company any Transmission Study True Up Payment to the extent TranServ subsequently collects revenue from customers thereafter for Transmission Studies performed in the previous Contract Year; and provided further, that Company shall not be obligated to pay any Transmission Study True Up Payment to the extent that TranServ’s inability to receive the full \$225,000 USD during any Contract Year is due to either (a) TranServ’s failure to bill customers for Transmission Studies, or (b) a customer’s failure to pay for Transmission Studies TranServ has performed. Additionally, to the extent that TranServ’s failure to perform System Impact Studies within the timeframe required under Sections 19.3 or 32.3 of the OATT (as applicable) results in Company being subject to penalties pursuant to Sections 19.10 or 32.5 of the OATT (as applicable), when such penalties are assessed such amount shall be deducted from the Transmission Study True-Up payment or any other payments due to TranServ under this Agreement, in partial satisfaction of TranServ’s obligation to indemnify Company pursuant to Section 7.3; provided that in no event shall Company withhold a Transmission Study True Up Payment or other payment due to TranServ while a possible penalty determination is pending; and provided further, that the limitations included in Section 7.6 shall apply.

3.4 Payment.

3.4.1 Monthly Payment. TranServ shall deliver to Company monthly invoices by regular mail, facsimile, electronic mail or such other means as the Parties agree. Such invoices shall set forth (i) one-twelfth (1/12) of the Annual Fee for each month in advance, and (ii) any Out-of-Pocket costs incurred during the previous month, provided

however, that travel expenses occurring on the last three (3) days of each month may be carried over to future invoices for ease of administration. Company shall make payment of the amount invoiced by wire transfer in immediately available funds to an account specified by TranServ not later than the thirtieth (30th) day after receipt of the invoice, unless such day is not a business day, in which case on the next business day. All such payments shall be deemed made when said wire transfer is received by TranServ. Overdue payments shall accrue interest calculated at the FERC interest rate as defined in 18 C.F.R. §35.19a(2)(iii)(A) (2011) ("FERC Interest Rate").

3.5 Annual Review and True Up Payments.

3.5.1 Annual Review. Commencing at the end of the second Contract Year, no later than sixty (60) days after the end of each Contract Year, TranServ shall determine and deliver to Company a calculation of TranServ's actual labor in providing ITO Services for the preceding Contract Year ("Annual Labor"). The Annual Labor calculation shall detail the job title and number of full-time employees assigned to ITO Services, and the number of hours spent in performing ITO Services. The Annual Labor shall also include the hours for any tasks which TranServ outsourced to TranServ Designees.

3.5.2 Transmission Study True Up Payment Calculation and Payment. No later than sixty (60) days after the end of each Contract Year, TranServ shall determine and deliver to Company a calculation of the Transmission Study True Up Payment, if any. Such calculation shall include the aggregate amount of Transmission Study revenues invoiced by TranServ for the applicable year. No later than ten (10) days after the calculation the Transmission Study True Up Payment, TranServ shall send an invoice to the Company reflecting the sum of the Transmission Study True Up Payment. Company shall make payment of the amount invoiced by wire transfer in immediately available funds to an account specified by TranServ not later than the thirtieth (30th) day after receipt of the invoice, unless such day is not a business day, in which case on the next business day. All such payments shall be deemed made when said wire transfer is received by TranServ. Overdue payments shall accrue interest calculated at FERC Interest Rate.

3.6 Compensation Disputes. Notwithstanding the Dispute resolution provisions in Section 8.3, for any Disputes concerning compensation under this Section 3, Company shall timely file notice of such Dispute with FERC and request that FERC resolve such Dispute. TranServ retains the authority to file notice with FERC of any such Dispute if it so desires. If either Party in good faith disputes any invoice submitted by the other Party pursuant to this Agreement, then the disputing Party (i) shall timely pay the other Party the entire invoiced amount and (ii) shall furnish the other Party with a written explanation specifying the amount of and the basis for the Dispute. Within twenty (20) days after resolution of such Dispute, the Party owing money shall pay the other Party the amount owed, if any, together with interest calculated at the FERC Interest Rate.

Section 4 - Term and Termination

4.1 Term. The initial term of this Agreement shall begin on the later of (a) September 1, 2012 or (b) such date approved by applicable Regulatory Authorities for TranServ to begin performing ITO Services (either (a) or (b) being the “Commencement Date”), and shall continue for three (3) years thereafter (“Initial Term”). At the conclusion of the Initial Term, this Agreement shall automatically extend for two (2) successive one (1) year terms (each a “Subsequent Term”), unless terminated by either Party in accordance with the terms of this Agreement. The Initial Term or any Subsequent Terms are each referred to herein as a “Term.” For the purposes of this Agreement, a “Contract Year” shall begin on the Commencement Date or anniversary thereof and conclude twelve (12) months thereafter.

4.2 Termination by Either Party. This Agreement may be terminated by either Party at end of a Term upon prior one hundred eighty (180) days written notice to the other Party, which termination shall be effective upon the later of (i) one hundred eighty (180) days after the date of such written notice, or (ii) receipt of the regulatory approvals required under Section 4.6.

4.3 Termination at End of Term. Unless previously terminated in accordance with this Section 4, and subject to Section 4.6, this Agreement shall terminate on the fifth (5th) anniversary of the Commencement Date.

4.4 Immediate Termination.

4.4.1 Termination for Cause. Subject to Section 4.6, either Party may terminate this Agreement upon prior written notice thereof to the other Party if:

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

(b) Pattern of Failure. It determines, in its reasonable discretion, that there has been a pattern of failure by the other Party to comply with the standards of performance set forth in Section 1.3.1, whether or not such failure is material;

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

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

(e) Bankruptcy. The other Party: (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or

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

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

4.4.2 Immediate Termination Not For Cause. Subject to Section 4.6, Company may terminate this Agreement upon thirty (30) days prior written notice thereof to TranServ if:

(a) Failure to Negotiate Amendment. The Parties are unsuccessful in negotiating an amendment or amendments to this Agreement pursuant to Section 17.9;

(b) Regulatory Changes/Modifications. A Regulatory Authority makes any material changes, modifications, additions, or deletions to this Agreement, unless both Parties agree to such changes, modifications, additions, or deletions;

(c) Failure to Receive Regulatory Approval. Prior to the Commencement Date, FERC rejects this Agreement or Company's selection of TranServ as the ITO;

(d) RTO. A Regulatory Authority requires Company to join a regional transmission organization ("RTO"); or

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

4.5 Termination for Lack of Independence. Subject to Section 4.6, Company may terminate this Agreement upon prior written notice thereof to TranServ if FERC or the KPSC issues a final order that declares that TranServ lacks independence from Company and TranServ cannot obtain independence in a reasonable manner or time period.

4.6 Regulatory Approval. No termination of this Agreement shall be effective until approved by FERC and the KPSC. Notice of termination provided pursuant to Sections 4.4 and 4.5 shall become effective immediately upon approval by FERC and the KPSC.

4.7 Return of Materials. Upon any termination of this Agreement TranServ shall timely and in an orderly manner turn over to Company all materials that were prepared or developed pursuant to this Agreement prior to termination, and return or destroy, at the option of

Company, all Data and other information supplied by Company to TranServ or created by TranServ on behalf of Company.

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

4.9 Compensation for Early Termination.

4.9.1 If Company terminates this Agreement before the end of a Term pursuant to Section 4.4.2 (a), (b), (d) or (e), then Company shall pay to TranServ the Annual Fee(s) through the end of the then-current Term, which fees shall be accelerated hereunder for this purpose, plus any unpaid Out-of-Pocket Costs that TranServ has incurred through the date of any such termination. In the event that this Section 4.9.1 should trigger an acceleration of Annual Fee(s) that would otherwise span multiple years, such fees paid by Company to TranServ shall not include any escalation of two and five-tenths percent (2.5%) as described in Section 3.1 that had not yet been previously applied to the Annual Fee(s).

4.9.2 If Company terminates this agreement before the end of the Term, and such termination is for cause pursuant to Section 4.4.1, then Company shall only be liable for TranServ's Out-of-Pocket Costs incurred pursuant to contracts which extend beyond any early termination date.

4.10 Post-Termination Services. Commencing on the date that any termination becomes effective ("Termination Date") and continuing for up to one hundred eighty (180) days thereafter, TranServ shall (a) provide ITO Services (and any replacements thereof or substitutions therefor), to the extent Company requests such ITO Services to be performed, and (b) cooperate with Company in the transfer of ITO Services (collectively, the "Post-Termination Services") as such services are authorized under a separate agreement between the Parties. TranServ shall, upon Company's request, provide the Post-Termination Services at a cost to be negotiated and mutually agreed to at that time. The quality and level of performance of ITO Services by TranServ shall not diminish. After the expiration of the Post-Termination Services, TranServ shall answer questions from Company regarding ITO Services on an "as needed" basis at TranServ's then-standard billing rates.

Section 5 - Data Management and Intellectual Property

5.1 Supply of Data. During the Term, Company shall supply to TranServ, and/or grant TranServ access to all Data that TranServ requests and that TranServ believes is necessary to perform its duties and obligations under this Agreement, including ITO Services. The Parties shall agree upon the initial format and manner in which such Data shall be provided. For purposes of this Agreement, "Data" means all information, text, drawings, diagrams, models, images or sounds which are embodied in any electronic or tangible medium and which (a) are supplied or in respect of which access is granted to TranServ by Company under this Agreement, which shall be Company's Data, (b) are prepared, stored or transmitted by TranServ solely on behalf of Company, which shall be Company's Data; or (c) are compiled by TranServ by

aggregating Data owned by Company and Data owned by third parties, which shall be TranServ's Data.

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

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

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

Section 6 - Intellectual Property.

6.1 Ownership. All inventions, discoveries, processes, methods, designs, drawings, blueprints, information, software, works of authorship, or the like, whether or not patentable or copyrightable (collectively, "Intellectual Property"), which TranServ first conceives, develops, or begins to develop, either alone or in conjunction with Company or others, with respect to ITO Services under this Agreement, shall be jointly owned by Company and TranServ, and each party shall have the right to use such intellectual property unless specifically otherwise specified on a change document hereunder.

6.2 Royalties and License Fees. Unless the Parties otherwise agree in writing, TranServ shall procure and pay all royalties and license fees which may be payable on account of ITO Services or any part thereof. In case any part of ITO Services is held in any suit to constitute infringement and its use is enjoined, TranServ within a reasonable time shall, at the election of Company and as Company's exclusive remedy hereunder, either (a) secure for Company the perpetual right to continue the use of such part of ITO Services by procuring for Company a royalty-free license or such other permission as will enable TranServ to secure the suspension of any injunction, or (b) replace at TranServ's own expense such part of ITO Services with a non-infringing part or modify it so that it becomes non-infringing (in either case with changes in functionality that are acceptable to Company).

Section 7 - Indemnification and Limitation of Liability

7.1 Company Indemnification. Subject to the limitations specified in Section 7.6, Company shall indemnify, release, defend, reimburse and hold harmless TranServ and its

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

7.2 TranServ Indemnification. Subject to the limitations specified in Section 7.6, TranServ shall indemnify, release, defend, reimburse and hold harmless Company and its directors, officers, employees, principals, representatives and agents (collectively, the “Company Indemnified Parties”) from and against any and all Indemnifiable Losses asserted against or incurred by any of the Company Indemnified Parties arising out of, resulting from or based upon TranServ’s or a TranServ Designee’s negligence, gross negligence, or willful misconduct, provided, however, that in no event shall TranServ be obligated to indemnify, release, defend, reimburse or hold harmless any Company Indemnified Parties from and against any Indemnified Loss which is caused by the negligence, gross negligence or willful misconduct of any Company Indemnified Party.

7.3 Regulatory Indemnification. Subject to the limitations specified in Section 7.6, TranServ shall indemnify, release, defend, reimburse and hold harmless any Company Indemnified Parties from and against all regulatory penalties and sanctions (including penalties or sanctions levied by a Regulatory Authority) arising out of, resulting from or based upon TranServ breach of this Agreement, specifically including Section 1.3.1 hereto, provided, however, that in no event shall TranServ be obligated to indemnify, release, defend, reimburse or hold harmless any Company Indemnified Parties from and against any penalty or sanction which is caused by the gross negligence or willful misconduct of any Company Indemnified Party.

7.4 Cooperation Regarding Claims. If an Indemnified Party (which for purposes of this Section 7.4 shall mean an TranServ Indemnified Party or a Company Indemnified Party) receives notice or has knowledge of any Indemnifiable Loss that may result in a claim for indemnification by such Indemnified Party against an Indemnifying Party (which for purposes of this Section 7.4 shall mean Company or TranServ) pursuant to this Section 7, such Indemnified Party shall as promptly as possible give the Indemnifying Party written notice of such Indemnifiable Loss, including a reasonably detailed description of the facts and circumstances relating to such Indemnifiable Loss, a complete copy of all notices, pleadings and other papers related thereto, and in reasonable detail the basis for its claim for indemnification with respect thereto. Failure to promptly give such written notice or to provide such information and documents shall not relieve the Indemnifying Party from the obligation hereunder to respond to or defend the Indemnified Party against such Indemnifiable Loss unless and only to the extent such failure shall materially diminish the ability of the Indemnifying Party to respond to or to defend the Indemnified Party against such Indemnifiable Loss. Except for indemnification for penalties and sanctions under Section 7.3, the Indemnifying Party, upon its acknowledgment in

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

7.5 Release and Indemnification Regarding Liens. TranServ hereby releases and/or waives for itself and its successors in interest, and for all TranServ Designees and their successors in interest, any and all claims or right of mechanics or any other type of lien to assert and/or file upon Company's or any other party's property or any part thereof as a result of performing ITO Services. TranServ shall execute and deliver to Company such documents as may be required by applicable laws (*i.e.*, partial and/or final waivers of liens and/or affidavits of indemnification) to make this release effective and shall give all required notices to TranServ Designees with respect to ensuring the effectiveness of the foregoing releases against those parties. TranServ shall secure the removal of any lien that TranServ has agreed to release in this Section 7.5 within five (5) working days of receipt of written notice from Company to remove such lien. If not timely removed, Company may remove the lien and charge all costs and expenses including legal fees (for inside and/or outside legal counsel) to TranServ including, without limitation, the costs of bonding off such lien. Company, in its sole discretion, expressly reserves the right to off-set and/or retain any reasonable amount due to TranServ from payment of any one or more of TranServ's invoices upon Company having actual knowledge of any threatened and/or filed liens and/or encumbrances that may be asserted and/or filed by any TranServ Designee and/or third party with respect to the ITO Services, with final payment being made by Company only upon verification that such threatened and/or filed liens and/or encumbrances have been irrevocably satisfied, settled, resolved and/or released (as applicable), and/or that any known payment disputes concerning the ITO Services involving TranServ and any TranServ Designees have been resolved so that no actions, liens and/or encumbrances of any kind or nature will be filed against Company and/or Company's property.

7.6 Limitation of Liability. Other than as provided in Section 7.3, neither Party shall be liable to the other for any special, punitive, or consequential damages arising out of ITO Services, even if advised of the possibility of such damages. Company agrees that ITO Services are not consumer goods for purposes of international, U.S. Federal or U.S. state warranty laws. Indemnification pursuant to Sections 7.1, 7.2, and 7.3, as well as any direct damages to Company arising out of a material breach of this Agreement shall be limited in the aggregate to the total amount of fees actually paid by Company to TranServ under this Agreement through the date that any penalty or judgment is assessed.

Section 8 - Contract Managers; Dispute Resolution

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

8.2 TranServ Project Manager. TranServ shall appoint, among TranServ Personnel, an individual (the “TranServ Project Manager”) who shall serve as the primary TranServ representative under this Agreement. The TranServ Project Manager shall have overall responsibility for managing and coordinating the performance of TranServ obligations under this Agreement. Notwithstanding the foregoing, the TranServ Project Manager may, upon written notice to Company, delegate such of his or her responsibilities to other TranServ Personnel, as the TranServ Project Manager deems appropriate.

8.3 Resolution of Disputes. Any dispute, claim or controversy between the Parties arising out of or relating to this Agreement (each, a “Dispute”) shall be resolved in accordance with the procedures set forth in this Section 8.3; provided, however, that this Section 8.3 shall not apply to Disputes arising from or relating to (a) the amount of compensation to be paid by Company pursuant to Section 3.1, which shall be resolved pursuant to Section 3.6, (b) confidentiality or intellectual property rights, in which case either Party shall be free to seek available legal or equitable remedies, or (c) alleged violations of the OATT, in which case either Party shall be free to bring the Dispute to FERC.

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

8.3.2 Dispute Resolution by Contract Managers. Any Dispute shall first be referred to the Company Contract Manager and TranServ Project Manager, who shall negotiate in good faith to resolve the Dispute.

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

8.3.4 Binding Arbitration. If the Dispute is not resolved within ten (10) calendar days of being referred to executive management representatives, and the amount in dispute or potential damages exceeds \$250,000 USD, the Parties shall proceed in good faith to submit immediately the matter to binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (“AAA”) as they

may be amended from time to time (the “Arbitration Rules”) subject to the following conditions:

(a) The Parties shall give due consideration to using the Expedited Procedures under the Arbitration Rules in any case in which no disclosed claim or counterclaim exceeds \$75,000, exclusive of interest and arbitration fees and costs.

(b) The Parties agree that three arbitrators will be used. Each Party will directly appoint one arbitrator of its choosing from a list of members from the National Roster (as that term is used in the Arbitration Rules) provided by the AAA pursuant to R-12, within ten (10) Days after receipt of such names. The two arbitrators so appointed shall select a third arbitrator from the National Roster to serve as chairperson.

(c) “Baseball” arbitration (in which each Party presents a proposed award or resolution and the actual award must be one of the two submitted), or close variants thereof, shall not be used.

(d) The arbitrators have no authority to appoint or retain expert witnesses for any purpose unless agreed to by the Parties.

(e) All arbitration fees and costs shall be borne equally, regardless of which Party prevails.

(f) Each Party shall bear its own costs of legal representation and witness expenses, unless the arbitrator(s) determines that one Party should bear some or all of the costs of legal representation and witness expenses of the other Party.

(g) The Parties waive any right of appeal or recourse to any court except to compel arbitration, to compel the appointment of arbitrators, to stay judicial proceedings pending arbitration, for an injunction pending determination by the arbitrators, for disqualification of arbitrators, for aid in furtherance of arbitration, to confirm the award, to enforce any judgment confirming the award, or in circumstances of fraud or failure to disclose information or documents required by the arbitrators.

(h) The decision or award of a majority of the arbitrators shall govern. The decision or award of the arbitrators shall be final and binding upon the Parties to the same extent and to the same degree as if the matter had been adjudicated by a court of competent jurisdiction and shall be enforceable under the Federal Arbitration Act and applicable states’ laws.

8.3.5 Rights and Remedies. If the Dispute is not resolved within ten (10) calendar days of being referred to executive management representatives, and the amount in dispute or potential damages does not exceed \$250,000 USD, each Party is free to pursue any rights or remedies it may have at law or equity.

8.4 Rights Under FPA Unaffected. Except as provided in Section 17.2 relating to the variation or amendment of this Agreement, nothing in this Agreement is intended to limit or

abridge any rights that Company may have to file or make application before FERC under Section 205 of the Federal Power Act to revise any rates, terms or conditions of the OATT.

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

Section 9 - Insurance

9.1 TranServ's Insurance Obligation. During the Term, TranServ shall provide and maintain, and shall require TranServ Designees to provide and maintain, the following insurance (and, except with regard to Workers' Compensation, naming Company as additional insured and waiving rights of subrogation against Company and Company's insurance carrier(s)), and TranServ shall submit evidence of such coverage(s) of TranServ and any TranServ Designees to Company prior to the start of ITO Services. Furthermore, TranServ shall notify Company, prior to the commencement of ITO Services, of any threatened, pending and/or paid off claims to third parties, individually or in the aggregate, which otherwise affects the availability of the limits of such coverage(s) inuring to the benefit of Company as hereinafter specified:

9.1.1 Workers' Compensation and Employer's Liability Policy, which shall include provisions required by applicable law in the jurisdiction of location of workers.

9.1.2 Employer's Liability (Coverage B) with limits of One Million Dollars (\$1,000,000) Bodily Injury by Accident, each Accident, \$1,000,000 Bodily Injury by Disease, each Employee, and including:

- (a) a thirty (30) day cancellation clause; and
- (b) broad form all states endorsement.

9.1.3 Commercial General Liability Policy, which shall have minimum limits of One Million Dollars (\$1,000,000) each occurrence; One Million Dollars (\$1,000,000) Products/Completed Operations Aggregate each occurrence; One Million Dollars (\$1,000,000) Personal and Advertising Injury each occurrence, in all cases subject to Two Million Dollars (\$2,000,000) in the General Aggregate for all such claims, and including:

- (a) a thirty (30) day cancellation clause;
- (b) Blanket Written Contractual Liability to the extent covered by the policy against liability assumed by TranServ under this Agreement; and
- (c) Broad Form Property Damage.

9.1.4 Commercial Automobile Liability Insurance covering the use of all owned, non-owned, and hired automobiles, with a bodily injury, including death, and

property damage combined single minimum limit of One Million Dollars (\$1,000,000) each occurrence with respect to TranServ's vehicles assigned to or used in performance of ITO Services under this Agreement.

9.1.5 Umbrella/Excess Liability Insurance with minimum limits of Two Million Dollars (\$2,000,000) per occurrence; Two Million Dollars (\$2,000,000) aggregate, to apply to employer's liability, commercial general liability, and automobile liability.

9.1.6 To the extent applicable, if engineering or other professional services will be separately provided by TranServ as specified in Appendix A, then Professional Liability Insurance with limits of Three Million Dollars (\$3,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the aggregate, which insurance shall be either on an occurrence basis or on a claims made basis (with a retroactive date satisfactory to Company).

9.2 Quality of Insurance Coverage. The above policies to be provided by TranServ shall be written by insurance companies which are both licensed to do business in the state where ITO Services will be performed and either satisfactory to Company or having a Best Rating of not less than "A-". These policies shall not be materially changed or canceled except with thirty (30) days written notice to Company from TranServ and the insurance carrier. Evidence of coverage, notification of cancellation or other changes shall be mailed to: Attention: Manager, Supply Chain, LG&E and KU Services Company, P.O. Box 32020, Louisville, Kentucky 40232.

9.3 Implication of Insurance. Company reserves the right to request and receive a summary of coverage of any of the above policies or endorsements; however, Company shall not be obligated to review any of TranServ's certificates of insurance, insurance policies, or endorsements, or to advise TranServ of any deficiencies in such documents. Any receipt of such documents or their review by Company shall not relieve TranServ from or be deemed a waiver of Company's rights to insist on strict fulfillment of TranServ's obligations under this Agreement.

9.4 Other Notices. TranServ shall provide written notice of any accidents or claims in connection with ITO Services or this Agreement to Company's Manager, Risk Management at LG&E and KU Services Company, P.O. Box 32030, Louisville, Kentucky 40232.

Section 10 - Confidentiality

10.1 Definition of Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean, in respect of each Party, all information and documentation of such Party, whether disclosed to or accessed by the other Party in connection with this Agreement and which is identified as Confidential Information, or which otherwise would be treated as confidential by the recipient, including confidential information provided by third-parties; provided, however, that the term "Confidential Information" shall not include information that: (a) is independently developed by the recipient, as demonstrated by the recipient's written records, without violating the disclosing Party's proprietary rights; (b) is or becomes publicly known (other than through unauthorized disclosure); (c) is disclosed by the owner of such information to a third party free of any obligation of confidentiality; (d) is already

known by the recipient at the time of disclosure, as demonstrated by the recipient's written records, and the recipient has no obligation of confidentiality other than pursuant to this Agreement or any confidentiality agreements between the Parties entered into before the Commencement Date; or (e) is rightfully received by a Party free of any obligation of confidentiality.

10.2 Protection of Confidential Information. All Confidential Information shall be held in confidence by the recipient to the same extent and in at least the same manner as the recipient protects its own Confidential Information, and such Confidential Information shall be used only for purposes of performing obligations under this Agreement. Except as otherwise provided in Section 10.3, neither Party shall disclose, publish, release, transfer or otherwise make available Confidential Information of, or obtained from, the other Party in any form to, or for the use or benefit of, any person or entity without the owner of such information's prior written consent. Each Party shall be permitted to disclose relevant aspects of the other Party's Confidential Information to its officers, directors, agents, professional advisors, contractors, subcontractors (including TranServ Designees) and employees and to the officers, directors, agents, professional advisors, contractors, subcontractors and employees of its Affiliates (collectively, "Representatives"), to the extent that such disclosure is reasonably necessary for the performance of its duties and obligations or the determination, preservation or exercise of its rights and remedies under this Agreement; provided, however, that the recipient shall take all reasonable measures to ensure that Confidential Information is not disclosed or duplicated in contravention of the provisions of this Agreement by such officers, directors, agents, professional advisors, contractors, subcontractors and employees. Recipient agrees to be liable for the wrongful actions of its Representatives under this Section 10.2. The obligations in this Section 10 shall not restrict any disclosure pursuant to any Regulatory Authority if such release is necessary to comply with valid laws, governmental regulations or final orders of regulatory bodies or courts; provided that, other than in respect of disclosures pursuant to Section 10.3, the recipient shall give prompt written notice to the disclosing Party in reasonable time to exercise whatever legal rights the disclosing Party may have to prevent or limit such disclosure. Further, the recipient shall cooperate with the disclosing Party in preventing or limiting such disclosure.

10.3 Regulatory Requests for Confidential Information. Notwithstanding anything in this Section 10 to the contrary, if a Regulatory Authority or its staff, during the course of an investigation or otherwise, requests Confidential Information from TranServ, TranServ shall provide the requested Confidential Information to the requesting Regulatory Authority or its staff within the time provided for in the request for information. In providing the Confidential Information to a Regulatory Authority or its staff, TranServ shall, consistent with 18 C.F.R. § 388.112 (2011) or any other applicable confidentiality regulation, request that the Confidential Information be treated as confidential and non-public by the Regulatory Authority and its staff and that the information be withheld from public disclosure. TranServ shall notify Company when it is notified by the Regulatory Authority or its staff that a request for public disclosure of, or decision to publicly disclose, Confidential Information has been received, at which time either TranServ or Company may respond before such Confidential Information is made public, pursuant to 18 C.F.R. § 388.112 or the applicable confidentiality regulation.

Section 11 - Force Majeure.

11.1 Force Majeure. Neither Party shall be liable to the other Party for any failure or delay of performance hereunder due to an event which (i) is not reasonably foreseeable or within the reasonable control of the Party claiming Force Majeure (the "Claiming Party") or any Person over which the Claiming Party has control, (ii) was not caused by the acts, omissions, negligence, fault or delays of the Claiming Party or any person over whom the Claiming Party has control, (iii) is not an act, event or condition the risks or consequences of which the Claiming Party has expressly agreed to assume pursuant to this Agreement, and (iv) by the prompt exercise of due diligence, the Claiming Party is unable to overcome or avoid or cause to be avoided (collectively, (i) – (iv) are "Force Majeure"). Force Majeure shall include: acts of God; acts of the public enemy, war, hostilities, invasion, insurrection, riot, civil disturbance, or order of any competent civil or military government; explosion or fire; strikes or lockouts or other industrial action (excluding those of the Claiming Party unless such action is part of a wider industrial dispute materially affecting other employers); labor or material shortage; malicious acts, vandalism or sabotage; action or restraint by court order of any public or governmental authority (so long as the Claiming Party has not applied for or assisted in the application for, and has opposed where and to the extent reasonable, such government action). Neither Party shall be considered in default as to any obligation under this Agreement if prevented from fulfilling the obligation due to Force Majeure, except for the obligation to pay any amount when due, provided that the Claiming Party:

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

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

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

11.1.4 exercises commercially reasonable efforts to perform its obligations hereunder.

Section 12 - Reporting; Audit.

12.1 Regulatory Reporting.

12.1.1 TranServ shall have the authority to report in writing to FERC in respect of any compensation-related Dispute that arises between TranServ and Company pursuant to Section 3.6.

12.1.2 TranServ shall report in writing to FERC every six (6) months (commencing on the six (6) month anniversary of the Commencement Date and every six (6) months thereafter during the Term) in respect of (a) any concerns expressed by stakeholders and TranServ's response to same and (b) any issues or OATT provisions

that hinder TranServ from performing its duties and obligations under this Agreement and the OATT.

12.1.3 In addition to the reports provided for above, TranServ shall make such other reports to Regulatory Authorities as may be required by applicable law and regulations or as may be requested by such Regulatory Authorities.

12.2 Books and Records. TranServ shall maintain full and accurate books and records pertinent to this Agreement, and TranServ shall maintain such books and records for a minimum of five (5) years following the expiration or early termination of this Agreement or longer if necessary to resolve a pending Dispute. Company will have the right, at reasonable times and under reasonable conditions, to inspect and audit, or have an independent third party inspect and audit, TranServ's operations, books, and records (a) to ensure compliance with this Agreement, including TranServ's performance of ITO Services in accordance with Section 1.3.1, (b) to verify any cost claims or other amounts due hereunder, and (c) to validate TranServ's internal controls with respect to the performance of ITO Services. TranServ shall maintain an audit trail, including all original transaction records and timekeeping records, of all financial and non-financial transactions and activities resulting from or arising in connection with this Agreement as may be necessary to enable Company or the independent third party, as applicable, to perform the foregoing activities. Company shall be responsible for any costs and expenses incurred in connection with any such inspection or audit, unless such inspection or audit discovers that Company was charged inappropriate or incorrect costs and expenses, in which case, TranServ shall be responsible for a percentage of the costs and expenses incurred in connection with such inspection or audit equal to the percentage variance by which Company was charged inappropriate or incorrect costs and expenses. TranServ shall provide reasonable assistance necessary to enable Company or an independent third party, as applicable, to perform the foregoing activities and shall not be entitled to charge Company for any such assistance. Amounts incorrectly or inappropriately invoiced by TranServ to Company, whether discovered prior to or subsequent to payment by Company, shall be adjusted or reimbursed to Company by TranServ within twenty (20) days of notification by Company to TranServ of the error in the invoice.

Section 13 - Independent Contractor

13.1 TranServ, in performing ITO Services, shall not act as an agent or employee of Company, but shall be and act as an independent contractor and, except as established in Section 1.3.1, shall be free to perform ITO Services by such methods and in such manner as TranServ may choose, doing everything necessary to perform such ITO Services properly and safely and having supervision over and responsibility for the safety and actions of its employees and the suitability of its equipment. TranServ Personnel and TranServ Designees shall not be deemed to be employees and/or agents of Company. TranServ agrees that if any portion of ITO Services are subcontracted to TranServ Designees, such TranServ Designees shall be bound by and observe the conditions of this Agreement to the same extent as required of TranServ. In such event, Company strongly encourages the use of Minority Business Enterprises, Women Business Enterprises and Disadvantaged Business Enterprises, as defined under federal law and as certified by a certifying agency that Company recognizes as proper.

13.2 Notwithstanding any provision in this Agreement to the contrary, unless approved in writing by Company, TranServ shall not (and shall not permit any TranServ Personnel or TranServ Designee to):

13.2.1 Sell, lease, pledge, mortgage, encumber, convey, or make any license, exchange or other transfer, assignment or disposition of any property or assets of Company;

13.2.2 Enter into, amend, terminate, modify or supplement any contract or agreement (including any labor or collective bargaining agreement) on behalf, or in the name, of Company;

13.2.3 Except upon the approval of Company or pursuant to the direction of Company, take any action that would, to TranServ's knowledge: (a) invalidate any warranty that runs to Company under any contract or agreement; or (b) release any person or entity from its obligations under any contract or agreement with Company;

13.2.4 Make any warranty or representation on behalf of Company;

13.2.5 Except as contemplated under Section 7.4, settle, compromise, assign, pledge, transfer, release or consent to the compromise, assignment, pledge, transfer or release of any claim, suit, debt, demand or judgment against or due by Company, or submit any such claim, dispute or controversy to arbitration or judicial process, or stipulate in respect thereof to a judgment, or consent to the same;

13.2.6 Pledge the credit of Company in any way in respect of any commitments for which it has not received express written authorization from Company; or

13.2.7 Engage in any other transaction on behalf of Company not permitted under this Agreement.

Section 14 - Taxes.

Each Party shall be responsible for the payment of its own taxes, including taxes based on its net income, employment taxes of its employees, taxes on any property it owns or leases, and sales, use, gross receipts, excise, value-added or other transaction taxes. Sales and/or use taxes, that become applicable to services performed within Minnesota, shall be added to TranServ fees and compensation otherwise herein described.

Section 15 - Notices.

15.1 Notices. All notices, requests, consents and other communications required or permitted hereunder shall be in writing, signed by the Party giving such notice or communication, and shall be deemed given: (a) upon receipt, when mailed by U.S. certified mail, postage prepaid, return receipt requested; or (b) upon the next business day, when sent by overnight delivery, postage prepaid using a recognized courier service.

If to Company:

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

If to TranServ:

TranServ International, Inc.
General Counsel
3660 Technology Drive NE
Minneapolis, MN 55418

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

Section 16 - Personnel and Work Conditions; NERC Requirements.

16.1 Applicable Laws and Safety. TranServ agrees to protect TranServ Personnel and TranServ Designees and be responsible for their performance of the ITO Services, and to protect Company's facilities, property, employees and third parties from damage or injury. TranServ shall at all times be solely responsible for complying with any and all applicable laws and facility rules relating to health and safety, in connection with ITO Services and for obtaining (but only as approved by Company) all permits and approvals necessary to perform ITO Services. Without limiting the foregoing, TranServ agrees to strictly abide by and observe all standards of the Occupational Safety & Health Administration ("OSHA") which are applicable to ITO Services, as well as Company's Contractor Code of Business Conduct and Company's Contractor/Subcontractor Safety Policy which are both hereby incorporated by reference (Contractor hereby acknowledges receipt of a copy of such Company's Contractor Code of Business Conduct and Company's Contractor/Subcontractor Safety Policy) and any other rules and regulations of the Company, all of which are provided to TranServ in writing and incorporated herein by reference. TranServ also agrees to review in good faith and execute any amendments and/or modifications that may be issued in the future by Company from time to time, with respect to Company's Contractor Code of Business Conduct and/or any of its related policies which are the subject of this Section 16, provided however, that TranServ shall not be obliged by such requirement if the requirements conflicts with an alternate regulatory code of conduct imposed on TranServ. In the event TranServ subcontracts any of ITO Services to a TranServ Designee, TranServ shall notify Company in writing of the identity of TranServ Designee before utilizing TranServ Designee. TranServ shall require any TranServ Designees to complete the safety and health questionnaire and checklists provided by Company and shall provide a copy of such documents to Company upon request. TranServ shall conduct, and require such TranServ Designees to conduct, safety audits and job briefings during performance

of ITO Services as applicable. In the event such TranServ Designee has no procedure for conducting safety audits and job briefings, TranServ shall include TranServ Designee in its safety audits and job briefings. All applicable safety audits shall be documented in writing by TranServ and such TranServ Designees. TranServ shall provide documentation of any and all audits identifying safety deficiencies and concerns and corrective action taken as a result of such audits to Company semi-monthly. TranServ further specifically acknowledges, agrees and warrants that TranServ has complied, and shall at all times during the term of this Agreement, comply in all respects with all laws, rules and regulations relating to the employment authorization of TranServ Personnel including, but not limited to, the Immigration Reform and Control Act of 1986, as amended, and the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, as amended, whereby TranServ certifies to Company that TranServ has (a) properly maintained, and shall at all times during the term of this Agreement properly maintain all records required by Immigration and Customs Enforcement, such as the completion and maintenance of the Form I-9 for each TranServ employee; (b) that TranServ maintains and follows an established policy to verify the employment authorization of TranServ Personnel; (c) that TranServ has verified the identity and employment eligibility of all TranServ Personnel in compliance with all applicable laws; and (d) that TranServ is without knowledge of any fact that would render any TranServ Personnel or TranServ Designee ineligible to legally work in the United States. TranServ further acknowledges, agrees and warrants that any TranServ Designee shall be required to agree to these same terms as a condition to being awarded any subcontract for such ITO Services.

16.2 Hazards and Training. TranServ shall furnish adequate numbers of trained, qualified, and experienced TranServ Personnel suitable for performance of ITO Services. Such TranServ Personnel shall be skilled and properly trained to perform ITO Services and recognize all hazards associated with ITO Services. Without limiting the foregoing, TranServ shall participate in any safety orientation or other of Company's familiarization initiatives related to safety and shall strictly comply with any monitoring initiatives as determined by Company.

16.3 Drug and Alcohol. TranServ shall develop and strictly comply with any and all drug and alcohol testing requirements as required by applicable laws. TranServ shall provide Company with a copy of its drug and alcohol testing requirements.

16.4 NERC Reliability Standards. The following additional provisions shall apply to the extent TranServ's performance of ITO Services requires physical or electronic access to areas or assets which are located within physical security perimeters as defined by NERC's Reliability Standards for the Bulk Electric Systems of North America (collectively, the "NERC Standards"), including without limitation any Company data center or control center. In the event of TranServ's non-compliance with the NERC Standards referenced in this Section 16.4, Company shall notify TranServ in writing of the non-compliance and specify appropriate remedial actions.

16.4.1 Information Protection. Without compromising the confidentiality provisions in Section 10, TranServ shall at all times comply with the Company's information protection program(s) as defined by CIP-003, R4. Among the information protected by this program are: (i) all operational procedures; (ii) lists of critical cyber assets; (iii) network topology or similar diagrams; (iv) floor plans of computing centers

that contain critical cyber assets; (v) equipment layouts of critical cyber assets; (vi) disaster recovery plans; (vii) incident response plans; and (viii) security configuration information. TranServ shall protect this protected information from disclosure consistent with the program.

16.4.2 Access Revocation. TranServ shall immediately advise appropriate Company's management if any TranServ Personnel or TranServ Designees who have key card access to a Company restricted area or electronic access to a protected system no longer require such access.

16.4.3 Training. If any TranServ Personnel require key card access to a Company restricted area or electronic access to a protected system, TranServ shall ensure that such personnel complete, and retake as requested, all necessary NERC training as requested by Company.

16.4.4 Personnel Risk Assessment. If any TranServ Personnel require key card access to a Company restricted area or electronic access to a protected system, TranServ shall ensure that Company receives necessary waivers and information from TranServ Personnel to complete, and repeat as necessary, such background checks as requested by Company.

16.4.5 Continuing Obligations. TranServ further acknowledges that its compliance with the NERC Standards referenced in this Section 16.4 is a continuing obligation during and after the Term. Upon written notice to TranServ, Company shall have the absolute right to audit and inspect any and all information regarding TranServ's compliance with this Section 16.4, and/or to require confirmation of the destruction of any documentation received from or regarding Company. TranServ is encouraged to contact Company's Compliance Department pursuant to Section 16.5 to ensure TranServ understands and complies with this Section 16.4.

16.5 Compliance Department. The Company has a Compliance Department. Should TranServ have actual knowledge of violations of any of the herein stated policies of conduct in this Section 16, or in standards of performance detailed in Section 1.3.1, or have a reasonable basis to believe that such violations have occurred, whether by TranServ Personnel or a TranServ Designee, TranServ has an affirmative obligation to immediately report, at least on an anonymous basis, any such known violations to the Company's Office of Compliance in care of Director, Compliance and Ethics, LG&E/KU Services, 220 West Main Street, Louisville, Kentucky 40202.

16.6 Equal Employment Opportunity. To the extent applicable, TranServ shall comply with all of the following provisions, which are incorporated herein by reference: (i) Equal Opportunity regulations set forth in 41 C.F.R. § 60-1.4(a) and (c), prohibiting employment discrimination against any employee or applicant because of race, color, religion, sex, or national origin; (ii) Vietnam Era Veterans Readjustment Assistance Act regulations set forth in 41 C.F.R. § 60-250.4 relating to the employment and advancement of disabled veterans and Vietnam era veterans; (iii) Rehabilitation Act regulations set forth in 41 C.F.R. § 60-741.4 relating to the employment and advancement of qualified disabled employees and applicants for employment;

(iv) the clause known as “Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals” set forth in 15 USC § 637(d)(3); and (v) the subcontracting plan requirement set forth in 15 USC § 637(d).

Section 17 - Miscellaneous Provisions.

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

17.2 Amendment. This Agreement shall not be varied or amended unless such variation or amendment is agreed to by the Parties in writing and accepted by applicable Regulatory Authorities. The Parties explicitly agree that neither Party shall unilaterally petition to FERC pursuant to the provisions of Sections 205 or 206 of the Federal Power Act to amend this Agreement or to request that FERC initiate its own proceeding to amend this Agreement. Nothing in this Section 17.2 shall be construed to limit or affect any other rights that the Parties may have as set forth in Section 8.4, the OATT or otherwise.

17.3 Liability of Affiliates. Any and all liabilities of Company and/or its Affiliates under this Agreement shall be several but not joint.

17.4 Publicity. TranServ shall not issue news releases, publicize or issue advertising pertaining to ITO Services or this Agreement without first obtaining the written approval of Company.

17.5 Assignment. Any assignment of this Agreement or any interest herein or delegation of all or any portion of a Party’s obligations, by operation of law or otherwise, by either Party without the other Party’s prior written consent shall be void and of no effect; provided, however, that consent will not be required for Company to assign this Agreement to an Affiliate or a successor entity that acquires all or substantially all of the operational business assets of the assigning entity whether by merger, consolidation, reorganization, sale, spin-off or foreclosure; provided, further, that such Affiliate or successor entity (a) agrees to assume all obligations hereunder from and after the date of such assignment and (b) has the legal authority and operational ability to satisfy the obligations under this Agreement. As a condition to the effectiveness of such assignment (i) the assignor shall promptly notify the other Party of such assignment, (ii) the Affiliate or successor entity shall provide a confirmation to the other Party of its assumption of assignor’s obligations hereunder, and (iii) assignor shall promptly reimburse the other Party, upon receipt of an invoice, for any one-time incremental costs reasonably incurred as a result of such assignment. For the avoidance of doubt, nothing herein shall preclude Company from transferring any or all of its transmission facilities to another entity or disposing of or acquiring any other transmission assets. Notwithstanding anything to the contrary contained in this Section 17.5, TranServ shall be entitled to contract with one or more persons (each, an “TranServ Designee”) to perform only those ITO Services which the OATT expressly provides for being performed by a “designee” of TranServ (as opposed to TranServ or TranServ Personnel), provided that TranServ shall not be relieved of any of its obligations, responsibilities or liabilities under this Agreement as a result of contracting with one or more

TranServ Designees in accordance with this Section 17.5 and shall be responsible and liable for any ITO Services performed by TranServ Designees.

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

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

17.8 Enforcement of Rights. Each Party shall have the right to recover from the other Party all expenses, including fees for and expenses of inside and/or outside counsel, arising out of the other Party's breach of this Agreement or any other action to enforce or defend rights hereunder.

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

17.10 Remedies. No remedy conferred by any of the provisions of this Agreement is intended to be exclusive of any other remedy available at law or equity or otherwise. The election of one or more remedies shall not constitute a waiver of the right to pursue any other available remedies.

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

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

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

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

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

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

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

17.11.7 No Other Warranties. EXCEPT AS PROVIDED IN THIS AGREEMENT, TRANSERV MAKES NO OTHER WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

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

17.13 Entire Agreement. This Agreement and the Attachments hereto set forth the entire agreement between the Parties with respect to the subject matter hereof, and supersede all prior agreements, whether oral or written, related to the subject matter of this Agreement. The terms of this Agreement and the Attachments hereto are controlling, and no parole or extrinsic

evidence, including to prior drafts and drafts exchanged with any third parties, shall be used to vary, contradict or interpret the express terms and conditions of this Agreement.

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

17.15 Time of the Essence. With respect to all duties, obligations and rights of the Parties specified by Regulatory Authorities, time shall be of the essence in this Agreement.

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

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

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

17.16.3 references to “Section” or “Appendix” refer to this Agreement, unless specified otherwise;

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

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

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

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


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


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

17.18 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument, binding upon Company and TranServ, notwithstanding that Company and TranServ may not have executed the same counterpart.

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

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


Name: Paul F. Trow
Title: Manager, Supply Chain
Date: 8-29-2011

TRANSERV INTERNATIONAL, INC.

Name: SASAN MOKHTARI
Title: CEO
Date: 08-29-2011



Appendix A

Louisville Gas and Electric Company/
Kentucky Utilities Company

INDEPENDENT TRANSMISSION
ORGANIZATION
SERVICE SPECIFICATION

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1. Overview

This Appendix A is intended to be consistent with the terms and conditions of the LG&E/KU Open Access Transmission Tariff (OATT), including Attachment P thereto. If there is any conflict between this Appendix A and the OATT, the OATT shall govern. TranServ shall perform its obligations under this Appendix A in accordance with Section 1.3.1 of this Agreement.

The Independent Transmission Organization (ITO) Services will be provisioned between TranServ and MAPPCOR.

The ITO primary contractor is TranServ, with MAPPCOR as subcontractor to TranServ. The services delegated to TranServ and MAPPCOR include the administration of the LG&E/KU Open Access Same-time Information System (OASIS), transmission service request evaluation process, Available Transfer Capability (ATC)/ Available Flowgate Capability (AFC) management, study queue administration, study performance, and stakeholder facilitation. TranServ, as the ITO, will administer the OATT granting of service for both short and long-term transmission requests, administer the large generator interconnection request queue, and perform transmission studies. MAPPCOR will facilitate the LG&E/KU long-term transmission planning function and stakeholder processes.

2. Definitions

Company – Louisville Gas and Electric Company/Kentucky Utilities Company (LG&E/KU)

ITO – Independent Transmission Organization

ITO Services – The applicable functions to be performed as specified in the ITO Agreement

RC – Reliability Coordinator

Service Interruption – A Service Interruption is the loss of Service function, under the direct control of TRANSERV with no mutually agreed to work around provided within the Service

Normal Business Hours – TranServ normal business hours are between the hours of 0700 and 1700 CT, Monday-Friday on days other than the holidays listed below:

1. New Year's Day
2. Memorial Day
3. Independence Day
4. Labor Day
5. Thanksgiving
6. Day after Thanksgiving
7. Day before Christmas
8. Christmas Day

3. Roles and Responsibilities for Providing ITO Services

3.1 TranServ

TranServ International, Inc. (TranServ) will provide services to LG&E/KU as the ITO. The services that TranServ will provide include:

3.1.1 Customer Interface

Responsibility for operating and maintaining OASIS website and keeping it up-to-date with Federal Energy Regulatory Commission (FERC) and North American Energy Standards Board (NAESB) posting requirements, including all Order No. 890 posting requirements (such as study performance metrics, Available Transfer Capability (ATC) calculations, etc.). This includes establishing an interface for customers to submit service requests, and oversight and evaluation of ATC values calculated using software procured from Open Access Technology International, Inc. (OATI) and information from the RC. TranServ's responsibilities and duties in administering OASIS will include the following:

- Performing the duties of a Responsible Party as defined in the Commission's OASIS regulations, 18 C.F.R. § 37.5 and FERC Order No. 676.
- Posting information required to be on the Transmission Provider's OASIS under the Commission's OASIS regulations, 18 C.F.R. § 37.6 and FERC Order No. 676.
- Maintaining and retaining information posted on OASIS in accordance with the Commission's regulations, including 18 C.F.R. Parts 37 and 125.
- Establishing and maintaining queues for processing transmission service requests and generator interconnection (GI) requests.
- Participating in the drafting and posting of Business Practices on the OASIS website, including any FERC or NAESB-required Business Practices. Company shall have final review, ownership, and approval for all Business Practices.
- Participating in periodic reviews of, and providing expertise/comments on, the OATT. Company retains final authority over the OATT's content, including retaining the right and responsibility to file changes to the OATT.
- Participating in stakeholder meetings and/or conference calls as required. These stakeholder meetings will include TranServ, Company, Customers (as appropriate) the

RC, and other entities as required, to address concerns regarding Company's system, administration of the OATT, and related issues.

- Responsibility for coordinating with third-party transmission system owners and operators as necessary to support customer service requests. This includes coordinating the provision of any data from Company to the third-party system.
- Management of ATC/AFC Calculation and Posting.
- Implementation of certain aspects of the Seams Operating Agreement between the Midwest Independent Transmission System Operator (MISO), Inc. and TVA as defined in the Congestion Management Process (CMP).
- Administration of request evaluations for LG&E/KU tariff service.
- Processing of e-Tags as the transmission provider.
- Reviewing software changes requested from OATI, verifying and testing for proper operations before OATI implements those changes.

3.1.2 Transmission Service and Generator Interconnection Requests and Studies

- Receive and process all applications for Point-to-Point, Network Integration Transmission Service (NITS), and for GIs.
- For short-term Point-to-Point Transmission Service requests (i.e., where the request is within the posted ATC horizon), evaluate and approve a request where the posted ATC is sufficient for the requested transaction. If ATC is insufficient, TranServ shall propose conditional service options to the customer in accordance with the OATT, or otherwise deny the service. If the customer accepts conditional service options, TranServ will be responsible for performing biennial reassessments, as provided under the OATT.
- For long-term Point-to-Point Transmission Service requests, NITS, or GI requests:
 - Determine whether a System Impact Study (SIS) is necessary to accommodate the request.
 - Render all study agreements (SIS, Interconnection Feasibility Studies (IFS), Facilities Study (FS), and Feasibility Analysis Studies (FAS)) to customers within the timeframe provided in the OATT.

- Perform the SIS or FAS in the timeframe provided in the OATT, including clustered SISs when requested by customers and/or Company.
 - Perform the SIS or FAS using Company's planning criteria.
 - For any study that TranServ performs that requires information from Company (e.g., good faith construction estimates that are included in the SIS), request such information from Company no less than ten (10) business days before the expiration of the applicable study period.
 - Complete study reports and post on OASIS within the timeframe required under the OATT.
 - Notify the Company and individual customers of completed study reports, and alert the Company to initiate service agreements, if applicable.
 - Receive customer deposits.
 - Bill customers for SIS, IFS, FS, and FAS as required by the OATT, including provision of an itemized bill for services if requested by a customer.
 - Reimburse Company for any study costs incurred in contributing to the study and render payment to any third-party vendors for work performed.
- Responsible for receiving and processing requests to designate or un-designate Network Resources, as provided under the OATT.
 - If a customer requests a modification to its service, or if a customer assigns its transmission service to a third-party who request modification to the service, process those modification requests in accordance with the terms of the OATT.
 - Track all study metrics, including data submittals, input validations, modifications, time and costs associated to perform the study.
 - Track the performance of all studies and alert Company if a FERC filing requirement or penalty payment has been triggered due to late studies, as described under the OATT.

3.1.3 ATC Calculation

- Calculate ATC as provided for in Attachment C to the OATT. This includes receiving initial AFC values from the RC, calculating final AFC values using the algorithms included in Attachment C, and converting the AFC to ATC using OATI software.

- Post on OASIS the mathematical algorithms used to calculate firm and non-firm AFC. TranServ shall also post the results of the AFC calculations on OASIS.
- Daily review of transmission service requests (TSRs) and eTag action and statistics.
- Daily review of posted AFC/ATC information and investigation into any anomalies.
- Review, observation, and validation of the Total Transfer Capability (TTC) development process.

3.1.4 Interchange and Scheduling

- As the Transmission Service Provider, responsible for the following activities:
 - Confirm that each electronic schedule (e-Tag) has a confirmed transmission service request.
 - Approve the interchange schedules as the transmission service provider.
 - Curtail electronic schedules if requested by the RC or Balancing Authority (BA).
 - Monitor and validate the Net Scheduled Interchange (NSI), as processed by OATI software, to ensure timely creation of the NSI data file with a syntactical quality check on the data set.

3.1.5 Transmission Planning

- Participate in Company's transmission planning process as outlined in Attachment K to the OATT, including the following activities:
 - Review Transmission System models (steady state, dynamics, and short circuit) as provided by Company.
 - Assist MAPPCOR in the development of alternatives to Planning Re-dispatch service.
 - Participate with the Stakeholder Planning Committee (SPC) and associated SPC working groups, as required.
 - Participate in the overall OATT Attachment K process as observer.

3.1.6 Compliance

- Establish and adhere to a “culture of compliance” for TranServ Personnel and TranServ Designees consistent with FERC’s Policy Statement on Compliance, 125 FERC ¶ 61,058 (2008) as may be supplemented or amended by further FERC orders. TranServ shall take such reasonable steps requested by the Company in furtherance of such a culture of compliance.
- In accordance with *Louisville Gas and Electric Company*, 114 FERC ¶ 61,282 at P 152 (2006), assist with providing FERC with semi-annual reports “detailing concerns expressed by stakeholders and [ITO’s] response to those concerns as well as any issues or tariff provisions that hinder [ITO] from performing its required duties” as requested.
- Maintain records and provide reports as required by the Kentucky Public Service Commission (KPSC), OATT, Department of Energy (DOE), FERC, NERC, SERC Reliability Corporation (SERC) or NAESB. Without limiting the foregoing, Company may from time-to-time provide TranServ with specific direction as to records that Company expects to support compliance efforts, and TranServ shall maintain such records as directed.
- Assist Company, as requested by Company, in the preparation of applications, audit materials, filings, reports or responses to any Regulatory Authority. Without limiting the foregoing, this assistance may include from time-to-time preparation for (and participation in, if appropriate) FERC or NERC audits and providing event analysis information for FERC, NERC or SERC. TranServ’s support shall be provided in a time frame reasonably requested by Company.
- Monitor FERC, NERC, SERC, and NAESB activities for changes in standards or compliance requirements that may require modification to the ITO Services or other coordination with Company. To the extent possible, TranServ shall notify Company of any proposed or pending modifications prior to their implementation. The Parties shall work together to establish a work plan and timetable for implementation of any such changes. The Parties agree that all changes to ITO Services resulting from legal and regulatory developments as well Company requests, shall be assessed using the change order process detailed in Section 5 of this Appendix A.

3.2 MAPPCOR

MAPPCOR will provide services to LG&E/KU as the Transmission Planner (TP). The services that MAPPCOR will provide include:

3.2.1 Customer Interface

- With TranServ, participate in the drafting of Business Practices; including any FERC or NAESB required Business Practices. Company shall have final review, ownership, and approval for all Business Practices.
- With TranServ, participate in periodic reviews of, and provide expertise/comments on, the OATT. Company retains final authority over the OATT's content, including retaining the right and responsibility to file changes to the OATT.
- Responsible for planning, coordinating and holding regular stakeholder meetings and/or conference calls. These stakeholder meetings will include TranServ, MAPPCOR, Company, and the RC, and other entities as required, to address concerns regarding Company's system, administration of the OATT, and related issues. This activity includes (as necessary) performing background checks for stakeholders who desire access to Critical Energy Infrastructure Information (CEII), preparing meeting materials, facilitating the meeting, and preparing post-meeting minutes for posting on OASIS.
- Responsible for coordinating with third-party transmission system owners and operators as necessary to support customer service requests. This includes coordinating the provision of any data from Company to the third-party system.

3.2.2 Transmission Planning

- Participate in Company's transmission planning process as outlined in Attachment K to the OATT, including the following activities.
 - Review and approve Company's long-term (generally one year and beyond) plan for the reliability/adequacy of Company's Transmission System.
 - Review and approve Transmission System models (steady state, dynamics, and short circuit).
 - Develop alternatives to Planning Redispatch service.

- Notify impacted transmission entities of any planned transmission changes that may influence their facilities.
- Participate with the SPC and associated SPC working groups, as required.
- Participate in the overall OATT Attachment K process as observer.
- The Parties agree that the final annual transmission plan and decision of whether/when to construct and expand the system rests with Company.

3.2.3 Compliance

- Establish and adhere to a “culture of compliance” for MAPPCOR personnel consistent with FERC’s Policy Statement on Compliance, 125 FERC ¶ 61,058 (2008) as may be supplemented or amended by further FERC orders. MAPPCOR shall take such reasonable steps requested by the Company in furtherance of such a culture of compliance.
- With TranServ, provide in accordance with Louisville Gas and Electric Company, 114 FERC ¶ 61,282 at P 152, FERC semi-annual reports “detailing concerns expressed by stakeholders and [ITO’s] response to those concerns as well as any issues or tariff provisions that hinder [ITO] from performing its required duties.”
 - Maintain records and provide reports as required by the KPSC, OATT, DOE, FERC, NERC, SERC or NAESB. Without limiting the foregoing, Company may from time-to-time provide TranServ with specific direction as to records that Company expects to support compliance efforts, and TranServ shall maintain such records as directed.
 - Assist Company, as requested by Company, in the preparation of applications, audit materials, filings, reports or responses to any Regulatory Authority. Without limiting the foregoing, this assistance may include from time-to-time preparation for (and participation in, if appropriate) FERC or NERC audits and providing event analysis information for FERC, NERC or SERC. ITO’s support shall be provided in a time frame reasonably requested by Company.
 - Monitor FERC, NERC, SERC, and NAESB activities for changes in standards or compliance requirements that may require modification to the ITO Services or other coordination with Company. To the extent possible, MAPPCOR shall notify Company of any proposed or pending modifications prior to their implementation.

The Parties shall work together to establish a work plan and timetable for implementation of any such changes. The Parties agree that all changes to ITO Services resulting from legal and regulatory developments as well Company requests, shall be assessed using the change order process detailed in Section 5 of this Appendix A.

3.3 LG&E/KU

TranServ and MAPPCOR understand that Company has the following responsibilities in support of the ITO Services under this Appendix A:

3.3.1 Customer Interface

- Contracting for the OATI webOASIS service that meets FERC and NAESB requirements.
- Contracting for the OATI webTrans service used to evaluate and take actions on transmission service requests and e-Tags.
- Continuation of Agreement with the RC to provide necessary data for AFC/ATC calculation and posting processes.
- Final review, ownership, and approval for all Business Practices.
- Final authority over the OATT's content, including the right and responsibility to file changes to the OATT.
- Cooperate in the coordination with third-party systems as necessary to support customer service requests. This includes coordinating the provision of any data from Company to the third-party system.

3.3.2 Compliance

- From time-to-time provide TranServ and MAPPCOR with specific direction as to records that Company expects to support compliance efforts, and TranServ and MAPPCOR shall maintain such records as directed in order to provide reports as required by the KPSC, OATT, DOE, FERC, NERC, SERC or NAESB.
- Respond to TranServ and/or MAPPCOR's notifications of FERC, NERC, SERC, and NAESB activities for changes in standards or compliance requirements that may require

modification to the ITO Services or other coordination with Company within requested response timelines. Work together with ITO to establish a work plan and timetable for implementation of any such changes. The Parties agree that all changes to ITO Services resulting from legal and regulatory developments as well Company requests, shall be assessed using the change order process detailed in Section 5 of this Appendix A.

4. Customer Support

TranServ will provide support for Service 24-hours per day and 365-days per year by utilizing a single point of contact support staff. During Normal Business Hours the support staff can be contacted by telephone or by e-mail as outlined in published TranServ's ITO Support Information. After Normal Business Hours support is achieved through telephone only. TranServ will take all reasonable effort to ensure that reported problems or other Customer support related events are responded to within 30-minutes of the event notification when ITO Support Procedures are followed.

4.1 Problem Resolution

Problems or outages are reported to TranServ by following customer support processes. All problems or questions are assigned a severity level by mutual agreement of the parties. Problems which are considered Critical or High in severity should be reported to TranServ at any time. Problems considered Medium or Low severity should be reported by phone during business hours or by e-mail at any time. The severity level classifications are defined as follows:

- Critical – Problems or issues that are impacting business immediately or impacting grid reliability and action is required prior to next business day.
- High – Problems or issues that affect a key functionality of Service component and there is no work around available but immediate business or grid reliability impact is not present.
- Medium – Business processes are impacted, but satisfactory work around is in place to avoid business interruptions.
- Low – Customer inquiries or reported problems and issues that create nuisances or inconveniences for the customer. Minimal or no business impact is occurring.

Ticket Resolution		
Action	TranServ Responsibility	Time To Remedy
Correct a 'Critical' severity Problem or Issue	During normal business hours TranServ will respond to reported Critical severity problems and begin corrective action immediately until either a satisfactory work around is in place or problem is resolved. Outside of normal business hours TranServ will respond to reported Critical severity problems within 30-minutes of notification. Escalation to responsible TranServ senior management will occur in all cases.	TranServ will work continuously until resolution is in place. This may include a temporary work around until a permanent correction can be implemented. Performance goal is to resolve all Critical severity tickets within 4-hours.
Correct a 'High' severity Problem or Issue	During normal business hours TranServ will respond to reported High severity problems and begin corrective action to resolve with either a satisfactory work around or problem resolution prior to end of business day. Outside of normal business hours TranServ will respond to reported High severity problems within 30-minutes of notification. Escalation to responsible TranServ senior management will occur in all cases.	TranServ will provide an initial problem analysis update within 8-hours at all times. This may include a recommended temporary work around until a permanent correction can be implemented. Performance goal is to resolve all High severity tickets within 24-hours.
Correct a 'Medium' severity Problem or Issue	TranServ will schedule corrective action jointly with Customer. Problems of Medium severity should be reported by telephone during business hours or by e-mail at any time.	TranServ will provide an initial problem analysis update within 3-business days of notification of problem. An appropriate action plan and resolution schedule will be mutually agreed to with the Customer. Performance goal is to

Ticket Resolution		
Action	TranServ Responsibility	Time To Remedy
		resolve all Medium severity tickets by agreed to commitment date.
Correct a 'Low' severity Problem or Issue	TranServ will schedule corrective action jointly with Customer. Problems of Low severity should be reported by telephone during business hours or by e-mail at any time.	TranServ will provide an initial problem analysis update within 5-business days. An appropriate action plan and resolution schedule will be mutually agreed to with the Customer. Performance goal is to resolve all Low severity tickets by agreed to commitment date.

4.1.1 Tickets – OATI webSupport

To ensure all customers of TranServ receive a high level of customer service all calls or e-mails with questions or reported problems are documented in a Ticket. All TranServ staff members utilize OATI webSupport, an issue reporting and assignment platform allowing tracking and confirmed resolution of all issues reported to TranServ or MAPPCOR. Upon receiving a communication from a customer, TranServ will open a webSupport Ticket. The Ticket contains customer contact information, data metrics on the type of problem, an identification of the TranServ staff member to whom the Ticket is currently assigned, a detailed description of the problem, and a detailed description of the problem's current status which will eventually include a description of how the issue was resolved. The TranServ staff member provides the Ticket number to the customer for all issues not resolved immediately. If the issue cannot be resolved by the TranServ staff member creating the Ticket, the Ticket is reassigned to another member of the TranServ/MAPPCOR team. The TranServ staff member who initially created the Ticket is expected to use webSupport's monitoring capability to determine unresolved Tickets, and to reassign or escalate it as necessary at any time to promote prompt resolution within response timing guidelines.

4.1.2 Response Time

TranServ support staff will answer all calls as received during normal business hours and take all reasonable effort to resolve issues at the time of call. For issues and problems that are not immediately resolved, TranServ will follow normal processing for assigned severity level and notify customer once resolution occurs.

Calls to support staff outside of normal business hours will be answered as received and customer will be notified within 30-minutes on planned actions to be taken by TranServ support staff in accordance with normal processing for assigned severity level.

4.1.2.1 Ticket Escalation

Problem tickets that cannot be resolved in accordance with normal processing for assigned severity level will be escalated to appropriate TranServ management. Customers may request immediate ticket escalation to appropriate TranServ management.

4.1.2.2 Customer Satisfaction

Customer satisfaction inquiries are automatically sent to customers upon the closing of a ticket. The results of these surveys result in improved performance by customer support staff or changes in business processes.

5. Service Modifications

From time to time Company may require a modification to an existing Service function. Such modifications may be prompted by changes in regulatory compliance requirements, or by a Company request. Minor modifications that require reasonably minimal resource commitment from TranServ staff will be included within a reasonable time period at no cost to Company. Modifications that may have more significant impact on Service design or will impact TranServ staff resource commitments more than minimally will be discussed with Company and may in some instances require additional payment by Company. Each of these change requests will be described in a written Change Order. Each Change Order will be scheduled for implementation upon written agreement with Company as to scope, cost and schedule.

5.1 Minor Changes

Any change to an existing Service function that does not have a significant impact on Service design or require TranServ to staff or contract with additional personnel, if even for a brief period of time, to prepare for and/or meet the requirements of the change (a "Minor Change") will be integrated into Company's Service at no cost to Company. A written Change Order will be negotiated and executed between Company and TranServ prior to implementation of any Minor Change.

5.2 Major Changes

Any change to an existing Service function that has a significant impact on Service design or requires TranServ to staff additional personnel, if even for a brief period of time, in order to prepare for and/or meet the requirements of the change (a "Major Change") will require a written Change Order which must be negotiated and executed between Company and TranServ prior to implementation of any Major Change.

6. Reliability Coordination

TranServ will be required to coordinate its operations with the LG&E/KU designated RC. The RC is responsible for performing certain reliability related tasks for the LG&E/KU system, including acting as the NERC-registered Reliability Coordinator. The RC's responsibilities are detailed in the Reliability Coordinator Agreement and Attachment P to the LG&E/KU OATT.

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August 30, 2011

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

**Re: Louisville Gas and Electric Company and Kentucky Utilities Company,
Docket No. EC98-2-_____**

Dear Ms. Bose:

Attached for filing with the Commission is a request pursuant to Section 203(b) of the Federal Power Act, § 824b(b), submitted by Louisville Gas and Electric Company and Kentucky Utilities Company (collectively, "LG&E/KU"). As detailed further herein, LG&E/KU seek to appoint TransServ International, Inc. as the new Independent Transmission Organization for LG&E/KU's transmission system.

As you will see on the attached document, part of LG&E/KU's filing includes modifications to their Open Access Transmission Tariff ("OATT") under Section 205 of the Federal Power Act. In compliance with the eTariff filing requirements under 18 C.F.R. § 35.7, LG&E/KU electronically filed the OATT revisions today. The eTariff filing has been assigned Docket No. ER11-4396-000.

Please do not hesitate to contact the undersigned if there are any questions or concerns with this submission.

Respectfully submitted,
/s/ Clifford S. Sikora

Clifford S. Sikora
Anne K. Dailey

*Attorneys for
Louisville Gas and Electric Company and
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August 30, 2011

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

Re: Louisville Gas and Electric Company and Kentucky Utilities Company;
Docket Nos. ER11-____-000; EC98-2-___;

Dear Secretary Bose:

Pursuant to Sections 203(b) and 205 of the Federal Power Act (“FPA”), 16 U.S.C. §§ 824b(b) & 824d, and Parts 33 and 35 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or the “Commission”), 18 C.F.R. Parts 33 and 35, Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) (collectively, “Applicants”), hereby tender this filing seeking Commission approval to appoint TranServ International, Inc. (“TranServ”) as the new Independent Transmission Organization (“ITO”) for the Applicants’ transmission system. Applicants propose that TranServ, together with its subcontractor MAPPCOR, will replace the functions currently performed by Southwest Power Pool, Inc. (“SPP”) (the Applicants’ current ITO), when SPP’s contract expires on August 31, 2012.

Although the proposal to change the ITO is not scheduled to take effect until September 1, 2012, Applicants request a Commission order on this filing no later than January 1, 2012. Issuance of an order by January 1, 2012 will ensure that Applicants and TranServ have enough time to transition the ITO services from SPP in an orderly and efficient manner. In particular, TranServ has requested sufficient lead-time to be able to develop and implement a transition plan, which includes development of operating procedures and staff training to assure a seamless transition as of September 1, 2012.

I. EXECUTIVE SUMMARY AND OVERVIEW

Applicants will continue to use an ITO in order to satisfy certain Commission-imposed conditions associated with Applicants’ withdrawal from the Midwest Independent Transmission System Operator, Inc. (“Midwest ISO”) and previous mergers.¹ Applicants hereby request that

¹ By order dated March 17, 2006, the Commission approved Applicants’ plan to leave the Midwest ISO and delegate certain responsibilities to SPP as the ITO and Tennessee Valley Authority (“TVA”) as the Reliability Coordinator (“RC”). Among other things, the Commission found that the ITO/RC proposal addressed horizontal

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the Commission: (i) find that use of TranServ as the replacement ITO satisfies the conditions of the *Withdrawal Order* and the *Merger Orders*, and is otherwise consistent with the requirements of FPA Section 203(b); and (ii) accept their proposed agreement with TranServ (as contained in Attachment Q to the OATT), as well as modifications to Attachment P of the OATT, for filing pursuant to FPA Section 205.

Applicants engaged in a lengthy process which ultimately led to selection of TranServ as the new ITO. TranServ previously served as MidAmerican Energy Company's transmission service coordinator in a similar capacity. That arrangement was accepted by the Commission.² Applicants seek here a similar arm's-length contractual arrangement with TranServ as the one the Commission approved in *MidAmerican*. As described further herein, TranServ has an excellent track record of working with transmission owners as an independent party. Applicants also chose TranServ because of their extensive knowledge and experience, thorough work plan, and reasonable cost bid. TranServ will provide virtually all of the same functions that SPP currently provides, but at a lower cost to Applicants and their customers.

Applicants took steps to ensure that a broad complement of potential ITO candidates received information about the opportunity and were given a full opportunity to bid. These steps provided Applicants with a robust group of candidates from which to make their selection. Further, Applicants sought input from stakeholders throughout the selection process, and took stakeholder comments and concerns into account when selecting and negotiating with TranServ.

Although TranServ (and its subcontractor MAPP COR for long-term transmission planning support) will perform many of the duties that SPP currently performs as the ITO, Applicants are taking this opportunity to remedy an operational inefficiency that has arisen under the current configuration. The only change in the delineation of responsibility between Applicants and TranServ as the ITO will be with regard to performance of certain NERC-required Balancing Authority ("BA") functions. In particular, Applicants propose to use their existing, NERC-Certified Operators to evaluate, approve, and coordinate, from a reliability perspective, interchange transactions with adjacent BAs. In addition, Applicants would assume the operational responsibility of implementing requested curtailments of schedules when and as necessary to comply with transmission loading relief ("TLR") procedures initiated by the BA and/or the Reliability Coordinator ("RC"), as required under the NERC Reliability Standards. Applicants have modified Attachment P to their OATT to incorporate these changes.

and vertical market power concerns arising from Applicants' previous mergers. *Louisville Gas and Electric Co., et al.*, 114 FERC ¶ 61,282 at ¶ 80 (2006) ("*Withdrawal Order*"); *see also Louisville Gas & Elec. Co. and Kentucky Utilities Co.*, 82 FERC ¶ 61,308 at 62,214 (1998) ("*LG&E/KU Merger Order*"); *Louisville Gas & Elec. Co., Kentucky Utilities Co. and PowerGen plc*, 91 FERC ¶ 61,321 (2000) ("*PowerGen Merger Order*"); *E.ON AG*, 97 FERC ¶ 61,049 (2001) ("*E.ON Merger Order*") (collectively, "*Merger Orders*").

² *See MidAmerican Energy Co.*, 115 FERC ¶ 61,326 (2006) ("*MidAmerican*").

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This change will not compromise the provision of open access transmission service over Applicants' system. The ITO will continue to be responsible for granting transmission service requests on Applicants' system, including approval and modification of interchange schedules as the transmission service provider. Applicants' ability to curtail transactions (in their role as the BA) is limited to instances where it is necessary to implement TLRs, as described in the NERC IRO Standards. Both the RC and any affected customer receive real-time communications regarding the curtailed schedule and the reasons therefor, which will ensure that those affected by any curtailment can review the transaction and verify that such curtailment was indeed for reliability purposes. Finally, Applicants will post statistics on the Open Access Same-time Information System ("OASIS") regarding any schedule modifications implemented by the BA. This will ensure transparency in Applicants' performance of these functions.

As noted, TranServ will perform largely the same functions and in the same manner that SPP currently does for Applicants. The delegation of certain responsibilities to TranServ will ensure the operational independence that the Commission required when it granted Applicants' withdrawal from the Midwest ISO.³ Applicants' proposal is consistent with those requirements, as follows:

- Independence: The terms of the new ITO Agreement with TranServ require that the ITO must remain independent from Applicants, transmission customers, wholesale power customers, and any other such Market Participant (as that term is defined in the Commission's regulations). As required in the *Withdrawal Order*, Applicants will have no veto authority over TranServ's personnel decisions. Compensation disputes will be adjudicated before the Commission.
- Transparency: TranServ will be responsible for operating and maintaining Applicants' OASIS site, including calculation and posting of Available Transfer Capability ("ATC") consistent with the methodology contained in Attachment C to Applicants' OATT and Applicants' ATC Implementation Document ("ATCID").
- Openness/ Independence Regarding Operations and Planning: TranServ will be responsible for receiving and processing all transmission and generator interconnection service requests, including performing those studies which are delegated to the ITO under the OATT. TranServ will also be responsible for evaluating and approving interchange schedules for the transmission provider.

Applicants respectfully request that the Commission accept TranServ as the new ITO, pursuant to the terms of the revised ITO Agreement discussed herein, and the revisions to OATT Attachment P. Applicants also request that the Commission approve this application no later than January 1, 2012, in order to allow for an efficient and orderly transition between SPP and TranServ.

³ *Withdrawal Order* at P 139.

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Section III of this filing provides background regarding the instant submittal. Section IV describes Applicants' RFP process and the selection of TranServ. Section V provides an in-depth discussion of TranServ, the responsibilities and functions to be undertaken by the entity as IT. Sections VI and VII, respectively, request that the Commission: (i) find that, under FPA Section 203(b), Applicants' proposal is consistent with their prior commitments in the *Withdrawal Order* and the *Merger Orders*; and (ii) accept the ITO agreement (as included in Attachment Q to the OATT), and modifications to Attachment P to the OATT for filing under FPA Section 205. Section VIII requests expedited approval for this application.

II. CONTENTS OF FILING, COMMUNICATIONS, EFFECTIVE DATE, WAIVER

In addition to this Transmittal Letter, Applicants have included the following:

- An executed copy of the new ITO Agreement with TranServ;
- A revised version of Attachment Q to Applicants' OATT in eTariff format in accordance with Order No. 714, incorporating the new ITO Agreement with TranServ;
- A revised version of Attachment P to Applicants' OATT in eTariff format in accordance with Order No. 714, incorporating the revisions to the BA functions; and
- A blackline version of Attachment P, showing the revisions to the BA functions.

Applicants respectfully request a waiver of the requirement to provide a blackline copy of Attachment Q, which incorporates the new ITO Agreement. Because Applicants are transferring the ITO duties to a new entity, this required revision of many commercial terms, which would have made the blackline document virtually unreadable.

All communications with regard to this filing should be directed to the following persons:

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Applicants propose an effective date of September 1, 2012 for both the new ITO Agreement as contained in Attachment Q, and the revisions to Attachment P. However, as

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discussed below, Applicants request that the Commission issue an order on this proposal no later than January 1, 2012, in order to ensure sufficient time for an orderly transition of services from SPP to TransServ.

Applicants respectfully request a waiver of any portion of Section 205 or 18 C.F.R. Part 35 that has not been satisfied by this filing.

III. BACKGROUND

A. Description of Applicants

LG&E and KU are transmission-owning utilities operating in the Commonwealth of Kentucky. LG&E provides retail electric service to over 397,000 customers in a service area that includes the metropolitan Louisville area and 16 surrounding counties. KU provides regulated electric utility service to over 546,000 customers located in 77 Kentucky counties. Under the name Old Dominion Power, KU also provides retail electric service to over 29,000 retail customers located in five counties in Virginia. Altogether, KU's service territory covers 6,600 noncontiguous square miles. In addition to its retail service, KU also sells wholesale electric energy to 12 municipalities in Kentucky. LG&E and KU's total generation capacity is 3,320 megawatts and 4,989 megawatts, respectively. LG&E/KU have an OATT on file with the Commission.

LG&E and KU are wholly-owned subsidiaries of PPL Corporation ("PPL"). PPL is headquartered in Allentown, Pennsylvania and controls about 19,000 MW of generation in Pennsylvania, Montana and Kentucky. PPL delivers electricity to 1.4 million customers in Pennsylvania and 7.7 million in the United Kingdom.

B. Midwest ISO Membership and Withdrawal

Applicants' employment of an ITO to assist with the provision of open access transmission service meets commitments that Applicants have made in previous merger proceedings, beginning with the LG&E and KU merger in 1998. With respect to the effect of the proposed LG&E-KU merger on competition, the Commission found that the companies' participation in the Midwest ISO would ensure that the merger did not adversely affect competition in the wholesale power market.⁴ Applicants were involved in two subsequent mergers: in 2000 with PowerGen plc ("PowerGen"),⁵ and in 2001 with E.ON AG ("E.ON").⁶ Although the Commission did not comment on Applicants' participation in the Midwest ISO in the context of the Powergen merger, in the E.ON merger the Commission again noted

⁴ *LG&E/KU Merger Order* at 62,214.

⁵ *PowerGen Merger Order*.

⁶ *E.ON Merger Order*.

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Applicants' Midwest ISO membership and that, as a result of such membership, Applicants lacked "the ability to exploit their transmission assets to harm competition in wholesale electricity markets."⁷

In 2005 Applicants filed with the Commission to withdraw from the Midwest ISO.⁸ Applicants proposed to utilize independent third parties as their ITO and RC in order to "maintain the requisite level of independence with respect to the operation of their transmission system and administration of the OATT."⁹ By order dated March 17, 2006, the Commission approved Applicants' plan to leave the Midwest ISO and delegate certain responsibilities to SPP as the ITO and TVA as the RC. Among other things, the Commission found that the ITO/RC proposal addressed horizontal and vertical market power concerns arising from Applicants' previous mergers.¹⁰ Applicants withdrew from the Midwest ISO on September 1, 2006, and began working with SPP as the ITO.

C. SPP as the ITO

SPP has acted as the ITO for Applicants' system for five years. In July of 2009, SPP informed Applicants of its intention to terminate its agreement with Applicants effective as of September 1, 2010. On October 26, 2009, SPP provided Applicants with a written notice of termination. On October 30, 2009, Applicants filed with the Commission to assume all of the ITO duties in-house.¹¹ Applicants subsequently withdrew their application¹² and were able to negotiate a two-year extension with SPP.¹³ The agreement with SPP will terminate on September 1, 2012.

⁷ *Id.* at 61,283.

⁸ Louisville Gas and Electric Company, *et al.*, Filing to Withdraw From the Midwest ISO, Docket Nos. ER06-20-000 and EC06-4-000 (Oct. 7, 2005).

⁹ *Id.* at 4.

¹⁰ *Withdrawal Order* at P 80.

¹¹ E.ON U.S. LLC, Filing to Assume ITO Duties, Docket Nos. ER10-191-000 and EC06-4-003 (Oct. 30, 2009).

¹² E.ON U.S. LLC, Motion to Withdraw Filing, Docket Nos. ER10-191-000 and EC06-4-003 (June 22, 2010).

¹³ Louisville Gas and Electric Co., Filing of Amended and Restated Independent Transmission Organization Agreement, Docket No. ER10-2157-000 (Aug. 6, 2010).

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IV. RFP FOR REPLACEMENT ITO

The terms of Applicants' agreement with SPP require Applicants to file with the Commission no later than September 1, 2011 for acceptance of replacement arrangements that will go into effect when SPP's agreement terminates as of September 1, 2012.¹⁴ To that end, Applicants commenced their selection process in February 2011, in an attempt to ensure the receipt of as many bids as possible from a broad spectrum of ITO candidates.

A. Bid Process

Applicants commenced their selection process in February 2011, issuing a request for information ("RFI") to 19 potential ITO candidates. Applicants drafted the RFI with stakeholder input. The RFI provided a general outline of the ITO's responsibilities, based on Attachment P to the Applicants' OATT. The RFI requested interested parties to provide Applicants with a response to the RFI no later than March 7, 2011 if the entity wished to receive a copy of the Request for Proposal ("RFP"). Out of the 19 potential ITO candidates, six candidates expressed affirmative interest in receiving the RFP.

On March 21, 2011, Applicants distributed the RFP to potential applicants, including Applicants' own transmission staff. The RFP provided a more detailed description of the ITO's responsibilities, and requested respondents to submit their qualifications for performing the ITO functions. The RFP asked detailed questions regarding how a candidate would perform the ITO duties, such as:

- The identity and resumes of individuals who would be assigned to work on the contract;
- The minimum requirements and qualifications that an individual must have in order to work on the contract;
- The types of information technology products the candidate proposed to use in order to establish and maintain an OASIS site and facilitate OATT administration;
- How the candidate would address compliance with regulatory requirements, including tracking and documenting compliance with applicable standards, adding compliance with new standards and requirements, and how the candidate would address non-compliance issues;
- How many employees would be required to perform the transmission- and interconnection-related studies assigned to the ITO under the OATT, how costs and revenue for such studies would be allocated between the candidate and Applicants, and how the candidate would ensure that all studies would be performed within the

¹⁴ *Id.*, Amended and Restated Agreement, at Section 4.8.

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timeframes required under the OATT;

- A methodology for tracking various performance metrics, such as study completion, compliance, and third-party customer satisfaction;
- The candidate's plan for transitioning the work from SPP; and
- The candidate's proposed method of compensation, whether cost plus, hourly billing rates, or a fixed monthly amount.

The RFP requested responses by April 25, 2011. Based on requests from potential respondents, Applicants extended this deadline to May 2, 2011.

On May 2, 2011, Applicants received four bids for the ITO contract, which included one from Applicants' own internal team. Between May 2, 2011 and July 1, 2011, Applicants reviewed and evaluated the bids to determine which entity would have the best ability to perform the required duties at a reasonable price.

On July 7, 2011, Applicants forwarded a draft contract to TranServ to commence negotiations. The new ITO contract, attached hereto both as part of Attachment Q to Applicants OATT and as an execution copy, is the result of those communications.

B. Stakeholder Process

In 2010, Applicants were acquired by PPL. In the context of the merger, Applicants committed to establishing a stakeholder process relative to Applicants' selection of a replacement ITO. Specifically, Applicants stated:

LG&E and KU commit to facilitate advisory group meetings to solicit input regarding LG&E and KU's plan for addressing the expiration of the Second Amended and Restated Independent Transmission Organization Agreement filed in Docket No. ER10-2157-000 ("ITO Agreement"). The advisory group will be convened no later than 18 months prior to the termination of the ITO Agreement. Any interested participants, including stakeholders, transmission customers, and wholesale power customers, will be allowed to participate in the advisory group and an invitation to participate will also be extended to the KPSC. The advisory group discussions will address possible alternatives to the current ITO; however, LG&E and KU will retain sole and final discretion regarding the choice of alternatives and the contractual arrangements of any alternative, subject to the acceptance by this Commission and the KPSC. Nothing contained in this

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commitment is intended to limit in any way an intervenor's right to protest or comment on the Applicants' filing to address the expiration of the ITO Agreement in any proceedings before the Commission.¹⁵

In support of this commitment, Applicants undertook several stakeholder-outreach activities, to ensure that stakeholders were consulted as Applicants moved forward with their ITO selection process. Applicants commenced their outreach in early February 2011, providing stakeholders with a draft of the RFI and a list of potential ITO candidates. Stakeholders provided comments and/or modifications to the draft RFI (many of which were incorporated in the RFI that was ultimately distributed), and were provided an opportunity to add additional entities to the ITO candidate list.

In conjunction with the May, 2011 stakeholder meeting,¹⁶ Applicants informed stakeholders that the RFP had been distributed based on responses to the RFI and stakeholder comments, and that four bids had been received. Applicants identified the four candidates to stakeholders, and also gave the stakeholders a high-level overview of the criteria that Applicants would use in evaluating and ultimately choosing the next ITO.

In June 2011, Applicants shared a copy of the RFP with stakeholders who executed a confidentiality agreement, as well as detailed description of the criteria that Applicants would use to evaluate the bids. Applicants held a conference call with stakeholders to review and solicit comments on the criteria, and receive input from stakeholders on the criteria that they, as customers, valued most in an ITO. Applicants also provided stakeholders with the means to submit additional comments or concerns to Applicants before Applicants made their final decision on the replacement ITO. Applicants requested that stakeholders provide any additional information for consideration during the selection process no later than June 27, 2011, before Applicants made their final decision.

Applicants informed stakeholders on August 12, 2010 that they were negotiating with TransServ to be the next ITO, and solicited any final comments regarding the replacement ITO.

V. TRANSERV AS THE ITO

Applicants thoroughly evaluated the bids they received, including one prepared by their own transmission division. Based on Applicants' operational and pricing criteria, TransServ

¹⁵ PPL Corporation and E.ON U.S. LLC, Motion for Leave to Answer and Answer of PPL Corporation and E.ON U.S. LLC, Docket No. EC10-77-000 (Sept. 15, 2010).

¹⁶ Participants included representatives from Owensboro Municipal Utilities, Kentucky Municipal Power Agency, L.S. Power (on behalf of Bluegrass Generating Company), Tennessee Valley Authority, KU's municipal requirements customers, and LG&E/KU's load serving entity.

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provided the strongest bid, demonstrating an ability to competently perform the ITO services at a reasonable price.

Applicants and TranServ have negotiated a new ITO agreement which will govern TranServ's provision of services to Applicant. The terms of the new agreement ensure that TranServ and its subcontractor MAPPCOR will adhere to Commission, NERC, SERC and other regulatory authorities' compliance requirements while meeting Applicants' customers' needs. Applicants submit that their selection of TranServ, and the terms of the new ITO agreement, are just and reasonable and meet the conditions of Applicants' withdrawal from the Midwest ISO.

A. TranServ

TranServ and MAPPCOR have an extensive history of working in the transmission field, providing engineering and open access support to transmission owners. Applicants have contracted with TranServ to ensure that the transmission system is operated in an open and transparent manner.

TranServ is headquartered in Minneapolis, Minnesota. Incorporated in 2005, TranServ's mission is "[t]o provide independent, innovative, high quality, reliable, competitively priced transmission serves solutions to the energy industry." TranServ's staff has extensive experience in power systems operation, transmission planning, tariff services, NERC, NAESB and FERC compliance, project management, and software system support and configuration. TranServ has performed ITO-like functions for other utilities, including:

- Serving as the Transmission Service Coordinator ("TSC") for MidAmerican Energy Company, 2006-2009, during which the Commission recognized TranServ as an independent entity;¹⁷
- Providing tariff administrator services for MAPPCOR, the contractor for the Mid-Continent Area Power Pool ("MAPP") from 2007-2010;
- Performing transmission tariff transaction and OASIS management for Minnkota Power Cooperative and Central Iowa Power Cooperative; and
- Administering components of the Western Area Power Administration tariff 2008-2010.

In addition to the services provided to other utilities, TranServ has provided Applicants with ongoing engineering services, compliance assessments, and other services on an as-needed basis since 2009.

¹⁷ *MidAmerican* at P 35.

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MAPPCOR was incorporated in 1990 as a not-for-profit organization, and has been providing transmission and reliability services since that time. While MAPPCOR may be best known as the service provider and contractor for MAPP, MAPPCOR also has a broad portfolio of consulting services. MAPPCOR has provided utilities with support regarding transmission planning, operations, reliability coordination, powerflow and stability analyses, and project management for transmission study initiatives. MAPPCOR represents MAPP as the NERC-registered Planning Authority, and has provided NERC compliance services to individual MAPP utilities, the Central Nebraska Public Power and Irrigation District, and others. In order to ensure adherence to open access requirements, all MAPPCOR employees are required to adhere to FERC's Standards of Conduct, and annually sign a MAPPCOR Standards of Conduct and Conflict of Interest Policy.

TranServ and MAPPCOR have an extensive history of working together. With regard to the ITO services described further below, TranServ will directly provide transmission service and scheduling functions, such as calculating ATC, receiving and processing transmission service requests, and performing studies, while MAPPCOR will generally be responsible for working on Applicants' long-range transmission planning and facilitating related stakeholder meetings. Applicants contract is with TranServ, who will subcontract planning functions to MAPPCOR. MAPPCOR's duties are outlined in Appendix A to the ITO Agreement.

B. ITO Agreement

Applicants and TranServ have negotiated a new ITO Agreement, which Applicants have attached hereto in execution form, as well as in Applicants' OATT at Attachment Q. The ITO Agreement lays out the terms and conditions pursuant to which TranServ will perform the ITO functions under the OATT. For commercial purposes, the agreement itself is between Applicants and TranServ, but provides that TranServ will delegate specified planning items to MAPPCOR. Applicants request that the Commission accept the ITO Agreement as contained in Attachment Q for filing, and find under FPA Section 203(b) that the ITO Agreement complies with the conditions outlined in the *Withdrawal Order* and is consistent with the *Merger Orders*.

1. General Terms

Under the ITO Agreement, TranServ will perform its duties in an independent, fair, and nondiscriminatory manner, in accordance with Good Utility Practice, the terms and conditions of the OATT, all applicable laws and regulatory requirements (including reliability standards), and any methodologies, process, or procedures that Applicants may develop to ensure system reliability and legal/regulatory compliance.¹⁸ TranServ will also coordinate with Tennessee Valley Authority in its role as the RC for Applicants' system.¹⁹

¹⁸ ITO Agreement at Section 1.3.

¹⁹ ITO Agreement at Section 1.2.

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The terms of the ITO Agreement provide that TranServ and its employees and any subcontractors (which include MAPPCOR) are to be Independent from Applicants and any other Tariff Participant.²⁰ As defined in the ITO Agreement, “Independent” generally means that TranServ, its personnel and subcontractors “are not subject to the control of [Applicants], its Affiliates, or any Tariff Participant, and have full decision-making authority to perform all ITO Services in accordance with the provisions of [the ITO Agreement].” A “Tariff Participant” means transmission or interconnection customers, wholesale customers, any affected system providers, or any Market Participant (as defined in the Commission’s regulations). The ITO Agreement further states that TranServ, its personnel and designees (which includes MAPPCOR) are subject to FERC’s Standards of Conduct as transmission function employees, and will take steps to ensure compliance.²¹

Compensation for TranServ will be \$2,495,938 for the first year of service.²² This amount will increase 2.5% for each Contract Year under the contract.²³ Applicants will also reimburse TranServ for certain out-of-pocket costs (such as legal support or travel and lodging related to performance of the ITO services).²⁴ Finally, Applicants may also pay to TranServ an additional amount related to certain transmission study revenue; if TranServ does not receive at least \$225,000 in transmission study revenue during a contract year, subject to certain conditions Applicants will pay to TranServ the difference between the amount it did receive and \$225,000.²⁵

The term of the ITO Agreement will begin on the later of September 1, 2012 or such other date as the Commission allows the agreement to go into effect. Applicants respectfully request that the Commission expedite its consideration of this filing to ensure that Applicants and TranServ have sufficient time to implement the transition process. Once effective, the ITO Agreement will continue for an initial term of three years, with two additional one-year term extensions.²⁶ The ITO Agreement can terminate at the end of a term upon 180 days’ notice by either party,²⁷ on the fifth anniversary of the agreement’s effective date,²⁸ immediately for cause

²⁰ ITO Agreement at Section 2.

²¹ *Id.* at Section 2.2.

²² ITO Agreement at Section 3.1.

²³ *Id.*

²⁴ ITO Agreement at Section 3.2.

²⁵ ITO Agreement at Section 3.3.

²⁶ ITO Agreement at Section 4.1.

²⁷ ITO Agreement at Section 4.2.

²⁸ ITO Agreement at Section 4.3.

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(such as material default, gross negligence, material misrepresentation, or bankruptcy),²⁹ or under other certain circumstances (such as regulatory changes or modifications to which the parties cannot agree, or an extended Force Majeure).³⁰ Any termination requires regulatory approval before it can become effective.³¹ The ITO Agreement contemplates that if Applicants terminate the agreement early, and such termination is not for cause, Applicants will provide TranServ with compensation.³² If termination is for cause, only certain out-of-pocket expenses will be reimbursed.³³

The ITO Agreement contains certain commercial terms that the parties have agreed upon, addressing matters such as data sharing and integrity,³⁴ intellectual property,³⁵ indemnification,³⁶ insurance obligations,³⁷ confidentiality,³⁸ Force Majeure,³⁹ TranServ's role as an independent contractor,⁴⁰ taxes,⁴¹ notices,⁴² personnel and work conditions,⁴³ and other miscellaneous terms.⁴⁴ Section 8 of the ITO Agreement outlines dispute resolution procedures, which do not apply to compensation disputes, confidentiality issues or intellectual property rights, and which ultimately lead the parties to binding arbitration for disputes valued at \$250,000 or more.⁴⁵ Section 12 of

²⁹ ITO Agreement at Section 4.4.1.

³⁰ ITO Agreement at Section 4.4.2.

³¹ ITO Agreement at Section 4.6.

³² ITO Agreement at Section 4.9.

³³ ITO Agreement at Section 4.9.2.

³⁴ ITO Agreement at Section 5.

³⁵ ITO Agreement at Section 6.

³⁶ ITO Agreement at Section 7.

³⁷ ITO Agreement at Section 9.

³⁸ ITO Agreement at Section 10.

³⁹ ITO Agreement at Section 11.

⁴⁰ ITO Agreement at Section 13.

⁴¹ ITO Agreement at Section 14.

⁴² ITO Agreement at Section 15.

⁴³ ITO Agreement at Section 16.

⁴⁴ ITO Agreement at Section 17.

⁴⁵ ITO Agreement at Section 8.

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the ITO Agreement provides TranServ's reporting and audit obligations, including the requirement to report to the Commission every six months.⁴⁶

2. Specific ITO Services – Appendix A

Appendix A to the ITO Agreement outlines TranServ's responsibilities on Applicants' system. Appendix A is intended to be consistent with ITO's responsibilities under the OATT; this includes Attachment P to the OATT, which provides a delineation of the responsibilities among Applicants, the ITO, and the RC.⁴⁷

For the most part, the delegation of duties to TranServ as the ITO will be the same as they are to SPP. TranServ will be responsible for:

- Customer interface, including operation and maintenance of OASIS, establishment and maintenance of transmission and generator interconnection queues, drafting and posting Business Practices on OASIS (with final review and approval from Applicants), periodic review and comment on the OATT (with Section 205 authority resting with Applicants), and any coordination with third-party systems necessary to support customer transmission service requests.⁴⁸
- Receipt and processing of all transmission and generator interconnection service requests, including ATC evaluation, performance of system impact studies or feasibility analysis studies as provided under the OATT, receipt and processing of requests to designate or undesignated network resources, receipt and processing of service modifications or assignments as provided under the OATT, and tracking and posting all requires study performance metrics.⁴⁹
- Calculation and posting of ATC, as provided in Applicants' ATCID and Attachment C to the OATT;⁵⁰ and
- Performing certain interchange and scheduling services as the transmission provider.

As TranServ's contractor, MAPPCOR's duties are also outlined in Appendix A. MAPPCOR will generally be responsible for planning functions, including: participation in Applicants' transmission planning process as outlined in Attachment K to the OATT, including

⁴⁶ ITO Agreement at Section 2.1.2.

⁴⁷ See LG&E/KU OATT, Attachment P.

⁴⁸ ITO Agreement, Appendix A at Section 3.1.1.

⁴⁹ ITO Agreement, Appendix A at Section 3.1.2.

⁵⁰ ITO Agreement, Appendix C at Section 3.1.3.

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review and approval of Applicants' annual transmission plan, review and approval of Applicants' models, notification to third parties of any planned transmission changes that may affect service, planning and holding semi-annual stakeholder meetings, and participation with the Stakeholder Planning Committee and associated working groups.⁵¹

Appendix A to the ITO Agreement contains an explicit section addressing compliance,⁵² providing that TranServ and MAPPCOR will establish a "culture of compliance," reiterating the ITO's responsibility to provide regular reports to FERC, as well as to other regulatory entities as may be required. TranServ and MAPPCOR will assist Applicants with preparation of materials related to audits or similar regulatory or reliability proceedings. Further, TranServ and MAPPCOR will be responsible for monitoring FERC, NERC, SERC, and NAESB activities for changes in compliance requirements, and the parties will work together on implementing such changes.

3. Modifications to Balancing Authority Functions

When Applicants withdrew from the Midwest ISO, it was their intent that they would retain all NERC reliability-related functions (except those expressly delegated to the RC) in-house.⁵³ This included the function that, at the time, was referred to as "control area operator."⁵⁴ In the five years since the withdrawal, NERC has been certified as the Electric Reliability Organization, and NERC's reliability standards have been codified and have become enforceable. Among other things, the terms "control area" and "control area operator" have been replaced by "Balancing Authority" and "Balancing Authority Area" ("BA" and "BAA" respectively). Additionally, new load serving entities ("LSEs") have developed in Applicants' BAA, resulting in different operational and reliability requirements being imposed on Applicants' transmission system.

As a result of these changes, Applicants propose to assume all BA functions in-house. Applicants currently perform almost all of the BA functions, but some items are delegated to SPP as the ITO. When TranServ assumes the role of the ITO, Applicants would assume responsibility for evaluating, approving and monitoring all interchange schedules in and out of the BAA for purposes of ensuring reliability. This includes the responsibility to curtail interchange schedules if necessary to comply with TLR procedures. Today this responsibility rests with SPP as the ITO, which has resulted in operational inefficiencies and difficulty in implementing reliability measures.

⁵¹ ITO Agreement, Appendix A at Section 3.2.

⁵² ITO Agreement, Appendix A at Sections 3.1.6, 3.2.3.

⁵³ *Withdrawal Order* at P 159.

⁵⁴ *Id.*

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Approximately six NERC Standards are implicated in the current delineation of BA duties between Applicants and SPP. As Applicants are registered as the NERC BA, they have ultimate responsibility for adhering to NERC's Reliability Standards. Applicants thus wish to ensure that the same NERC-Certified Operators responsible for evaluating, documenting, and providing self-certification for these standards are the ones who are actually performing the listed functions. The following provides an overview of each standard, how the parties operate now, and how Applicants propose to operate once they assume all of the BA functions.

- IRO-006. Under this standard, a BA must be able to curtail an interchange schedule in response to a reliability event. The BA must take such action in real time.
 - Under the current delineation of duties with SPP, there are operational inefficiencies which can setback the parties' ability to curtail a schedule quickly when necessary. SPP does not maintain the same reliability-related operational view of Applicants' system, and thus requires a directive from the RC in order to curtail a schedule. However, when the curtailment will occur at a local level (usually 69-kV and below), the RC does not believe that it has an obligation to step in – the RC understands that resolution of such issues rest with the BA. Applicants must get all parties (the Applicants, RC, ITO, and the customer) on the phone in order to have the schedule curtailed, which can challenge the real-time nature of managing reliability.
 - Applicants propose to assume this function in-house, which will significantly streamline real-time compliance with this requirement. Applicants will be able to evaluate and take immediate action to curtail a schedule and relieve a reliability problem at the local level; the RC will remain responsible (as it is today) for problems that arise at the regional level. Prior to implementing a redispatch or curtailment, Applicants will attempt to contact the affected customer and work out a solution to the reliability problem. Applicants will only ask for redispatch or curtail a schedule if the customer is unable or unwilling to remedy the problem itself.⁵⁵ Further, the customer, the ITO, and the RC will receive real-time communication through the scheduling system that the schedule will be curtailed and the reasons therefor, providing these parties with a means to follow-up and audit the curtailment process if necessary. Applicants will also institute procedures whereby statistics regarding schedules that Applicants modify and the reasons therefor are posted on OASIS.⁵⁶ The OASIS posting will ensure that Applicants perform their BA duties in an open and transparent manner, and that all customers can review Applicants' actions. Further, there is no opportunity for Applicants to discriminate against customers in performing this

⁵⁵ Applicants will only ask for the customer to implement remedies that are appropriate under the NERC Standards or the OATT. For example, if the customer implements redispatch at the BAA's request, the customer is shielded from imbalance penalties that would otherwise be levied under Schedules 4 and 9 of the OATT.

⁵⁶ Applicants will ensure that the information posted masks customer identity, in order to protect the customer's non-public transmission information, as well as any sensitive market information.

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- function, because Applicants can only curtail a schedule pursuant to the NERC Reliability Standards. Thus, Applicants cannot exercise market power or otherwise harm competition by taking on this role. TranServ, as the ITO will still be responsible for granting transmission service, including schedule approval and modification as the transmission service provider.
- INT-001. Under this standard, a BA coordinates and verifies tags coming into the system from Source BAs.
 - Today, SPP performs this function, calling Source BAs and verifying the schedules coming into Applicants' system.
 - Applicants propose to assume this function in-house. This is primarily a "matching," function, ensuring that the Source BA and Applicants have the same schedule in their systems.
 - INT-003. Under this standard, a BA coordinates schedules with "Sending" and "Receiving" BAs, *i.e.* neighboring BAs that will be transmitting energy into and from a system.
 - Today, SPP performs this function, calling Applicants' neighboring BAs and verifying schedules coming into, and out of, Applicants' system.
 - Applicants propose to assume this function in-house. Like INT-001, this is primarily a matching activity, ensuring that Sending and Receiving BAs' schedules match Applicants' schedules.
 - INT-004. Under this standard, if a Dynamic Transfer schedule is curtailed, once the reliability event is complete, the transaction must be resubmitted and approved, and the Sink BA informed.
 - At this time, there is only one customer on Applicants' system that requires Dynamic Transfer; thus, this Standard is rarely implicated. Nevertheless, today, if a Dynamic Transfer transaction must be reloaded, this responsibility rests with SPP.
 - Applicants propose to assume this purely administrative function in-house.
 - INT-006. Under this standard, the BA must perform a reliability assessment of a transaction before it is implemented.
 - Today, SPP performs this function. As noted above, SPP does not have the same reliability/operational view of Applicants system. Thus, in order for SPP to perform this function, it relies on information and data that Applicants provide.

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- Applicants propose to assume this function in-house, allowing for more efficient performance of this activity.
- INT-009. Under this standard, a BA must implement Confirmed Interchange as received from the Interchange Authority.
 - Applicants already perform this function today. OATI software calculates the Net Scheduled Interchange (“NSI”) value which is then provided to SPP. SPP provides that data to Applicants, who then verify that the value matches the value in the Energy Management System (“EMS”).
 - The only change under Applicants proposal is that the OATI NSI calculation will be provided directly to Applicants, rather than going through TranServ. However, TranServ will remain responsible for monitoring and validating the NSI calculation provided by the OATI software.

Applicants propose that assuming these BA functions in-house will streamline the processes described above, and will allow Applicants to implement compliance measures on a timelier basis. Applicants’ activities in performing these functions are circumscribed by the NERC Reliability Standards, and are subject to the RC’s (as well as SERC and NERC) oversight. Further, Applicants submit that this approach will represent a cost-savings to customers. If TranServ were to take on these functions as the ITO, it would have to establish a 24-7 desk with NERC-Certified Operators, which require additional staffing and training, resulting in higher costs to customers. This would be redundant to the 24-7 desk that Applicants are required to maintain as the NERC-registered BA.

Applicants submit that these limited modifications are just and reasonable, and are consistent with Applicants’ withdrawal from the Midwest ISO.

VI. REQUESTED FINDINGS UNDER SECTION 203(b)

As described above, Applicants’ Midwest ISO membership stemmed from the 1998 LG&E/KU merger and the 2001 merger with E.ON.⁵⁷ When Applicants withdrew from the Midwest ISO, the Commission found that Applicants’ reliance on an ITO, among other things, satisfied concerns that had previously been addressed by RTO membership.⁵⁸

Applicants respectfully request that the Commission find that their delegation of ITO duties to TranServ continues to satisfy their merger commitments as modified by the *Withdrawal Order* and is otherwise consistent with the requirements of FPA Section 203(b). Applicants

⁵⁷ See supra notes 4 and 6.

⁵⁸ *Withdrawal Order* at P 80.

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submit that their continued use of an ITO is in the public interest, and will not have an adverse effect on competition, rates, or regulation.

In approving Applicants' 2006 withdrawal from the Midwest ISO, the Commission observed that "[t]he operational independence that Applicants state they vest in [the ITO] is a critical element in our consideration of Applicants' proposal to withdraw from the Midwest ISO."⁵⁹ The Commission conditioned its approval of the ITO proposal on Applicants and the ITO adhering to certain criteria. As noted below, the ITO Agreement with TranServ meets these conditions.

Withdrawal Condition	Provision in Appendix A or the ITO Agreement
<ul style="list-style-type: none"> ▪ The ITO would need to have the same level of authority over transmission planning as the Midwest ISO had previously, including approval authority over all models, study criteria, plans, studies, Available Transmission Capability ("ATC") methodology, and any inputs or numerical values provided by Applicants.⁶⁰ 	<ul style="list-style-type: none"> ▪ Under Section 3.1.5 and 3.2.2 of Appendix A, TranServ and MAPPCOR retain review and approval of Applicants' annual transmission plan and Applicants' models. ▪ Under Section 3.1.2 of Appendix A, TranServ is responsible for performing system impact studies for both transmission and generator interconnections, interconnection feasibility studies, and feasibility analysis studies⁶¹ under the OATT. ▪ Under Section 3.1.3 of Appendix A, TranServ is responsible for calculating and posting ATC, using Available Flowgate Capacity ("AFC") values provided by the RC.

⁵⁹ *Id.* at P 139.

⁶⁰ *Id.* at P 86.

⁶¹ Feasibility analysis studies ("FAS") are a unique service provided under Applicants' OATT. FAS allows customers the opportunity for a quick preview of possible system impact study results, but on a faster basis than a system impact study would provide. *See* Applicants' OATT, at Section 2.3.

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Withdrawal Condition	Provision in Appendix A or the ITO Agreement
<ul style="list-style-type: none"> ▪ The ITO would be responsible for calculation of ATC and Total Transmission Capability (“TTC”) on a non-discriminatory basis consistent with the ATC methodology. The ITO would also be responsible for validation of interchange schedules, including verification of valid sources, sinks, and transmission arrangements.⁶² 	<ul style="list-style-type: none"> ▪ Under Section 3.1.3 of Appendix A, TranServ is responsible for calculating and posting ATC, using AFC values provided by the RC. ▪ Under Section 3.1.4 of Appendix A, the ITO is responsible for approving interchange schedules as the transmission service provider.
<ul style="list-style-type: none"> ▪ There would be no opportunity for Applicants to abuse their internal system capacity, because the ITO would be responsible for receiving and approving/denying all transmission service requests, calculating ATC, and validating interchange schedules.⁶³ 	<ul style="list-style-type: none"> ▪ Under Section 3.1.2 of Appendix A, TranServ is responsible for receiving and processing all transmission and generator interconnection requests, including ATC evaluation and performance of relevant studies. ▪ Under Section 3.1.3 of Appendix A, TranServ is responsible for calculating and posting ATC, using AFC values provided by the RC. ▪ Under Section 3.1.4 of Appendix A, the ITO is responsible for approving interchange schedules as the transmission service provider.
<ul style="list-style-type: none"> ▪ The ITO would be responsible for calculating and posting ATC on Applicants’ OASIS, thus removing Applicants’ opportunity to “game” OASIS.⁶⁴ 	<ul style="list-style-type: none"> ▪ Under Section 3.1.1 of Appendix A, TranServ is responsible for establishing and maintaining OASIS. ▪ Under Section 3.1.3 of Appendix A, TranServ is responsible for calculating and posting ATC, using AFC values provided by the RC.

⁶² *Id.* at P 89.

⁶³ *Id.* at PP 90-91.

⁶⁴ *Id.* at P 94.

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Withdrawal Condition	Provision in Appendix A or the ITO Agreement
<ul style="list-style-type: none"> ▪ The ITO would need access to the data and information that it needed from Applicants in order to perform its duties in an independent, transparent, and reliable manner.⁶⁵ 	<ul style="list-style-type: none"> ▪ Under Section 5.1 of the ITO Agreement, Applicants agree to supply TranServ with all data that TranServ requests and that it believes is necessary to perform its duties and obligations, including the ITO Services.
<ul style="list-style-type: none"> ▪ To the extent the ITO might delegate the performance of transmission studies to third parties, such entities also needed to be independent.⁶⁶ 	<ul style="list-style-type: none"> ▪ Section 2.1 of the ITO Agreement states that the ITO Designees (i.e., any subcontractors, including MAPPCOR) must meet the independence requirements.
<ul style="list-style-type: none"> ▪ In order to ensure the ITO's complete independence, Applicants could not have any veto authority over the ITO's personnel choices.⁶⁷ 	<ul style="list-style-type: none"> ▪ Section 2.1 of the ITO Agreement explicitly states that Applicants have no veto authority over TranServ's personnel or personnel matters, including the appointment of a contract manager.
<ul style="list-style-type: none"> ▪ Also to ensure the ITO's independence, the Commission required clarification that the parties would come to the Commission with any fee disputes.⁶⁸ 	<ul style="list-style-type: none"> ▪ Section 3.6 and Section 8.1 of the ITO Agreement specify that compensation disputes will be brought to the Commission. Section 12.1.1 of the ITO Agreement grants TranServ the authority to report in writing regarding any compensation-related disputes.

Applicants submit that their new arrangement with TranServ meets all of the requirements of the *Withdrawal Order*. As noted below, the proposal is also consistent with the *Merger Orders* and the requirements of FPA Section 203(b).

A. No Adverse Effect on Competition

As discussed above, with one exception, Applicants will delegate the same duties to TranServ as the ITO that SPP currently performs as the ITO. In the *Withdrawal Order*, the Commission highlighted five specific areas where an independent entity can mitigate vertical

⁶⁵ *Id.* at P 144.

⁶⁶ *Id.* at P 145.

⁶⁷ *Id.* at P 146.

⁶⁸ *Id.* at P 148.

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market power issues.⁶⁹ Applicants' current proposal continues to satisfy these concerns. Accordingly, Applicants proposal as described herein will have no adverse effect on competition.

1. System Expansion

In the *Withdrawal Order*, the Commission discussed the delegation of planning duties among Applicants, the ITO, and the RC.⁷⁰ The Commission required that the ITO's role must be expanded "to ensure that it, as an independent non-market participant, will have the authority to ensure that transmission planning on Applicants' system is done on an independent, non-discriminatory basis."⁷¹ The Commission went on to specify that the ITO must have approval authority over all models, planning criteria, study criteria, plans, studies, ATC methodology, and any inputs or numerical values provided by Applicants.⁷²

As demonstrated in the chart set out above, TranServ will continue to have the same planning authority that SPP currently has. Additionally, the development of transmission planning criteria in Order No. 890⁷³ and the recent Order No. 1000⁷⁴ further ensure that Applicants' transmission process will "not be dominated by a transmission operator that also owns transmission assets."⁷⁵

2. Lack of Economic Stake in Maintaining Congested Interfaces

In the *Withdrawal Order*, the Commission found that the ITO proposal addressed concerns that Applicants would have an economic stake in maintaining congested interfaces.⁷⁶ Specifically, the Commission found that SPP's calculation of ATC and validation of interchange schedules (including verification of sources, sinks, and transmission arrangements), together

⁶⁹ *Id.* at P 81. Horizontal market power issues were addressed through a separate mechanism not addressed here.

⁷⁰ *Id.* at PP 82-86.

⁷¹ *Id.* at P 85.

⁷² *Id.* at P 86.

⁷³ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 72 FR 12266 (March 15, 2007), FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, 73 FR 2984 (January 16, 2008), FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g and clarification*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

⁷⁴ *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, 136 FERC ¶ 61,051 (2011).

⁷⁵ *Withdrawal Order* at P 82.

⁷⁶ *Id.* at P 88.

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with the RC's coordination of interfaces with the Midwest ISO and PJM Interconnection, LLC, adequately addressed this issue.

As demonstrated in the chart set out above, TranServ will continue to calculate and post ATC in the same manner that SPP does currently, and will validate interchange schedules as the transmission service provider.

3. Potential Abuses Relating to Transmission Providers' Use of Its Internal System Capacity

In the *Withdrawal Order*, the Commission found that the ITO proposal addressed concerns that Applicants could use their own network service to make off-system sales.⁷⁷ The Commission found that the ITO would be vested with responsibility to receive and approve/deny all transmission service requests, calculate ATC, and validate interchange schedules. As an independent entity like an RTO, the ITO "would have no incentive to facilitate such abuse."⁷⁸

As demonstrated in the chart set out above, TranServ will be responsible for receiving and approving/denying transmission service requests, calculating ATC, and validating interchange schedules in the same manner that SPP does currently.

4. Strategic Curtailments

In the *Withdrawal Order*, the Commission found that the Applicants' proposal eliminated the incentive to engage in strategic curtailments of generation owned by competitors.⁷⁹ The Commission observed that only TVA could impose TLR directives, and that TVA would be subject to Electric Reliability Organization ("ERO") (*i.e.*, NERC) standards and review.⁸⁰

Applicants' incentive to engage in strategic curtailments continues to be addressed in the current proposal. While Applicants propose to assume the responsibility to curtail schedules when required to maintain reliability, as discussed in Section V.B.3, Applicants' actions are subject to RC, SERC, and NERC oversight. Further, Applicants propose to post statistics regarding such curtailments on OASIS, which will ensure transparency and independent oversight. Finally, as the BA, Applicants are also subject to NERC standards and review. Accordingly, Applicants submit that this concern is addressed by the current proposal.

⁷⁷ *Id.* at P 90.

⁷⁸ *Id.* at P 92.

⁷⁹ *Id.* at P 92.

⁸⁰ *Id.*

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5. Gaming OASIS

In the *Withdrawal Order*, the Commission found that Applicants' proposal addressed an OASIS operator's incentive to understate the posted amount of ATC on OASIS as a means to foreclose rival generators.⁸¹ Because the ITO would be responsible for calculating ATC and posting it on OASIS, as an independent entity it had no incentive to "game" OASIS operations.⁸²

TranServ will be responsible for calculating ATC and maintaining OASIS in the same manner that SPP does currently. Thus, Applicants submit that this concern continues to be addressed.

B. No Adverse Effect on Rates

Applicants' proposal to employ TranServ will have no adverse effect on rates. Applicants currently pay SPP \$8 million/year for the provision of ITO services, plus certain variable costs and expenses. These costs are recovered from customers through Applicants' Attachment O transmission rate formula.⁸³ In contrast, as described herein, Applicants will pay TranServ roughly \$2.5 million for the first year of service, with an annual increase of 2.5% annually. Applicants will also reimburse TranServ for certain expenses and costs, but in all Applicants estimate that TranServ's total compensation will be a significant costs savings to customers over SPP.

C. No Adverse Effect on Regulation

Applicants' proposal presents no change in Applicants' current federal/state regulatory obligations. Accordingly, there is no adverse effect on regulation.

VII. REQUESTED ACCEPTANCE FOR FILING UNDER FPA SECTION 205

Applicants request that the Commission find that the new ITO Agreement with TranServ is just and reasonable, and accept it for filing for the reasons described herein. In addition to including the new ITO Agreement as part of Attachment Q to Applicants' OATT, Applicants are also submitting certain changes to Attachment P in order to implement the requested changes with regard to BA functions.

⁸¹ *Id.* at P 93.

⁸² *Id.* at P 94.

⁸³ Louisville Gas and Electric Company, Letter Order Accepting Recovery of Independent Transmission Operator (ITO) and Reliability Coordinator Costs through Attachment O, Docket No. ER11-2955-000 (Apr. 19, 2011).

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VIII. REQUEST FOR EXPEDITED APPROVAL

In accordance with their contractual obligations under their current agreement with SPP, Applicants are submitting this application a full year before the changes discussed herein will take effect. However, in order to ensure an orderly transition of services from SPP to TranServ, Applicants respectfully request that the Commission issue an order accepting Applicants' proposal no later than January 1, 2012. This will ensure that TranServ has sufficient time to add personnel and set up the processes necessary to begin providing the ITO services as discussed herein by September 1, 2012.

Additionally, there is a significant cost concern if the transition is delayed. The current agreement with SPP contemplates possible regulatory delay, providing that SPP will perform certain "hold-over services" if no order has issued by August 31, 2012. However, under this circumstance, Applicants must pay SPP an additional \$3 million – regardless of how long SPP must provide such services – plus \$435,000 per month for each month SPP provides the services. Thus, any delay in transition could have significant financial impacts on Applicants and their customers.

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IX. CONCLUSION

WHEREFORE, for the reasons outlined herein, Applicants hereby request that the Commission: (i) find that use of the replacement ITO satisfies the conditions of the *Withdrawal Order* and the *Merger Orders*, and is otherwise consistent with the requirements of FPA Section 203(b); (ii) accept their proposed agreement with TranServ and the modifications to Attachment P for filing pursuant to FPA Section 205; (iii) issue an order on Applicants' proposal no later than January 1, 2012.

Respectfully submitted,

/s/ Jennifer Keisling

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*Attorneys for
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Kentucky Utilities Company*

Executed Copy of New ITO Agreement
With TranServ International, Inc.

Independent Transmission Organization
Agreement

Between

Louisville Gas and Electric Company/
Kentucky Utilities Company

And

TranServ International, Inc.

FINAL

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INDEPENDENT TRANSMISSION ORGANIZATION AGREEMENT

This Independent Transmission Organization (“ITO”) Agreement (this “Agreement”) is entered into on August 29, 2011, between Louisville Gas and Electric Company and Kentucky Utilities Company, corporations organized pursuant to the laws of the Commonwealth of Kentucky (collectively, “Company”), and TranServ International, Inc., an entity organized pursuant to the laws of Delaware (“TranServ”). Company and TranServ may sometimes be individually referred to herein as a “Party” and collectively as the “Parties.”

WHEREAS, Company owns, among other things, an integrated electric transmission system (“Transmission System”), over which open access transmission service is provided to customers in the Company’s Balancing Authority Area (as that term is defined by the North American Electric Reliability Corporation (“NERC”));

WHEREAS, the Company has an Open Access Transmission Tariff (“OATT”) on file with the Federal Energy Regulatory Commission (“FERC”)

WHEREAS, Company currently operates its Transmission System with certain services provided by Southwest Power Pool, Inc. (“SPP”);

WHEREAS, Company’s contract with SPP is scheduled to expire on August 31, 2012;

WHEREAS, Company desires that, upon expiration of the contract with SPP, TranServ will assume certain duties with regard to Company’s Transmission System, as detailed herein;

WHEREAS, Company remains the owner of its Transmission System and shall be the ultimate provider of transmission services to Eligible Customers (as defined in the OATT), including the sole authority to amend the OATT;

WHEREAS, TranServ: (i) is independent from Company; (ii) possesses the necessary competence and experience to perform the functions provided for hereunder; and (iii) is willing to perform such functions under the terms and conditions agreed upon by the Parties as set forth in this Agreement; and

WHEREAS, as part of Company’s goal to maintain independence in the operation of its Transmission System in order to prevent any exercise of transmission market power, Company entered into a Reliability Coordinator Agreement (the “Reliability Coordinator Agreement”) with the Tennessee Valley Authority, NERC-certified reliability coordinator (the “Reliability Coordinator”), pursuant to which the Reliability Coordinator provides to Company certain required reliability functions.

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

Section 1 - Services to be Provided; Standards of Performance

1.1 Services. TranServ shall perform, or cause to be performed, the services described in Appendix A hereto as well as any obligations expressly assigned to the ITO under the OATT (“ITO Services”) during the Term in accordance with the terms and conditions of this Agreement, subject to modification pursuant to Section 1.4 hereto.

1.2 Coordination with Reliability Coordinator. In conjunction with its performance of ITO Services, TranServ shall coordinate and cooperate with the Reliability Coordinator in accordance with the terms of the OATT and all NERC and SERC Reliability Corporation (“SERC”) requirements. TranServ shall provide to the Reliability Coordinator, subject to the terms and conditions of this Agreement, including TranServ’s obligations with respect to Confidential Information in Section 10, any information that the Reliability Coordinator may reasonably request in order to carry out its functions under the Reliability Coordinator Agreement, which agreement is included in the OATT.

1.3 TranServ Performance; Compliance.

1.3.1 Performance. TranServ, TranServ Personnel and any TranServ Designee (as defined in Section 17.5) shall perform TranServ’s obligations (including ITO Services) under this Agreement:

- (a) in an independent, fair, and nondiscriminatory manner; and
- (b) in accordance with:
 - (i) any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition (“Good Utility Practice”). Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region, including those practices required by Federal Power Act Section 2 14(a)(4);
 - (ii) the terms and conditions of the OATT;
 - (iii) all applicable laws and the requirements of federal and state regulatory authorities, including the Kentucky Public Service Commission (“KPSC”), Department of Energy (“DOE”), FERC, NERC, SERC, and the North American Electric Standards Board (“NAESB”) (collectively, “Regulatory Authorities”); and
 - (iv) any methodologies, processes, or procedures relating to ITO Services which Company may develop and which Company determines are necessary or appropriate to ensure safe and reliable system operations and compliance with all applicable laws and the applicable requirements of Regulatory Authorities.

1.4 Changes to ITO Services. The Parties agree that all changes to ITO Services resulting from legal and regulatory developments, as well Company requests, shall be assessed using a change order process. This process will include a written assessment of impacts to ITO Services consistent with Section 5 of Appendix A. Changes will be implemented only after mutual execution of a change document, which may be titled a Change Order or an Amendment. If the Parties are unable to agree on whether a change constitutes a “Minor Change,” or a “Major Change,” as those terms are used in Section 5 of Appendix A, such Dispute shall be resolved in accordance with Section 3.6.

Section 2 - Independence and Standards of Conduct

2.1 TranServ Personnel. All ITO Services shall be performed by staff members of TranServ (“TranServ Personnel”) or TranServ Designees. No TranServ Personnel or TranServ Designee shall also be employed by Company or any of its Affiliates (as defined in FERC’s regulations, 18 C.F.R. § 35.34(b)(3) (2011)). TranServ, TranServ Employees, and TranServ Designees shall (i) be Independent of and (ii) shall not discriminate against Company, any of its Affiliates, or any Tariff Participant. For purposes of this Agreement: (a) “Independent” shall mean that TranServ, TranServ Personnel, and any TranServ Designees are not subject to the control of Company, its Affiliates or any Tariff Participant, and have full decision-making authority to perform all ITO Services in accordance with the provisions of this Agreement. Any TranServ Personnel or TranServ Designee owning securities in Company, its Affiliates or any Tariff Participant shall divest such securities within six (6) months of first being assigned to perform such ITO Services, provided that nothing in this Section 2.1 shall be interpreted or construed to preclude any such TranServ Personnel or TranServ Designee from indirectly owning securities issued by Company, its Affiliates or any Tariff Participant through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or the electric utility industry or any segment thereof) under which the TranServ Personnel or the TranServ Designee does not control the purchase or sale of such securities. Participation by any TranServ Personnel or TranServ Designee in a pension plan of Company, its Affiliates or any Tariff Participant shall not be deemed to be a direct financial interest if the plan is a defined-benefit plan that does not involve the TranServ Personnel’s or TranServ Designee’s ownership of the securities; and (b) “Tariff Participant” shall mean Company Transmission System customers, interconnection customers, wholesale customers, affected transmission providers, any Market Participant (as defined in FERC’s regulations, 18 C.F.R. § 35.34(b)(2) (2011)) and similarly qualified third parties within the Company Balancing Authority Area. For the avoidance of doubt, Company shall have no veto authority over the selection of TranServ Personnel or TranServ Personnel matters, including TranServ’s appointment of a TranServ Project Manager (as provided in Section 8.2).

2.2 Standards of Conduct Treatment. All TranServ Personnel and TranServ Designees shall be treated, for purposes of the FERC’s Standards of Conduct (18 C.F.R. Part 358 (2011)), as transmission function employees. All restrictions relating to information sharing and other relationships between marketing function employees and transmission function employees, as those terms are defined in the Standards of Conduct, including the non-discrimination requirements contained therein, shall apply to TranServ Personnel and TranServ Designees. TranServ Personnel and TranServ Designees shall participate in any Standards of Conduct training that the Company may request for compliance purposes.

Section 3 - Compensation; Billing and Payment; Performance Review

3.1 Compensation for Services. Company shall pay to TranServ an annual fee for performance of the ITO Services (“Annual Fee”). The Annual Fee shall be \$2,495,938 for the first Contract Year, and shall escalate by two and five/tenths percent (2.5%) of the prior year’s Annual Fee for each Contract Year thereafter.

3.2 Out-of-Pocket Costs. Company shall reimburse TranServ for actual out-of-pocket third party costs and expenses, without markup, for (a) regulatory legal support that is reasonably allocable to TranServ’s performance of ITO Services, provided that in no event shall Company reimburse TranServ for legal fees associated with any actual or potential Dispute under this Agreement, (b) travel and lodging that are reasonably allocable to TranServ’s performance of ITO Services and (c) setting up regular stakeholder meetings (collectively, (a), (b) and (c) are “Out-of-Pocket Costs”); provided, however, that all Out-of-Pocket Costs subject to reimbursement under this Section 3.2 must be reviewed and approved by Company prior to TranServ incurring such expense.

3.3 Transmission Study Revenue. During the Term, TranServ expects that it will receive \$225,000 USD annually in System Impact Study (“SIS”) and Interconnection Feasibility Study (as performed under the generator interconnection processes under the OATT, “IFS”) (collectively, SIS and IFS are “Transmission Studies”) revenue from customers requesting service under the OATT. If TranServ fails to receive this amount during any Contract Year, then the Company shall pay TranServ an annual “true-up” payment equal to the difference between the amount TranServ did receive in Transmission Studies revenue and \$225,000 during the applicable Contract Year (“Transmission Study True Up Payment”); provided that TranServ shall be obligated to refund to Company any Transmission Study True Up Payment to the extent TranServ subsequently collects revenue from customers thereafter for Transmission Studies performed in the previous Contract Year; and provided further, that Company shall not be obligated to pay any Transmission Study True Up Payment to the extent that TranServ’s inability to receive the full \$225,000 USD during any Contract Year is due to either (a) TranServ’s failure to bill customers for Transmission Studies, or (b) a customer’s failure to pay for Transmission Studies TranServ has performed. Additionally, to the extent that TranServ’s failure to perform System Impact Studies within the timeframe required under Sections 19.3 or 32.3 of the OATT (as applicable) results in Company being subject to penalties pursuant to Sections 19.10 or 32.5 of the OATT (as applicable), when such penalties are assessed such amount shall be deducted from the Transmission Study True-Up payment or any other payments due to TranServ under this Agreement, in partial satisfaction of TranServ’s obligation to indemnify Company pursuant to Section 7.3; provided that in no event shall Company withhold a Transmission Study True Up Payment or other payment due to TranServ while a possible penalty determination is pending; and provided further, that the limitations included in Section 7.6 shall apply.

3.4 Payment.

3.4.1 Monthly Payment. TranServ shall deliver to Company monthly invoices by regular mail, facsimile, electronic mail or such other means as the Parties agree. Such invoices shall set forth (i) one-twelfth (1/12) of the Annual Fee for each month in advance, and (ii) any Out-of-Pocket costs incurred during the previous month, provided

however, that travel expenses occurring on the last three (3) days of each month may be carried over to future invoices for ease of administration. Company shall make payment of the amount invoiced by wire transfer in immediately available funds to an account specified by TranServ not later than the thirtieth (30th) day after receipt of the invoice, unless such day is not a business day, in which case on the next business day. All such payments shall be deemed made when said wire transfer is received by TranServ. Overdue payments shall accrue interest calculated at the FERC interest rate as defined in 18 C.F.R. §35.19a(2)(iii)(A) (2011) (“FERC Interest Rate”).

3.5 Annual Review and True Up Payments.

3.5.1 Annual Review. Commencing at the end of the second Contract Year, no later than sixty (60) days after the end of each Contract Year, TranServ shall determine and deliver to Company a calculation of TranServ’s actual labor in providing ITO Services for the preceding Contract Year (“Annual Labor”). The Annual Labor calculation shall detail the job title and number of full-time employees assigned to ITO Services, and the number of hours spent in performing ITO Services. The Annual Labor shall also include the hours for any tasks which TranServ outsourced to TranServ Designees.

3.5.2 Transmission Study True Up Payment Calculation and Payment. No later than sixty (60) days after the end of each Contract Year, TranServ shall determine and deliver to Company a calculation of the Transmission Study True Up Payment, if any. Such calculation shall include the aggregate amount of Transmission Study revenues invoiced by TranServ for the applicable year. No later than ten (10) days after the calculation the Transmission Study True Up Payment, TranServ shall send an invoice to the Company reflecting the sum of the Transmission Study True Up Payment. Company shall make payment of the amount invoiced by wire transfer in immediately available funds to an account specified by TranServ not later than the thirtieth (30th) day after receipt of the invoice, unless such day is not a business day, in which case on the next business day. All such payments shall be deemed made when said wire transfer is received by TranServ. Overdue payments shall accrue interest calculated at FERC Interest Rate.

3.6 Compensation Disputes. Notwithstanding the Dispute resolution provisions in Section 8.3, for any Disputes concerning compensation under this Section 3, Company shall timely file notice of such Dispute with FERC and request that FERC resolve such Dispute. TranServ retains the authority to file notice with FERC of any such Dispute if it so desires. If either Party in good faith disputes any invoice submitted by the other Party pursuant to this Agreement, then the disputing Party (i) shall timely pay the other Party the entire invoiced amount and (ii) shall furnish the other Party with a written explanation specifying the amount of and the basis for the Dispute. Within twenty (20) days after resolution of such Dispute, the Party owing money shall pay the other Party the amount owed, if any, together with interest calculated at the FERC Interest Rate.

Section 4 - Term and Termination

4.1 Term. The initial term of this Agreement shall begin on the later of (a) September 1, 2012 or (b) such date approved by applicable Regulatory Authorities for TranServ to begin performing ITO Services (either (a) or (b) being the “Commencement Date”), and shall continue for three (3) years thereafter (“Initial Term”). At the conclusion of the Initial Term, this Agreement shall automatically extend for two (2) successive one (1) year terms (each a “Subsequent Term”), unless terminated by either Party in accordance with the terms of this Agreement. The Initial Term or any Subsequent Terms are each referred to herein as a “Term.” For the purposes of this Agreement, a “Contract Year” shall begin on the Commencement Date or anniversary thereof and conclude twelve (12) months thereafter.

4.2 Termination by Either Party. This Agreement may be terminated by either Party at end of a Term upon prior one hundred eighty (180) days written notice to the other Party, which termination shall be effective upon the later of (i) one hundred eighty (180) days after the date of such written notice, or (ii) receipt of the regulatory approvals required under Section 4.6.

4.3 Termination at End of Term. Unless previously terminated in accordance with this Section 4, and subject to Section 4.6, this Agreement shall terminate on the fifth (5th) anniversary of the Commencement Date.

4.4 Immediate Termination.

4.4.1 Termination for Cause. Subject to Section 4.6, either Party may terminate this Agreement upon prior written notice thereof to the other Party if:

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

(b) Pattern of Failure. It determines, in its reasonable discretion, that there has been a pattern of failure by the other Party to comply with the standards of performance set forth in Section 1.3.1, whether or not such failure is material;

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

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

(e) Bankruptcy. The other Party: (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or

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

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

4.4.2 Immediate Termination Not For Cause. Subject to Section 4.6, Company may terminate this Agreement upon thirty (30) days prior written notice thereof to TranServ if:

(a) Failure to Negotiate Amendment. The Parties are unsuccessful in negotiating an amendment or amendments to this Agreement pursuant to Section 17.9;

(b) Regulatory Changes/Modifications. A Regulatory Authority makes any material changes, modifications, additions, or deletions to this Agreement, unless both Parties agree to such changes, modifications, additions, or deletions;

(c) Failure to Receive Regulatory Approval. Prior to the Commencement Date, FERC rejects this Agreement or Company's selection of TranServ as the ITO;

(d) RTO. A Regulatory Authority requires Company to join a regional transmission organization ("RTO"); or

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

4.5 Termination for Lack of Independence. Subject to Section 4.6, Company may terminate this Agreement upon prior written notice thereof to TranServ if FERC or the KPSC issues a final order that declares that TranServ lacks independence from Company and TranServ cannot obtain independence in a reasonable manner or time period.

4.6 Regulatory Approval. No termination of this Agreement shall be effective until approved by FERC and the KPSC. Notice of termination provided pursuant to Sections 4.4 and 4.5 shall become effective immediately upon approval by FERC and the KPSC.

4.7 Return of Materials. Upon any termination of this Agreement TranServ shall timely and in an orderly manner turn over to Company all materials that were prepared or developed pursuant to this Agreement prior to termination, and return or destroy, at the option of

Company, all Data and other information supplied by Company to TranServ or created by TranServ on behalf of Company.

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

4.9 Compensation for Early Termination.

4.9.1 If Company terminates this Agreement before the end of a Term pursuant to Section 4.4.2 (a), (b), (d) or (e), then Company shall pay to TranServ the Annual Fee(s) through the end of the then-current Term, which fees shall be accelerated hereunder for this purpose, plus any unpaid Out-of-Pocket Costs that TranServ has incurred through the date of any such termination. In the event that this Section 4.9.1 should trigger an acceleration of Annual Fee(s) that would otherwise span multiple years, such fees paid by Company to TranServ shall not include any escalation of two and five-tenths percent (2.5%) as described in Section 3.1 that had not yet been previously applied to the Annual Fee(s).

4.9.2 If Company terminates this agreement before the end of the Term, and such termination is for cause pursuant to Section 4.4.1, then Company shall only be liable for TranServ's Out-of-Pocket Costs incurred pursuant to contracts which extend beyond any early termination date.

4.10 Post-Termination Services. Commencing on the date that any termination becomes effective ("Termination Date") and continuing for up to one hundred eighty (180) days thereafter, TranServ shall (a) provide ITO Services (and any replacements thereof or substitutions therefor), to the extent Company requests such ITO Services to be performed, and (b) cooperate with Company in the transfer of ITO Services (collectively, the "Post-Termination Services") as such services are authorized under a separate agreement between the Parties. TranServ shall, upon Company's request, provide the Post-Termination Services at a cost to be negotiated and mutually agreed to at that time. The quality and level of performance of ITO Services by TranServ shall not diminish. After the expiration of the Post-Termination Services, TranServ shall answer questions from Company regarding ITO Services on an "as needed" basis at TranServ's then-standard billing rates.

Section 5 - Data Management and Intellectual Property

5.1 Supply of Data. During the Term, Company shall supply to TranServ, and/or grant TranServ access to all Data that TranServ requests and that TranServ believes is necessary to perform its duties and obligations under this Agreement, including ITO Services. The Parties shall agree upon the initial format and manner in which such Data shall be provided. For purposes of this Agreement, "Data" means all information, text, drawings, diagrams, models, images or sounds which are embodied in any electronic or tangible medium and which (a) are supplied or in respect of which access is granted to TranServ by Company under this Agreement, which shall be Company's Data, (b) are prepared, stored or transmitted by TranServ solely on behalf of Company, which shall be Company's Data; or (c) are compiled by TranServ by

aggregating Data owned by Company and Data owned by third parties, which shall be TranServ's Data.

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

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

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

Section 6 - Intellectual Property.

6.1 Ownership. All inventions, discoveries, processes, methods, designs, drawings, blueprints, information, software, works of authorship, or the like, whether or not patentable or copyrightable (collectively, "Intellectual Property"), which TranServ first conceives, develops, or begins to develop, either alone or in conjunction with Company or others, with respect to ITO Services under this Agreement, shall be jointly owned by Company and TranServ, and each party shall have the right to use such intellectual property unless specifically otherwise specified on a change document hereunder.

6.2 Royalties and License Fees. Unless the Parties otherwise agree in writing, TranServ shall procure and pay all royalties and license fees which may be payable on account of ITO Services or any part thereof. In case any part of ITO Services is held in any suit to constitute infringement and its use is enjoined, TranServ within a reasonable time shall, at the election of Company and as Company's exclusive remedy hereunder, either (a) secure for Company the perpetual right to continue the use of such part of ITO Services by procuring for Company a royalty-free license or such other permission as will enable TranServ to secure the suspension of any injunction, or (b) replace at TranServ's own expense such part of ITO Services with a non-infringing part or modify it so that it becomes non-infringing (in either case with changes in functionality that are acceptable to Company).

Section 7 - Indemnification and Limitation of Liability

7.1 Company Indemnification. Subject to the limitations specified in Section 7.6, Company shall indemnify, release, defend, reimburse and hold harmless TranServ and its

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

7.2 TranServ Indemnification. Subject to the limitations specified in Section 7.6, TranServ shall indemnify, release, defend, reimburse and hold harmless Company and its directors, officers, employees, principals, representatives and agents (collectively, the “Company Indemnified Parties”) from and against any and all Indemnifiable Losses asserted against or incurred by any of the Company Indemnified Parties arising out of, resulting from or based upon TranServ’s or a TranServ Designee’s negligence, gross negligence, or willful misconduct, provided, however, that in no event shall TranServ be obligated to indemnify, release, defend, reimburse or hold harmless any Company Indemnified Parties from and against any Indemnified Loss which is caused by the negligence, gross negligence or willful misconduct of any Company Indemnified Party.

7.3 Regulatory Indemnification. Subject to the limitations specified in Section 7.6, TranServ shall indemnify, release, defend, reimburse and hold harmless any Company Indemnified Parties from and against all regulatory penalties and sanctions (including penalties or sanctions levied by a Regulatory Authority) arising out of, resulting from or based upon TranServ breach of this Agreement, specifically including Section 1.3.1 hereto, provided, however, that in no event shall TranServ be obligated to indemnify, release, defend, reimburse or hold harmless any Company Indemnified Parties from and against any penalty or sanction which is caused by the gross negligence or willful misconduct of any Company Indemnified Party.

7.4 Cooperation Regarding Claims. If an Indemnified Party (which for purposes of this Section 7.4 shall mean an TranServ Indemnified Party or a Company Indemnified Party) receives notice or has knowledge of any Indemnifiable Loss that may result in a claim for indemnification by such Indemnified Party against an Indemnifying Party (which for purposes of this Section 7.4 shall mean Company or TranServ) pursuant to this Section 7, such Indemnified Party shall as promptly as possible give the Indemnifying Party written notice of such Indemnifiable Loss, including a reasonably detailed description of the facts and circumstances relating to such Indemnifiable Loss, a complete copy of all notices, pleadings and other papers related thereto, and in reasonable detail the basis for its claim for indemnification with respect thereto. Failure to promptly give such written notice or to provide such information and documents shall not relieve the Indemnifying Party from the obligation hereunder to respond to or defend the Indemnified Party against such Indemnifiable Loss unless and only to the extent such failure shall materially diminish the ability of the Indemnifying Party to respond to or to defend the Indemnified Party against such Indemnifiable Loss. Except for indemnification for penalties and sanctions under Section 7.3, the Indemnifying Party, upon its acknowledgment in

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

7.5 Release and Indemnification Regarding Liens. TranServ hereby releases and/or waives for itself and its successors in interest, and for all TranServ Designees and their successors in interest, any and all claims or right of mechanics or any other type of lien to assert and/or file upon Company's or any other party's property or any part thereof as a result of performing ITO Services. TranServ shall execute and deliver to Company such documents as may be required by applicable laws (*i.e.*, partial and/or final waivers of liens and/or affidavits of indemnification) to make this release effective and shall give all required notices to TranServ Designees with respect to ensuring the effectiveness of the foregoing releases against those parties. TranServ shall secure the removal of any lien that TranServ has agreed to release in this Section 7.5 within five (5) working days of receipt of written notice from Company to remove such lien. If not timely removed, Company may remove the lien and charge all costs and expenses including legal fees (for inside and/or outside legal counsel) to TranServ including, without limitation, the costs of bonding off such lien. Company, in its sole discretion, expressly reserves the right to off-set and/or retain any reasonable amount due to TranServ from payment of any one or more of TranServ's invoices upon Company having actual knowledge of any threatened and/or filed liens and/or encumbrances that may be asserted and/or filed by any TranServ Designee and/or third party with respect to the ITO Services, with final payment being made by Company only upon verification that such threatened and/or filed liens and/or encumbrances have been irrevocably satisfied, settled, resolved and/or released (as applicable), and/or that any known payment disputes concerning the ITO Services involving TranServ and any TranServ Designees have been resolved so that no actions, liens and/or encumbrances of any kind or nature will be filed against Company and/or Company's property.

7.6 Limitation of Liability. Other than as provided in Section 7.3, neither Party shall be liable to the other for any special, punitive, or consequential damages arising out of ITO Services, even if advised of the possibility of such damages. Company agrees that ITO Services are not consumer goods for purposes of international, U.S. Federal or U.S. state warranty laws. Indemnification pursuant to Sections 7.1, 7.2, and 7.3, as well as any direct damages to Company arising out of a material breach of this Agreement shall be limited in the aggregate to the total amount of fees actually paid by Company to TranServ under this Agreement through the date that any penalty or judgment is assessed.

Section 8 - Contract Managers; Dispute Resolution

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

8.2 TranServ Project Manager. TranServ shall appoint, among TranServ Personnel, an individual (the “TranServ Project Manager”) who shall serve as the primary TranServ representative under this Agreement. The TranServ Project Manager shall have overall responsibility for managing and coordinating the performance of TranServ obligations under this Agreement. Notwithstanding the foregoing, the TranServ Project Manager may, upon written notice to Company, delegate such of his or her responsibilities to other TranServ Personnel, as the TranServ Project Manager deems appropriate.

8.3 Resolution of Disputes. Any dispute, claim or controversy between the Parties arising out of or relating to this Agreement (each, a “Dispute”) shall be resolved in accordance with the procedures set forth in this Section 8.3; provided, however, that this Section 8.3 shall not apply to Disputes arising from or relating to (a) the amount of compensation to be paid by Company pursuant to Section 3.1, which shall be resolved pursuant to Section 3.6, (b) confidentiality or intellectual property rights, in which case either Party shall be free to seek available legal or equitable remedies, or (c) alleged violations of the OATT, in which case either Party shall be free to bring the Dispute to FERC.

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

8.3.2 Dispute Resolution by Contract Managers. Any Dispute shall first be referred to the Company Contract Manager and TranServ Project Manager, who shall negotiate in good faith to resolve the Dispute.

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

8.3.4 Binding Arbitration. If the Dispute is not resolved within ten (10) calendar days of being referred to executive management representatives, and the amount in dispute or potential damages exceeds \$250,000 USD, the Parties shall proceed in good faith to submit immediately the matter to binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (“AAA”) as they

may be amended from time to time (the “Arbitration Rules”) subject to the following conditions:

(a) The Parties shall give due consideration to using the Expedited Procedures under the Arbitration Rules in any case in which no disclosed claim or counterclaim exceeds \$75,000, exclusive of interest and arbitration fees and costs.

(b) The Parties agree that three arbitrators will be used. Each Party will directly appoint one arbitrator of its choosing from a list of members from the National Roster (as that term is used in the Arbitration Rules) provided by the AAA pursuant to R-12, within ten (10) Days after receipt of such names. The two arbitrators so appointed shall select a third arbitrator from the National Roster to serve as chairperson.

(c) “Baseball” arbitration (in which each Party presents a proposed award or resolution and the actual award must be one of the two submitted), or close variants thereof, shall not be used.

(d) The arbitrators have no authority to appoint or retain expert witnesses for any purpose unless agreed to by the Parties.

(e) All arbitration fees and costs shall be borne equally, regardless of which Party prevails.

(f) Each Party shall bear its own costs of legal representation and witness expenses, unless the arbitrator(s) determines that one Party should bear some or all of the costs of legal representation and witness expenses of the other Party.

(g) The Parties waive any right of appeal or recourse to any court except to compel arbitration, to compel the appointment of arbitrators, to stay judicial proceedings pending arbitration, for an injunction pending determination by the arbitrators, for disqualification of arbitrators, for aid in furtherance of arbitration, to confirm the award, to enforce any judgment confirming the award, or in circumstances of fraud or failure to disclose information or documents required by the arbitrators.

(h) The decision or award of a majority of the arbitrators shall govern. The decision or award of the arbitrators shall be final and binding upon the Parties to the same extent and to the same degree as if the matter had been adjudicated by a court of competent jurisdiction and shall be enforceable under the Federal Arbitration Act and applicable states’ laws.

8.3.5 Rights and Remedies. If the Dispute is not resolved within ten (10) calendar days of being referred to executive management representatives, and the amount in dispute or potential damages does not exceed \$250,000 USD, each Party is free to pursue any rights or remedies it may have at law or equity.

8.4 Rights Under FPA Unaffected. Except as provided in Section 17.2 relating to the variation or amendment of this Agreement, nothing in this Agreement is intended to limit or

abridge any rights that Company may have to file or make application before FERC under Section 205 of the Federal Power Act to revise any rates, terms or conditions of the OATT.

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

Section 9 - Insurance

9.1 TranServ's Insurance Obligation. During the Term, TranServ shall provide and maintain, and shall require TranServ Designees to provide and maintain, the following insurance (and, except with regard to Workers' Compensation, naming Company as additional insured and waiving rights of subrogation against Company and Company's insurance carrier(s)), and TranServ shall submit evidence of such coverage(s) of TranServ and any TranServ Designees to Company prior to the start of ITO Services. Furthermore, TranServ shall notify Company, prior to the commencement of ITO Services, of any threatened, pending and/or paid off claims to third parties, individually or in the aggregate, which otherwise affects the availability of the limits of such coverage(s) inuring to the benefit of Company as hereinafter specified:

9.1.1 Workers' Compensation and Employer's Liability Policy, which shall include provisions required by applicable law in the jurisdiction of location of workers.

9.1.2 Employer's Liability (Coverage B) with limits of One Million Dollars (\$1,000,000) Bodily Injury by Accident, each Accident, \$1,000,000 Bodily Injury by Disease, each Employee, and including:

- (a) a thirty (30) day cancellation clause; and
- (b) broad form all states endorsement.

9.1.3 Commercial General Liability Policy, which shall have minimum limits of One Million Dollars (\$1,000,000) each occurrence; One Million Dollars (\$1,000,000) Products/Completed Operations Aggregate each occurrence; One Million Dollars (\$1,000,000) Personal and Advertising Injury each occurrence, in all cases subject to Two Million Dollars (\$2,000,000) in the General Aggregate for all such claims, and including:

- (a) a thirty (30) day cancellation clause;
- (b) Blanket Written Contractual Liability to the extent covered by the policy against liability assumed by TranServ under this Agreement; and
- (c) Broad Form Property Damage.

9.1.4 Commercial Automobile Liability Insurance covering the use of all owned, non-owned, and hired automobiles, with a bodily injury, including death, and

property damage combined single minimum limit of One Million Dollars (\$1,000,000) each occurrence with respect to TranServ's vehicles assigned to or used in performance of ITO Services under this Agreement.

9.1.5 Umbrella/Excess Liability Insurance with minimum limits of Two Million Dollars (\$2,000,000) per occurrence; Two Million Dollars (\$2,000,000) aggregate, to apply to employer's liability, commercial general liability, and automobile liability.

9.1.6 To the extent applicable, if engineering or other professional services will be separately provided by TranServ as specified in Appendix A, then Professional Liability Insurance with limits of Three Million Dollars (\$3,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the aggregate, which insurance shall be either on an occurrence basis or on a claims made basis (with a retroactive date satisfactory to Company).

9.2 Quality of Insurance Coverage. The above policies to be provided by TranServ shall be written by insurance companies which are both licensed to do business in the state where ITO Services will be performed and either satisfactory to Company or having a Best Rating of not less than "A-". These policies shall not be materially changed or canceled except with thirty (30) days written notice to Company from TranServ and the insurance carrier. Evidence of coverage, notification of cancellation or other changes shall be mailed to: Attention: Manager, Supply Chain, LG&E and KU Services Company, P.O. Box 32020, Louisville, Kentucky 40232.

9.3 Implication of Insurance. Company reserves the right to request and receive a summary of coverage of any of the above policies or endorsements; however, Company shall not be obligated to review any of TranServ's certificates of insurance, insurance policies, or endorsements, or to advise TranServ of any deficiencies in such documents. Any receipt of such documents or their review by Company shall not relieve TranServ from or be deemed a waiver of Company's rights to insist on strict fulfillment of TranServ's obligations under this Agreement.

9.4 Other Notices. TranServ shall provide written notice of any accidents or claims in connection with ITO Services or this Agreement to Company's Manager, Risk Management at LG&E and KU Services Company, P.O. Box 32030, Louisville, Kentucky 40232.

Section 10 - Confidentiality

10.1 Definition of Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean, in respect of each Party, all information and documentation of such Party, whether disclosed to or accessed by the other Party in connection with this Agreement and which is identified as Confidential Information, or which otherwise would be treated as confidential by the recipient, including confidential information provided by third-parties; provided, however, that the term "Confidential Information" shall not include information that: (a) is independently developed by the recipient, as demonstrated by the recipient's written records, without violating the disclosing Party's proprietary rights; (b) is or becomes publicly known (other than through unauthorized disclosure); (c) is disclosed by the owner of such information to a third party free of any obligation of confidentiality; (d) is already

known by the recipient at the time of disclosure, as demonstrated by the recipient's written records, and the recipient has no obligation of confidentiality other than pursuant to this Agreement or any confidentiality agreements between the Parties entered into before the Commencement Date; or (e) is rightfully received by a Party free of any obligation of confidentiality.

10.2 Protection of Confidential Information. All Confidential Information shall be held in confidence by the recipient to the same extent and in at least the same manner as the recipient protects its own Confidential Information, and such Confidential Information shall be used only for purposes of performing obligations under this Agreement. Except as otherwise provided in Section 10.3, neither Party shall disclose, publish, release, transfer or otherwise make available Confidential Information of, or obtained from, the other Party in any form to, or for the use or benefit of, any person or entity without the owner of such information's prior written consent. Each Party shall be permitted to disclose relevant aspects of the other Party's Confidential Information to its officers, directors, agents, professional advisors, contractors, subcontractors (including TranServ Designees) and employees and to the officers, directors, agents, professional advisors, contractors, subcontractors and employees of its Affiliates (collectively, "Representatives"), to the extent that such disclosure is reasonably necessary for the performance of its duties and obligations or the determination, preservation or exercise of its rights and remedies under this Agreement; provided, however, that the recipient shall take all reasonable measures to ensure that Confidential Information is not disclosed or duplicated in contravention of the provisions of this Agreement by such officers, directors, agents, professional advisors, contractors, subcontractors and employees. Recipient agrees to be liable for the wrongful actions of its Representatives under this Section 10.2. The obligations in this Section 10 shall not restrict any disclosure pursuant to any Regulatory Authority if such release is necessary to comply with valid laws, governmental regulations or final orders of regulatory bodies or courts; provided that, other than in respect of disclosures pursuant to Section 10.3, the recipient shall give prompt written notice to the disclosing Party in reasonable time to exercise whatever legal rights the disclosing Party may have to prevent or limit such disclosure. Further, the recipient shall cooperate with the disclosing Party in preventing or limiting such disclosure.

10.3 Regulatory Requests for Confidential Information. Notwithstanding anything in this Section 10 to the contrary, if a Regulatory Authority or its staff, during the course of an investigation or otherwise, requests Confidential Information from TranServ, TranServ shall provide the requested Confidential Information to the requesting Regulatory Authority or its staff within the time provided for in the request for information. In providing the Confidential Information to a Regulatory Authority or its staff, TranServ shall, consistent with 18 C.F.R. § 388.112 (2011) or any other applicable confidentiality regulation, request that the Confidential Information be treated as confidential and non-public by the Regulatory Authority and its staff and that the information be withheld from public disclosure. TranServ shall notify Company when it is notified by the Regulatory Authority or its staff that a request for public disclosure of, or decision to publicly disclose, Confidential Information has been received, at which time either TranServ or Company may respond before such Confidential Information is made public, pursuant to 18 C.F.R. § 388.112 or the applicable confidentiality regulation.

Section 11 - Force Majeure.

11.1 Force Majeure. Neither Party shall be liable to the other Party for any failure or delay of performance hereunder due to an event which (i) is not reasonably foreseeable or within the reasonable control of the Party claiming Force Majeure (the “Claiming Party”) or any Person over which the Claiming Party has control, (ii) was not caused by the acts, omissions, negligence, fault or delays of the Claiming Party or any person over whom the Claiming Party has control, (iii) is not an act, event or condition the risks or consequences of which the Claiming Party has expressly agreed to assume pursuant to this Agreement, and (iv) by the prompt exercise of due diligence, the Claiming Party is unable to overcome or avoid or cause to be avoided (collectively, (i) – (iv) are “Force Majeure”). Force Majeure shall include: acts of God; acts of the public enemy, war, hostilities, invasion, insurrection, riot, civil disturbance, or order of any competent civil or military government; explosion or fire; strikes or lockouts or other industrial action (excluding those of the Claiming Party unless such action is part of a wider industrial dispute materially affecting other employers); labor or material shortage; malicious acts, vandalism or sabotage; action or restraint by court order of any public or governmental authority (so long as the Claiming Party has not applied for or assisted in the application for, and has opposed where and to the extent reasonable, such government action). Neither Party shall be considered in default as to any obligation under this Agreement if prevented from fulfilling the obligation due to Force Majeure, except for the obligation to pay any amount when due, provided that the Claiming Party:

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

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

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

11.1.4 exercises commercially reasonable efforts to perform its obligations hereunder.

Section 12 - Reporting; Audit.

12.1 Regulatory Reporting.

12.1.1 TranServ shall have the authority to report in writing to FERC in respect of any compensation-related Dispute that arises between TranServ and Company pursuant to Section 3.6.

12.1.2 TranServ shall report in writing to FERC every six (6) months (commencing on the six (6) month anniversary of the Commencement Date and every six (6) months thereafter during the Term) in respect of (a) any concerns expressed by stakeholders and TranServ’s response to same and (b) any issues or OATT provisions

that hinder TranServ from performing its duties and obligations under this Agreement and the OATT.

12.1.3 In addition to the reports provided for above, TranServ shall make such other reports to Regulatory Authorities as may be required by applicable law and regulations or as may be requested by such Regulatory Authorities.

12.2 Books and Records. TranServ shall maintain full and accurate books and records pertinent to this Agreement, and TranServ shall maintain such books and records for a minimum of five (5) years following the expiration or early termination of this Agreement or longer if necessary to resolve a pending Dispute. Company will have the right, at reasonable times and under reasonable conditions, to inspect and audit, or have an independent third party inspect and audit, TranServ's operations, books, and records (a) to ensure compliance with this Agreement, including TranServ's performance of ITO Services in accordance with Section 1.3.1, (b) to verify any cost claims or other amounts due hereunder, and (c) to validate TranServ's internal controls with respect to the performance of ITO Services. TranServ shall maintain an audit trail, including all original transaction records and timekeeping records, of all financial and non-financial transactions and activities resulting from or arising in connection with this Agreement as may be necessary to enable Company or the independent third party, as applicable, to perform the foregoing activities. Company shall be responsible for any costs and expenses incurred in connection with any such inspection or audit, unless such inspection or audit discovers that Company was charged inappropriate or incorrect costs and expenses, in which case, TranServ shall be responsible for a percentage of the costs and expenses incurred in connection with such inspection or audit equal to the percentage variance by which Company was charged inappropriate or incorrect costs and expenses. TranServ shall provide reasonable assistance necessary to enable Company or an independent third party, as applicable, to perform the foregoing activities and shall not be entitled to charge Company for any such assistance. Amounts incorrectly or inappropriately invoiced by TranServ to Company, whether discovered prior to or subsequent to payment by Company, shall be adjusted or reimbursed to Company by TranServ within twenty (20) days of notification by Company to TranServ of the error in the invoice.

Section 13 - Independent Contractor

13.1 TranServ, in performing ITO Services, shall not act as an agent or employee of Company, but shall be and act as an independent contractor and, except as established in Section 1.3.1, shall be free to perform ITO Services by such methods and in such manner as TranServ may choose, doing everything necessary to perform such ITO Services properly and safely and having supervision over and responsibility for the safety and actions of its employees and the suitability of its equipment. TranServ Personnel and TranServ Designees shall not be deemed to be employees and/or agents of Company. TranServ agrees that if any portion of ITO Services are subcontracted to TranServ Designees, such TranServ Designees shall be bound by and observe the conditions of this Agreement to the same extent as required of TranServ. In such event, Company strongly encourages the use of Minority Business Enterprises, Women Business Enterprises and Disadvantaged Business Enterprises, as defined under federal law and as certified by a certifying agency that Company recognizes as proper.

13.2 Notwithstanding any provision in this Agreement to the contrary, unless approved in writing by Company, TranServ shall not (and shall not permit any TranServ Personnel or TranServ Designee to):

13.2.1 Sell, lease, pledge, mortgage, encumber, convey, or make any license, exchange or other transfer, assignment or disposition of any property or assets of Company;

13.2.2 Enter into, amend, terminate, modify or supplement any contract or agreement (including any labor or collective bargaining agreement) on behalf, or in the name, of Company;

13.2.3 Except upon the approval of Company or pursuant to the direction of Company, take any action that would, to TranServ's knowledge: (a) invalidate any warranty that runs to Company under any contract or agreement; or (b) release any person or entity from its obligations under any contract or agreement with Company;

13.2.4 Make any warranty or representation on behalf of Company;

13.2.5 Except as contemplated under Section 7.4, settle, compromise, assign, pledge, transfer, release or consent to the compromise, assignment, pledge, transfer or release of any claim, suit, debt, demand or judgment against or due by Company, or submit any such claim, dispute or controversy to arbitration or judicial process, or stipulate in respect thereof to a judgment, or consent to the same;

13.2.6 Pledge the credit of Company in any way in respect of any commitments for which it has not received express written authorization from Company; or

13.2.7 Engage in any other transaction on behalf of Company not permitted under this Agreement.

Section 14 - Taxes.

Each Party shall be responsible for the payment of its own taxes, including taxes based on its net income, employment taxes of its employees, taxes on any property it owns or leases, and sales, use, gross receipts, excise, value-added or other transaction taxes. Sales and/or use taxes, that become applicable to services performed within Minnesota, shall be added to TranServ fees and compensation otherwise herein described.

Section 15 - Notices.

15.1 Notices. All notices, requests, consents and other communications required or permitted hereunder shall be in writing, signed by the Party giving such notice or communication, and shall be deemed given: (a) upon receipt, when mailed by U.S. certified mail, postage prepaid, return receipt requested; or (b) upon the next business day, when sent by overnight delivery, postage prepaid using a recognized courier service.

If to Company:

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

If to TranServ:

TranServ International, Inc.
General Counsel
3660 Technology Drive NE
Minneapolis, MN 55418

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

Section 16 - Personnel and Work Conditions; NERC Requirements.

16.1 Applicable Laws and Safety. TranServ agrees to protect TranServ Personnel and TranServ Designees and be responsible for their performance of the ITO Services, and to protect Company's facilities, property, employees and third parties from damage or injury. TranServ shall at all times be solely responsible for complying with any and all applicable laws and facility rules relating to health and safety, in connection with ITO Services and for obtaining (but only as approved by Company) all permits and approvals necessary to perform ITO Services. Without limiting the foregoing, TranServ agrees to strictly abide by and observe all standards of the Occupational Safety & Health Administration ("OSHA") which are applicable to ITO Services, as well as Company's Contractor Code of Business Conduct and Company's Contractor/Subcontractor Safety Policy which are both hereby incorporated by reference (Contractor hereby acknowledges receipt of a copy of such Company's Contractor Code of Business Conduct and Company's Contractor/Subcontractor Safety Policy) and any other rules and regulations of the Company, all of which are provided to TranServ in writing and incorporated herein by reference. TranServ also agrees to review in good faith and execute any amendments and/or modifications that may be issued in the future by Company from time to time, with respect to Company's Contractor Code of Business Conduct and/or any of its related policies which are the subject of this Section 16, provided however, that TranServ shall not be obliged by such requirement if the requirements conflicts with an alternate regulatory code of conduct imposed on TranServ. In the event TranServ subcontracts any of ITO Services to a TranServ Designee, TranServ shall notify Company in writing of the identity of TranServ Designee before utilizing TranServ Designee. TranServ shall require any TranServ Designees to complete the safety and health questionnaire and checklists provided by Company and shall provide a copy of such documents to Company upon request. TranServ shall conduct, and require such TranServ Designees to conduct, safety audits and job briefings during performance

of ITO Services as applicable. In the event such TranServ Designee has no procedure for conducting safety audits and job briefings, TranServ shall include TranServ Designee in its safety audits and job briefings. All applicable safety audits shall be documented in writing by TranServ and such TranServ Designees. TranServ shall provide documentation of any and all audits identifying safety deficiencies and concerns and corrective action taken as a result of such audits to Company semi-monthly. TranServ further specifically acknowledges, agrees and warrants that TranServ has complied, and shall at all times during the term of this Agreement, comply in all respects with all laws, rules and regulations relating to the employment authorization of TranServ Personnel including, but not limited to, the Immigration Reform and Control Act of 1986, as amended, and the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, as amended, whereby TranServ certifies to Company that TranServ has (a) properly maintained, and shall at all times during the term of this Agreement properly maintain all records required by Immigration and Customs Enforcement, such as the completion and maintenance of the Form I-9 for each TranServ employee; (b) that TranServ maintains and follows an established policy to verify the employment authorization of TranServ Personnel; (c) that TranServ has verified the identity and employment eligibility of all TranServ Personnel in compliance with all applicable laws; and (d) that TranServ is without knowledge of any fact that would render any TranServ Personnel or TranServ Designee ineligible to legally work in the United States. TranServ further acknowledges, agrees and warrants that any TranServ Designee shall be required to agree to these same terms as a condition to being awarded any subcontract for such ITO Services.

16.2 Hazards and Training. TranServ shall furnish adequate numbers of trained, qualified, and experienced TranServ Personnel suitable for performance of ITO Services. Such TranServ Personnel shall be skilled and properly trained to perform ITO Services and recognize all hazards associated with ITO Services. Without limiting the foregoing, TranServ shall participate in any safety orientation or other of Company's familiarization initiatives related to safety and shall strictly comply with any monitoring initiatives as determined by Company.

16.3 Drug and Alcohol. TranServ shall develop and strictly comply with any and all drug and alcohol testing requirements as required by applicable laws. TranServ shall provide Company with a copy of its drug and alcohol testing requirements.

16.4 NERC Reliability Standards. The following additional provisions shall apply to the extent TranServ's performance of ITO Services requires physical or electronic access to areas or assets which are located within physical security perimeters as defined by NERC's Reliability Standards for the Bulk Electric Systems of North America (collectively, the "NERC Standards"), including without limitation any Company data center or control center. In the event of TranServ's non-compliance with the NERC Standards referenced in this Section 16.4, Company shall notify TranServ in writing of the non-compliance and specify appropriate remedial actions.

16.4.1 Information Protection. Without compromising the confidentiality provisions in Section 10, TranServ shall at all times comply with the Company's information protection program(s) as defined by CIP-003, R4. Among the information protected by this program are: (i) all operational procedures; (ii) lists of critical cyber assets; (iii) network topology or similar diagrams; (iv) floor plans of computing centers

that contain critical cyber assets; (v) equipment layouts of critical cyber assets; (vi) disaster recovery plans; (vii) incident response plans; and (viii) security configuration information. TranServ shall protect this protected information from disclosure consistent with the program.

16.4.2 Access Revocation. TranServ shall immediately advise appropriate Company's management if any TranServ Personnel or TranServ Designees who have key card access to a Company restricted area or electronic access to a protected system no longer require such access.

16.4.3 Training. If any TranServ Personnel require key card access to a Company restricted area or electronic access to a protected system, TranServ shall ensure that such personnel complete, and retake as requested, all necessary NERC training as requested by Company.

16.4.4 Personnel Risk Assessment. If any TranServ Personnel require key card access to a Company restricted area or electronic access to a protected system, TranServ shall ensure that Company receives necessary waivers and information from TranServ Personnel to complete, and repeat as necessary, such background checks as requested by Company.

16.4.5 Continuing Obligations. TranServ further acknowledges that its compliance with the NERC Standards referenced in this Section 16.4 is a continuing obligation during and after the Term. Upon written notice to TranServ, Company shall have the absolute right to audit and inspect any and all information regarding TranServ's compliance with this Section 16.4, and/or to require confirmation of the destruction of any documentation received from or regarding Company. TranServ is encouraged to contact Company's Compliance Department pursuant to Section 16.5 to ensure TranServ understands and complies with this Section 16.4.

16.5 Compliance Department. The Company has a Compliance Department. Should TranServ have actual knowledge of violations of any of the herein stated policies of conduct in this Section 16, or in standards of performance detailed in Section 1.3.1, or have a reasonable basis to believe that such violations have occurred, whether by TranServ Personnel or a TranServ Designee, TranServ has an affirmative obligation to immediately report, at least on an anonymous basis, any such known violations to the Company's Office of Compliance in care of Director, Compliance and Ethics, LG&E/KU Services, 220 West Main Street, Louisville, Kentucky 40202.

16.6 Equal Employment Opportunity. To the extent applicable, TranServ shall comply with all of the following provisions, which are incorporated herein by reference: (i) Equal Opportunity regulations set forth in 41 C.F.R. § 60-1.4(a) and (c), prohibiting employment discrimination against any employee or applicant because of race, color, religion, sex, or national origin; (ii) Vietnam Era Veterans Readjustment Assistance Act regulations set forth in 41 C.F.R. § 60-250.4 relating to the employment and advancement of disabled veterans and Vietnam era veterans; (iii) Rehabilitation Act regulations set forth in 41 C.F.R. § 60-741.4 relating to the employment and advancement of qualified disabled employees and applicants for employment;

(iv) the clause known as “Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals” set forth in 15 USC § 637(d)(3); and (v) the subcontracting plan requirement set forth in 15 USC § 637(d).

Section 17 - Miscellaneous Provisions.

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

17.2 Amendment. This Agreement shall not be varied or amended unless such variation or amendment is agreed to by the Parties in writing and accepted by applicable Regulatory Authorities. The Parties explicitly agree that neither Party shall unilaterally petition to FERC pursuant to the provisions of Sections 205 or 206 of the Federal Power Act to amend this Agreement or to request that FERC initiate its own proceeding to amend this Agreement. Nothing in this Section 17.2 shall be construed to limit or affect any other rights that the Parties may have as set forth in Section 8.4, the OATT or otherwise.

17.3 Liability of Affiliates. Any and all liabilities of Company and/or its Affiliates under this Agreement shall be several but not joint.

17.4 Publicity. TranServ shall not issue news releases, publicize or issue advertising pertaining to ITO Services or this Agreement without first obtaining the written approval of Company.

17.5 Assignment. Any assignment of this Agreement or any interest herein or delegation of all or any portion of a Party’s obligations, by operation of law or otherwise, by either Party without the other Party’s prior written consent shall be void and of no effect; provided, however, that consent will not be required for Company to assign this Agreement to an Affiliate or a successor entity that acquires all or substantially all of the operational business assets of the assigning entity whether by merger, consolidation, reorganization, sale, spin-off or foreclosure; provided, further, that such Affiliate or successor entity (a) agrees to assume all obligations hereunder from and after the date of such assignment and (b) has the legal authority and operational ability to satisfy the obligations under this Agreement. As a condition to the effectiveness of such assignment (i) the assignor shall promptly notify the other Party of such assignment, (ii) the Affiliate or successor entity shall provide a confirmation to the other Party of its assumption of assignor’s obligations hereunder, and (iii) assignor shall promptly reimburse the other Party, upon receipt of an invoice, for any one-time incremental costs reasonably incurred as a result of such assignment. For the avoidance of doubt, nothing herein shall preclude Company from transferring any or all of its transmission facilities to another entity or disposing of or acquiring any other transmission assets. Notwithstanding anything to the contrary contained in this Section 17.5, TranServ shall be entitled to contract with one or more persons (each, an “TranServ Designee”) to perform only those ITO Services which the OATT expressly provides for being performed by a “designee” of TranServ (as opposed to TranServ or TranServ Personnel), provided that TranServ shall not be relieved of any of its obligations, responsibilities or liabilities under this Agreement as a result of contracting with one or more

TranServ Designees in accordance with this Section 17.5 and shall be responsible and liable for any ITO Services performed by TranServ Designees.

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

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

17.8 Enforcement of Rights. Each Party shall have the right to recover from the other Party all expenses, including fees for and expenses of inside and/or outside counsel, arising out of the other Party's breach of this Agreement or any other action to enforce or defend rights hereunder.

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

17.10 Remedies. No remedy conferred by any of the provisions of this Agreement is intended to be exclusive of any other remedy available at law or equity or otherwise. The election of one or more remedies shall not constitute a waiver of the right to pursue any other available remedies.

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

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

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

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

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

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

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

17.11.7 No Other Warranties. EXCEPT AS PROVIDED IN THIS AGREEMENT, TRANSERV MAKES NO OTHER WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

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

17.13 Entire Agreement. This Agreement and the Attachments hereto set forth the entire agreement between the Parties with respect to the subject matter hereof, and supersede all prior agreements, whether oral or written, related to the subject matter of this Agreement. The terms of this Agreement and the Attachments hereto are controlling, and no parole or extrinsic

evidence, including to prior drafts and drafts exchanged with any third parties, shall be used to vary, contradict or interpret the express terms and conditions of this Agreement.

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

17.15 Time of the Essence. With respect to all duties, obligations and rights of the Parties specified by Regulatory Authorities, time shall be of the essence in this Agreement.

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

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

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

17.16.3 references to “Section” or “Appendix” refer to this Agreement, unless specified otherwise;

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

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

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

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


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


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

17.18 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument, binding upon Company and TranServ, notwithstanding that Company and TranServ may not have executed the same counterpart.

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

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


Name: Paul F. Troy
Title: Manager, Supply Chain
Date: 8-29-2011

TRANSERV INTERNATIONAL, INC.

Name: SASAN MOKHTARI
Title: CEO
Date: 08-29-2011



Appendix A

Louisville Gas and Electric Company/
Kentucky Utilities Company

INDEPENDENT TRANSMISSION
ORGANIZATION

SERVICE SPECIFICATION

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1. Overview

This Appendix A is intended to be consistent with the terms and conditions of the LG&E/KU Open Access Transmission Tariff (OATT), including Attachment P thereto. If there is any conflict between this Appendix A and the OATT, the OATT shall govern. TranServ shall perform its obligations under this Appendix A in accordance with Section 1.3.1 of this Agreement.

The Independent Transmission Organization (ITO) Services will be provisioned between TranServ and MAPPCOR.

The ITO primary contractor is TranServ, with MAPPCOR as subcontractor to TranServ. The services delegated to TranServ and MAPPCOR include the administration of the LG&E/KU Open Access Same-time Information System (OASIS), transmission service request evaluation process, Available Transfer Capability (ATC)/ Available Flowgate Capability (AFC) management, study queue administration, study performance, and stakeholder facilitation. TranServ, as the ITO, will administer the OATT granting of service for both short and long-term transmission requests, administer the large generator interconnection request queue, and perform transmission studies. MAPPCOR will facilitate the LG&E/KU long-term transmission planning function and stakeholder processes.

2. Definitions

Company – Louisville Gas and Electric Company/Kentucky Utilities Company (LG&E/KU)

ITO – Independent Transmission Organization

ITO Services – The applicable functions to be performed as specified in the ITO Agreement

RC – Reliability Coordinator

Service Interruption – A Service Interruption is the loss of Service function, under the direct control of TRANSERV with no mutually agreed to work around provided within the Service

Normal Business Hours – TranServ normal business hours are between the hours of 0700 and 1700 CT, Monday-Friday on days other than the holidays listed below:

1. New Year's Day
2. Memorial Day
3. Independence Day
4. Labor Day
5. Thanksgiving
6. Day after Thanksgiving
7. Day before Christmas
8. Christmas Day

3. Roles and Responsibilities for Providing ITO Services

3.1 TranServ

TranServ International, Inc. (TranServ) will provide services to LG&E/KU as the ITO. The services that TranServ will provide include:

3.1.1 Customer Interface

Responsibility for operating and maintaining OASIS website and keeping it up-to-date with Federal Energy Regulatory Commission (FERC) and North American Energy Standards Board (NAESB) posting requirements, including all Order No. 890 posting requirements (such as study performance metrics, Available Transfer Capability (ATC) calculations, etc.). This includes establishing an interface for customers to submit service requests, and oversight and evaluation of ATC values calculated using software procured from Open Access Technology International, Inc. (OATI) and information from the RC. TranServ's responsibilities and duties in administering OASIS will include the following:

- Performing the duties of a Responsible Party as defined in the Commission's OASIS regulations, 18 C.F.R. § 37.5 and FERC Order No. 676.
- Posting information required to be on the Transmission Provider's OASIS under the Commission's OASIS regulations, 18 C.F.R. § 37.6 and FERC Order No. 676.
- Maintaining and retaining information posted on OASIS in accordance with the Commission's regulations, including 18 C.F.R. Parts 37 and 125.
- Establishing and maintaining queues for processing transmission service requests and generator interconnection (GI) requests.
- Participating in the drafting and posting of Business Practices on the OASIS website, including any FERC or NAESB-required Business Practices. Company shall have final review, ownership, and approval for all Business Practices.
- Participating in periodic reviews of, and providing expertise/comments on, the OATT. Company retains final authority over the OATT's content, including retaining the right and responsibility to file changes to the OATT.
- Participating in stakeholder meetings and/or conference calls as required. These stakeholder meetings will include TranServ, Company, Customers (as appropriate) the

RC, and other entities as required, to address concerns regarding Company's system, administration of the OATT, and related issues.

- Responsibility for coordinating with third-party transmission system owners and operators as necessary to support customer service requests. This includes coordinating the provision of any data from Company to the third-party system.
- Management of ATC/AFC Calculation and Posting.
- Implementation of certain aspects of the Seams Operating Agreement between the Midwest Independent Transmission System Operator (MISO), Inc. and TVA as defined in the Congestion Management Process (CMP).
- Administration of request evaluations for LG&E/KU tariff service.
- Processing of e-Tags as the transmission provider.
- Reviewing software changes requested from OATI, verifying and testing for proper operations before OATI implements those changes.

3.1.2 Transmission Service and Generator Interconnection Requests and Studies

- Receive and process all applications for Point-to-Point, Network Integration Transmission Service (NITS), and for GIs.
- For short-term Point-to-Point Transmission Service requests (i.e., where the request is within the posted ATC horizon), evaluate and approve a request where the posted ATC is sufficient for the requested transaction. If ATC is insufficient, TranServ shall propose conditional service options to the customer in accordance with the OATT, or otherwise deny the service. If the customer accepts conditional service options, TranServ will be responsible for performing biennial reassessments, as provided under the OATT.
- For long-term Point-to-Point Transmission Service requests, NITS, or GI requests:
 - Determine whether a System Impact Study (SIS) is necessary to accommodate the request.
 - Render all study agreements (SIS, Interconnection Feasibility Studies (IFS), Facilities Study (FS), and Feasibility Analysis Studies (FAS)) to customers within the timeframe provided in the OATT.

- Perform the SIS or FAS in the timeframe provided in the OATT, including clustered SISs when requested by customers and/or Company.
 - Perform the SIS or FAS using Company's planning criteria.
 - For any study that TranServ performs that requires information from Company (e.g., good faith construction estimates that are included in the SIS), request such information from Company no less than ten (10) business days before the expiration of the applicable study period.
 - Complete study reports and post on OASIS within the timeframe required under the OATT.
 - Notify the Company and individual customers of completed study reports, and alert the Company to initiate service agreements, if applicable.
 - Receive customer deposits.
 - Bill customers for SIS, IFS, FS, and FAS as required by the OATT, including provision of an itemized bill for services if requested by a customer.
 - Reimburse Company for any study costs incurred in contributing to the study and render payment to any third-party vendors for work performed.
- Responsible for receiving and processing requests to designate or un-designate Network Resources, as provided under the OATT.
 - If a customer requests a modification to its service, or if a customer assigns its transmission service to a third-party who request modification to the service, process those modification requests in accordance with the terms of the OATT.
 - Track all study metrics, including data submittals, input validations, modifications, time and costs associated to perform the study.
 - Track the performance of all studies and alert Company if a FERC filing requirement or penalty payment has been triggered due to late studies, as described under the OATT.

3.1.3 ATC Calculation

- Calculate ATC as provided for in Attachment C to the OATT. This includes receiving initial AFC values from the RC, calculating final AFC values using the algorithms included in Attachment C, and converting the AFC to ATC using OATI software.

- Post on OASIS the mathematical algorithms used to calculate firm and non-firm AFC. TranServ shall also post the results of the AFC calculations on OASIS.
- Daily review of transmission service requests (TSRs) and eTag action and statistics.
- Daily review of posted AFC/ATC information and investigation into any anomalies.
- Review, observation, and validation of the Total Transfer Capability (TTC) development process.

3.1.4 Interchange and Scheduling

- As the Transmission Service Provider, responsible for the following activities:
 - Confirm that each electronic schedule (e-Tag) has a confirmed transmission service request.
 - Approve the interchange schedules as the transmission service provider.
 - Curtail electronic schedules if requested by the RC or Balancing Authority (BA).
 - Monitor and validate the Net Scheduled Interchange (NSI), as processed by OATI software, to ensure timely creation of the NSI data file with a syntactical quality check on the data set.

3.1.5 Transmission Planning

- Participate in Company's transmission planning process as outlined in Attachment K to the OATT, including the following activities:
 - Review Transmission System models (steady state, dynamics, and short circuit) as provided by Company.
 - Assist MAPPCOR in the development of alternatives to Planning Re-dispatch service.
 - Participate with the Stakeholder Planning Committee (SPC) and associated SPC working groups, as required.
 - Participate in the overall OATT Attachment K process as observer.

3.1.6 Compliance

- Establish and adhere to a “culture of compliance” for TranServ Personnel and TranServ Designees consistent with FERC’s Policy Statement on Compliance, 125 FERC ¶ 61,058 (2008) as may be supplemented or amended by further FERC orders. TranServ shall take such reasonable steps requested by the Company in furtherance of such a culture of compliance.
- In accordance with *Louisville Gas and Electric Company*, 114 FERC ¶ 61,282 at P 152 (2006), assist with providing FERC with semi-annual reports “detailing concerns expressed by stakeholders and [ITO’s] response to those concerns as well as any issues or tariff provisions that hinder [ITO] from performing its required duties” as requested.
- Maintain records and provide reports as required by the Kentucky Public Service Commission (KPSC), OATT, Department of Energy (DOE), FERC, NERC, SERC Reliability Corporation (SERC) or NAESB. Without limiting the foregoing, Company may from time-to-time provide TranServ with specific direction as to records that Company expects to support compliance efforts, and TranServ shall maintain such records as directed.
- Assist Company, as requested by Company, in the preparation of applications, audit materials, filings, reports or responses to any Regulatory Authority. Without limiting the foregoing, this assistance may include from time-to-time preparation for (and participation in, if appropriate) FERC or NERC audits and providing event analysis information for FERC, NERC or SERC. TranServ’s support shall be provided in a time frame reasonably requested by Company.
- Monitor FERC, NERC, SERC, and NAESB activities for changes in standards or compliance requirements that may require modification to the ITO Services or other coordination with Company. To the extent possible, TranServ shall notify Company of any proposed or pending modifications prior to their implementation. The Parties shall work together to establish a work plan and timetable for implementation of any such changes. The Parties agree that all changes to ITO Services resulting from legal and regulatory developments as well Company requests, shall be assessed using the change order process detailed in Section 5 of this Appendix A.

3.2 MAPPCOR

MAPPCOR will provide services to LG&E/KU as the Transmission Planner (TP). The services that MAPPCOR will provide include:

3.2.1 Customer Interface

- With TranServ, participate in the drafting of Business Practices; including any FERC or NAESB required Business Practices. Company shall have final review, ownership, and approval for all Business Practices.
- With TranServ, participate in periodic reviews of, and provide expertise/comments on, the OATT. Company retains final authority over the OATT's content, including retaining the right and responsibility to file changes to the OATT.
- Responsible for planning, coordinating and holding regular stakeholder meetings and/or conference calls. These stakeholder meetings will include TranServ, MAPPCOR, Company, and the RC, and other entities as required, to address concerns regarding Company's system, administration of the OATT, and related issues. This activity includes (as necessary) performing background checks for stakeholders who desire access to Critical Energy Infrastructure Information (CEII), preparing meeting materials, facilitating the meeting, and preparing post-meeting minutes for posting on OASIS.
- Responsible for coordinating with third-party transmission system owners and operators as necessary to support customer service requests. This includes coordinating the provision of any data from Company to the third-party system.

3.2.2 Transmission Planning

- Participate in Company's transmission planning process as outlined in Attachment K to the OATT, including the following activities.
 - Review and approve Company's long-term (generally one year and beyond) plan for the reliability/adequacy of Company's Transmission System.
 - Review and approve Transmission System models (steady state, dynamics, and short circuit).
 - Develop alternatives to Planning Redispatch service.

- Notify impacted transmission entities of any planned transmission changes that may influence their facilities.
- Participate with the SPC and associated SPC working groups, as required.
- Participate in the overall OATT Attachment K process as observer.
- The Parties agree that the final annual transmission plan and decision of whether/when to construct and expand the system rests with Company.

3.2.3 Compliance

- Establish and adhere to a “culture of compliance” for MAPPCOR personnel consistent with FERC’s Policy Statement on Compliance, 125 FERC ¶ 61,058 (2008) as may be supplemented or amended by further FERC orders. MAPPCOR shall take such reasonable steps requested by the Company in furtherance of such a culture of compliance.
- With TranServ, provide in accordance with Louisville Gas and Electric Company, 114 FERC ¶ 61,282 at P 152, FERC semi-annual reports “detailing concerns expressed by stakeholders and [ITO’s] response to those concerns as well as any issues or tariff provisions that hinder [ITO] from performing its required duties.”
 - Maintain records and provide reports as required by the KPSC, OATT, DOE, FERC, NERC, SERC or NAESB. Without limiting the foregoing, Company may from time-to-time provide TranServ with specific direction as to records that Company expects to support compliance efforts, and TranServ shall maintain such records as directed.
 - Assist Company, as requested by Company, in the preparation of applications, audit materials, filings, reports or responses to any Regulatory Authority. Without limiting the foregoing, this assistance may include from time-to-time preparation for (and participation in, if appropriate) FERC or NERC audits and providing event analysis information for FERC, NERC or SERC. ITO’s support shall be provided in a time frame reasonably requested by Company.
 - Monitor FERC, NERC, SERC, and NAESB activities for changes in standards or compliance requirements that may require modification to the ITO Services or other coordination with Company. To the extent possible, MAPPCOR shall notify Company of any proposed or pending modifications prior to their implementation.

The Parties shall work together to establish a work plan and timetable for implementation of any such changes. The Parties agree that all changes to ITO Services resulting from legal and regulatory developments as well Company requests, shall be assessed using the change order process detailed in Section 5 of this Appendix A.

3.3 LG&E/KU

TranServ and MAPPCOR understand that Company has the following responsibilities in support of the ITO Services under this Appendix A:

3.3.1 Customer Interface

- Contracting for the OATI webOASIS service that meets FERC and NAESB requirements.
- Contracting for the OATI webTrans service used to evaluate and take actions on transmission service requests and e-Tags.
- Continuation of Agreement with the RC to provide necessary data for AFC/ATC calculation and posting processes.
- Final review, ownership, and approval for all Business Practices.
- Final authority over the OATT's content, including the right and responsibility to file changes to the OATT.
- Cooperate in the coordination with third-party systems as necessary to support customer service requests. This includes coordinating the provision of any data from Company to the third-party system.

3.3.2 Compliance

- From time-to-time provide TranServ and MAPPCOR with specific direction as to records that Company expects to support compliance efforts, and TranServ and MAPPCOR shall maintain such records as directed in order to provide reports as required by the KPSC, OATT, DOE, FERC, NERC, SERC or NAESB.
- Respond to TranServ and/or MAPPCOR's notifications of FERC, NERC, SERC, and NAESB activities for changes in standards or compliance requirements that may require

modification to the ITO Services or other coordination with Company within requested response timelines. Work together with ITO to establish a work plan and timetable for implementation of any such changes. The Parties agree that all changes to ITO Services resulting from legal and regulatory developments as well Company requests, shall be assessed using the change order process detailed in Section 5 of this Appendix A.

4. Customer Support

TranServ will provide support for Service 24-hours per day and 365-days per year by utilizing a single point of contact support staff. During Normal Business Hours the support staff can be contacted by telephone or by e-mail as outlined in published TranServ's ITO Support Information. After Normal Business Hours support is achieved through telephone only. TranServ will take all reasonable effort to ensure that reported problems or other Customer support related events are responded to within 30-minutes of the event notification when ITO Support Procedures are followed.

4.1 Problem Resolution

Problems or outages are reported to TranServ by following customer support processes. All problems or questions are assigned a severity level by mutual agreement of the parties. Problems which are considered Critical or High in severity should be reported to TranServ at any time. Problems considered Medium or Low severity should be reported by phone during business hours or by e-mail at any time. The severity level classifications are defined as follows:

- Critical – Problems or issues that are impacting business immediately or impacting grid reliability and action is required prior to next business day.
- High – Problems or issues that affect a key functionality of Service component and there is no work around available but immediate business or grid reliability impact is not present.
- Medium – Business processes are impacted, but satisfactory work around is in place to avoid business interruptions.
- Low – Customer inquiries or reported problems and issues that create nuisances or inconveniences for the customer. Minimal or no business impact is occurring.

Ticket Resolution		
Action	TranServ Responsibility	Time To Remedy
Correct a 'Critical' severity Problem or Issue	During normal business hours TranServ will respond to reported Critical severity problems and begin corrective action immediately until either a satisfactory work around is in place or problem is resolved. Outside of normal business hours TranServ will respond to reported Critical severity problems within 30-minutes of notification. Escalation to responsible TranServ senior management will occur in all cases.	TranServ will work continuously until resolution is in place. This may include a temporary work around until a permanent correction can be implemented. Performance goal is to resolve all Critical severity tickets within 4-hours.
Correct a 'High' severity Problem or Issue	During normal business hours TranServ will respond to reported High severity problems and begin corrective action to resolve with either a satisfactory work around or problem resolution prior to end of business day. Outside of normal business hours TranServ will respond to reported High severity problems within 30-minutes of notification. Escalation to responsible TranServ senior management will occur in all cases.	TranServ will provide an initial problem analysis update within 8-hours at all times. This may include a recommended temporary work around until a permanent correction can be implemented. Performance goal is to resolve all High severity tickets within 24-hours.
Correct a 'Medium' severity Problem or Issue	TranServ will schedule corrective action jointly with Customer. Problems of Medium severity should be reported by telephone during business hours or by e-mail at any time.	TranServ will provide an initial problem analysis update within 3-business days of notification of problem. An appropriate action plan and resolution schedule will be mutually agreed to with the Customer. Performance goal is to

Ticket Resolution		
Action	TranServ Responsibility	Time To Remedy
		resolve all Medium severity tickets by agreed to commitment date.
Correct a 'Low' severity Problem or Issue	TranServ will schedule corrective action jointly with Customer. Problems of Low severity should be reported by telephone during business hours or by e-mail at any time.	TranServ will provide an initial problem analysis update within 5-business days. An appropriate action plan and resolution schedule will be mutually agreed to with the Customer. Performance goal is to resolve all Low severity tickets by agreed to commitment date.

4.1.1 Tickets – OATI webSupport

To ensure all customers of TranServ receive a high level of customer service all calls or e-mails with questions or reported problems are documented in a Ticket. All TranServ staff members utilize OATI webSupport, an issue reporting and assignment platform allowing tracking and confirmed resolution of all issues reported to TranServ or MAPPCOR. Upon receiving a communication from a customer, TranServ will open a webSupport Ticket. The Ticket contains customer contact information, data metrics on the type of problem, an identification of the TranServ staff member to whom the Ticket is currently assigned, a detailed description of the problem, and a detailed description of the problem's current status which will eventually include a description of how the issue was resolved. The TranServ staff member provides the Ticket number to the customer for all issues not resolved immediately. If the issue cannot be resolved by the TranServ staff member creating the Ticket, the Ticket is reassigned to another member of the TranServ/MAPPCOR team. The TranServ staff member who initially created the Ticket is expected to use webSupport's monitoring capability to determine unresolved Tickets, and to reassign or escalate it as necessary at any time to promote prompt resolution within response timing guidelines.

4.1.2 Response Time

TranServ support staff will answer all calls as received during normal business hours and take all reasonable effort to resolve issues at the time of call. For issues and problems that are not immediately resolved, TranServ will follow normal processing for assigned severity level and notify customer once resolution occurs.

Calls to support staff outside of normal business hours will be answered as received and customer will be notified within 30-minutes on planned actions to be taken by TranServ support staff in accordance with normal processing for assigned severity level.

4.1.2.1 Ticket Escalation

Problem tickets that cannot be resolved in accordance with normal processing for assigned severity level will be escalated to appropriate TranServ management. Customers may request immediate ticket escalation to appropriate TranServ management.

4.1.2.2 Customer Satisfaction

Customer satisfaction inquiries are automatically sent to customers upon the closing of a ticket. The results of these surveys result in improved performance by customer support staff or changes in business processes.

5. Service Modifications

From time to time Company may require a modification to an existing Service function. Such modifications may be prompted by changes in regulatory compliance requirements, or by a Company request. Minor modifications that require reasonably minimal resource commitment from TranServ staff will be included within a reasonable time period at no cost to Company. Modifications that may have more significant impact on Service design or will impact TranServ staff resource commitments more than minimally will be discussed with Company and may in some instances require additional payment by Company. Each of these change requests will be described in a written Change Order. Each Change Order will be scheduled for implementation upon written agreement with Company as to scope, cost and schedule.

5.1 Minor Changes

Any change to an existing Service function that does not have a significant impact on Service design or require TranServ to staff or contract with additional personnel, if even for a brief period of time, to prepare for and/or meet the requirements of the change (a "Minor Change") will be integrated into Company's Service at no cost to Company. A written Change Order will be negotiated and executed between Company and TranServ prior to implementation of any Minor Change.

5.2 Major Changes

Any change to an existing Service function that has a significant impact on Service design or requires TranServ to staff additional personnel, if even for a brief period of time, in order to prepare for and/or meet the requirements of the change (a "Major Change") will require a written Change Order which must be negotiated and executed between Company and TranServ prior to implementation of any Major Change.

6. Reliability Coordination

TranServ will be required to coordinate its operations with the LG&E/KU designated RC. The RC is responsible for performing certain reliability related tasks for the LG&E/KU system, including acting as the NERC-registered Reliability Coordinator. The RC's responsibilities are detailed in the Reliability Coordinator Agreement and Attachment P to the LG&E/KU OATT.

**Revised Version of Attachment Q to LG&E/KU OATT
(Already Submitted in eTariff Format)**

ATTACHMENT Q
AGREEMENTS BETWEEN THE TRANSMISSION OWNER AND THE ITO
AND THE RELIABILITY COORDINATOR

Independent Transmission Organization
Agreement

Between

Louisville Gas and Electric Company/
Kentucky Utilities Company

And

TranServ International, Inc.

FINAL

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Appendix A – Service Specification

INDEPENDENT TRANSMISSION ORGANIZATION AGREEMENT

This Independent Transmission Organization (“ITO”) Agreement (this “Agreement”) is entered into on August 29, 2011, between Louisville Gas and Electric Company and Kentucky Utilities Company, corporations organized pursuant to the laws of the Commonwealth of Kentucky (collectively, “Company”), and TranServ International, Inc., an entity organized pursuant to the laws of Delaware (“TranServ”). Company and TranServ may sometimes be individually referred to herein as a “Party” and collectively as the “Parties.”

WHEREAS, Company owns, among other things, an integrated electric transmission system (“Transmission System”), over which open access transmission service is provided to customers in the Company’s Balancing Authority Area (as that term is defined by the North American Electric Reliability Corporation (“NERC”));

WHEREAS, the Company has an Open Access Transmission Tariff (“OATT”) on file with the Federal Energy Regulatory Commission (“FERC”)

WHEREAS, Company currently operates its Transmission System with certain services provided by Southwest Power Pool, Inc. (“SPP”);

WHEREAS, Company’s contract with SPP is scheduled to expire on August 31, 2012;

WHEREAS, Company desires that, upon expiration of the contract with SPP, TranServ will assume certain duties with regard to Company’s Transmission System, as detailed herein;

WHEREAS, Company remains the owner of its Transmission System and shall be the ultimate provider of transmission services to Eligible Customers (as defined in the OATT), including the sole authority to amend the OATT;

WHEREAS, TranServ: (i) is independent from Company; (ii) possesses the necessary competence and experience to perform the functions provided for hereunder; and (iii) is willing to perform such functions under the terms and conditions agreed upon by the Parties as set forth in this Agreement; and

WHEREAS, as part of Company’s goal to maintain independence in the operation of its Transmission System in order to prevent any exercise of transmission market power, Company entered into a Reliability Coordinator Agreement (the “Reliability Coordinator Agreement”) with the Tennessee Valley Authority, NERC-certified reliability coordinator (the “Reliability Coordinator”), pursuant to which the Reliability Coordinator provides to Company certain required reliability functions.

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

Section 1 - Services to be Provided; Standards of Performance

1.1 Services. TranServ shall perform, or cause to be performed, the services described in Appendix A hereto as well as any obligations expressly assigned to the ITO under the OATT (“ITO Services”) during the Term in accordance with the terms and conditions of this Agreement, subject to modification pursuant to Section 1.4 hereto.

1.2 Coordination with Reliability Coordinator. In conjunction with its performance of ITO Services, TranServ shall coordinate and cooperate with the Reliability Coordinator in accordance with the terms of the OATT and all NERC and SERC Reliability Corporation (“SERC”) requirements. TranServ shall provide to the Reliability Coordinator, subject to the terms and conditions of this Agreement, including TranServ’s obligations with respect to Confidential Information in Section 10, any information that the Reliability Coordinator may reasonably request in order to carry out its functions under the Reliability Coordinator Agreement, which agreement is included in the OATT.

1.3 TranServ Performance; Compliance.

1.3.1 Performance. TranServ, TranServ Personnel and any TranServ Designee (as defined in Section 17.5) shall perform TranServ’s obligations (including ITO Services) under this Agreement:

- (a) in an independent, fair, and nondiscriminatory manner; and
- (b) in accordance with:
 - (i) any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition (“Good Utility Practice”). Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region, including those practices required by Federal Power Act Section 2 14(a)(4);
 - (ii) the terms and conditions of the OATT;
 - (iii) all applicable laws and the requirements of federal and state regulatory authorities, including the Kentucky Public Service Commission (“KPSC”), Department of Energy (“DOE”), FERC, NERC, SERC, and the North American Electric Standards Board (“NAESB”) (collectively, “Regulatory Authorities”); and
 - (iv) any methodologies, processes, or procedures relating to ITO Services which Company may develop and which Company determines are necessary or

appropriate to ensure safe and reliable system operations and compliance with all applicable laws and the applicable requirements of Regulatory Authorities.

1.4 Changes to ITO Services. The Parties agree that all changes to ITO Services resulting from legal and regulatory developments, as well Company requests, shall be assessed using a change order process. This process will include a written assessment of impacts to ITO Services consistent with Section 5 of Appendix A. Changes will be implemented only after mutual execution of a change document, which may be titled a Change Order or an Amendment. If the Parties are unable to agree on whether a change constitutes a “Minor Change,” or a “Major Change,” as those terms are used in Section 5 of Appendix A, such Dispute shall be resolved in accordance with Section 3.6.

Section 2 - Independence and Standards of Conduct

2.1 TranServ Personnel. All ITO Services shall be performed by staff members of TranServ (“TranServ Personnel”) or TranServ Designees. No TranServ Personnel or TranServ Designee shall also be employed by Company or any of its Affiliates (as defined in FERC’s regulations, 18 C.F.R. § 35.34(b)(3) (2011)). TranServ, TranServ Employees, and TranServ Designees shall (i) be Independent of and (ii) shall not discriminate against Company, any of its Affiliates, or any Tariff Participant. For purposes of this Agreement: (a) “Independent” shall mean that TranServ, TranServ Personnel, and any TranServ Designees are not subject to the control of Company, its Affiliates or any Tariff Participant, and have full decision-making authority to perform all ITO Services in accordance with the provisions of this Agreement. Any TranServ Personnel or TranServ Designee owning securities in Company, its Affiliates or any Tariff Participant shall divest such securities within six (6) months of first being assigned to perform such ITO Services, provided that nothing in this Section 2.1 shall be interpreted or construed to preclude any such TranServ Personnel or TranServ Designee from indirectly owning securities issued by Company, its Affiliates or any Tariff Participant through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or the electric utility industry or any segment thereof) under which the TranServ Personnel or the TranServ Designee does not control the purchase or sale of such securities. Participation by any TranServ Personnel or TranServ Designee in a pension plan of Company, its Affiliates or any Tariff Participant shall not be deemed to be a direct financial interest if the plan is a defined-benefit plan that does not involve the TranServ Personnel’s or TranServ Designee’s ownership of the securities; and (b) “Tariff Participant” shall mean Company Transmission System customers, interconnection customers, wholesale customers, affected transmission providers, any Market Participant (as defined in FERC’s regulations, 18 C.F.R. § 35.34(b)(2) (2011)) and similarly qualified third parties within the Company Balancing Authority Area. For the avoidance of doubt, Company shall have no veto authority over the selection of TranServ Personnel or TranServ Personnel matters, including TranServ’s appointment of a TranServ Project Manager (as provided in Section 8.2).

2.2 Standards of Conduct Treatment. All TranServ Personnel and TranServ Designees shall be treated, for purposes of the FERC’s Standards of Conduct (18 C.F.R. Part 358 (2011)), as transmission function employees. All restrictions relating to information sharing and other relationships between marketing function employees and transmission function employees, as those terms are defined in the Standards of Conduct, including the non-discrimination

requirements contained therein, shall apply to TranServ Personnel and TranServ Designees. TranServ Personnel and TranServ Designees shall participate in any Standards of Conduct training that the Company may request for compliance purposes.

Section 3 - Compensation; Billing and Payment; Performance Review

3.1 Compensation for Services. Company shall pay to TranServ an annual fee for performance of the ITO Services (“Annual Fee”). The Annual Fee shall be \$2,495,938 for the first Contract Year, and shall escalate by two and five-tenths percent (2.5%) of the prior year’s Annual Fee for each Contract Year thereafter.

3.2 Out-of-Pocket Costs. Company shall reimburse TranServ for actual out-of-pocket third party costs and expenses, without markup, for (a) regulatory legal support that is reasonably allocable to TranServ’s performance of ITO Services, provided that in no event shall Company reimburse TranServ for legal fees associated with any actual or potential Dispute under this Agreement, (b) travel and lodging that are reasonably allocable to TranServ’s performance of ITO Services and (c) setting up regular stakeholder meetings (collectively, (a), (b) and (c) are “Out-of-Pocket Costs”); provided, however, that all Out-of-Pocket Costs subject to reimbursement under this Section 3.2 must be reviewed and approved by Company prior to TranServ incurring such expense.

3.3 Transmission Study Revenue. During the Term, TranServ expects that it will receive \$225,000 USD annually in System Impact Study (“SIS”) and Interconnection Feasibility Study (as performed under the generator interconnection processes under the OATT, “IFS”) (collectively, SIS and IFS are “Transmission Studies”) revenue from customers requesting service under the OATT. If TranServ fails to receive this amount during any Contract Year, then the Company shall pay TranServ an annual “true-up” payment equal to the difference between the amount TranServ did receive in Transmission Studies revenue and \$225,000 during the applicable Contract Year (“Transmission Study True Up Payment”); provided that TranServ shall be obligated to refund to Company any Transmission Study True Up Payment to the extent TranServ subsequently collects revenue from customers thereafter for Transmission Studies performed in the previous Contract Year; and provided further, that Company shall not be obligated to pay any Transmission Study True Up Payment to the extent that TranServ’s inability to receive the full \$225,000 USD during any Contract Year is due to either (a) TranServ’s failure to bill customers for Transmission Studies, or (b) a customer’s failure to pay for Transmission Studies TranServ has performed. Additionally, to the extent that TranServ’s failure to perform System Impact Studies within the timeframe required under Sections 19.3 or 32.3 of the OATT (as applicable) results in Company being subject to penalties pursuant to Sections 19.10 or 32.5 of the OATT (as applicable), when such penalties are assessed such amount shall be deducted from the Transmission Study True-Up payment or any other payments due to TranServ under this Agreement, in partial satisfaction of TranServ’s obligation to indemnify Company pursuant to Section 7.3; provided that in no event shall Company withhold a Transmission Study True Up Payment or other payment due to TranServ while a possible penalty determination is pending; and provided further, that the limitations included in Section 7.6 shall apply.

3.4 Payment.

3.4.1 Monthly Payment. TranServ shall deliver to Company monthly invoices by regular mail, facsimile, electronic mail or such other means as the Parties agree. Such invoices shall set forth (i) one-twelfth (1/12) of the Annual Fee for each month in advance, and (ii) any Out-of-Pocket costs incurred during the previous month, provided however, that travel expenses occurring on the last three (3) days of each month may be carried over to future invoices for ease of administration. Company shall make payment of the amount invoiced by wire transfer in immediately available funds to an account specified by TranServ not later than the thirtieth (30th) day after receipt of the invoice, unless such day is not a business day, in which case on the next business day. All such payments shall be deemed made when said wire transfer is received by TranServ. Overdue payments shall accrue interest calculated at the FERC interest rate as defined in 18 C.F.R. §35.19a(2)(iii)(A) (2011) (“FERC Interest Rate”).

3.5 Annual Review and True Up Payments.

3.5.1 Annual Review. Commencing at the end of the second Contract Year, no later than sixty (60) days after the end of each Contract Year, TranServ shall determine and deliver to Company a calculation of TranServ’s actual labor in providing ITO Services for the preceding Contract Year (“Annual Labor”). The Annual Labor calculation shall detail the job title and number of full-time employees assigned to ITO Services, and the number of hours spent in performing ITO Services. The Annual Labor shall also include the hours for any tasks which TranServ outsourced to TranServ Designees.

3.5.2 Transmission Study True Up Payment Calculation and Payment. No later than sixty (60) days after the end of each Contract Year, TranServ shall determine and deliver to Company a calculation of the Transmission Study True Up Payment, if any. Such calculation shall include the aggregate amount of Transmission Study revenues invoiced by TranServ for the applicable year. No later than ten (10) days after the calculation the Transmission Study True Up Payment, TranServ shall send an invoice to the Company reflecting the sum of the Transmission Study True Up Payment. Company shall make payment of the amount invoiced by wire transfer in immediately available funds to an account specified by TranServ not later than the thirtieth (30th) day after receipt of the invoice, unless such day is not a business day, in which case on the next business day. All such payments shall be deemed made when said wire transfer is received by TranServ. Overdue payments shall accrue interest calculated at FERC Interest Rate.

3.6 Compensation Disputes. Notwithstanding the Dispute resolution provisions in Section 8.3, for any Disputes concerning compensation under this Section 3, Company shall timely file notice of such Dispute with FERC and request that FERC resolve such Dispute. TranServ retains the authority to file notice with FERC of any such Dispute if it so desires. If either Party in good faith disputes any invoice submitted by the other Party pursuant to this Agreement, then the disputing Party (i) shall timely pay the other Party the entire invoiced amount and (ii) shall furnish the other Party with a written explanation specifying the amount of and the basis for the Dispute. Within twenty (20) days after resolution of such Dispute, the Party

owing money shall pay the other Party the amount owed, if any, together with interest calculated at the FERC Interest Rate.

Section 4 - Term and Termination

4.1 Term. The initial term of this Agreement shall begin on the later of (a) September 1, 2012 or (b) such date approved by applicable Regulatory Authorities for TranServ to begin performing ITO Services (either (a) or (b) being the “Commencement Date”), and shall continue for three (3) years thereafter (“Initial Term”). At the conclusion of the Initial Term, this Agreement shall automatically extend for two (2) successive one (1) year terms (each a “Subsequent Term”), unless terminated by either Party in accordance with the terms of this Agreement. The Initial Term or any Subsequent Terms are each referred to herein as a “Term.” For the purposes of this Agreement, a “Contract Year” shall begin on the Commencement Date or anniversary thereof and conclude twelve (12) months thereafter.

4.2 Termination by Either Party. This Agreement may be terminated by either Party at end of a Term upon prior one hundred eighty (180) days written notice to the other Party, which termination shall be effective upon the later of (i) one hundred eighty (180) days after the date of such written notice, or (ii) receipt of the regulatory approvals required under Section 4.6.

4.3 Termination at End of Term. Unless previously terminated in accordance with this Section 4, and subject to Section 4.6, this Agreement shall terminate on the fifth (5th) anniversary of the Commencement Date.

4.4 Immediate Termination.

4.4.1 Termination for Cause. Subject to Section 4.6, either Party may terminate this Agreement upon prior written notice thereof to the other Party if:

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

(b) Pattern of Failure. It determines, in its reasonable discretion, that there has been a pattern of failure by the other Party to comply with the standards of performance set forth in Section 1.3.1, whether or not such failure is material;

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

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

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

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

4.4.2 Immediate Termination Not For Cause. Subject to Section 4.6, Company may terminate this Agreement upon thirty (30) days prior written notice thereof to TranServ if:

(a) Failure to Negotiate Amendment. The Parties are unsuccessful in negotiating an amendment or amendments to this Agreement pursuant to Section 17.9;

(b) Regulatory Changes/Modifications. A Regulatory Authority makes any material changes, modifications, additions, or deletions to this Agreement, unless both Parties agree to such changes, modifications, additions, or deletions;

(c) Failure to Receive Regulatory Approval. Prior to the Commencement Date, FERC rejects this Agreement or Company's selection of TranServ as the ITO;

(d) RTO. A Regulatory Authority requires Company to join a regional transmission organization ("RTO"); or

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

4.5 Termination for Lack of Independence. Subject to Section 4.6, Company may terminate this Agreement upon prior written notice thereof to TranServ if FERC or the KPSC issues a final order that declares that TranServ lacks independence from Company and TranServ cannot obtain independence in a reasonable manner or time period.

4.6 Regulatory Approval. No termination of this Agreement shall be effective until approved by FERC and the KPSC. Notice of termination provided pursuant to Sections 4.4 and 4.5 shall become effective immediately upon approval by FERC and the KPSC.

4.7 Return of Materials. Upon any termination of this Agreement TranServ shall timely and in an orderly manner turn over to Company all materials that were prepared or

developed pursuant to this Agreement prior to termination, and return or destroy, at the option of Company, all Data and other information supplied by Company to TranServ or created by TranServ on behalf of Company.

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

4.9 Compensation for Early Termination.

4.9.1 If Company terminates this Agreement before the end of a Term pursuant to Section 4.4.2 (a), (b), (d) or (e), then Company shall pay to TranServ the Annual Fee(s) through the end of the then-current Term, which fees shall be accelerated hereunder for this purpose, plus any unpaid Out-of-Pocket Costs that TranServ has incurred through the date of any such termination. In the event that this Section 4.9.1 should trigger an acceleration of Annual Fee(s) that would otherwise span multiple years, such fees paid by Company to TranServ shall not include any escalation of two and five-tenths percent (2.5%) as described in Section 3.1 that had not yet been previously applied to the Annual Fee(s).

4.9.2 If Company terminates this agreement before the end of the Term, and such termination is for cause pursuant to Section 4.4.1, then Company shall only be liable for TranServ's Out-of-Pocket Costs incurred pursuant to contracts which extend beyond any early termination date.

4.10 Post-Termination Services. Commencing on the date that any termination becomes effective ("Termination Date") and continuing for up to one hundred eighty (180) days thereafter, TranServ shall (a) provide ITO Services (and any replacements thereof or substitutions therefor), to the extent Company requests such ITO Services to be performed, and (b) cooperate with Company in the transfer of ITO Services (collectively, the "Post-Termination Services") as such services are authorized under a separate agreement between the Parties. TranServ shall, upon Company's request, provide the Post-Termination Services at a cost to be negotiated and mutually agreed to at that time. The quality and level of performance of ITO Services by TranServ shall not diminish. After the expiration of the Post-Termination Services, TranServ shall answer questions from Company regarding ITO Services on an "as needed" basis at TranServ's then-standard billing rates.

Section 5 - Data Management and Intellectual Property

5.1 Supply of Data. During the Term, Company shall supply to TranServ, and/or grant TranServ access to all Data that TranServ requests and that TranServ believes is necessary to perform its duties and obligations under this Agreement, including ITO Services. The Parties shall agree upon the initial format and manner in which such Data shall be provided. For purposes of this Agreement, "Data" means all information, text, drawings, diagrams, models, images or sounds which are embodied in any electronic or tangible medium and which (a) are supplied or in respect of which access is granted to TranServ by Company under this Agreement, which shall be Company's Data, (b) are prepared, stored or transmitted by TranServ solely on

behalf of Company, which shall be Company's Data; or (c) are compiled by TranServ by aggregating Data owned by Company and Data owned by third parties, which shall be TranServ's Data.

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

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

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

Section 6 - Intellectual Property.

6.1 Ownership. All inventions, discoveries, processes, methods, designs, drawings, blueprints, information, software, works of authorship, or the like, whether or not patentable or copyrightable (collectively, "Intellectual Property"), which TranServ first conceives, develops, or begins to develop, either alone or in conjunction with Company or others, with respect to ITO Services under this Agreement, shall be jointly owned by Company and TranServ, and each party shall have the right to use such intellectual property unless specifically otherwise specified on a change document hereunder.

6.2 Royalties and License Fees. Unless the Parties otherwise agree in writing, TranServ shall procure and pay all royalties and license fees which may be payable on account of ITO Services or any part thereof. In case any part of ITO Services is held in any suit to constitute infringement and its use is enjoined, TranServ within a reasonable time shall, at the election of Company and as Company's exclusive remedy hereunder, either (a) secure for Company the perpetual right to continue the use of such part of ITO Services by procuring for Company a royalty-free license or such other permission as will enable TranServ to secure the suspension of any injunction, or (b) replace at TranServ's own expense such part of ITO Services with a non-infringing part or modify it so that it becomes non-infringing (in either case with changes in functionality that are acceptable to Company).

Section 7 - Indemnification and Limitation of Liability

7.1 Company Indemnification. Subject to the limitations specified in Section 7.6, Company shall indemnify, release, defend, reimburse and hold harmless TranServ and its directors, officers, employees, principals, representatives and agents (collectively, the “TranServ Indemnified Parties”) from and against any and all third party claims (including claims of bodily injury or death of any person or damage to real and/or tangible personal property), demands, liabilities, losses, causes of action, awards, fines, penalties, litigation, administrative proceedings and investigations, costs and expenses, and attorney fees, (each, an “Indemnifiable Loss”) asserted against or incurred by any of the TranServ Indemnified Parties arising out of, resulting from or based upon TranServ performing its obligations pursuant to this Agreement, provided, however, that in no event shall Company be obligated to indemnify, release, defend, reimburse or hold harmless the TranServ Indemnified Parties from and against any Indemnified Loss which is caused by the negligence, the gross negligence or willful misconduct of any TranServ Indemnified Party.

7.2 TranServ Indemnification. Subject to the limitations specified in Section 7.6, TranServ shall indemnify, release, defend, reimburse and hold harmless Company and its directors, officers, employees, principals, representatives and agents (collectively, the “Company Indemnified Parties”) from and against any and all Indemnifiable Losses asserted against or incurred by any of the Company Indemnified Parties arising out of, resulting from or based upon TranServ’s or a TranServ Designee’s negligence, gross negligence, or willful misconduct, provided, however, that in no event shall TranServ be obligated to indemnify, release, defend, reimburse or hold harmless any Company Indemnified Parties from and against any Indemnified Loss which is caused by the negligence, gross negligence or willful misconduct of any Company Indemnified Party.

7.3 Regulatory Indemnification. Subject to the limitations specified in Section 7.6, TranServ shall indemnify, release, defend, reimburse and hold harmless any Company Indemnified Parties from and against all regulatory penalties and sanctions (including penalties or sanctions levied by a Regulatory Authority) arising out of, resulting from or based upon TranServ breach of this Agreement, specifically including Section 1.3.1 hereto, provided, however, that in no event shall TranServ be obligated to indemnify, release, defend, reimburse or hold harmless any Company Indemnified Parties from and against any penalty or sanction which is caused by the gross negligence or willful misconduct of any Company Indemnified Party.

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

or defend the Indemnified Party against such Indemnifiable Loss unless and only to the extent such failure shall materially diminish the ability of the Indemnifying Party to respond to or to defend the Indemnified Party against such Indemnifiable Loss. Except for indemnification for penalties and sanctions under Section 7.3, the Indemnifying Party, upon its acknowledgment in writing of its obligation to indemnify the Indemnified Party in accordance with this Section 7, shall be entitled to assume the defense or to represent the interest of the Indemnified Party with respect to such Indemnifiable Loss, which shall include the right to select and direct legal counsel and other consultants, appear in proceedings on behalf of such Indemnified Party and to propose, accept or reject offers of settlement, all at its sole cost. If and to the extent that the defense or settlement of any Indemnifiable Loss is reasonably likely to involve injunctive, equitable or prospective relief or materially and adversely affect the Indemnified Party's business or operations other than as a result of money damages or other money payments assumed by the Indemnifying Party, then such defense or settlement will be subject to the reasonable approval of the Indemnified Party. Nothing herein shall prevent an Indemnified Party from retaining its own legal counsel and other consultants and participating in its own defense at its own cost and expense.

7.5 Release and Indemnification Regarding Liens. TranServ hereby releases and/or waives for itself and its successors in interest, and for all TranServ Designees and their successors in interest, any and all claims or right of mechanics or any other type of lien to assert and/or file upon Company's or any other party's property or any part thereof as a result of performing ITO Services. TranServ shall execute and deliver to Company such documents as may be required by applicable laws (*i.e.*, partial and/or final waivers of liens and/or affidavits of indemnification) to make this release effective and shall give all required notices to TranServ Designees with respect to ensuring the effectiveness of the foregoing releases against those parties. TranServ shall secure the removal of any lien that TranServ has agreed to release in this Section 7.5 within five (5) working days of receipt of written notice from Company to remove such lien. If not timely removed, Company may remove the lien and charge all costs and expenses including legal fees (for inside and/or outside legal counsel) to TranServ including, without limitation, the costs of bonding off such lien. Company, in its sole discretion, expressly reserves the right to off-set and/or retain any reasonable amount due to TranServ from payment of any one or more of TranServ's invoices upon Company having actual knowledge of any threatened and/or filed liens and/or encumbrances that may be asserted and/or filed by any TranServ Designee and/or third party with respect to the ITO Services, with final payment being made by Company only upon verification that such threatened and/or filed liens and/or encumbrances have been irrevocably satisfied, settled, resolved and/or released (as applicable), and/or that any known payment disputes concerning the ITO Services involving TranServ and any TranServ Designees have been resolved so that no actions, liens and/or encumbrances of any kind or nature will be filed against Company and/or Company's property.

7.6 Limitation of Liability. Other than as provided in Section 7.3, neither Party shall be liable to the other for any special, punitive, or consequential damages arising out of ITO Services, even if advised of the possibility of such damages. Company agrees that ITO Services are not consumer goods for purposes of international, U.S. Federal or U.S. state warranty laws. Indemnification pursuant to Sections 7.1, 7.2, and 7.3, as well as any direct damages to Company arising out of a material breach of this Agreement shall be limited in the aggregate to the total

amount of fees actually paid by Company to TranServ under this Agreement through the date that any penalty or judgment is assessed.

Section 8 - Contract Managers; Dispute Resolution

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

8.2 TranServ Project Manager. TranServ shall appoint, among TranServ Personnel, an individual (the “TranServ Project Manager”) who shall serve as the primary TranServ representative under this Agreement. The TranServ Project Manager shall have overall responsibility for managing and coordinating the performance of TranServ obligations under this Agreement. Notwithstanding the foregoing, the TranServ Project Manager may, upon written notice to Company, delegate such of his or her responsibilities to other TranServ Personnel, as the TranServ Project Manager deems appropriate.

8.3 Resolution of Disputes. Any dispute, claim or controversy between the Parties arising out of or relating to this Agreement (each, a “Dispute”) shall be resolved in accordance with the procedures set forth in this Section 8.3; provided, however, that this Section 8.3 shall not apply to Disputes arising from or relating to (a) the amount of compensation to be paid by Company pursuant to Section 3.1, which shall be resolved pursuant to Section 3.6, (b) confidentiality or intellectual property rights, in which case either Party shall be free to seek available legal or equitable remedies, or (c) alleged violations of the OATT, in which case either Party shall be free to bring the Dispute to FERC.

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

8.3.2 Dispute Resolution by Contract Managers. Any Dispute shall first be referred to the Company Contract Manager and TranServ Project Manager, who shall negotiate in good faith to resolve the Dispute.

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

8.3.4 Binding Arbitration. If the Dispute is not resolved within ten (10) calendar days of being referred to executive management representatives, and the amount in dispute or potential damages exceeds \$250,000 USD, the Parties shall proceed in good faith to submit immediately the matter to binding arbitration in accordance with the

Commercial Arbitration Rules of the American Arbitration Association (“AAA”) as they may be amended from time to time (the “Arbitration Rules”) subject to the following conditions:

(a) The Parties shall give due consideration to using the Expedited Procedures under the Arbitration Rules in any case in which no disclosed claim or counterclaim exceeds \$75,000, exclusive of interest and arbitration fees and costs.

(b) The Parties agree that three arbitrators will be used. Each Party will directly appoint one arbitrator of its choosing from a list of members from the National Roster (as that term is used in the Arbitration Rules) provided by the AAA pursuant to R-12, within ten (10) Days after receipt of such names. The two arbitrators so appointed shall select a third arbitrator from the National Roster to serve as chairperson.

(c) “Baseball” arbitration (in which each Party presents a proposed award or resolution and the actual award must be one of the two submitted), or close variants thereof, shall not be used.

(d) The arbitrators have no authority to appoint or retain expert witnesses for any purpose unless agreed to by the Parties.

(e) All arbitration fees and costs shall be borne equally, regardless of which Party prevails.

(f) Each Party shall bear its own costs of legal representation and witness expenses, unless the arbitrator(s) determines that one Party should bear some or all of the costs of legal representation and witness expenses of the other Party.

(g) The Parties waive any right of appeal or recourse to any court except to compel arbitration, to compel the appointment of arbitrators, to stay judicial proceedings pending arbitration, for an injunction pending determination by the arbitrators, for disqualification of arbitrators, for aid in furtherance of arbitration, to confirm the award, to enforce any judgment confirming the award, or in circumstances of fraud or failure to disclose information or documents required by the arbitrators.

(h) The decision or award of a majority of the arbitrators shall govern. The decision or award of the arbitrators shall be final and binding upon the Parties to the same extent and to the same degree as if the matter had been adjudicated by a court of competent jurisdiction and shall be enforceable under the Federal Arbitration Act and applicable states’ laws.

8.3.5 Rights and Remedies. If the Dispute is not resolved within ten (10) calendar days of being referred to executive management representatives, and the amount in dispute or potential damages does not exceed \$250,000 USD, each Party is free to pursue any rights or remedies it may have at law or equity.

8.4 Rights Under FPA Unaffected. Except as provided in Section 17.2 relating to the variation or amendment of this Agreement, nothing in this Agreement is intended to limit or

abridge any rights that Company may have to file or make application before FERC under Section 205 of the Federal Power Act to revise any rates, terms or conditions of the OATT.

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

Section 9 - Insurance

9.1 TranServ's Insurance Obligation. During the Term, TranServ shall provide and maintain, and shall require TranServ Designees to provide and maintain, the following insurance (and, except with regard to Workers' Compensation, naming Company as additional insured and waiving rights of subrogation against Company and Company's insurance carrier(s)), and TranServ shall submit evidence of such coverage(s) of TranServ and any TranServ Designees to Company prior to the start of ITO Services. Furthermore, TranServ shall notify Company, prior to the commencement of ITO Services, of any threatened, pending and/or paid off claims to third parties, individually or in the aggregate, which otherwise affects the availability of the limits of such coverage(s) inuring to the benefit of Company as hereinafter specified:

9.1.1 Workers' Compensation and Employer's Liability Policy, which shall include provisions required by applicable law in the jurisdiction of location of workers.

9.1.2 Employer's Liability (Coverage B) with limits of One Million Dollars (\$1,000,000) Bodily Injury by Accident, each Accident, \$1,000,000 Bodily Injury by Disease, each Employee, and including:

- (a) a thirty (30) day cancellation clause; and
- (b) broad form all states endorsement.

9.1.3 Commercial General Liability Policy, which shall have minimum limits of One Million Dollars (\$1,000,000) each occurrence; One Million Dollars (\$1,000,000) Products/Completed Operations Aggregate each occurrence; One Million Dollars (\$1,000,000) Personal and Advertising Injury each occurrence, in all cases subject to Two Million Dollars (\$2,000,000) in the General Aggregate for all such claims, and including:

- (a) a thirty (30) day cancellation clause;
- (b) Blanket Written Contractual Liability to the extent covered by the policy against liability assumed by TranServ under this Agreement; and
- (c) Broad Form Property Damage.

9.1.4 Commercial Automobile Liability Insurance covering the use of all owned, non-owned, and hired automobiles, with a bodily injury, including death, and

property damage combined single minimum limit of One Million Dollars (\$1,000,000) each occurrence with respect to TranServ's vehicles assigned to or used in performance of ITO Services under this Agreement.

9.1.5 Umbrella/Excess Liability Insurance with minimum limits of Two Million Dollars (\$2,000,000) per occurrence; Two Million Dollars (\$2,000,000) aggregate, to apply to employer's liability, commercial general liability, and automobile liability.

9.1.6 To the extent applicable, if engineering or other professional services will be separately provided by TranServ as specified in Appendix A, then Professional Liability Insurance with limits of Three Million Dollars (\$3,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the aggregate, which insurance shall be either on an occurrence basis or on a claims made basis (with a retroactive date satisfactory to Company).

9.2 Quality of Insurance Coverage. The above policies to be provided by TranServ shall be written by insurance companies which are both licensed to do business in the state where ITO Services will be performed and either satisfactory to Company or having a Best Rating of not less than "A-". These policies shall not be materially changed or canceled except with thirty (30) days written notice to Company from TranServ and the insurance carrier. Evidence of coverage, notification of cancellation or other changes shall be mailed to: Attention: Manager, Supply Chain, LG&E and KU Services Company, P.O. Box 32020, Louisville, Kentucky 40232.

9.3 Implication of Insurance. Company reserves the right to request and receive a summary of coverage of any of the above policies or endorsements; however, Company shall not be obligated to review any of TranServ's certificates of insurance, insurance policies, or endorsements, or to advise TranServ of any deficiencies in such documents. Any receipt of such documents or their review by Company shall not relieve TranServ from or be deemed a waiver of Company's rights to insist on strict fulfillment of TranServ's obligations under this Agreement.

9.4 Other Notices. TranServ shall provide written notice of any accidents or claims in connection with ITO Services or this Agreement to Company's Manager, Risk Management at LG&E and KU Services Company, P.O. Box 32030, Louisville, Kentucky 40232.

Section 10 - Confidentiality

10.1 Definition of Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean, in respect of each Party, all information and documentation of such Party, whether disclosed to or accessed by the other Party in connection with this Agreement and which is identified as Confidential Information, or which otherwise would be treated as confidential by the recipient, including confidential information provided by third-parties; provided, however, that the term "Confidential Information" shall not include information that: (a) is independently developed by the recipient, as demonstrated by the recipient's written records, without violating the disclosing Party's proprietary rights; (b) is or becomes publicly known (other than through unauthorized disclosure); (c) is disclosed by the owner of such information to a third party free of any obligation of confidentiality; (d) is already

known by the recipient at the time of disclosure, as demonstrated by the recipient's written records, and the recipient has no obligation of confidentiality other than pursuant to this Agreement or any confidentiality agreements between the Parties entered into before the Commencement Date; or (e) is rightfully received by a Party free of any obligation of confidentiality.

10.2 Protection of Confidential Information. All Confidential Information shall be held in confidence by the recipient to the same extent and in at least the same manner as the recipient protects its own Confidential Information, and such Confidential Information shall be used only for purposes of performing obligations under this Agreement. Except as otherwise provided in Section 10.3, neither Party shall disclose, publish, release, transfer or otherwise make available Confidential Information of, or obtained from, the other Party in any form to, or for the use or benefit of, any person or entity without the owner of such information's prior written consent. Each Party shall be permitted to disclose relevant aspects of the other Party's Confidential Information to its officers, directors, agents, professional advisors, contractors, subcontractors (including TranServ Designees) and employees and to the officers, directors, agents, professional advisors, contractors, subcontractors and employees of its Affiliates (collectively, "Representatives"), to the extent that such disclosure is reasonably necessary for the performance of its duties and obligations or the determination, preservation or exercise of its rights and remedies under this Agreement; provided, however, that the recipient shall take all reasonable measures to ensure that Confidential Information is not disclosed or duplicated in contravention of the provisions of this Agreement by such officers, directors, agents, professional advisors, contractors, subcontractors and employees. Recipient agrees to be liable for the wrongful actions of its Representatives under this Section 10.2. The obligations in this Section 10 shall not restrict any disclosure pursuant to any Regulatory Authority if such release is necessary to comply with valid laws, governmental regulations or final orders of regulatory bodies or courts; provided that, other than in respect of disclosures pursuant to Section 10.3, the recipient shall give prompt written notice to the disclosing Party in reasonable time to exercise whatever legal rights the disclosing Party may have to prevent or limit such disclosure. Further, the recipient shall cooperate with the disclosing Party in preventing or limiting such disclosure.

10.3 Regulatory Requests for Confidential Information. Notwithstanding anything in this Section 10 to the contrary, if a Regulatory Authority or its staff, during the course of an investigation or otherwise, requests Confidential Information from TranServ, TranServ shall provide the requested Confidential Information to the requesting Regulatory Authority or its staff within the time provided for in the request for information. In providing the Confidential Information to a Regulatory Authority or its staff, TranServ shall, consistent with 18 C.F.R. § 388.112 (2011) or any other applicable confidentiality regulation, request that the Confidential Information be treated as confidential and non-public by the Regulatory Authority and its staff and that the information be withheld from public disclosure. TranServ shall notify Company when it is notified by the Regulatory Authority or its staff that a request for public disclosure of, or decision to publicly disclose, Confidential Information has been received, at which time either TranServ or Company may respond before such Confidential Information is made public, pursuant to 18 C.F.R. § 388.112 or the applicable confidentiality regulation.

Section 11 - Force Majeure.

11.1 Force Majeure. Neither Party shall be liable to the other Party for any failure or delay of performance hereunder due to an event which (i) is not reasonably foreseeable or within the reasonable control of the Party claiming Force Majeure (the “Claiming Party”) or any Person over which the Claiming Party has control, (ii) was not caused by the acts, omissions, negligence, fault or delays of the Claiming Party or any person over whom the Claiming Party has control, (iii) is not an act, event or condition the risks or consequences of which the Claiming Party has expressly agreed to assume pursuant to this Agreement, and (iv) by the prompt exercise of due diligence, the Claiming Party is unable to overcome or avoid or cause to be avoided (collectively, (i) – (iv) are “Force Majeure”). Force Majeure shall include: acts of God; acts of the public enemy, war, hostilities, invasion, insurrection, riot, civil disturbance, or order of any competent civil or military government; explosion or fire; strikes or lockouts or other industrial action (excluding those of the Claiming Party unless such action is part of a wider industrial dispute materially affecting other employers); labor or material shortage; malicious acts, vandalism or sabotage; action or restraint by court order of any public or governmental authority (so long as the Claiming Party has not applied for or assisted in the application for, and has opposed where and to the extent reasonable, such government action). Neither Party shall be considered in default as to any obligation under this Agreement if prevented from fulfilling the obligation due to Force Majeure, except for the obligation to pay any amount when due, provided that the Claiming Party:

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

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

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

11.1.4 exercises commercially reasonable efforts to perform its obligations hereunder.

Section 12 - Reporting; Audit.

12.1 Regulatory Reporting.

12.1.1 TranServ shall have the authority to report in writing to FERC in respect of any compensation-related Dispute that arises between TranServ and Company pursuant to Section 3.6.

12.1.2 TranServ shall report in writing to FERC every six (6) months (commencing on the six (6) month anniversary of the Commencement Date and every six (6) months thereafter during the Term) in respect of (a) any concerns expressed by stakeholders and TranServ’s response to same and (b) any issues or OATT provisions

that hinder TranServ from performing its duties and obligations under this Agreement and the OATT.

12.1.3 In addition to the reports provided for above, TranServ shall make such other reports to Regulatory Authorities as may be required by applicable law and regulations or as may be requested by such Regulatory Authorities.

12.2 Books and Records. TranServ shall maintain full and accurate books and records pertinent to this Agreement, and TranServ shall maintain such books and records for a minimum of five (5) years following the expiration or early termination of this Agreement or longer if necessary to resolve a pending Dispute. Company will have the right, at reasonable times and under reasonable conditions, to inspect and audit, or have an independent third party inspect and audit, TranServ's operations, books, and records (a) to ensure compliance with this Agreement, including TranServ's performance of ITO Services in accordance with Section 1.3.1, (b) to verify any cost claims or other amounts due hereunder, and (c) to validate TranServ's internal controls with respect to the performance of ITO Services. TranServ shall maintain an audit trail, including all original transaction records and timekeeping records, of all financial and non-financial transactions and activities resulting from or arising in connection with this Agreement as may be necessary to enable Company or the independent third party, as applicable, to perform the foregoing activities. Company shall be responsible for any costs and expenses incurred in connection with any such inspection or audit, unless such inspection or audit discovers that Company was charged inappropriate or incorrect costs and expenses, in which case, TranServ shall be responsible for a percentage of the costs and expenses incurred in connection with such inspection or audit equal to the percentage variance by which Company was charged inappropriate or incorrect costs and expenses. TranServ shall provide reasonable assistance necessary to enable Company or an independent third party, as applicable, to perform the foregoing activities and shall not be entitled to charge Company for any such assistance. Amounts incorrectly or inappropriately invoiced by TranServ to Company, whether discovered prior to or subsequent to payment by Company, shall be adjusted or reimbursed to Company by TranServ within twenty (20) days of notification by Company to TranServ of the error in the invoice.

Section 13 - Independent Contractor

13.1 TranServ, in performing ITO Services, shall not act as an agent or employee of Company, but shall be and act as an independent contractor and, except as established in Section 1.3.1, shall be free to perform ITO Services by such methods and in such manner as TranServ may choose, doing everything necessary to perform such ITO Services properly and safely and having supervision over and responsibility for the safety and actions of its employees and the suitability of its equipment. TranServ Personnel and TranServ Designees shall not be deemed to be employees and/or agents of Company. TranServ agrees that if any portion of ITO Services are subcontracted to TranServ Designees, such TranServ Designees shall be bound by and observe the conditions of this Agreement to the same extent as required of TranServ. In such event, Company strongly encourages the use of Minority Business Enterprises, Women Business Enterprises and Disadvantaged Business Enterprises, as defined under federal law and as certified by a certifying agency that Company recognizes as proper.

13.2 Notwithstanding any provision in this Agreement to the contrary, unless approved in writing by Company, TranServ shall not (and shall not permit any TranServ Personnel or TranServ Designee to):

13.2.1 Sell, lease, pledge, mortgage, encumber, convey, or make any license, exchange or other transfer, assignment or disposition of any property or assets of Company;

13.2.2 Enter into, amend, terminate, modify or supplement any contract or agreement (including any labor or collective bargaining agreement) on behalf, or in the name, of Company;

13.2.3 Except upon the approval of Company or pursuant to the direction of Company, take any action that would, to TranServ's knowledge: (a) invalidate any warranty that runs to Company under any contract or agreement; or (b) release any person or entity from its obligations under any contract or agreement with Company;

13.2.4 Make any warranty or representation on behalf of Company;

13.2.5 Except as contemplated under Section 7.4, settle, compromise, assign, pledge, transfer, release or consent to the compromise, assignment, pledge, transfer or release of any claim, suit, debt, demand or judgment against or due by Company, or submit any such claim, dispute or controversy to arbitration or judicial process, or stipulate in respect thereof to a judgment, or consent to the same;

13.2.6 Pledge the credit of Company in any way in respect of any commitments for which it has not received express written authorization from Company; or

13.2.7 Engage in any other transaction on behalf of Company not permitted under this Agreement.

Section 14 - Taxes.

Each Party shall be responsible for the payment of its own taxes, including taxes based on its net income, employment taxes of its employees, taxes on any property it owns or leases, and sales, use, gross receipts, excise, value-added or other transaction taxes. Sales and/or use taxes, that become applicable to services performed within Minnesota, shall be added to TranServ fees and compensation otherwise herein described.

Section 15 - Notices.

15.1 Notices. All notices, requests, consents and other communications required or permitted hereunder shall be in writing, signed by the Party giving such notice or communication, and shall be deemed given: (a) upon receipt, when mailed by U.S. certified mail, postage prepaid, return receipt requested; or (b) upon the next business day, when sent by overnight delivery, postage prepaid using a recognized courier service.

If to Company:

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

If to TranServ:

TranServ International, Inc.
General Counsel
3660 Technology Drive NE
Minneapolis, MN 55418

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

Section 16 - Personnel and Work Conditions; NERC Requirements.

16.1 Applicable Laws and Safety. TranServ agrees to protect TranServ Personnel and TranServ Designees and be responsible for their performance of the ITO Services, and to protect Company's facilities, property, employees and third parties from damage or injury. TranServ shall at all times be solely responsible for complying with any and all applicable laws and facility rules relating to health and safety, in connection with ITO Services and for obtaining (but only as approved by Company) all permits and approvals necessary to perform ITO Services. Without limiting the foregoing, TranServ agrees to strictly abide by and observe all standards of the Occupational Safety & Health Administration ("OSHA") which are applicable to ITO Services, as well as Company's Contractor Code of Business Conduct and Company's Contractor/Subcontractor Safety Policy which are both hereby incorporated by reference (Contractor hereby acknowledges receipt of a copy of such Company's Contractor Code of Business Conduct and Company's Contractor/Subcontractor Safety Policy) and any other rules and regulations of the Company, all of which are provided to TranServ in writing and incorporated herein by reference. TranServ also agrees to review in good faith and execute any amendments and/or modifications that may be issued in the future by Company from time to time, with respect to Company's Contractor Code of Business Conduct and/or any of its related policies which are the subject of this Section 16, provided however, that TranServ shall not be obliged by such requirement if the requirements conflicts with an alternate regulatory code of conduct imposed on TranServ. In the event TranServ subcontracts any of ITO Services to a TranServ Designee, TranServ shall notify Company in writing of the identity of TranServ Designee before utilizing TranServ Designee. TranServ shall require any TranServ Designees to complete the safety and health questionnaire and checklists provided by Company and shall provide a copy of such documents to Company upon request. TranServ shall conduct, and require such TranServ Designees to conduct, safety audits and job briefings during performance

of ITO Services as applicable. In the event such TranServ Designee has no procedure for conducting safety audits and job briefings, TranServ shall include TranServ Designee in its safety audits and job briefings. All applicable safety audits shall be documented in writing by TranServ and such TranServ Designees. TranServ shall provide documentation of any and all audits identifying safety deficiencies and concerns and corrective action taken as a result of such audits to Company semi-monthly. TranServ further specifically acknowledges, agrees and warrants that TranServ has complied, and shall at all times during the term of this Agreement, comply in all respects with all laws, rules and regulations relating to the employment authorization of TranServ Personnel including, but not limited to, the Immigration Reform and Control Act of 1986, as amended, and the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, as amended, whereby TranServ certifies to Company that TranServ has (a) properly maintained, and shall at all times during the term of this Agreement properly maintain all records required by Immigration and Customs Enforcement, such as the completion and maintenance of the Form I-9 for each TranServ employee; (b) that TranServ maintains and follows an established policy to verify the employment authorization of TranServ Personnel; (c) that TranServ has verified the identity and employment eligibility of all TranServ Personnel in compliance with all applicable laws; and (d) that TranServ is without knowledge of any fact that would render any TranServ Personnel or TranServ Designee ineligible to legally work in the United States. TranServ further acknowledges, agrees and warrants that any TranServ Designee shall be required to agree to these same terms as a condition to being awarded any subcontract for such ITO Services.

16.2 Hazards and Training. TranServ shall furnish adequate numbers of trained, qualified, and experienced TranServ Personnel suitable for performance of ITO Services. Such TranServ Personnel shall be skilled and properly trained to perform ITO Services and recognize all hazards associated with ITO Services. Without limiting the foregoing, TranServ shall participate in any safety orientation or other of Company's familiarization initiatives related to safety and shall strictly comply with any monitoring initiatives as determined by Company.

16.3 Drug and Alcohol. TranServ shall develop and strictly comply with any and all drug and alcohol testing requirements as required by applicable laws. TranServ shall provide Company with a copy of its drug and alcohol testing requirements.

16.4 NERC Reliability Standards. The following additional provisions shall apply to the extent TranServ's performance of ITO Services requires physical or electronic access to areas or assets which are located within physical security perimeters as defined by NERC's Reliability Standards for the Bulk Electric Systems of North America (collectively, the "NERC Standards"), including without limitation any Company data center or control center. In the event of TranServ's non-compliance with the NERC Standards referenced in this Section 16.4, Company shall notify TranServ in writing of the non-compliance and specify appropriate remedial actions.

16.4.1 Information Protection. Without compromising the confidentiality provisions in Section 10, TranServ shall at all times comply with the Company's information protection program(s) as defined by CIP-003, R4. Among the information protected by this program are: (i) all operational procedures; (ii) lists of critical cyber assets; (iii) network topology or similar diagrams; (iv) floor plans of computing centers

that contain critical cyber assets; (v) equipment layouts of critical cyber assets; (vi) disaster recovery plans; (vii) incident response plans; and (viii) security configuration information. TranServ shall protect this protected information from disclosure consistent with the program.

16.4.2 Access Revocation. TranServ shall immediately advise appropriate Company's management if any TranServ Personnel or TranServ Designees who have key card access to a Company restricted area or electronic access to a protected system no longer require such access.

16.4.3 Training. If any TranServ Personnel require key card access to a Company restricted area or electronic access to a protected system, TranServ shall ensure that such personnel complete, and retake as requested, all necessary NERC training as requested by Company.

16.4.4 Personnel Risk Assessment. If any TranServ Personnel require key card access to a Company restricted area or electronic access to a protected system, TranServ shall ensure that Company receives necessary waivers and information from TranServ Personnel to complete, and repeat as necessary, such background checks as requested by Company.

16.4.5 Continuing Obligations. TranServ further acknowledges that its compliance with the NERC Standards referenced in this Section 16.4 is a continuing obligation during and after the Term. Upon written notice to TranServ, Company shall have the absolute right to audit and inspect any and all information regarding TranServ's compliance with this Section 16.4, and/or to require confirmation of the destruction of any documentation received from or regarding Company. TranServ is encouraged to contact Company's Compliance Department pursuant to Section 16.5 to ensure TranServ understands and complies with this Section 16.4.

16.5 Compliance Department. The Company has a Compliance Department. Should TranServ have actual knowledge of violations of any of the herein stated policies of conduct in this Section 16, or in standards of performance detailed in Section 1.3.1, or have a reasonable basis to believe that such violations have occurred, whether by TranServ Personnel or a TranServ Designee, TranServ has an affirmative obligation to immediately report, at least on an anonymous basis, any such known violations to the Company's Office of Compliance in care of Director, Compliance and Ethics, LG&E/KU Services, 220 West Main Street, Louisville, Kentucky 40202.

16.6 Equal Employment Opportunity. To the extent applicable, TranServ shall comply with all of the following provisions, which are incorporated herein by reference: (i) Equal Opportunity regulations set forth in 41 C.F.R. § 60-1.4(a) and (c), prohibiting employment discrimination against any employee or applicant because of race, color, religion, sex, or national origin; (ii) Vietnam Era Veterans Readjustment Assistance Act regulations set forth in 41 C.F.R. § 60-250.4 relating to the employment and advancement of disabled veterans and Vietnam era veterans; (iii) Rehabilitation Act regulations set forth in 41 C.F.R. § 60-741.4 relating to the employment and advancement of qualified disabled employees and applicants for employment;

(iv) the clause known as “Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals” set forth in 15 USC § 637(d)(3); and (v) the subcontracting plan requirement set forth in 15 USC § 637(d).

Section 17 - Miscellaneous Provisions.

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

17.2 Amendment. This Agreement shall not be varied or amended unless such variation or amendment is agreed to by the Parties in writing and accepted by applicable Regulatory Authorities. The Parties explicitly agree that neither Party shall unilaterally petition to FERC pursuant to the provisions of Sections 205 or 206 of the Federal Power Act to amend this Agreement or to request that FERC initiate its own proceeding to amend this Agreement. Nothing in this Section 17.2 shall be construed to limit or affect any other rights that the Parties may have as set forth in Section 8.4, the OATT or otherwise.

17.3 Liability of Affiliates. Any and all liabilities of Company and/or its Affiliates under this Agreement shall be several but not joint.

17.4 Publicity. TranServ shall not issue news releases, publicize or issue advertising pertaining to ITO Services or this Agreement without first obtaining the written approval of Company.

17.5 Assignment. Any assignment of this Agreement or any interest herein or delegation of all or any portion of a Party’s obligations, by operation of law or otherwise, by either Party without the other Party’s prior written consent shall be void and of no effect; provided, however, that consent will not be required for Company to assign this Agreement to an Affiliate or a successor entity that acquires all or substantially all of the operational business assets of the assigning entity whether by merger, consolidation, reorganization, sale, spin-off or foreclosure; provided, further, that such Affiliate or successor entity (a) agrees to assume all obligations hereunder from and after the date of such assignment and (b) has the legal authority and operational ability to satisfy the obligations under this Agreement. As a condition to the effectiveness of such assignment (i) the assignor shall promptly notify the other Party of such assignment, (ii) the Affiliate or successor entity shall provide a confirmation to the other Party of its assumption of assignor’s obligations hereunder, and (iii) assignor shall promptly reimburse the other Party, upon receipt of an invoice, for any one-time incremental costs reasonably incurred as a result of such assignment. For the avoidance of doubt, nothing herein shall preclude Company from transferring any or all of its transmission facilities to another entity or disposing of or acquiring any other transmission assets. Notwithstanding anything to the contrary contained in this Section 17.5, TranServ shall be entitled to contract with one or more persons (each, an “TranServ Designee”) to perform only those ITO Services which the OATT expressly provides for being performed by a “designee” of TranServ (as opposed to TranServ or TranServ Personnel), provided that TranServ shall not be relieved of any of its obligations, responsibilities or liabilities under this Agreement as a result of contracting with one or more

TranServ Designees in accordance with this Section 17.5 and shall be responsible and liable for any ITO Services performed by TranServ Designees.

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

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

17.8 Enforcement of Rights. Each Party shall have the right to recover from the other Party all expenses, including fees for and expenses of inside and/or outside counsel, arising out of the other Party's breach of this Agreement or any other action to enforce or defend rights hereunder.

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

17.10 Remedies. No remedy conferred by any of the provisions of this Agreement is intended to be exclusive of any other remedy available at law or equity or otherwise. The election of one or more remedies shall not constitute a waiver of the right to pursue any other available remedies.

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

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

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

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

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

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

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

17.11.7 No Other Warranties. EXCEPT AS PROVIDED IN THIS AGREEMENT, TRANSERV MAKES NO OTHER WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

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

17.13 Entire Agreement. This Agreement and the Attachments hereto set forth the entire agreement between the Parties with respect to the subject matter hereof, and supersede all prior agreements, whether oral or written, related to the subject matter of this Agreement. The terms of this Agreement and the Attachments hereto are controlling, and no parole or extrinsic

evidence, including to prior drafts and drafts exchanged with any third parties, shall be used to vary, contradict or interpret the express terms and conditions of this Agreement.

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

17.15 Time of the Essence. With respect to all duties, obligations and rights of the Parties specified by Regulatory Authorities, time shall be of the essence in this Agreement.

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

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

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

17.16.3 references to “Section” or “Appendix” refer to this Agreement, unless specified otherwise;

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

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

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

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

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

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

17.18 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument, binding upon Company and TranServ, notwithstanding that Company and TranServ may not have executed the same counterpart.

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

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

Name:
Title:
Date:

TRANSERV INTERNATIONAL, INC.

Name:
Title:
Date:

Appendix A

Louisville Gas and Electric Company/
Kentucky Utilities Company

INDEPENDENT TRANSMISSION
ORGANIZATION

SERVICE SPECIFICATION

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1. Overview

This Appendix A is intended to be consistent with the terms and conditions of the LG&E/KU Open Access Transmission Tariff (OATT), including Attachment P thereto. If there is any conflict between this Appendix A and the OATT, the OATT shall govern. TranServ shall perform its obligations under this Appendix A in accordance with Section 1.3.1 of this Agreement.

The Independent Transmission Organization (ITO) Services will be provisioned between TranServ and MAPPCOR.

The ITO primary contractor is TranServ, with MAPPCOR as subcontractor to TranServ. The services delegated to TranServ and MAPPCOR include the administration of the LG&E/KU Open Access Same-time Information System (OASIS), transmission service request evaluation process, Available Transfer Capability (ATC)/ Available Flowgate Capability (AFC) management, study queue administration, study performance, and stakeholder facilitation. TranServ, as the ITO, will administer the OATT granting of service for both short and long-term transmission requests, administer the large generator interconnection request queue, and perform transmission studies. MAPPCOR will facilitate the LG&E/KU long-term transmission planning function and stakeholder processes.

2. Definitions

Company – Louisville Gas and Electric Company/Kentucky Utilities Company (LG&E/KU)

ITO – Independent Transmission Organization

ITO Services – The applicable functions to be performed as specified in the ITO Agreement

RC – Reliability Coordinator

Service Interruption – A Service Interruption is the loss of Service function, under the direct control of TRANSERV with no mutually agreed to work around provided within the Service

Normal Business Hours – TranServ normal business hours are between the hours of 0700 and 1700 CT, Monday-Friday on days other than the holidays listed below:

1. New Year's Day
2. Memorial Day
3. Independence Day
4. Labor Day
5. Thanksgiving
6. Day after Thanksgiving
7. Day before Christmas
8. Christmas Day

3. Roles and Responsibilities for Providing ITO Services

3.1 TranServ

TranServ International, Inc. (TranServ) will provide services to LG&E/KU as the ITO. The services that TranServ will provide include:

3.1.1 Customer Interface

Responsibility for operating and maintaining OASIS website and keeping it up-to-date with Federal Energy Regulatory Commission (FERC) and North American Energy Standards Board (NAESB) posting requirements, including all Order No. 890 posting requirements (such as study performance metrics, Available Transfer Capability (ATC) calculations, etc.). This includes establishing an interface for customers to submit service requests, and oversight and evaluation of ATC values calculated using software procured from Open Access Technology International, Inc. (OATI) and information from the RC. TranServ's responsibilities and duties in administering OASIS will include the following:

- Performing the duties of a Responsible Party as defined in the Commission's OASIS regulations, 18 C.F.R. § 37.5 and FERC Order No. 676.
- Posting information required to be on the Transmission Provider's OASIS under the Commission's OASIS regulations, 18 C.F.R. § 37.6 and FERC Order No. 676.
- Maintaining and retaining information posted on OASIS in accordance with the Commission's regulations, including 18 C.F.R. Parts 37 and 125.
- Establishing and maintaining queues for processing transmission service requests and generator interconnection (GI) requests.
- Participating in the drafting and posting of Business Practices on the OASIS website, including any FERC or NAESB-required Business Practices. Company shall have final review, ownership, and approval for all Business Practices.
- Participating in periodic reviews of, and providing expertise/comments on, the OATT. Company retains final authority over the OATT's content, including retaining the right and responsibility to file changes to the OATT.

- Participating in stakeholder meetings and/or conference calls as required. These stakeholder meetings will include TranServ, Company, Customers (as appropriate) the RC, and other entities as required, to address concerns regarding Company's system, administration of the OATT, and related issues.
- Responsibility for coordinating with third-party transmission system owners and operators as necessary to support customer service requests. This includes coordinating the provision of any data from Company to the third-party system.
- Management of ATC/AFC Calculation and Posting.
- Implementation of certain aspects of the Seams Operating Agreement between the Midwest Independent Transmission System Operator (MISO), Inc. and TVA as defined in the Congestion Management Process (CMP).
- Administration of request evaluations for LG&E/KU tariff service.
- Processing of e-Tags as the transmission provider.
- Reviewing software changes requested from OATI, verifying and testing for proper operations before OATI implements those changes.

3.1.2 Transmission Service and Generator Interconnection Requests and Studies

- Receive and process all applications for Point-to-Point, Network Integration Transmission Service (NITS), and for GIs.
- For short-term Point-to-Point Transmission Service requests (i.e., where the request is within the posted ATC horizon), evaluate and approve a request where the posted ATC is sufficient for the requested transaction. If ATC is insufficient, TranServ shall propose conditional service options to the customer in accordance with the OATT, or otherwise deny the service. If the customer accepts conditional service options, TranServ will be responsible for performing biennial reassessments, as provided under the OATT.
- For long-term Point-to-Point Transmission Service requests, NITS, or GI requests:
 - Determine whether a System Impact Study (SIS) is necessary to accommodate the request.

- Render all study agreements (SIS, Interconnection Feasibility Studies (IFS), Facilities Study (FS), and Feasibility Analysis Studies (FAS)) to customers within the timeframe provided in the OATT.
 - Perform the SIS or FAS in the timeframe provided in the OATT, including clustered SISs when requested by customers and/or Company.
 - Perform the SIS or FAS using Company's planning criteria.
 - For any study that TranServ performs that requires information from Company (e.g., good faith construction estimates that are included in the SIS), request such information from Company no less than ten (10) business days before the expiration of the applicable study period.
 - Complete study reports and post on OASIS within the timeframe required under the OATT.
 - Notify the Company and individual customers of completed study reports, and alert the Company to initiate service agreements, if applicable.
 - Receive customer deposits.
 - Bill customers for SIS, IFS, FS, and FAS as required by the OATT, including provision of an itemized bill for services if requested by a customer.
 - Reimburse Company for any study costs incurred in contributing to the study and render payment to any third-party vendors for work performed.
- Responsible for receiving and processing requests to designate or un-designate Network Resources, as provided under the OATT.
 - If a customer requests a modification to its service, or if a customer assigns its transmission service to a third-party who request modification to the service, process those modification requests in accordance with the terms of the OATT.
 - Track all study metrics, including data submittals, input validations, modifications, time and costs associated to perform the study.
 - Track the performance of all studies and alert Company if a FERC filing requirement or penalty payment has been triggered due to late studies, as described under the OATT.

3.1.3 ATC Calculation

- Calculate ATC as provided for in Attachment C to the OATT. This includes receiving initial AFC values from the RC, calculating final AFC values using the algorithms included in Attachment C, and converting the AFC to ATC using OATI software.
- Post on OASIS the mathematical algorithms used to calculate firm and non-firm AFC. TransServ shall also post the results of the AFC calculations on OASIS.
- Daily review of transmission service requests (TSRs) and eTag action and statistics.
- Daily review of posted AFC/ATC information and investigation into any anomalies.
- Review, observation, and validation of the Total Transfer Capability (TTC) development process.

3.1.4 Interchange and Scheduling

- As the Transmission Service Provider, responsible for the following activities:
 - Confirm that each electronic schedule (e-Tag) has a confirmed transmission service request.
 - Approve the interchange schedules as the transmission service provider.
 - Curtail electronic schedules if requested by the RC or Balancing Authority (BA).
 - Monitor and validate the Net Scheduled Interchange (NSI), as processed by OATI software, to ensure timely creation of the NSI data file with a syntactical quality check on the data set.

3.1.5 Transmission Planning

- Participate in Company's transmission planning process as outlined in Attachment K to the OATT, including the following activities:
 - Review Transmission System models (steady state, dynamics, and short circuit) as provided by Company.
 - Assist MAPPCOR in the development of alternatives to Planning Re-dispatch service.

- Participate with the Stakeholder Planning Committee (SPC) and associated SPC working groups, as required.
- Participate in the overall OATT Attachment K process as observer.

3.1.6 Compliance

- Establish and adhere to a “culture of compliance” for TranServ Personnel and TranServ Designees consistent with FERC’s Policy Statement on Compliance, 125 FERC ¶ 61,058 (2008) as may be supplemented or amended by further FERC orders. TranServ shall take such reasonable steps requested by the Company in furtherance of such a culture of compliance.
- In accordance with *Louisville Gas and Electric Company*, 114 FERC ¶ 61,282 at P 152 (2006), assist with providing FERC with semi-annual reports “detailing concerns expressed by stakeholders and [ITO’s] response to those concerns as well as any issues or tariff provisions that hinder [ITO] from performing its required duties” as requested.
- Maintain records and provide reports as required by the Kentucky Public Service Commission (KPSC), OATT, Department of Energy (DOE), FERC, NERC, SERC Reliability Corporation (SERC) or NAESB. Without limiting the foregoing, Company may from time-to-time provide TranServ with specific direction as to records that Company expects to support compliance efforts, and TranServ shall maintain such records as directed.
- Assist Company, as requested by Company, in the preparation of applications, audit materials, filings, reports or responses to any Regulatory Authority. Without limiting the foregoing, this assistance may include from time-to-time preparation for (and participation in, if appropriate) FERC or NERC audits and providing event analysis information for FERC, NERC or SERC. TranServ’s support shall be provided in a time frame reasonably requested by Company.
- Monitor FERC, NERC, SERC, and NAESB activities for changes in standards or compliance requirements that may require modification to the ITO Services or other coordination with Company. To the extent possible, TranServ shall notify Company of any proposed or pending modifications prior to their implementation. The Parties shall

work together to establish a work plan and timetable for implementation of any such changes. The Parties agree that all changes to ITO Services resulting from legal and regulatory developments as well Company requests, shall be assessed using the change order process detailed in Section 5 of this Appendix A.

3.2 MAPPCOR

MAPPCOR will provide services to LG&E/KU as the Transmission Planner (TP). The services that MAPPCOR will provide include:

3.2.1 Customer Interface

- With TranServ, participate in the drafting of Business Practices; including any FERC or NAESB required Business Practices. Company shall have final review, ownership, and approval for all Business Practices.
- With TranServ, participate in periodic reviews of, and provide expertise/comments on, the OATT. Company retains final authority over the OATT's content, including retaining the right and responsibility to file changes to the OATT.
- Responsible for planning, coordinating and holding regular stakeholder meetings and/or conference calls. These stakeholder meetings will include TranServ, MAPPCOR, Company, and the RC, and other entities as required, to address concerns regarding Company's system, administration of the OATT, and related issues. This activity includes (as necessary) performing background checks for stakeholders who desire access to Critical Energy Infrastructure Information (CEII), preparing meeting materials, facilitating the meeting, and preparing post-meeting minutes for posting on OASIS.
- Responsible for coordinating with third-party transmission system owners and operators as necessary to support customer service requests. This includes coordinating the provision of any data from Company to the third-party system.

3.2.2 Transmission Planning

- Participate in Company's transmission planning process as outlined in Attachment K to the OATT, including the following activities.
 - Review and approve Company's long-term (generally one year and beyond) plan for the reliability/adequacy of Company's Transmission System.

- Review and approve Transmission System models (steady state, dynamics, and short circuit).
- Develop alternatives to Planning Redispatch service.
- Notify impacted transmission entities of any planned transmission changes that may influence their facilities.
- Participate with the SPC and associated SPC working groups, as required.
- Participate in the overall OATT Attachment K process as observer.
- The Parties agree that the final annual transmission plan and decision of whether/when to construct and expand the system rests with Company.

3.2.3 Compliance

- Establish and adhere to a “culture of compliance” for MAPPCOR personnel consistent with FERC’s Policy Statement on Compliance, 125 FERC ¶ 61,058 (2008) as may be supplemented or amended by further FERC orders. MAPPCOR shall take such reasonable steps requested by the Company in furtherance of such a culture of compliance.
- With TranServ, provide in accordance with Louisville Gas and Electric Company, 114 FERC ¶ 61,282 at P 152, FERC semi-annual reports “detailing concerns expressed by stakeholders and [ITO’s] response to those concerns as well as any issues or tariff provisions that hinder [ITO] from performing its required duties.”
 - Maintain records and provide reports as required by the KPSC, OATT, DOE, FERC, NERC, SERC or NAESB. Without limiting the foregoing, Company may from time-to-time provide TranServ with specific direction as to records that Company expects to support compliance efforts, and TranServ shall maintain such records as directed.
 - Assist Company, as requested by Company, in the preparation of applications, audit materials, filings, reports or responses to any Regulatory Authority. Without limiting the foregoing, this assistance may include from time-to-time preparation for (and participation in, if appropriate) FERC or NERC audits and providing event analysis information for FERC, NERC or SERC. ITO’s support shall be provided in a time frame reasonably requested by Company.

- Monitor FERC, NERC, SERC, and NAESB activities for changes in standards or compliance requirements that may require modification to the ITO Services or other coordination with Company. To the extent possible, MAPPCOR shall notify Company of any proposed or pending modifications prior to their implementation. The Parties shall work together to establish a work plan and timetable for implementation of any such changes. The Parties agree that all changes to ITO Services resulting from legal and regulatory developments as well Company requests, shall be assessed using the change order process detailed in Section 5 of this Appendix A.

3.3 LG&E/KU

TranServ and MAPPCOR understand that Company has the following responsibilities in support of the ITO Services under this Appendix A:

3.3.1 Customer Interface

- Contracting for the OATI webOASIS service that meets FERC and NAESB requirements.
- Contracting for the OATI webTrans service used to evaluate and take actions on transmission service requests and e-Tags.
- Continuation of Agreement with the RC to provide necessary data for AFC/ATC calculation and posting processes.
- Final review, ownership, and approval for all Business Practices.
- Final authority over the OATT's content, including the right and responsibility to file changes to the OATT.
- Cooperate in the coordination with third-party systems as necessary to support customer service requests. This includes coordinating the provision of any data from Company to the third-party system.

3.3.2 Compliance

- From time-to-time provide TranServ and MAPPCOR with specific direction as to records that Company expects to support compliance efforts, and TranServ and MAPPCOR

shall maintain such records as directed in order to provide reports as required by the KPSC, OATT, DOE, FERC, NERC, SERC or NAESB.

- Respond to TranServ and/or MAPPCOR's notifications of FERC, NERC, SERC, and NAESB activities for changes in standards or compliance requirements that may require modification to the ITO Services or other coordination with Company within requested response timelines. Work together with ITO to establish a work plan and timetable for implementation of any such changes. The Parties agree that all changes to ITO Services resulting from legal and regulatory developments as well Company requests, shall be assessed using the change order process detailed in Section 5 of this Appendix A.

4. Customer Support

TranServ will provide support for Service 24-hours per day and 365-days per year by utilizing a single point of contact support staff. During Normal Business Hours the support staff can be contacted by telephone or by e-mail as outlined in published TranServ's ITO Support Information. After Normal Business Hours support is achieved through telephone only. TranServ will take all reasonable effort to ensure that reported problems or other Customer support related events are responded to within 30-minutes of the event notification when ITO Support Procedures are followed.

4.1 Problem Resolution

Problems or outages are reported to TranServ by following customer support processes. All problems or questions are assigned a severity level by mutual agreement of the parties. Problems which are considered Critical or High in severity should be reported to TranServ at any time. Problems considered Medium or Low severity should be reported by phone during business hours or by e-mail at any time. The severity level classifications are defined as follows:

- Critical – Problems or issues that are impacting business immediately or impacting grid reliability and action is required prior to next business day.
- High – Problems or issues that affect a key functionality of Service component and there is no work around available but immediate business or grid reliability impact is not present.
- Medium – Business processes are impacted, but satisfactory work around is in place to avoid business interruptions.
- Low – Customer inquiries or reported problems and issues that create nuisances or inconveniences for the customer. Minimal or no business impact is occurring.

Ticket Resolution		
Action	TranServ Responsibility	Time To Remedy
Correct a 'Critical' severity Problem or Issue	<p>During normal business hours TranServ will respond to reported Critical severity problems and begin corrective action immediately until either a satisfactory work around is in place or problem is resolved. Outside of normal business hours TranServ will respond to reported Critical severity problems within 30-minutes of notification. Escalation to responsible TranServ senior management will occur in all cases.</p>	<p>TranServ will work continuously until resolution is in place. This may include a temporary work around until a permanent correction can be implemented.</p> <p>Performance goal is to resolve all Critical severity tickets within 4-hours.</p>
Correct a 'High' severity Problem or Issue	<p>During normal business hours TranServ will respond to reported High severity problems and begin corrective action to resolve with either a satisfactory work around or problem resolution prior to end of business day. Outside of normal business hours TranServ will respond to reported High severity problems within 30-minutes of notification. Escalation to responsible TranServ senior management will occur in all cases.</p>	<p>TranServ will provide an initial problem analysis update within 8-hours at all times. This may include a recommended temporary work around until a permanent correction can be implemented.</p> <p>Performance goal is to resolve all High severity tickets within 24-hours.</p>

Ticket Resolution		
Action	TranServ Responsibility	Time To Remedy
Correct a 'Medium' severity Problem or Issue	TranServ will schedule corrective action jointly with Customer. Problems of Medium severity should be reported by telephone during business hours or by e-mail at any time.	TranServ will provide an initial problem analysis update within 3-business days of notification of problem. An appropriate action plan and resolution schedule will be mutually agreed to with the Customer. Performance goal is to resolve all Medium severity tickets by agreed to commitment date.
Correct a 'Low' severity Problem or Issue	TranServ will schedule corrective action jointly with Customer. Problems of Low severity should be reported by telephone during business hours or by e-mail at any time.	TranServ will provide an initial problem analysis update within 5-business days. An appropriate action plan and resolution schedule will be mutually agreed to with the Customer. Performance goal is to resolve all Low severity tickets by agreed to commitment date.

4.1.1 Tickets – OATI webSupport

To ensure all customers of TranServ receive a high level of customer service all calls or e-mails with questions or reported problems are documented in a Ticket. All TranServ staff members utilize OATI webSupport, an issue reporting and assignment platform allowing tracking and confirmed resolution of all issues reported to TranServ or MAPPCOR. Upon receiving a communication from a customer, TranServ will open a webSupport Ticket. The Ticket contains customer contact information, data metrics on the type of problem, an identification of the TranServ staff member to whom the Ticket is currently assigned, a detailed description of the problem, and a detailed description of the problem's current status which will eventually include a description of how the issue was resolved. The TranServ staff member provides the Ticket number to the customer for all issues not resolved immediately. If the issue cannot be resolved by the TranServ staff member creating the Ticket, the Ticket is reassigned to another member of the TranServ/MAPPCOR team. The TranServ staff member who initially created the Ticket is expected to use webSupport's monitoring capability to determine unresolved Tickets, and to reassign or escalate it as necessary at any time to promote prompt resolution within response timing guidelines.

4.1.2 Response Time

TranServ support staff will answer all calls as received during normal business hours and take all reasonable effort to resolve issues at the time of call. For issues and problems that are not immediately resolved, TranServ will follow normal processing for assigned severity level and notify customer once resolution occurs.

Calls to support staff outside of normal business hours will be answered as received and customer will be notified within 30-minutes on planned actions to be taken by TranServ support staff in accordance with normal processing for assigned severity level.

4.1.2.1 Ticket Escalation

Problem tickets that cannot be resolved in accordance with normal processing for assigned severity level will be escalated to appropriate TranServ management. Customers may request immediate ticket escalation to appropriate TranServ management.

4.1.2.2 Customer Satisfaction

Customer satisfaction inquiries are automatically sent to customers upon the closing of a ticket. The results of these surveys result in improved performance by customer support staff or changes in business processes.

5. Service Modifications

From time to time Company may require a modification to an existing Service function. Such modifications may be prompted by changes in regulatory compliance requirements, or by a Company request. Minor modifications that require reasonably minimal resource commitment from TranServ staff will be included within a reasonable time period at no cost to Company. Modifications that may have more significant impact on Service design or will impact TranServ staff resource commitments more than minimally will be discussed with Company and may in some instances require additional payment by Company. Each of these change requests will be described in a written Change Order. Each Change Order will be scheduled for implementation upon written agreement with Company as to scope, cost and schedule.

5.1 Minor Changes

Any change to an existing Service function that does not have a significant impact on Service design or require TranServ to staff or contract with additional personnel, if even for a brief period of time, to prepare for and/or meet the requirements of the change (a "Minor Change") will be integrated into Company's Service at no cost to Company. A written Change Order will be negotiated and executed between Company and TranServ prior to implementation of any Minor Change.

5.2 Major Changes

Any change to an existing Service function that has a significant impact on Service design or requires TranServ to staff additional personnel, if even for a brief period of time, in order to prepare for and/or meet the requirements of the change (a "Major Change") will require a written Change Order which must be negotiated and executed between Company and TranServ prior to implementation of any Major Change.

6. Reliability Coordination

TranServ will be required to coordinate its operations with the LG&E/KU designated RC. The RC is responsible for performing certain reliability related tasks for the LG&E/KU system, including acting as the NERC-registered Reliability Coordinator. The RC's responsibilities are detailed in the Reliability Coordinator Agreement and Attachment P to the LG&E/KU OATT.

AMENDED RELIABILITY COORDINATOR AGREEMENT

BETWEEN

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

AND

TENNESSEE VALLEY AUTHORITY

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Attachment A - Description of Primary Functions

Attachment B - Division of Responsibilities for the Planning Function

Attachment C - List of Key Personnel

Exhibit 1 - Joint Reliability Coordination Agreement and Congestion Management Process

RELIABILITY COORDINATOR AGREEMENT

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

RECITALS

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

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

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

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

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

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

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

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

WHEREAS, TVA, the Midwest ISO and PJM Interconnection, L.L.C. have entered into that certain Joint Reliability Coordination Agreement, dated as of April 22, 2005 (as may be amended from time to time, "JRCA"), a copy of which is attached hereto as Exhibit 1, which provides for the exchange of transmission-related data and information and establishes various arrangements and protocols in furtherance of the reliability of their interconnected transmission systems and efficient market operations, and LG&E/KU seeks to ensure the full participation of the LG&E/KU Transmission System in the arrangements and protocols included in the JRCA and Congestion Management Plan ("CMP") provided for therein;

WHEREAS, this Agreement provides for the performance of certain of these arrangements and protocols under the JRCA by TVA in its capacity as Reliability Coordinator for the LG&E/KU Transmission System; and

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

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

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

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

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

interregional bulk power reliability.

1.2.1 Relationship Between this Agreement and Attachment L to LG&E/KU's OATT. The Parties recognize that the relationship between LG&E/KU and the Reliability Coordinator and the Functions to be performed by the Reliability Coordinator must be reflected in LG&E/KU's OATT. The Reliability Coordinator relationship and the Functions assigned to the Reliability Coordinator under Attachment A and Attachment B to this Agreement shall be reflected in Attachment L to LG&E/KU's OATT. To the extent that there is a conflict between Attachment A and/or Attachment B to this Agreement and Attachment L to LG&E/KU's OATT, Attachment L to LG&E/KU's OATT shall govern. Any changes proposed by LG&E/KU to FERC in Attachment L in LG&E/KU's OATT, pursuant to Section 5.3 of Attachment L in LG&E/KU's OATT, regarding the Functions or any other provisions that concern the Reliability Coordinator shall reflect the mutual agreement of the Parties. Notwithstanding this Section 1.2.1, nothing in this Agreement or Attachment L to LG&E/KU's OATT shall grant FERC any additional jurisdiction over TVA.

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

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

1.5 Reliability Coordinator Directives. Except as provided in the immediately succeeding sentence, LG&E/KU shall implement any directive given by the Reliability Coordinator pursuant to Sections 1.2 or 1.4. LG&E/KU shall not be obligated to implement any

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

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

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

1.8 Reliability Coordinator's Standard of Performance. The Reliability Coordinator shall perform its obligations under this Agreement in accordance with: (a) Good Utility Practice;

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

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

1.10 Reliability Coordination Advisory Committee.

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

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

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

Section 2 - Independence.

2.1 Key Personnel. All Functions shall be performed by employees of the Reliability Coordinator identified in Attachment C (the "Key Personnel"). No Key Personnel shall also be employed by LG&E/KU or any of its Affiliates (as defined in 18 C.F.R. § 35.34(b)(3) of FERC's regulations). The Reliability Coordinator and the Key Personnel shall be, and shall remain throughout the Term, Independent (as defined below) of LG&E/KU, its Affiliates and the Independent Transmission Organization. For purposes of this Agreement: "Independent" shall mean that the Reliability Coordinator and the Key Personnel are not subject to the control of

LG&E/KU, its Affiliates or the Independent Transmission Organization, and have full decisionmaking authority to perform all Functions in accordance with the provisions of this Agreement. Any Key Personnel owning securities in LG&E/KU, its Affiliates or the Independent Transmission Organization shall divest such securities within six (6) months of first being assigned to perform such Functions, provided that nothing in this Section 2.1 shall be interpreted or construed to preclude any such Key Personnel from indirectly owning securities issued by LG&E/KU, its Affiliates or the Independent Transmission Organization through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or the electric utility industry or any segment thereof) under which the Key Personnel does not control the purchase or sale of such securities. Participation by any Key Personnel in a pension plan of LG&E/KU, its Affiliates or the Independent Transmission Organization shall not be deemed to be a direct financial interest if the plan is a defined-benefit plan that does not involve the Key Personnel's ownership of the securities. For the avoidance of doubt, LG&E/KU shall not have an approval or consent right with respect to the selection of any Key Personnel.

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

Section 3 - Compensation, Billing and Payment.

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

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

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

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

Notwithstanding any provision to the contrary contained in this Agreement, if a Dispute should occur between the Parties with respect to the amount of compensation to be paid by LG&E/KU to the Reliability Coordinator (i) pursuant to this Sections 3.1 or (ii) in respect of additional services (other than the Functions) requested by LG&E/KU that the Reliability Coordinator elects, in its sole discretion, to provide, then, in each case, LG&E/KU shall file notice thereof with the FERC. The Parties acknowledge that any FERC order issued with respect to such a dispute is only binding on LG&E/KU, not TVA.

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

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

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

Bank Name: TREAS NYC (official abbreviation)

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

ABA Number: 021030004

Account No: 4912

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

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

Section 4 - Effective Date; Term; Termination; Termination Fees; Transition

Assistance Services.

4.1 Effective Date. The Parties acknowledge and agree that:

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

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

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

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

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

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

4.2 Term. The initial term of this Agreement shall commence on the Execution Date and continue for four (4) years from the Effective Date (as provided for in Section 4.1), unless terminated early pursuant to the termination provisions hereof (the "Initial Term"). After the conclusion of the Initial Term, this Agreement shall automatically continue for successive additional one-year terms (each, a "Subsequent Term") unless and until terminated pursuant to the termination provisions hereof. The Initial Term and any Subsequent Terms, together with the Transition Assistance Period, if any, shall collectively be referred to as the "Term."

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

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

4.5 Termination for Cause.

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

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

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

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

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

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

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

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

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

(i) Extended Force Majeure. A Party is excused because of Force Majeure (as defined in Section 11 herein) for more than thirty (30) days from

performing any of its material obligations under this Agreement.

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

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

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

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

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

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

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

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

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

4.8 Transition Assistance Services.

4.8.1 Transition Assistance Period. Commencing on the date this Agreement is terminated and continuing for up to six (6) months thereafter (the "Transition Assistance Period"), the Reliability Coordinator shall (a) provide the Functions (and any replacements thereof or substitutions therefor), to the extent LG&E/KU requests such Functions to be performed during the Transition Assistance Period, and (b) cooperate

with LG&E/KU in the transfer of the Functions (collectively, the “Transition Assistance Services”). During the Transition Assistance Period, the Parties shall use good faith efforts to ensure a smooth transition.

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

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

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

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

Section 5 - Data Management.

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

5.2 Property of Each Party. Each Party acknowledges that the other Party’s Data and

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

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

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

Section 6 - Intellectual Property.

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

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

6.2 Jointly-Owned Intellectual Property. Except for the Data described in Section 5.1, all deliverables, whether software or otherwise, to the extent originated and prepared by the Reliability Coordinator exclusively in connection with the performance of its obligations under this Agreement shall be, upon payment of all amounts that may be due from LG&E/KU to the Reliability Coordinator, jointly owned by LG&E/KU and Reliability Coordinator ("Jointly-

Owned Intellectual Property”). Each Party shall have the right to use the Jointly-Owned Intellectual Property without any right or duty or accounting to the other Party, except as provided in this Section 6.2. Upon the Reliability Coordinator using, transferring or licensing Jointly-Owned Intellectual Property for or to a third party, the Reliability Coordinator shall reimburse LG&E/KU in an equitable manner as determined by the Parties in good faith for the actual amounts paid by LG&E/KU to the Reliability Coordinator that relate to such Jointly-Owned Intellectual Property. Except as stated in the foregoing sentence, the Reliability Coordinator shall have no other obligation to account to LG&E/KU for any such use, transfer, license, disclosure, copying, modifying or enhancing of the Jointly-Owned Intellectual Property. Notwithstanding anything herein to the contrary, LG&E/KU may use the Jointly-Owned Intellectual Property for its internal business purposes, including licensing or transferring its interests therein to a third party for purposes of operating or performing functions in connection with LG&E/KU’s transmission business.

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

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

6.5 Reliability Coordinator Non-Infringement; Indemnification. The Reliability Coordinator warrants to LG&E/KU that all Reliability Coordinator’s Data and Processes, Reliability Coordinator Pre-Existing Intellectual Property, Reliability Coordinator Retained Rights, and deliverables prepared, produced or first developed by the Reliability Coordinator in

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

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

combination of the deliverable with any item, information or process not provided by LG&E/KU to the Reliability Coordinator, where there would be no infringement in the absence of such alteration, modification or combination. The above constitutes LG&E/KU's complete liability for claims of infringement relating to any of the LG&E/KU's Data and Processes, LG&E/KU Pre-Existing Intellectual Property, and LG&E/KU Retained Rights.

Section 7 - Indemnification.

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

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

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

money payments, then such settlement will be subject to the reasonable approval of the Indemnified Party. Nothing herein shall prevent an Indemnified Party from retaining its own legal counsel and other consultants and participating in its own defense at its own cost and expense.

Section 8 - Contract Managers; Dispute Resolution.

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

8.2 Reliability Coordinator Contract Manager. The Reliability Coordinator shall appoint, among the Key Personnel identified in Attachment C, an individual (the “Reliability Coordinator Contract Manager”) who shall serve as the primary Reliability Coordinator representative under this Agreement. The Reliability Coordinator Contract Manager shall (a) have overall responsibility for managing and coordinating the performance of the Reliability Coordinator’s obligations under this Agreement, and (b) be authorized to act for and on behalf of the Reliability Coordinator with respect to all matters relating to this Agreement. Notwithstanding the foregoing, the Reliability Coordinator Contract Manager may, upon prior written notice to LG&E/KU, delegate such of his or her responsibilities to other Key Personnel, as the Reliability Coordinator Contract Manager deems appropriate. The Reliability Coordinator may, upon prior written notice to LG&E/KU, change the Reliability Coordinator Contract Manager. For the avoidance of doubt, LG&E/KU shall not have an approval or consent right with respect to the selection of the Reliability Coordinator Contract Manager.

8.3 Resolution of Disputes. Any dispute, claim or controversy between the Parties arising out of or relating to this Agreement (each, a “Dispute”) shall be resolved in accordance with the procedures set forth in this Section 8.3; provided, however, that this Section 8.3 shall not apply to Disputes arising from or relating to (a) the amount of compensation to be paid by LG&E/KU pursuant to the last sentence of Section 3.1, which shall be resolved pursuant thereto, or (b) confidentiality or intellectual property rights (in which case either Party shall be free to seek available legal or equitable remedies).

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

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

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

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

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

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

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

Section 9 - Insurance.

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

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

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

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

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

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

Section 10 - Confidentiality.

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

10.2 Protection of Confidential Information. All Confidential Information shall be held in confidence by the recipient to the same extent and in at least the same manner as the recipient protects its own confidential information, and such Confidential Information shall be used only for purposes of performing obligations under this Agreement. Except as otherwise provided in Section 10.4, neither Party shall disclose, publish, release, transfer or otherwise make available Confidential Information of, or obtained from, the other Party in any form to, or for the use or benefit of, any person or entity without the disclosing Party's prior written consent. Each Party shall be permitted to disclose relevant aspects of the other Party's Confidential Information to its officers, directors, agents, professional advisors, contractors, subcontractors and employees and to the officers, directors, agents, professional advisors, contractors, subcontractors and employees of its Affiliates, to the extent that such disclosure is reasonably necessary for the performance of its duties and obligations or the determination, preservation or exercise of its rights and remedies under this Agreement; provided, however, that the recipient shall take all reasonable measures to ensure that Confidential Information of the disclosing Party is not disclosed or duplicated in contravention of the provisions of this Agreement by such officers, directors, agents, professional advisors, contractors, subcontractors and employees. The obligations in this Section 10 shall not restrict any disclosure pursuant to any local, state or federal governmental agency or authority if such release is necessary to comply with applicable

laws, governmental regulations or orders of regulatory bodies or courts; provided that, other than in respect of disclosures pursuant to Section 10.4, the recipient shall give prompt notice to the disclosing Party in reasonable time to exercise whatever legal rights the disclosing Party may have to prevent or limit such disclosure. Further, the recipient shall cooperate with the disclosing Party in preventing or limiting such disclosure.

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

10.4 FERC Requests for Confidential Information. Notwithstanding anything in this Agreement to the contrary, if FERC or its staff, during the course of an investigation or otherwise, requests information from the Reliability Coordinator related to services provided by the Reliability Coordinator to LG&E/KU that the Reliability Coordinator is otherwise required to maintain in confidence pursuant to this Agreement, the Reliability Coordinator shall provide the requested information to FERC or its staff within the time provided for in the request for information. In providing such information to FERC or its staff, the Reliability Coordinator shall, consistent with 18 C.F.R. § 388.112, request that the information be treated as confidential and non-public by FERC and its staff and that the information be withheld from public disclosure. The Reliability Coordinator shall notify LG&E/KU when it is notified by FERC or its staff that a request for public disclosure of, or decision to publicly disclose, confidential information has been received, at which time either the Reliability Coordinator or LG&E/KU may respond before such information is made public, pursuant to 18 C.F.R. § 388.112.

Section 11 - Force Majeure.

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

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

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

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

Utility Practice; and

11.1.4 exercises commercially reasonable efforts to perform its obligations hereunder.

Section 12 - Reporting; Audit.

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

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

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

details of the change so as to enable LG&E/KU and/or its independent auditors to review the change and evaluate its impact on its internal controls and financial reporting. The Reliability Coordinator shall cooperate with the independent auditors and LG&E/KU to enable the preparation of the reports necessary to comply with Section 404 of the Sarbanes-Oxley Act, consistent with the other provisions of this Agreement.

Section 13 - Independent Contractor.

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

Section 14 - Taxes.

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

Section 15 - Notices.

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

If to LG&E/KU:

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

And

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

If to the Reliability Coordinator:

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

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

Section 16 - Key Personnel; Work Conditions.

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

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

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

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

Section 17 - Miscellaneous Provisions.

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

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

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

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

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

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

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

17.7.1 Organization. It is duly organized, validly existing and in good standing

under the laws of the State in which it was organized or applicable Federal law, and has all the requisite power and authority to own and operate its material assets and properties and to carry on its business as now being conducted and as proposed to be conducted under this Agreement.

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

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

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

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

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

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

17.9 Entire Agreement. This Agreement and the Attachments hereto set forth the entire agreement between the Parties with respect to the subject matter hereof, and supersede all prior agreements, whether oral or written, related to the subject matter of this Agreement, including that certain Reliability Coordinator Agreement, dated as of January 10, 2006, between the Parties. The terms of this Agreement and the Attachments hereto are controlling, and no parole or extrinsic evidence, including to prior drafts and drafts exchanged with any third parties, shall

be used to vary, contradict or interpret the express terms, and conditions of this Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LOUISVILLE GAS AND ELECTRIC COMPANY

Name:

Title:

Date:

KENTUCKY UTILITIES COMPANY

Name:

Title:

Date:

SOUTHWEST POWER POOL, INC.

Name:

Title:

Date: **ATTACHMENT A**
TO THE RELIABILITY COORDINATOR AGREEMENT

DESCRIPTION OF THE PRIMARY FUNCTIONS

The Reliability Coordinator is responsible for bulk transmission reliability and power supply reliability functions. Bulk transmission reliability functions include reliability analysis, loading

relief procedures, re-dispatch of generation and ordering curtailment of transactions and/or load. Power supply reliability functions include monitoring Balancing Authority Area performance and ordering the Balancing Authority to take actions, including load curtailment and increasing/decreasing generation in situations where an imbalance between generation and load places the system in jeopardy. The procedures to be followed by the Reliability Coordinator shall be consistent with those of NERC and are spelled out in the NERC Approved Reliability Plan for the TVA Reliability Coordination Area and TVA Standard Procedures and Policies.

I. Reliability Coordinator General Functions:

The Reliability Coordinator shall perform the following functions:

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

II. Real-time Operations:

A. Reliability Coordinator Functions:

The Reliability Coordinator shall perform the following functions:

- a) Monitoring, analyzing, and coordinating the reliability of LG&E/KU's facilities and interfaces with other Balancing Authorities, Transmission Operators, and other reliability coordinators.
- b) Performing analyses to develop an evaluation of system conditions. LG&E/KU will provide necessary information (e.g., outages and transactions) and

Transmission System conditions, as applicable, to the Reliability Coordinator in accordance with applicable NERC Reliability Standards. The results of these analyses will be provided to LG&E/KU and neighboring reliability coordinators in accordance with applicable NERC Standards and Regional Reliability Council Standards.

- c) Determining, directing, and documenting appropriate actions to be taken by LG&E/KU, the ITO and Reliability Coordinator in accordance with the NERC Reliability Standards, including curtailment of transmission service or energy schedules, re-dispatch of generation and load shedding as necessary to alleviate facility overloads and abnormal voltage conditions, and other circumstances that affect interregional bulk power reliability.
- d) Coordinating transmission loading relief and voltage correction actions with LG&E/KU and with other reliability coordinators.

B. LG&E/KU Responsibilities:

LG&E/KU shall have the following responsibilities:

- a) Ensuring appropriate telemetry and providing Reliability Coordinator real-time operational information for monitoring.
- b) Receiving from the Reliability Coordinator all reliability alerts for TVA Reliability Area and neighboring reliability coordinators.
- c) Following Reliability Coordinator directives for corrective actions (e.g., curtailments or load shedding) during system emergencies or to implement TLR procedures.
- d) Receiving from Reliability Coordinator all notices regarding Transmission System limitations or other reliability issues, as appropriate.

III. Forward Operations:

A. Reliability Coordinator Functions:

The Reliability Coordinator shall perform the following functions:

- a) Performing analyses and develop an evaluation of the expected next-day Transmission System operations. The results of these analyses shall be provided to LG&E/KU, the ITO and neighboring reliability coordinators in accordance with applicable NERC Reliability Standards and Regional Reliability Council Standards.
- b) Performing analysis of planned transmission and generation outages and coordination of outages with NERC, participants in reliability coordination agreements, and other reliability coordinators as appropriate and as required by NERC. This entails analysis and coordination of planned outages which are beyond next day and intra-day outages.

- c) Analyzing and approving all planned maintenance schedules on facilities 100kV and above and planned maintenance of generation facilities submitted by LG&E/KU in conjunction with other work on the regional transmission grid to determine the impact of LG&E/KU's planned maintenance schedule on the reliability of the facilities under TVA's purview as Reliability Coordinator, and the purview of neighboring reliability coordinators, and any other relevant effects; and coordinate impacts on available transfer capability with the ITO.
- d) Coordinating, as required by either NERC or other agreements, planned maintenance schedules with all adjacent reliability coordination areas and/or Balancing Authority Areas and Transmission Providers; as well as the ITO.

B. LG&E/KU Responsibilities:

LG&E/KU shall have the following responsibilities:

- a) Providing generation-related information (e.g., outages and transactions) and expected Transmission System conditions (e.g., transmission facility outages and transactions), as applicable, to the Reliability Coordinator for the next-day operation in accordance with applicable NERC Reliability Standards and Regional Reliability Council standards.
- b) Submitting facility ratings and operational data for all generators and transmission facilities in the LG&E/KU footprint.
- c) Coordinating with the ITO and submitting to the Reliability Coordinator generation dispatch information for the LG&E/KU footprint and following Reliability Coordinator directives regarding dispatch adjustments to mitigate congestion.
- d) Submitting to the Reliability Coordinator generation operation plans and commitments for reliability analysis.
- e) Submitting to the Reliability Coordinator transmission maintenance plans for reliability analysis.
- f) Following Reliability Coordinator directives to revise transmission maintenance plans as required to ensure grid reliability.
- g) Receiving from Reliability Coordinator all notices regarding reliability analyses for the TVA Reliability Area as well as neighboring reliability coordinators.
- h) Representing LG&E/KU on the RCAC and in all RCAC deliberations.

IV. JRCA Implementation and Regional Congestion Management

For the purposes of this section IV, capitalized terms will have the definitions used in the JRCA and its related Congestion Management Plan ("CMP"), unless otherwise noted in this section IV.

A. Reliability Coordinator Functions:

The following functions to be performed by the Reliability Coordinator shall be performed in conjunction with the functions to be performed by the Independent Transmission Operator under the Independent Transmission Organization Agreement and will fully incorporate the LG&E/KU operations into the procedures and protocols governing other facilities in the Reliability Coordinator's Reliability Area in accordance with the provisions of the JRCA:

- a) Identifying Coordinated Flowgates and determination of flowgates requiring Reciprocal Coordination (twice annually).
- b) Performing Historic Firm Flow Calculations -- implement transmission service reservation set and designated resources provided by LG&E/KU for established freeze date; calculate historic firm flow values and ratios for all coordinated flowgates on LG&E/KU's system (bi-annually).
- c) Developing reciprocal coordination agreements that establish how each Operating Entity will consider its own flowgates as well as the usage of other Operating Entities when it determines the amount of flowgate or constraint capacity remaining. This process will include both operating horizon determination as well as forward looking capacity allocation.
- d) Implementing AFC Process -- determine AFC attribute requirements; obtain NNL Impact Data; implement Allocation Calculation Process; implement AFC calculation process.
- e) The Reliability Coordinator will provide the ITO flowgate AFCs on an hourly basis and flowgate allocations on a daily basis.

B. LG&E/KU Responsibilities:

LG&E/KU is obligated to uphold the terms and conditions of the JRCA, and providing the Reliability Coordinator with the information and support it needs in order to carry out its duties under Section 2.3.5 of the JRCA, as LG&E/KU 's Reliability Coordinator. LG&E/KU shall have the following responsibilities. LG&E/KU will be responsible for coordinating with the ITO and providing Transmission System data to the Reliability Coordinator including, but not limited to:

Operating information:

- (i) Transmission Service Reservations;
- (ii) Load forecast requirements;
- (iii) Flowgates requirements;
- (iv) AFC data requirements;
- (v) PSSE Models Requirements;

- (vi) Designated Network Resources requirements;
- (vii) Jointly owned units;
- (viii) Dynamic schedules;
- (ix) NNL allocations requirements; and,
- (x) NNL Evaluator Requirements.

Projected operating information:

- (i) Unit commitment/merit order;
- (ii) Firm purchase and sales (including grandfathered agreements);
- (iii) Independent power producer information including current operating level, projected operating levels, Scheduled Outage start and end dates;
- (iv) Planned and actual operational start-up dates for any permanently added, removed, or significantly altered transmission segments; and
- (v) Planned and actual start-up testing and operational start-up dates for any permanently added, removed, or significantly altered generation units.

C. ITO Responsibilities:

The ITO shall have the following responsibilities in support of the JRCA, which it will carry out in compliance with the terms of the JRCA:

- a) Providing to the Reliability Coordinator all transmission facility plans and facility upgrade schedules.
- b) Providing to the Reliability Coordinator the status of all transmission service requests and all new transmission service agreements.
- c) Receiving from the Reliability Coordinator all flowgate AFCs on an hourly basis and flowgate allocations on a daily basis.
- d) Converting flowgate information provided by the Reliability Coordinator to ATC values for posting on OASIS and for analyzing TSRs.
- e) Implementing CMP business rules for AFC vs. ASTFC.
- f) Honoring all AFC allocations and AFC over-rides from other CMP participants in the evaluation and granting of transmission service.

V. Reliability Coordination

A. Reliability Coordinator Functions:

The Reliability Coordinator will ensure a long-term (one year and beyond) plan is available for

adequate resources and transmission within the TVA Reliability Area. The Reliability Coordinator will integrate the Annual Plan provided by the ITO with plans of other operating entities in the Reliability Coordination Area and assess the plans to ensure those plans meet reliability standards. The Reliability Coordinator will advise the ITO of solutions to plans that do not meet those standards. The Reliability Coordinator will then coordinate the Reliability Area Plan with those of neighboring reliability coordinators and Planning Coordinators to ensure wide-area grid reliability.

These functions include:

- a) Integrating the transmission and resource (demand and capacity) system models provided by the ITO with those of other Reliability Coordinator Area operating entities to ensure Transmission System reliability and resource adequacy.
- b) Applying methodologies and tools to assess and analyze the Transmission System's expansion plans and the resource adequacy plans.
- c) Collecting all information and data required for modeling and evaluation purposes.
- d) Integrating and verifying that the respective plans of the Resource Planners and Transmission Planners within the TVA Reliability Area meet reliability standards.
- e) Coordinating the Reliability Coordinator Area plan with neighboring Reliability Coordinators for review, as appropriate.
- f) Integrating the Reliability Coordinator Area plan with neighboring Planning Coordinators/reliability coordinators' plans to provide a broad multi-regional bulk system planning view.

B. LG&E/KU Responsibilities:

LG&E/KU shall have the following responsibilities:

- a) Providing to the Reliability Coordinator demand and energy end-use customer forecasts, capacity resources, and demand response programs.
- b) Providing to the Reliability Coordinator generator unit performance characteristics and capabilities.
- c) Providing to Reliability Coordinator long-term capacity purchases and sales.

ATTACHMENT B

DIVISION OF RESPONSIBILITIES FOR THE PLANNING FUNCTION

Overview

This Attachment B to the Reliability Coordinator Agreement is designed to provide a division of responsibilities between LG&E/KU, the ITO and the Reliability Coordinator. Long-term

Transmission Planning for LG&E/KU's footprint will be conducted as an iterative process as follows: 1) LG&E/KU will develop the long-term Annual Transmission Plan ("Annual Plan") and submit the Annual Plan to the ITO for initial approval; 2) The ITO will review and conduct an engineering assessment of the Annual Plan; and if it is approved, the ITO will submit the Annual Plan to the Reliability Coordinator; 3) The Reliability Coordinator will conduct a regional assessment of the Annual Plan, subject to the conditions below; 4) The Reliability Coordinator will submit any changes based on its regional assessment to the ITO for final review and approval. The ITO will ensure that transmission planning on the Transmission Owner's system is done on an independent, non-discriminatory basis. This process is further detailed below.

1. Plan Development by LG&E/KU

LG&E/KU will be responsible for the following tasks:

- 1.1 System Models for Transmission Planning.** LG&E/KU will develop and maintain all transmission and resource (demand and capacity) system models, to evaluate Transmission System performance and resource adequacy. As part of these duties LG&E/KU is responsible for:
 - 1.1.1** Creating the Base Case Model for the Transmission System. This Model will include all existing long-term, firm uses of the Transmission System, including: (i) Network Integration Transmission Service; (ii) firm transmission service for LG&E/KU's Native Load; (iii) Long-Term Point-to-Point Transmission Service; and (iv) firm transmission service provided in accordance with grandfathered agreements. The Model will be developed pursuant to the modeling procedures used in developing the NERC multi-regional and Reliability *First* regional models.
 - 1.1.2** Providing the Base Case Model to the ITO for review and approval according to the iterative process outlined in the overview to this Attachment B.
 - 1.1.3** Maintaining other transmission models including, but not limited to steady-state, dynamic and short circuit models.
- 1.2 Assess, develop, and document Resource and Transmission Expansion plans.** LG&E/KU will assess, develop, and document Resource and Transmission Expansion plans including the Annual Plan. These plans include the following responsibilities:
 - 1.2.1** Maintaining and apply methodologies and appropriate tools for the development, analysis and simulation of the Transmission System in the assessment and development of transmission expansion plans and the analysis and development of resource adequacy plans.
 - 1.2.2** Developing a long-term (generally one year and beyond) plan for the reliability (adequacy) of the Transmission System.

- 1.2.3 Defining system protection and control needs and requirements, including special protection systems (remedial action schemes), to meet reliability standards.
 - 1.2.4 Developing and report, as appropriate, on the Annual Plan for assessment and compliance with reliability standards.
 - 1.2.5 Monitoring and report, as appropriate, its Annual Plan implementation.
- 1.3 **Information.** LG&E/KU will define, collect and develop information required for planning purposes, including:
- 1.3.1 **Transmission facility characteristics and ratings.** Collect and maintain specific transmission information regarding characteristics of transmission facilities, lines, equipment, and methodologies, for determining the appropriate thermal ratings of circuits and transformers, including information on transmission line design temperature, voltage and stability limits and other transformer test data.
 - 1.3.2 **Demand and energy end-use customer forecasts, capacity resources, and demand response programs.** Including:
 - i. Load forecasts for all existing delivery points for the following ten years, including transmission (wholesale and retail) connected substations and distribution substations, and coincident and noncoincident peak demands and power factor at each delivery point;
 - ii. Plans for new delivery points for the following ten years;
 - iii. Resource plans for the following 10 years;
 - iv. Expectations for market access to on- and off-system generation resources;
 - v. All planned on-system distributed generation resources; and
 - vi. Information on all interruptible loads.
 - 1.3.3 **Generator unit performance characteristics and capabilities.** LG&E/KU shall provide the ITO with all necessary data, information, and applicable requirements that govern the operation of any generating facilities interconnected with the Transmission System, as the ITO may require for performance its various functions. LG&E/KU shall submit and coordinate generator unit schedules as necessary to permit the ITO to assess transmission transfer capability and to permit the Reliability Coordinator to assess transmission reliability. LG&E/KU shall submit, on an annual basis, data concerning projected loads, designated network

resources, generation and transmission maintenance schedules, and other such operating data as the ITO may require for performance its various functions.

- 1.4.4 Long-term capacity purchases and sales.** LG&E/KU will maintain a list of all long-term capacity purchases and sales and include this information in its model development and the Annual Plan.

2 ITO Review and Assessment

The ITO will be responsible for the following tasks:

- 2.1** Independently reviewing and approving LG&E/KU's Planning Criteria. If the ITO concludes that additional explanatory detail is required, LG&E/KU will modify the appropriate business practice documents to include the additional detail. The ITO will ensure that the final versions of the Planning Criteria are posted on OASIS;
- 2.2** Reviewing and approving LG&E/KU's Base Case Model; reviewing, evaluating, and commenting on the Annual Plan as developed by LG&E/KU. This review and evaluation will be based on all applicable planning criteria and statewide or multi-state transmission planning requirements;
- 2.3** Monitoring LG&E/KU's transmission facility ratings based on access to data necessary to evaluate such ratings;
- 2.4** Performing an Independent assessment of the Transmission System using the Planning Criteria and the Base Case Model. As part of this assessment, the ITO will independently evaluate whether: (i) LG&E/KU's Annual Plan complies with the Planning Criteria and the Base Case Model; and (ii) whether there are upgrade projects in the Annual Plan that are not necessary to meet the Planning Criteria and the Base Case Model;
- 2.6** Holding a Transmission Planning Conference to gather input and consider the planning process and LG&E/KU's Annual Plan; and
- 2.7** Providing LG&E/KU with its conclusions regarding the reliability assessment and evaluation of the Annual Plan, including any outstanding issues that the ITO believes LG&E/KU should address. LG&E/KU will have the opportunity to review the ITO's conclusions and may submit a revised Annual Plan and supporting documentation to the ITO to address any outstanding issues. Once the Annual Plan has been finalized by LG&E/KU, the ITO will submit the Annual Plan to the Reliability Coordinator for regional coordination.

3 Regional Coordination

The Reliability Coordinator will be responsible for the following tasks:

- 3.1** Integrating and verifying that the respective plans for the regional area meet

reliability standards.

- 3.2 Identifying and reporting on potential Transmission System and resource adequacy deficiencies in the regional area, and provide alternate plans that mitigate these deficiencies.
- 3.3 Reviewing and reporting, as appropriate, on LG&E/KU's Annual Plan for assessment and compliance with reliability standards within their regional area.
- 3.4 Notifying impacted transmission entities within their regional area if any planned transmission changes that may impact their facilities.
- 3.5 Submitting Annual Plan, including any changes based on the regional coordination, to the ITO for final approval.

4 Final Review and Assessment

- 4.1 The ITO shall have final review and assessment of all plans. If the ITO cannot approve a plan after regional coordination, then the ITO will return the plan to LG&E/KU for further development as appropriate. The process for final approval of any previously rejected plan will follow the same iterative process as outlined above.
- 4.2 The ITO will post LG&E/KU's finalized Annual Plan on OASIS.

5 Implementation of Plan and Construction of Upgrades

- 5.1 LG&E/KU is responsible for the implementation of the Annual Plan. LG&E/KU will make a good faith effort to design, certify, and build facilities approved by the ITO in the Annual Plan.
- 5.2 In the case where the Reliability Coordinator or the ITO does not agree with the Annual Plan, nothing in this Attachment B shall prevent LG&E/KU from constructing those facilities it deems necessary to reliably meet its obligation to serve its Transmission Customers, point-to-point, Network Integration Service, and Native Load Customers.

ATTACHMENT C TO THE RELIABILITY COORDINATOR AGREEMENT

LIST OF KEY PERSONNEL

TVA Reliability Coordination Services

List of Key Personnel and Qualifications

August 2006

Reliability Coordination Services Staff

Stuart L. Goza, Manager, Reliability Coordination Services
BS Engineering (Specialization - Electrical Power Systems); Masters in Business Administration
NERC Certified System Operator
23 years experience in Electric Utilities Industry - experience in generation planning, transmission planning, control area operations, bulk power marketing and reliability coordination.

Daniel Kehoe, Reliability Coordinator System Operator (RCSO)
 B.S. Electrical Engineering, Professional Engineer License (PE), NERC Certified
 10+ years in Transmission / Substation Planning (Hoosier Energy)
 4+ years in Operational Planning (TVA)
 <1 year as RCSO (TVA)

Jason Schwab, Specialist, Reliability and Operations
 10 years experience in power system operations, 10 years experience in nuclear power plant operations Responsible for monitoring TVA Reliability Area to ensure NERC and TVA reliability standards are maintained.

Mark Creech, Specialist, Reliability Analysis and Operations Bachelor of Science in Engineering (Major: Electrical Engineering), Associate of Science (Completed coursework in the Transfer Program), Associate of Science (Major: Electronics and Control Engineering Technology)
 Specialist, Reliability Analysis and Operations (2004 - present), Manager, NERC/NAESB Policy Interpretation (2003 - 2004), Power Supply Reliability Specialist (2002 - 2003), Associate System Controller (2000 - 2002), SERC (South Eastern Reliability Council) Compliance Subcommittee, Senior Instrument and Control "Metrologist" (1985 - 2000)

Mark Vastano, RCSO, NERC Certification #RA200412334- Expires 12/30/2009
 BA in Economics with concentration in business, Completed TVA SGPO program at Wheeler Hydro Plant in 1982.
 Approximately 15 years operating experience with TVA as: Reliability Coordinator, Transmission Provider, Balancing Authority, Transmission operator (dispatcher SE Cell), Senior Switchboard Operator Shawnee Fossil Plant
 Substation Operator, Operator Hydro Wilson Hydro Plant, several years experience with TVA in Human Resource / Labor relations .

Terry D. Williams, RCSO
 Currently on rotational assignment as Specialist, Reliability Analysis and Operations (SRAO) NERC Certified System Operator, Reliability (2000 - present), Certification of Successful Completion of TVA Operator Training Program (1982)
 (Over 26 years of experience in Electric Transmission System and Hydro Power Plant operations, with progressive levels of accountability, responsibility and supervision) - 7/2000 - Present Reliability Coordinator System Operator, 7/1993 - 7/2000 Transmission Operator (Power System Dispatcher), 3/1993 - 7/1993 Senior Operator - Hydro, 6/1985 - 3/1993 Operator - Hydro, 5/1982 -6/1985 Substation Operator II, 2/1980 - 5/1982 Student Generating Plant Operator

Roddie L Stewart, Reliability Coordinator System Operator (RCSO)
 Student Generator Plant Operator 2 year program, Certifications, NERC Certified System Operator Reliability
 1.5 Years as substation operator at West Point Ms., 15 Years as Hydro Plant Operator (Great Falls and Wilson Hydro), Passed Senior Operator Hydro Exam in 1997, 3.5 Years Dispatcher

(Transmission Operator) South West and North West Cell for TVA, 3 Years as Reliability Operator/Transmission Provider, 3 Years as Reliability Coordinator System Operator

Joel Wise, Specialist, Reliability Analysis and Operations

NERC Certification, RA level

Conventional Hydro Operator, Duke Power Co., 1 year

Pumped Storage Hydro Operator, Duke Power Co., 7 years

System Operator, Duke Energy, 5 1/2 years, included BA, IA, TP, and RC responsibilities

Balancing Authority System Operator, TVA, 2 1/2 years, including 1 year as a Senior BA

Specialist, Reliability Analysis and Operations, TVA, 2 years

Jeffrey O. Yauman, SRAO

Associate Degree - Electrical Engineering Technology, Associate Degree - Electro-mechanical Engineering Technology, Associate of Arts Degree

NERC Certified System Operator since February 1999 (exp. 10/2008)

March 2004 - Present - SRAO, May 2002 - March 2004 - System Dispatcher, June 1974 - May

2002 Supervisor of System Operations, 1996 - 1999 System Operations - System Dispatcher,

1985 - 1996 System Operations - System Operator, 1980 - 1985 Dispatcher, 1974 - 1980 -

System Operations - Technician

Donald Herring, RCSO

Philipsburg-Osceola Area High School, AS Degree Nuclear Technology

8 years qualified (on 3 separate nuclear sites) as Navy Nuclear Operator, 11 years as

Transmission Operator (NERC certified), 5 years RCSO (NERC certified).

Greg Byrom, RCSO

Hydro operator training - 2 years at Wilson Hydro, Hydro operator - 1 year at Pickwick Hydro,

Substation operator - 3 years Bowling Green Kentucky area, 10 years grade 7 electrical control

building operator - Widows Creek Fossil plant, Power system dispatcher training - Chickamauga

dispatching office, Power System Dispatcher - 4 years at Jackson - Wilson and Chattanooga

SOC, Reliability operator and coordinator - 6 years at Chattanooga System Operations Center

and Regional Operations Center

Wai Ran Wu, SRAO

BS Electrical Engineering, NERC Certified System Operator

25 years experience in Electrical Utilities Industry, 15 years in System

(Generation/Transmission) Planning, 6 years in Engineer/Manager, System Reliability, 4 years in

Reliability Coordination.

Transmission System Reliability Group

Doug Bailey - Mgr, Transmission System Reliability

Education: BSEE - University of Kentucky

Experience: 15 years at TVA, 2 years in current position, 2 years as Mgr, Senior Transmission

Operator, 2 years as Spec, Transmission System Operator, 3 years as Power System Engineer in

SCADA/EMS, 2 years as Electrical Engineer in Transmission Operations and Maintenance, 4

years as Power Utilization Engineer.
NERC Certified System Operator (N20015106)

Jennifer R. Weber, Transmission Reliability Specialist

Education: BSEE, MSEE (Auburn University), PE License (WA #33920), NERC Certified System Operator (N200114999), IEEE Senior Member (#01928019)

Experience: 5 years with TVA: Nuclear Offsite Power (NOP) grid operations analysis and support, NERC and IEEE NOP Standards Development. 10 years past experience: Hydro system operations planning, power and transmission resource utilization planning, generator outage coordination, transmission contract analysis and negotiation, and power budget preparation (City of Seattle). Nuclear plant Design Engineering and System Engineering, Licensing support, Root Cause Analysis, Management SRO Certification (WPPSS). Lunar Base power system conceptual design (NASA/Auburn)

Colleen M. Hawes, Sr. Electrical Engineer

Education: BSEE, Auburn University

Experience: 26 years at TVA, 1 year as Senior Engineer in operations planning, 3 years as Senior Engineer in resource planning, 10 years as Power Supply Analyst in Bulk Power Trading, 5 years as Program Manager in Nuclear Engineering, 7 years as Power Supply Engineer

Gary Kobet, Electrical Engineer

Education: MSEE Mississippi State University, BSE (electrical) Univ Alabama-Huntsville, registered P.E. in Alabama

Experience: 16 years for TVA, 10 as field engineer, 6 as protection engineer, 3 months in present section studying voltage stability

Richard McCrory, Electrical Engineer

Education: BSEE, Auburn University

Experience: 5 year with TVA, 4 years in resource planning, 1 year in operations planning

Shaun McFarland, Electrical Engineer

Education: BSEE, Mississippi State University

Experience: 4 years with TVA in operations planning.

Armando Rodriguez, Electrical Engineer

Education: BSEE, Tennessee Tech University

Experience: 3.5 years with TVA in operations planning.

Chuck Shue, Electrical Engineer

Education: BSEE, Mississippi State University

Experience: 3.5 years with TVA in operations planning.

Valarie Clark, Electrical Engineer

Education: BS, Southern University, MSE University of Portland

Experience: 2.5 years with TVA in operations planning. 2 years with BPA in long-term planning.

Shaker Manns, Electrical Engineer

Education: BSEE, University of Tennessee, Chattanooga

Experience: 1 year with TVA in operations planning.

Ben Taylor, Electrical Engineer

Education: BSEE, University of Tennessee, Chattanooga

Experience: 3 months with TVA in operations planning

Nate Schweighart, Electrical Engineer

Education: BSEE, University of Illinois, Champaign-Urbana

Experience: 5 years with TVA in transmission planning

EXHIBIT 1
TO THE RELIABILITY COORDINATOR AGREEMENT

LG&E and KU hereby incorporate by reference the Joint Reliability Coordination Agreement by and between the Midwest Independent Transmission System Operator, Inc., PJM Interconnection, Inc. and Tennessee Valley Authority, dated May 1, 2009, including the Baseline Congestion Management Process (Version 1.5), dated November 1, 2009, available at: http://www.midwestiso.org/publish/Folder/2b8a32_103ef711180_75ee0a48324a?rev=1.

**Revised Version of Attachment P to LG&E/KU OATT
(Already Submitted in eTariff Format)**

ATTACHMENT P
FUNCTIONS OF THE RELIABILITY COORDINATOR AND THE ITO

1 **OVERVIEW**

- 1.1** This Attachment P sets forth the functions and responsibilities of the Independent Transmission Organization (“ITO”), the Reliability Coordinator (“Reliability Coordinator”) and the Transmission Owner, and includes a description of certain relationships between and amongst the ITO, the Reliability Coordinator, the Transmission Owner, generator owners, load serving entities and other Tariff Participants. This Attachment P will be the governing document in describing and delineating the responsibilities among the Transmission Owner, the ITO, and the Reliability Coordinator.
- 1.2** The Transmission Owner will retain operational control over the Transmission System, but will be obligated to follow the directives of the ITO and Reliability Coordinator as set forth in this Attachment P. The specific division of functions between, and responsibilities of, the ITO, the Reliability Coordinator and the Transmission Owner are set forth in this Attachment P.
- 1.3** The Transmission Owner and ITO have entered into a contract which specifies all of the functions and responsibilities of the ITO and the terms and conditions upon which the ITO will perform such functions and responsibilities (the “ITO Agreement”). This Attachment P is intended solely as a delineation of functions and responsibilities between and amongst the ITO, the Reliability Coordinator and the Transmission Owner, and as a description of certain relationships between and amongst the ITO, the Reliability Coordinator, the Transmission Owner, generator owners, load serving entities and other Tariff Participants. For the avoidance of doubt, the ITO Agreement, which is attached hereto as Attachment Q to the Tariff, is attached for informational purposes only.
- 1.4** The Transmission Owner and Reliability Coordinator have entered into a contract which specifies all of the functions and responsibilities of the Reliability Coordinator and the terms and conditions upon which the Reliability Coordinator will perform such functions and responsibilities (the “RC Agreement”). This Attachment P is intended solely as a delineation of functions and responsibilities between and amongst the Reliability Coordinator, the ITO and the Transmission Owner, and as a description of certain relationships between and amongst the ITO, the Reliability Coordinator, the Transmission Owner, generator owners, load serving entities and other Tariff Participants. For the avoidance of doubt, the RC Agreement, which is attached hereto as Attachment Q to the Tariff, is attached for informational purposes only.
- 1.5** Nothing in this Attachment P precludes the ITO or Reliability Coordinator from performing the same or similar functions for other entities under a separate

contract or expanding to a larger regional entity, provided that the Transmission Owner is reimbursed by the ITO or Reliability Coordinator, as the case may be, in an equitable manner for any capital expenditures or operation and maintenance expenditures made by the ITO or Reliability Coordinator pursuant to this Attachment P to the extent to which the ITO or Reliability Coordinator uses such capital expenditures or operation and maintenance expenditures in connection with such contract or expansion, and provided further that the ITO's or Reliability Coordinator's performance of such additional functions does not breach its duties and responsibilities set forth in this Attachment P.

2. **DEFINITIONS**

The capitalized terms used in this Attachment P shall have the meanings assigned to them below or, if not specifically defined in this Attachment P, shall have the meanings assigned to them elsewhere in the Tariff:

- 2.1 Annual Plan** shall mean the plan developed pursuant to Section 3.3.3 of this Attachment P and Appendix 2 to this Attachment P.
- 2.2 ATC** shall mean Available Transfer Capability.
- 2.3 ATC Methodology** shall mean the criteria, standards, and procedures used to calculate ATC values as set forth in the following: (i) the Tariff provisions applicable to ATC calculations, including Attachment C to the Tariff; (ii) applicable NERC and Regional Reliability Council standards, and NAESB business practices; (iii) the Transmission Owner's ATC Procedures that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P; and (iv) the Transmission Owner's local reliability criteria provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P.
- 2.4 Balancing Authority** shall mean the entity responsible for maintaining loadresource balance within the Balancing Authority Area, as described in the NERC Reliability Functional Model Version 2. The Transmission Owner and the ITO shall divide the responsibilities of the Balancing Authority as provided in Appendix 5 of this Attachment P.
- 2.5 Balancing Authority Area** shall mean the collection of generation, transmission, and loads within the metered boundaries managed by the Balancing Authority. Balancing Authority Area is generally synonymous with Control Area under the Tariff.
- 2.6 Base Case Model** shall mean current power flow models representing the Transmission System used for reliability assessments, TSR studies, Interconnection Studies, and transmission planning and economic studies. When used in the context of TSR studies and Interconnection Studies, "Base Case Model" refers to the annual, seasonal, monthly, or other power flow models used

by the ITO to evaluate the respective TSRs or Interconnection Requests. When used in the context of transmission planning, “Base Case Model” refers to the annual and seasonal power flow model described in Appendix 1 to this Attachment P.

- 2.7 Facilities Study Criteria** shall mean the criteria, standards, and procedures used to perform Facilities Studies as set forth in the following: (i) Tariff provisions applicable to the performance of Facilities Studies; (ii) applicable NERC Reliability Standards and Regional Reliability Council standards; (iii) the Transmission Owner’s business practices related to Facilities Studies that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P; and (iv) the Transmission Owner’s local reliability criteria that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P.
- 2.8 FPA** shall mean the Federal Power Act, 16 USC § 824, *et seq.*
- 2.9 Independent** shall mean: (a) with respect to the ITO, its employees, or designees, that the ITO, its employees, and designees are not subject to the control of the Transmission Owner, any of its Affiliates or any Tariff Participant, and have full decision-making authority to perform all of the functions and responsibilities assigned to them under this Attachment P; and (b) with respect to the Reliability Coordinator and its employees, that the Reliability Coordinator and its employees are not subject to the control of the Transmission Owner or any of its Affiliates, and have full decision-making authority to perform all of the functions and responsibilities assigned to them under this Attachment P.
- 2.10 Interconnection Request** shall mean any Interconnection Request made under the LGIP or SGIP.
- 2.11 Interconnection SIS** shall mean the interconnection System Impact Study required under the LGIP or SGIP.
- 2.12 Interconnection Study(ies)** shall mean studies required to interconnect new generation to the Transmission System under FERC Order Nos. 2003 and 2006.
- 2.13 Interconnection Study Criteria** shall mean the criteria, standards, and procedures used to perform Interconnection Studies as set forth in the following: (i) the LGIP, LGIA, SGIP, and SGIA provisions applicable to the performance of Interconnection Studies; (ii) applicable NERC Reliability Standards and Regional Reliability Council standards; (iii) the Transmission Owner’s business practices related to Interconnection Studies that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P; and (iv) the Transmission Owner’s local reliability criteria that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P.
- 2.14 JRCA** means the Tennessee Valley Authority’s (“TVA’s”) Joint Reliability Coordination Agreement between TVA, the Midwest ISO and PJM

Interconnection, LLC, as may be amended from time to time.

- 2.15 LGIA** shall mean the Standard Large Generator Interconnection Agreement under Attachment J to the Tariff or the version of that agreement executed by an Interconnection Customer, as applicable.
- 2.16 LGIP** shall mean the Standard Large Generator Interconnection Procedures under Attachment J to the Tariff.
- 2.17 Long-Term TSRs** shall mean TSRs that are for a term of one year or greater in duration.
- 2.18 Market Participant** shall have the meaning given to such term in 18 CFR § (b)(2) of FERC's regulations.
- 2.19 NERC** shall mean the North American Electric Reliability Corporation or any successor organization.
- 2.20 NERC Reliability Standards** shall mean the NERC-approved Version 0 reliability standards, compiled in a document titled "Reliability Standards for the Bulk Electric Systems of North America," dated February 7, 2006, as may be amended or superseded from time to time.
- 2.21 Planning Criteria** shall mean the criteria, standards, and procedures used in developing the Annual Plan as set forth Attachment K to the Tariff, as such is accepted for filing by FERC.
- 2.22 Regional Reliability Council** shall mean any one of the eight current NERC Regional Reliability Councils with jurisdiction over the Balancing Authority Area, including ReliabilityFirst Corporation, or its successor.
- 2.23 Short-Term TSRs** shall mean TSRs that are for a term less than one-year in duration.
- 2.24 SIS** shall mean the System Impact Study required under the Tariff to evaluate TSRs and to determine what magnitude of system upgrades, if any, might be required to grant a TSR.
- 2.25 SIS Criteria** shall mean the criteria, standards, and procedures used to perform System Impact Studies as set forth in the following: (i) Tariff provisions applicable to the performance of SISs, including Attachment D to the Tariff; (ii) applicable NERC Reliability Standards and Regional Reliability Council standards; (iii) the Transmission Owner's business practices related to SISs that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P; and (iv) the Transmission Owner's local reliability criteria that are provided to the ITO for posting on OASIS pursuant to Appendix 1 this Attachment P.

- 2.26 SGIA** shall mean the Standard Small Generator Interconnection Agreement under Attachment K to the Tariff or the version of that agreement executed by an Interconnection Customer, as applicable.
- 2.27 SGIP** shall mean the Standard Small Generator Interconnection Procedures under Attachment K to the Tariff.
- 2.28 Transmission Loading Relief (“TLR”)** means actions such as Transmission System reconfiguration, generator redispatch, or load shedding, consistent with the NERC Reliability Standards.
- 2.29 Tariff Participant** shall mean the Transmission Owner’s Transmission Customers, Interconnection Customers, wholesale customers, Affected Systems, Market Participants and similarly qualified third parties within the Balancing Authority Area.
- 2.30 Transmission Planning Conference** shall mean the annual stakeholder meeting conducted by the ITO to gather input and feedback on the planning process and Annual Plan.
- 2.31 Transmission Study Criteria** shall mean the ATC Methodology, the SIS Criteria, and the Facilities Study Criteria.
- 2.32 Transmission Service Request (“TSR”)** shall mean a request submitted by an eligible Transmission Customer under the Tariff for either Point-to-Point Transmission Service or Network Integration Transmission Service, including a new designation of Network Resources or Network Load.
- 2.33 TSR Processing Criteria** shall mean the criteria, standards, and procedures used to process TSRs as set forth in the following: (i) Tariff provisions applicable to TSR processing; (ii) FERC’s OASIS Standards and Communication Protocols and Business Practice Standards for OASIS Transactions; and (iii) the Transmission Owner’s business practices related to OASIS and TSR processing that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P.

3 FUNCTIONS OF THE ITO

3.3 Independence

- 3.1.1** The ITO and its employees and designees (i) shall be Independent of and (ii) shall not discriminate against the Transmission Owner, any of its Affiliates and any Tariff Participant. Any ITO employee or designee owning securities in the Transmission Owner, or its Affiliates or any Tariff Participant shall divest such securities within six (6) months of first being assigned to perform ITO functions or responsibilities, provided that ITO employees and designees shall be entitled to indirectly own securities issued by the Transmission Owner, its Affiliates or any Tariff Participant

through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or the electric utility industry or any segment thereof) under which the ITO employee or designee does not control the purchase or sale of such securities, provided further that participation by an ITO employee or designee in a pension plan of the Transmission Owner, its Affiliates or any Tariff Participant shall not be deemed to be a direct financial interest if the plan is a defined-benefit plan that does not involve the ITO employee's or designee's ownership of the securities. No ITO employees or designees shall be employed by the Transmission Owner or any of its Affiliates.

- 3.1.2** All employees and designees of the ITO performing functions and responsibilities under this Attachment P shall be treated, for the purposes of FERC's Standards of Conduct set forth at 18 CFR Part 358, as transmission employees of the Transmission Owner, and all restrictions related to information sharing and other relationships between merchant employees of the Transmission Owner and/or its Affiliates and transmission employees of the Transmission Owner and/or its Affiliates shall apply to the employees and designees of the ITO.
- 3.1.3** The ITO shall perform its functions and responsibilities under this Attachment P: (i) in accordance with (A) Good Utility Practice, (B) the Transmission Owner's specific requirements and operating guidelines (to the extent these are not inconsistent with other requirements specified in this Attachment P), (C) the Tariff, and (D) all applicable laws and the requirements of federal and state regulatory authorities; and (ii) in an Independent, fair, and nondiscriminatory manner.
- 3.1.4** The ITO shall adopt a policy on conflicts of interest establishing appropriate standards for the professional and financial independence of the ITO, consistent with FERC policies and regulations. In addition, the ITO shall adopt ethics policies and standards for its employees. The ITO and its employees shall comply at all times with the conflicts of interest and ethics policies. The ITO's conflict of interest and ethics policies shall be posted on the Transmission Owner's OASIS. The ITO's conflict of interest policies shall include provisions protecting against any discrimination by the ITO in favor of third parties for whom the ITO may perform services or enjoy a relationship that inures to the ITO's financial benefit.
- 3.1.5** In order to carry out its functions and responsibilities under this Attachment P, the ITO will have complete access to all data and information prepared by or on behalf of or generated for the Transmission Owner's transmission operations personnel that the ITO requests and that the ITO believes is necessary to perform its functions and responsibilities under this Attachment P, subject to appropriate confidentiality provisions. To the extent that the ITO requires access to data or information obtained

by the Transmission Owner from other Tariff Participants, including the Transmission Owner's wholesale merchant function employees, such data or information shall be treated as confidential information, unless otherwise available from public sources or public disclosures.

3.2 General Functions

- 3.2.1** The general functions and responsibilities of the ITO are described in this Section 3.2. A more detailed description of the functions and responsibilities of the ITO, the Reliability Coordinator and the Transmission Owner is provided in Appendices 1-5 to this Attachment P.
- 3.2.2** The ITO shall have experience and expertise appropriate to the performance of its functions and responsibilities under this Attachment P, including the analysis of Transmission System operations and open access regulatory requirements.
- 3.2.3** All functions and responsibilities of the ITO shall be performed by ITO employees or designees of the ITO, and the ITO shall retain full responsibility and authority for any act or omission of such designees.
- 3.2.4** The ITO shall administer the terms and conditions of the Tariff.
- 3.2.5** The ITO will process and evaluate (i.e., grant or deny) all TSRs, including those transactions associated with network service and existing point-to-point service agreements, on a non-discriminatory basis consistent with the Tariff, the TSR Processing Criteria, the Transmission Study Criteria, and Good Utility Practice. The ITO shall be responsible for documenting all transmission service requests under the Tariff, the disposition of such requests, and any data required to support the decision with respect to such requests. The division of responsibilities for evaluation and approval of TSRs is defined in Appendix 1 of this Attachment.
- 3.2.6** The ITO, in consultation with the Transmission Owner, the Reliability Coordinator, and Tariff Participants, shall develop and revise, as appropriate, operating procedures governing the ITO's exercise of its functions and responsibilities in this Attachment P ("Operating Procedures"), which shall be made publicly available on the OASIS except to the extent the ITO and the Transmission Owner jointly determine that certain of the Operating Procedures should not be made publicly available for security reasons consistent with FERC's regulations regarding Critical Energy Infrastructure Information.
- 3.2.7** The ITO shall develop procedures for ensuring the confidentiality of any confidential information or materials made available to the ITO by the Transmission Owner or any Tariff Participant, including information or materials that include or comprise Critical Energy Infrastructure Information.

- 3.2.8** The ITO shall post any information it possesses regarding proposed changes to the Tariff not later than fifteen (15) days prior to the Transmission Owner's filing of the amendment with FERC. The ITO shall be responsible for keeping the Tariff updated on OASIS and any website to be administered by the ITO.
- 3.2.9** The ITO shall propose Tariff changes to the Transmission Owner to the extent necessary to carry out its responsibilities and functions under this Attachment P. The ITO shall submit bi-annual reports to the Transmission Owner proposing such changes (if any). The ITO shall promptly post these reports on OASIS. The Transmission Owner shall file such Tariff changes under Section 205 of the FPA to the extent the Transmission Owner, in its sole discretion, determines that such Tariff changes are appropriate. If the Transmission Owner declines to file such a Tariff change with the FERC, the ITO and the Transmission Owner shall make a joint submission to the FERC under Section 206 of the FPA, including a statement of their respective positions regarding the Tariff change.
- 3.2.10** The ITO shall coordinate and cooperate with the Reliability Coordinator and provide any information that the Reliability Coordinator may reasonably request in order to carry out its functions under the RC Agreement, subject to any applicable confidentiality requirements.
- 3.2.11** The ITO shall report in writing to FERC every six (6) months (commencing on the six-month anniversary of the effective date of the Tariff and every six (6) months thereafter) to address (i) any concerns expressed by stakeholders and the ITO's response to same and (ii) any issues or Tariff provisions that hinder the ITO from performing its functions and responsibilities under this Attachment P and the other provisions of the Tariff.
- 3.2.12** In addition to the reports provided for in Section 3.2.12, the ITO shall make such other reports to FERC and Transmission Owner's retail regulators as may be required by applicable law and regulations or as may be requested by such authorities.

3.3 Planning Function

- 3.3.1** The ITO shall have ultimate review and approval authority over all planning activities discussed in the Tariff, including those listed in Appendix 2 of this Attachment P. This includes review and approval authority over transmission plans, the development of models, planning criteria, study criteria, plans, studies, the methodology for calculating ATC, and any inputs or numerical values provided by the Transmission Owner. The ITO shall carry out its duties under the Planning Function in a manner that ensures that transmission planning on the Transmission Owner's system is done on an independent, non-discriminatory basis.

- 3.3.2** All planning shall conform to applicable NERC Reliability Standards, applicable Regional Reliability Council standards, Transmission Owner's specific reliability requirements and operating guidelines, and all applicable requirements of federal or state laws or regulatory authorities. Such planning shall seek to minimize costs, consistent with the reliability and other requirements set forth in the Tariff.
- 3.3.3** The ITO shall conduct an open stakeholder process through which issues and concerns of stakeholders related to the Annual Plan can be received and considered. This process shall include an open Transmission Planning Conference to gather stakeholder input for consideration in the planning process. The focus of this stakeholder process will be those issues or concerns related to the provision of Transmission Service and Interconnection Service under the Tariff.

4 THE FUNCTIONS OF THE RELIABILITY COORDINATOR

4.1 Independence.

- 4.1.1** The Reliability Coordinator and its employees shall be Independent of the Transmission Owner and any of its Affiliates. Any Reliability Coordinator employee owning securities in the Transmission Owner or its Affiliates shall divest such securities within six (6) months of first being assigned to perform Reliability Coordinator functions or responsibilities, provided that Reliability Coordinator employees shall be entitled to indirectly own securities issued by the Transmission Owner or its Affiliates through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or the electric utility industry or any segment thereof) under which the Reliability Coordinator employee does not control the purchase or sale of such securities, provided further that participation by a Reliability Coordinator employee in a pension plan of the Transmission Owner or its Affiliates shall not be deemed to be a direct financial interest if the plan is a defined-benefit plan that does not involve the Reliability Coordinator employee's ownership of the securities. No Reliability Coordinator employees shall be employed by the Transmission Owner or any of its Affiliates.
- 4.1.2** All employees of the Reliability Coordinator performing functions and responsibilities under this Attachment P shall be treated, for purposes of the FERC's Standards of Conduct, as transmission employees of the Transmission Owner, and all restrictions relating to information sharing and other relationships between merchant employees of the Transmission Owner or its Affiliates and transmission/reliability employees of the Transmission Owner or its Affiliates shall apply to such Reliability Coordinator employees.
- 4.1.3** The Reliability Coordinator will perform its functions in accordance with Good Utility Practice and shall: (a) conform to: (i) all applicable reliability

criteria, policies, standards, rules, regulations and other requirements of NERC and any applicable Regional Reliability Council or their successors; (ii) the Transmission Owner's specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements specified in this Section 4.1.3); and (iii) all applicable requirements of federal and state regulatory authorities; and (b) not make any adverse distinction between the Transmission Owner, any Market Participant, or any Tariff Participant, on the one hand, and any third-party on whose behalf the Reliability Coordinator may perform transmission-related services or functions on the other hand.

4.1.4 Employees of the Reliability Coordinator performing the Reliability Coordinator functions may occupy dedicated offices within facilities owned or operated by the Transmission Owner ("Reliability Coordinator Dedicated Offices"), provided that any such Reliability Coordinator employees shall not share office space with any transmission/reliability employees or merchant employees of the Transmission Owner or its Affiliates, any Market Participant, or any other Tariff Participant. The Transmission Owner and the Reliability Coordinator shall put in place the appropriate procedures to ensure that access to the Reliability Coordinator Dedicated Offices is restricted to the same extent that the Transmission Owner restricts access to its transmission/reliability offices and facilities pursuant to FERC's Standards of Conduct, set forth in 18 CFR Part 358.

4.2 General Functions

4.2.1 The general functions of the Reliability Coordinator are described in this Section 4.2. A more detailed description of the functions and responsibilities of the Reliability Coordinator, the ITO and the Transmission Owner is provided in Appendices 1-5 to this Attachment P.

4.2.2 In its capacity as Reliability Coordinator, the Reliability Coordinator shall coordinate and cooperate with the ITO and Transmission Owner and provide any information that the ITO or Transmission Owner may reasonably need to carry out its functions, as may be requested. Such information provided to the Reliability Coordinator will be kept confidential in accordance with terms herein.

4.3 Reporting; Audit. The Reliability Coordinator will be responsible for making regular reports to FERC and the Transmission Owner's retail regulators as may be required by applicable law and regulations or as may be requested by such authorities.

5 **GENERAL RESPONSIBILITIES OF THE TRANSMISSION OWNER, GENERATION OWNERS AND LOAD SERVING ENTITIES**

5.1 The Transmission Owner shall perform its functions and responsibilities under this Attachment P in accordance with Good Utility Practice and all applicable

laws and the requirements of federal and state regulatory authorities.

- 5.2** Nothing in this Attachment P shall be deemed to restrict or prohibit the Transmission Owner from taking any actions it believes are reasonably necessary to protect against endangerment to the safety of employees or the public or damage to facilities.
- 5.3** The Transmission Owner shall have sole authority to file with FERC changes to the Tariff, including this Attachment P, pursuant to Section 205 of the FPA, subject to the terms of the ITO Agreement and/or the Reliability Coordinator Agreement. The Transmission Owner shall provide thirty (30) days notice to the ITO and/or the Reliability Coordinator, as applicable, regarding any such changes.
- 5.4** Generation owners shall provide the ITO with such data, information, and applicable requirements that govern the operation of any generating facilities interconnected with the Transmission System, as the ITO may require to perform its functions and responsibilities under this Attachment P, including any redispatch information required under Section 19.3 of the Tariff.
- 5.5** Generation owners shall submit and coordinate unit schedules as necessary to permit the ITO to assess TTC and transmission reliability.
- 5.6** Load serving entities shall submit, on an annual basis, data concerning projected loads, designated network resources, generation and transmission maintenance schedules, and such other operating data as the ITO may require to perform its functions and responsibilities under this Attachment P.

6 DISPUTE RESOLUTION

Any dispute, claim or controversy amongst the Transmission Owner, the ITO and the Reliability Coordinator involving the division of responsibility as set forth in this Attachment P and/or related to the ITO Agreement or the RC Agreement, as set forth in Attachment Q to the Tariff, (each, a “Dispute”) shall be resolved in accordance with the procedures set forth in this Section 6 to Attachment P. For the avoidance of doubt, any dispute between the ITO and the Transmission Owner or between the Reliability Coordinator and the Transmission Owner shall be resolved pursuant to the dispute resolution provisions of the ITO Agreement or the RC Agreement, respectively.

- 6.1** Notice of Dispute. In the event of a Dispute under this Section 6 of Attachment P any party to the Dispute may provide written notice to the other parties to the Dispute, including a description of the nature of the Dispute.
- 6.2** Dispute Resolution by Representatives. The parties to the Dispute shall first refer the Dispute to their respective representatives who shall negotiate in good faith to resolve the Dispute.
- 6.3** Dispute Resolution by Executive Management Representatives. If the Dispute is not resolved within fifteen (15) days of being referred to the disputing parties’

representatives pursuant to Section 6.2 of this Attachment P, then each party shall have five (5) days to appoint an executive management representative who shall negotiate in good faith to resolve the Dispute.

- 6.4** Dispute Resolution by Mediation. If the parties' executive management representatives are unable to resolve the Dispute within thirty (30) days of their appointment, the parties shall proceed in good faith to submit the matter to a mediator mutually acceptable to the disputing parties. The parties will share equally in the cost of such mediation, which will be conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association.
- 6.5** Arbitration. If the parties are unable to resolve the Dispute within thirty (30) days after the appointment of a mediator pursuant to Section 6.4 of this Attachment P, then the Dispute will be resolved according to the provisions for arbitration and any other remedies as outlined in this Section 6.5 of Attachment P.
- 6.5.1** Choice of Arbitrator(s). Any arbitration initiated under Section 6.5 of Attachment P shall be conducted before a single neutral arbitrator appointed by the disputing parties. If the disputing parties fail to agree upon a single arbitrator within ten (10) days of the referral of the Dispute to arbitration, each disputing party shall choose one arbitrator who shall sit on a three-member arbitration panel. The arbitrator(s) shall provide each of the disputing parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association.
- 6.5.2** Arbitration Decisions. Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of appointment and shall notify the disputing parties in writing of such decision and the reasons therefore. The decision of the arbitrator(s) shall be final and binding upon the disputing parties, and judgment on the award may be entered in any court having jurisdiction; provided, to the extent the final decision of the arbitrator(s) affects jurisdictional rates, terms and conditions of service or facilities, it must also be filed with the FERC consistent with applicable law, and its effectiveness is contingent upon applicable filing and acceptance provisions of applicable law, if any. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act and/or the Administrative Dispute Resolution Act.
- 6.5.3** Costs. Each disputing party shall be responsible for its own costs incurred during the arbitration process and for the cost of the arbitrator chosen by the disputing party to sit on the three member panel or, if applicable, one third of the cost of the single arbitrator jointly chosen by the disputing parties.

6.6 Interim Measures Pending Resolution. Pending resolution of any dispute raised under this Section 6, the parties' positions will prevail as follows. These are only meant to be interim measures, shall not implicate a final outcome of Dispute Resolution taken under this Section 6.

6.6.1 In a dispute among the Parties, or between the ITO and the Reliability Coordinator involving matters for which the Transmission Owner has authority to provide inputs, the Transmission Owner's position should control pending outcome of the dispute resolution process.

6.6.2 In a dispute among the Parties, or between the ITO and the Reliability Coordinator involving matters for which the Transmission Owner does not have authority to provide inputs, and the dispute concerns matters which, under this Attachment P, the Reliability Coordinator has final review and approval authority, the Reliability Coordinator's position should control pending outcome of the dispute resolution process.

6.6.3 In a dispute among the Parties, or between the ITO and the Reliability Coordinator involving matters for which the Transmission Owner does not have authority to provide inputs, and the dispute concerns matters which, under this Attachment P, the ITO has final review and approval authority, the ITO's position should control pending outcome of the dispute resolution process.

Appendix 1

Division of Responsibility for Transmission Service and Interchange

The coordination between and amongst the ITO, the Reliability Coordinator and the Transmission Owner with respect to processing and evaluation of TSRs shall be as provided for in this Appendix 1. As the Tariff administrator for the Transmission Owner, the ITO has ultimate authority over all TSRs and is the lead entity for the evaluation of any TSR.

1 ITO Responsibility - The responsibilities of the ITO in respect of the processing and evaluating TSRs will be performed on a non-discriminatory basis consistent with the TSR Processing and Transmission Study Criteria, and include the following:

- Maintaining commercial interface for receiving and confirming requests for transmission service according to the requirements of the Tariff (e.g. OASIS);
- Calculating and posting ATC and TTC consistent with the Tariff, NERC standards, and NAESB business practices;
- Collecting all necessary information for the processing and evaluation of a TSR;
- Coordinating as necessary with the Transmission Owner and the Reliability Coordinator when processing requests for service into and out of transmission facilities or distribution facilities;
- Determining that all preconditions necessary for a TSR to be considered a Completed Application have been met;
- Maintaining appropriate TSR queues for Short-Term and Long-Term TSRs;
- Determining whether sufficient transmission capability exists to grant or deny a TSR;
- Approving or denying TSRs;
- Providing and executing SIS Agreements, and Facilities Studies Agreements;
- Performing SISs as necessary to evaluate whether sufficient transmission capability exists to accommodate a TSR, what additional facilities might be, required to allow the granting of a TSR (subject to further review in a Facilities Study), redispatch options (when requested by a customer), and conditional curtailment options (when requested by a customer);
- Performing SISs in response to requests to designate new Network Resources under Section 30 of the Tariff, including requests by the Transmission Owner's wholesale merchant function on behalf of Native Load Customers, and verifying that applicable Tariff requirements have been met;
- Providing all notices related to the processing and evaluation of a TSR to the Transmission Customer via OASIS;
- Independently reviewing the Transmission Owner's description of the ATC Methodology, SIS Criteria, Facilities Study Criteria, and TSR Processing Criteria to ensure that these criteria are sufficiently defined for Transmission Customers to understand how TSRs are processed and evaluated. If the ITO concludes that additional explanatory detail is required, the Transmission Owner will modify the appropriate business practice documents to include the additional detail. The ITO will post on OASIS the final versions of the criteria, including the Transmission

Owner's local reliability criteria, subject to applicable confidentiality requirements.

- Independently reviewing data, information and analyses, including Facilities Studies provided or performed by the Transmission Owner or the Reliability Coordinator;
- Ensuring that the TSR Processing Criteria and the Transmission Study Criteria are posted on OASIS and are sufficiently detailed so that the evaluation and processing of TSRs is transparent and understandable, subject to the confidentiality provisions of Attachment P;
- Responding to inquiries by Transmission Customers regarding TSRs concerning the functions performed by the ITO as set forth in Attachment P;
- Determining the amount and applicability of Ancillary Services under Schedules 1-6 of the Tariff that are needed or required for each transaction by Transmission Customers to comport with reliability guidelines;
- Developing and managing computer software that automates the process for evaluating Transmission Service Requests in an independent and nondiscriminatory manner;
- Billing and normal collection/payment of the applicable charges/invoices for SIS and Facilities Studies; and
- Consistent with the Tariff, the ITO will notify Transmission Customers of curtailments and interruptions of TSRs.

2 Transmission Owner Responsibility -- The responsibilities of the Transmission Owner in respect of the processing and evaluation of TSRs include the following:

- Providing data inputs and other information and analyses required by the ITO to study individual TSRs;
- Tendering, entering into, and filing all Transmission Service Agreements in accordance with the Tariff;
- Entering into any Facilities Study Agreement with the ITO and the Transmission Customer;
- Performing Facilities Studies;
- Billing and collecting the applicable charges for Transmission Service under the Tariff and Ancillary Services under Schedules 1-6 and 9 of the Tariff; and
- Supplying the Transmission Customer with detailed descriptions of the current Transmission Study Criteria and TSR Processing Criteria, including: (i) the Transmission Owner's current Tariff; (ii) applicable NERC Reliability Standards; and (iii) the Transmission Owner's local reliability criteria.

3 TSR Processing Criteria - As the Tariff administrator, the ITO has ultimate approval authority over all TSRs Processing Criteria. The TSR Processing Criteria shall be developed as follows:

- 3.1 Base Case Model Development:** Once the Base Case Model is complete, the ITO will participate with the Transmission Owner and the Reliability Coordinator in any additional regional model development processes necessary to create updated

quarterly and monthly regional models from the seasonal and annual models. These models, which are updated quarterly or monthly, will serve as the basis for the annual, seasonal, monthly, or daily Base Case Models for the Transmission System used to evaluate TSRs.

- 3.1.1** In order to develop the regional models and Base Case Models for the Transmission System referenced above, the Transmission Owner and the Reliability Coordinator will provide to the ITO and other modeling group participants such data and information as may be necessary to prepare and update the models. The ITO will review the data inputs provided by the Transmission Owner and the Reliability Coordinator to ensure that the data inputs and resulting models are consistent with the Transmission Study Criteria and Attachment K to the OATT.
- 3.2** Studies for Long-Term TSRs: All Long-Term TSRs will be evaluated in accordance with the Tariff. If a SIS indicates that additions or upgrades are needed to accommodate the TSR, the Transmission Customer may request a Facilities Study. The division of responsibilities and duties related to such studies is described below.

System Impact Study

- 3.2.1** If necessary, the ITO shall inform the Transmission Customer of the need for an SIS and provide the Transmission Customer with the standard form SIS Agreement to be executed by the ITO, the Transmission Owner and the Transmission Customer. The SIS Agreement shall obligate the Transmission Customer to pay for the actual cost of the SIS, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions herein. The ITO will be responsible for determining whether the Transmission Customer has timely complied with all requirements necessary for an SIS and for a request to remain a Completed Application. The ITO will provide a copy of the executed SIS Agreement to the Transmission Owner and Transmission Customer.
- 3.2.2** After confirming that all applicable requirements have been met by the Transmission Customer, the ITO will perform or cause to be performed the required SIS. If the SIS is performed by someone other than the ITO, the ITO still retains the ultimate responsibility and authority for the study. Any such delegation of responsibilities by the ITO will be to entities that are Independent of the Transmission Owner and other Market Participants. To perform the SIS, the ITO will use the current set of applicable Base Case Models. The ITO will update the applicable Base Case Models to reflect then-current data from the Transmission Owner's OASIS regarding additional Long-Term TSRs, including new or expired rollover rights. The ITO will perform the SIS as set forth in the SIS Criteria and will ensure that the Base Case Models, including any updates thereto, are

consistent with the SIS Criteria.

- 3.2.3** The ITO will provide the Transmission Owner (and/or any affected thirdparty Transmission Owner) and the Reliability Coordinator with an initial draft of the SIS report including a list of any constrained transmission elements. The Transmission Owner (or affected third-party Transmission Owner) and the Reliability Coordinator will have the opportunity to review and comment on the report. The Transmission Owner or affected third party Transmission Owner will be responsible for developing a mitigation plan to address any constrained transmission elements. The ITO will review the affected Transmission Owner's mitigation plan and will include the mitigation plan and the Transmission Owner's comments in the final SIS report provided to the Transmission Customer.
- 3.2.4** The ITO, in conjunction with the Transmission Owner and the Reliability Coordinator, will use due diligence to finalize the required SIS in accordance with the Tariff and will provide all notices to the Transmission Customer required under the Tariff. The ITO will post the SIS on OASIS as soon as the SIS is complete, and will respond to requests for work papers supporting the SIS. If the Transmission Owner and the ITO cannot resolve any disagreements regarding the SIS, the ITO will modify the draft SIS report to identify the areas of disagreement and will provide this SIS report to the Transmission Customer by posting on OASIS.
- 3.2.5** If the Transmission Owner, the Reliability Coordinator, and the ITO agree that no additions or upgrades to the Transmission System are needed to accommodate the TSR, and the ITO has determined that the Transmission Customer has met the necessary Tariff requirements, the ITO will provide the Transmission Customer with a Transmission Service Agreement to be executed by the ITO, the Transmission Owner and the Transmission Customer. The Transmission Customer may request that the ITO and the Transmission Owner file an unexecuted Transmission Service Agreement with FERC in accordance with the Tariff if: (i) the Transmission Owner and the ITO cannot agree on whether any additions or upgrades to the Transmission System are needed to accommodate the TSR; (ii) the Transmission Customer does not accept the results of the SIS; or (iii) the ITO, the Transmission Owner, and the Transmission Customer cannot agree on the terms and conditions of the Transmission Service Agreement. If the Transmission Owner and the ITO cannot agree on the scope of the additions or upgrades to the Transmission System that are needed to accommodate the TSR, or if the Transmission Customer does not accept the scope of the necessary additions or upgrades, the parties shall attempt to resolve any such disagreement through the more detailed Facilities Study process if the Transmission Customer elects to undertake such a study.

Facilities Study

- 3.2.6** If a SIS indicates that additions or upgrades are needed to accommodate the TSR, the ITO will provide the Transmission Customer with the standard form Facilities Study Agreement to be executed by the ITO, the Transmission Owner, and the Transmission Customer. The Facilities Study Agreement shall obligate the Transmission Customer to pay for the actual cost of the Facilities Study, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions. The ITO will be responsible for determining whether the Transmission Customer has timely complied with all requirements necessary for a Facilities Study and for a request to remain a Completed Application.
- 3.2.7** After confirming that all applicable requirements have been met by the Transmission Customer, the ITO shall direct the Transmission Owner to perform a Facilities Study. The ITO will provide the Transmission Owner with the updated Base Case Models used by the ITO in performing the SIS, including any additional data that the ITO determines may have material impact on the Facilities Study results. The ITO shall direct the Transmission Owner to determine the scope and estimate the cost of the additions or upgrades to the Transmission System needed to accommodate the TSR. The Transmission Owner shall use the updated Base Case Models as the basis for this determination and shall make this determination on a non-discriminatory basis consistent with the Facilities Study Criteria. The Transmission Owner will provide the ITO with its determination of the scope and estimate of the cost of the necessary additions or upgrades and, upon request, supporting documents and work papers.
- 3.2.8** The ITO will review the Transmission Owner's determination regarding the scope and cost of the necessary additions or upgrades. To the extent necessary, the ITO shall coordinate the Facilities Study with other affected transmission providers and conduct any meetings between the Transmission Owner and any other affected transmission providers. The ITO will prepare an initial draft of the Facilities Study report. The Transmission Owner will have the opportunity to review and comment on the report and its comments will be included in the final Facilities Study report provided to the Transmission Customer. If the ITO and the Transmission Owner cannot resolve any disagreements regarding the Facilities Study, the ITO will modify the draft Facilities Study report to identify the areas of disagreement and will provide this Facilities Study report to the Transmission Customer.
- 3.2.9** The ITO, in conjunction with the Transmission Owner and the Reliability Coordinator, will use due diligence to finalize the required Facilities Study

in accordance with the Tariff and will provide all notices to the Transmission Customer required under the Tariff. The ITO will provide the Transmission Customer with the final Facilities Study report and will respond to requests for work papers supporting the Facilities Study.

3.2.10 If the ITO and the Transmission Owner agree on the final Facilities Study, and the Transmission Customer accepts the final Facilities Study, and the ITO has determined that the Transmission Customer has met the necessary Tariff requirements, the ITO will provide the Transmission Customer with a Transmission Service Agreement to be executed by the ITO, Transmission Owner and the Transmission Customer. If the ITO and the Transmission Owner cannot agree, or the Transmission Customer does not accept the final Facilities Study, or if the Transmission Owner and the Transmission Customer cannot agree on the terms and conditions of the Transmission Service Agreement, the Transmission Customer may request that the Transmission Owner file an unexecuted Transmission Service Agreement with FERC in accordance with the Tariff.

3.3 Studies for Short-Term TSRs: The ITO will evaluate all Short-Term TSRs in accordance with the ATC Methodology using the Base Case Models described in Appendix 1 of this Attachment.

4 Transmission Hoarding

4.1 To guard against hoarding of transmission capacity by Market Participants, the ITO will perform a monthly assessment of unscheduled reservations and redirected capacity. Recurring instances of unused and redirected transmission reservations and instances in which scheduling practices have potentially detrimental market significance will be documented and provided to the FERC in the semiannual ITO report.

Appendix 2

Division of Responsibilities for the Planning Function

Overview

This Appendix 2 of Attachment P of the Tariff is designed to provide a division of responsibilities between the Transmission Owner, the ITO and the Reliability Coordinator. Long-term Transmission Planning for the Transmission Owner's footprint will be conducted as an iterative process as follows: 1) the Transmission Owner will develop the long-term Annual Transmission Plan ("Annual Plan") and submit the Annual Plan to the ITO for initial approval; 2) the ITO will review and conduct an engineering assessment of the Annual Plan; and if it is approved, the ITO will submit the Annual Plan to the Reliability Coordinator; 3) the Reliability Coordinator will conduct a regional assessment of the Annual Plan, subject to the conditions below; and 4) the Reliability Coordinator will submit any changes to the Annual Plan based on its regional assessment to the ITO for final review and approval. The ITO will ensure that transmission planning on the Transmission Owner's system is done on an independent, nondiscriminatory basis. This process is further detailed below.

1. Plan Development by the Transmission Owner

The Transmission Owner will be responsible for the following tasks:

1.1 System Models for Transmission Planning. The Transmission Owner will develop and maintain all transmission and resource (demand and capacity) system models, to evaluate Transmission System performance and resource adequacy. As part of these duties the Transmission Owner is responsible for:

1.1.1 Creating the Base Case Model for the Transmission System. The Base Case Model will include all existing long-term, firm uses of the Transmission System, including: (i) Network Integration Transmission Service; (ii) firm transmission service for the Transmission Owner's Native Load; (iii) Long-Term Point-to-Point Transmission Service; and (iv) firm transmission service provided in accordance with grandfathered agreements. The Base Case Model will be developed pursuant to the modeling procedures used in developing the NERC multi-regional and Reliability *First* regional models.

1.1.2 Providing the Base Case Model to the ITO for review and approval according to the iterative process outlined in the overview to this Appendix 2.

1.1.3 Maintaining other transmission models including, but not limited to steady-state, dynamic and short circuit models.

1.2 Assess, develop, and document Resource and Transmission Expansion plans. The Transmission Owner will assess, develop, and document resource and

transmission Expansion plans including the Annual Plan. These plans include the following responsibilities:

- 1.2.1** Maintaining and applying methodologies and appropriate tools for the development, analysis and simulation of the Transmission System in the assessment and development of transmission expansion plans and the analysis and development of resource adequacy plans.
 - 1.2.2** Developing a long-term (generally one year and beyond) plan for the reliability (adequacy) of the Transmission System.
 - 1.2.3** Defining system protection and control needs and requirements, including special protection systems (remedial action schemes), to meet reliability standards.
 - 1.2.4** Developing and reporting, as appropriate, on the Annual Plan for assessment and compliance with reliability standards.
 - 1.2.5** Monitoring and reporting, as appropriate, its Annual Plan implementation.
- 1.3 Information.** The Transmission Owner will define, collect and develop information required for planning purposes, including:
- 1.3.1 Transmission facility characteristics and ratings.** Collect and maintain specific transmission information regarding characteristics of transmission facilities, lines, equipment, and methodologies, for determining the appropriate thermal ratings of circuits and transformers, including information on transmission line design temperature, voltage and stability limits and other transformer test data.
 - 1.3.2 Demand and energy end-use customer forecasts, capacity resources, and demand response programs.** Including:
 - i. Load forecasts for all existing delivery points for the following ten years, including transmission (wholesale and retail) connected substations and distribution substations, and coincident and noncoincident peak demands and power factor at each delivery point;
 - ii. Plans for new delivery points for the following ten (10) years;
 - iii. Resource plans for the following ten (10) years;
 - iv. Expectations for market access to on- and off-system generation resources;
 - v. All planned on-system distributed generation resources; and vi. Information on all interruptible loads.

1.3.3. Generator unit performance characteristics and capabilities. The Transmission Owner shall provide the ITO with all necessary data, information, and applicable requirements that govern the operation of any generating facilities interconnected with the Transmission System, as the ITO may require for performance of its various functions. The Transmission Owner shall submit and coordinate generator unit schedules as necessary to permit the ITO to assess transmission transfer capability and to permit the Reliability Coordinator to assess transmission reliability. The Transmission Owner shall submit, on an annual basis, data concerning projected loads, designated network resources, generation and transmission maintenance schedules, and other such operating data as the ITO may require for performance its various functions.

1.3.4 Long-term capacity purchases and sales. The Transmission Owner will maintain a list of all long-term capacity purchases and sales and include this information in its model development and the Annual Plan.

2 ITO Review and Assessment

The ITO will be responsible for the following tasks:

- 2.1** Independently reviewing and approving the Transmission Owner's Planning Criteria. If the ITO concludes that additional explanatory detail is required, the Transmission Owner will modify the appropriate business practice documents to include the additional detail. The ITO will ensure that the final versions of the Planning Criteria are posted on OASIS;
- 2.2** Reviewing and approving Transmission Owner's Base Case Model; reviewing, evaluating, and commenting on the Annual Plan as developed by the Transmission Owner. This review and evaluation will be based on all applicable planning criteria and statewide or multi-state transmission planning requirements;
- 2.3** Monitoring the Transmission Owner's transmission facility ratings based on access to data necessary to evaluate such ratings;
- 2.4** Performing an Independent assessment of the Transmission System using the Planning Criteria and the Base Case Model. As part of this assessment, the ITO will independently evaluate whether: (i) the Transmission Owner's Annual Plan complies with the Planning Criteria and the Base Case Model; and (ii) whether there are upgrade projects in the Annual Plan that are not necessary to meet the Planning Criteria and the Base Case Model;
- 2.5** Holding a Transmission Planning Conference to gather input and consider the planning process and the Transmission Owner's Annual Plan; and
- 2.6** Providing the Transmission Owner with its conclusions regarding the reliability assessment and evaluation of the Annual Plan, including any outstanding issues

that the ITO believes the Transmission Owner should address. The Transmission Owner will have the opportunity to review the ITO's conclusions and may submit a revised Annual Plan and supporting documentation to the ITO to address any outstanding issues. Once the Annual Plan has been finalized by the Transmission Owner, the ITO will submit the Annual Plan to the Reliability Coordinator for regional coordination.

3 Regional Coordination

The Reliability Coordinator will be responsible for the following tasks:

- 3.1** Integrating and verifying that the respective plans for the regional area meet reliability standards.
- 3.2** Identifying and reporting on potential Transmission System and resource adequacy deficiencies in the regional area, and providing alternate plans that mitigate these deficiencies.
- 3.3** Reviewing and reporting, as appropriate, on the Transmission Owner's Annual Plan for assessment and compliance with reliability standards within their regional area.
- 3.4** Notifying impacted transmission entities within their regional area of any planned transmission changes that may impact their facilities.
- 3.5** Submitting Annual Plan, including any changes based on the regional coordination, to the ITO for final approval.

4 Final Review and Assessment

- 4.1** The ITO shall have final review and assessment of all plans. If the ITO cannot approve a plan after regional coordination, then the ITO will return the plan to the Transmission Owner for further development as appropriate. The process for final approval of any previously rejected plan will follow the same iterative process as outlined above.
- 4.2** The ITO will post the Transmission Owner's finalized Annual Plan on OASIS.

5 Implementation of Plan and Construction of Upgrades

- 5.1** The Transmission Owner is responsible for the implementation of the Annual Plan. The Transmission Owner will make a good faith effort to design, certify, and build facilities approved by the ITO in the Annual Plan.
- 5.2** In the case where the Reliability Coordinator or the ITO does not agree with the Annual Plan, nothing in this Attachment P shall prevent the Transmission Owner from constructing those facilities it deems necessary to reliably meet its obligation to serve its Network Customers, its Native Load Customers and its Transmission Customers taking Point-to-Point Transmission Service.

Appendix 3

Division of Responsibilities for Generator Interconnections

The coordination between and amongst the ITO, the Reliability Coordinator and the Transmission Owner with respect to processing and evaluation of Interconnection Requests shall be as provided for in this Appendix 3. As the Tariff administrator for the Transmission Owner, the ITO has ultimate authority over all Interconnection Requests and is the lead entity for the evaluation of any Interconnection Request.

- 1** ITO Duties and Responsibilities: The ITO shall process all Interconnection Requests and Interim Interconnection Requests and perform Interconnection Studies in a non-discriminatory manner in accordance with the LGIP and SGIP and the Transmission Owner's Interconnection Study Criteria. Sole authority to grant or deny requests for generation interconnections are the exclusive responsibility of the ITO, and cannot be delegated to any other parties described herein. The ITO will have authority to interpret and apply the guidelines, and shall have responsibility for administration of the Transmission Owner's LGIP and SGIP, including queuing of Interconnection Requests and Interim Interconnection Requests, completion of Interconnection Studies associated with Interconnection Requests and Interim Interconnection Requests, and development of the Transmission System modeling process, software, and assumptions used to evaluate Interconnection Requests and Interim Interconnection Requests. The ITO's responsibilities in processing and evaluating Interconnection Requests and Interim Interconnection Requests include the following:
 - 1.1** Collecting from the Interconnection Customer, the Transmission Owner and the Reliability Coordinator all necessary information for the processing and evaluation of each Interconnection Request and Interim Interconnection Request;
 - 1.2** Determining that all preconditions necessary for a valid Interconnection Request and Interim Interconnection Request have been met;
 - 1.3** Performing Interconnection Feasibility Studies, Interconnection SISs, Interim SISs and Optional Interconnection Studies and coordinating such studies with Affected Systems;
 - 1.4** Maintaining and administering a queue for Interconnection Study requests;
 - 1.5** Posting on the Transmission Owner's OASIS a list of Interconnection Requests and Interim Interconnection Requests and related information as required under the LGIP and SGIP;
 - 1.6** Providing and executing Interconnection Study Agreements, Interim Interconnection System Impact Study Agreements, Interim SGIA SIS Agreements, and Facilities Study Agreements;
 - 1.7** Providing all notices related to the processing and evaluation of an

Customer with an Interconnection Feasibility Study Agreement to be executed by the Interconnection Customer and the ITO. The Interconnection Feasibility Study Agreement shall obligate the Interconnection Customer to pay for the actual cost of the Interconnection Feasibility Study, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions under Sections 4.1 through 4.3 of this Appendix 3. The ITO will be responsible for determining whether the Interconnection Customer has timely complied with all requirements necessary for an Interconnection Feasibility Study and a valid Interconnection Request, as provided in the LGIP or SGIP. The ITO will provide a copy of the executed Interconnection Feasibility Study Agreement to the Transmission Owner.

- 4.2** After confirming that all applicable requirements have been met by the Interconnection Customer, the ITO will perform or cause its designee to perform the required Interconnection Feasibility Study, including any Re-Studies. To perform the Interconnection Feasibility Study, the ITO will use the current set of applicable Base Case Models. The ITO will update the applicable Base Case Models to reflect then-current data from the Transmission Owner's OASIS regarding additional Long-Term TSRs, including new or expired rollover rights. The ITO will perform the Interconnection Feasibility Study as set forth in the Interconnection Study Criteria and will ensure that the Base Case Models, including any updates thereto, are developed as set forth in the Interconnection Study Criteria. The ITO will provide the Transmission Owner with an initial draft of the Interconnection Feasibility Study report, and the Transmission Owner will have the opportunity to review and comment on the report.
- 4.3** The ITO will use reasonable efforts to finalize the Feasibility Study in accordance with the LGIP or SGIP provisions of the Tariff and will provide all notices to the Interconnection Customer required therein. The ITO will be responsible for responding to requests for work papers or other supporting documentation under the LGIP or SGIP. If the Transmission Owner and the ITO cannot resolve any disagreements regarding the Feasibility Study, the ITO will modify the draft Feasibility Study report to identify the areas of disagreement and will provide this Feasibility Study report to the Interconnection Customer. If the Transmission Owner, the ITO, and the Interconnection Customer ultimately cannot agree on the final Interconnection Feasibility Study report, Section 14.5 of the LGIP or Section 4.2 of the SGIP will apply.

5 Interconnection System Impact Study

- 5.1** Pursuant to the LGIP or SGIP, the ITO shall provide the Interconnection Customer with the Interconnection SIS Agreement to be executed by the ITO and the Interconnection Customer. The Interconnection SIS Agreement shall obligate the Interconnection Customer to pay for the actual cost of the Interconnection SIS, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions under Section 5 of this Appendix 3. The ITO will be responsible for determining whether the Interconnection Customer has timely complied with all requirements necessary

for an Interconnection SIS and for a valid Interconnection Request, as set forth in the LGIP or SGIP. The ITO will provide a copy of the executed Interconnection SIS Agreement to the Transmission Owner and the Reliability Coordinator.

- 5.2** After confirming that all applicable requirements have been met by the Interconnection Customer, the ITO shall perform or cause its designee to perform the required Interconnection SIS, including any Re-Studies. To perform the Interconnection SIS, the ITO will use the current set of applicable Base Case Models. The ITO will update the applicable Base Case Models to reflect the current data from the Transmission Owner's OASIS regarding additional Long- Term TSRs, including new or expired rollover rights. The ITO will perform the interconnection SIS as set forth in the Interconnection Study Criteria and will ensure that the Base Case Models, including any updates thereto, are developed as set forth in the Interconnection Study Criteria.
 - 5.3** The ITO will provide the Transmission Owner, the Reliability Coordinator and other Affected System with an initial draft of the Interconnection SIS report, including a list of any constrained transmission elements. The Transmission Owner and the Reliability Coordinator will have the opportunity to review and comment on the report and the Transmission Owner will be responsible for developing a mitigation plan to address any constrained transmission elements. The ITO will review the Transmission Owner's mitigation plan and will include the mitigation plan and the Transmission Owner's comments in the final Interconnection SIS report provided to the Interconnection Customer.
 - 5.4** The ITO, in conjunction with the Transmission Owner and the Reliability Coordinator, will use reasonable efforts to finalize the required Interconnection SIS in accordance with the LGIP or SGIP and will provide all notices to the Interconnection Customer required by the LGIP or SGIP. The ITO will be responsible for responding to requests for work papers supporting the Interconnection SIS. If the Transmission Owner and the ITO cannot resolve any disagreements regarding the Interconnection SIS, the ITO will modify the draft Interconnection SIS report to identify the areas of disagreement and will provide this Interconnection SIS report to the Interconnection Customer. If the Transmission Owner, the ITO, the Reliability Coordinator and the Interconnection Customer ultimately cannot agree on the final Interconnection SIS report, Section 14.5 of the LGIP or Section 4.2 of the SGIP will apply.
- 6** Interconnection Facilities Study
- 6.1** Pursuant to the LGIP or SGIP provisions of the Tariff, the ITO will tender the Interconnection Facilities Study Agreement to the Interconnection Customer to be executed by the ITO, the Transmission Owner, any Affected System, and the Interconnection Customer. The Interconnection Facilities Study Agreement shall obligate the Interconnection Customer to pay for the actual cost of the Interconnection Facilities Study, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions under Section 6 of this Appendix 3.

- 6.2** After confirming that all applicable requirements have been met by the Interconnection Customer, the ITO shall direct the Transmission Owner to perform an Interconnection Facilities Study. The ITO will provide the Transmission Owner with the relevant SIS data used by the ITO in performing the Interconnection SIS, including any additional data that the ITO determines may have material impact on the Interconnection Facilities Study results. The ITO shall direct the Transmission Owner to determine the equipment, engineering, procurement, and construction work necessary to implement the conclusions in the Interconnection SIS. The Transmission Owner shall use the relevant SIS data provided by the ITO as the basis for this determination and shall make this determination consistent with the Interconnection Study Criteria. The Transmission Owner will provide the ITO with its determination and, upon request, supporting documents and work papers.
- 6.3** The ITO will review the Transmission Owner's determination regarding the equipment, engineering, procurement, and construction work necessary to implement the conclusions in the Interconnection SIS. The ITO will prepare an initial draft of the Interconnection Facilities Study report. The Transmission Owner will have the opportunity to review and comment on the report and the Transmission Owner's comments will be included in the final Interconnection Facilities Study report provided to the Interconnection Customer. If the ITO and the Transmission Owner cannot resolve any disagreements regarding the Interconnection Facilities Study, the ITO will modify the draft Interconnection Facilities Study report to identify the areas of disagreement and will provide this Interconnection Facilities Study report to the Interconnection Customer.
- 6.4** The ITO, in conjunction with the Transmission Owner, will use reasonable efforts to finalize the required Interconnection Facilities Study in accordance with the LGIP or SGIP and will provide all notices to the Interconnection Customer required in the LGIP or SGIP. The ITO will be responsible for providing the Interconnection Customer with the final Interconnection Facilities Study report and responding to requests for work papers and supporting documentation for the Interconnection Facilities Study.
- 6.5** If the ITO and the Transmission Owner agree on the final Facilities Study, and the Interconnection Customer accepts the final Facilities Study, and the ITO has determined that the Interconnection Customer has met the necessary LGIP or SGIP requirements, the Transmission Owner will provide the Interconnection Customer with a LGIA or SGIA to be executed by the Transmission Owner and the Interconnection Customer. If the ITO and the Transmission Owner cannot agree, or the Interconnection Customer does not accept the final Interconnection Facilities Study, or if the Transmission Owner and the Interconnection Customer cannot agree on the terms and conditions of the LGIA or SGIP, the parties may attempt to resolve the dispute pursuant to Section 14.5 of the LGIP or Section 4.2 of the SGIP, or the Interconnection Customer may request that the Transmission Owner file an unexecuted LGIA with FERC in accordance with Section 11.3 of the LGIP, or file an unexecuted SGIA with FERC in accordance with Section 4.8

of the SGIA.

- 7 **Interim SIS.** The ITO shall have the responsibility to conduct Interim Interconnection System Impact Studies pursuant to the terms of Section 13 of the LGIP.
8. **Optional Interconnection Study:** If the Interconnection Customer requests an Optional Interconnection Study, the division of responsibilities between the Transmission Owner and the ITO shall be the same as for the Interconnection SIS.

Appendix 4

Division of Responsibilities for the Reliability Function

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

1 Reliability Coordinator General Functions:

The Reliability Coordinator shall perform the following functions:

- 1.1** Serving as NERC designated reliability coordinator and representing the TVA Reliability Area at the NERC and Regional Reliability Council level.
- 1.2** Implementing applicable NERC and regional reliability criteria initiatives, such as maintaining a connection to NERC's Interregional Security Network ("ISN"), day-ahead load-flow analysis, transmission loading relief procedures, and information exchange.
- 1.3** Developing and coordinating with the Reliability Coordination Advisory Committee ("RCAC") new Reliability Coordinator Procedures and revisions to existing Reliability Coordinator Procedures.
- 1.4** Exchanging timely, accurate, and relevant Transmission System information with the Transmission Owner, the ITO, and with other reliability coordinators.
- 1.5** Developing and maintaining system models and tools needed to perform analysis needed to develop operational plans.
- 1.6** Coordinating with neighboring reliability coordinators and other operating entities as appropriate to ensure regional reliability.
- 1.7** Performing all other reliability coordinator functions as required for compliance with applicable NERC Reliability Standards and Regional Reliability Council standards, as the same may be amended or modified from time to time.

2 Real-time Operations:

2.1 Reliability Coordinator Functions:

The Reliability Coordinator shall perform the following functions:

- 2.1.1** Monitoring, analyzing, and coordinating the reliability of the Transmission

Owner's facilities and interfaces with other Balancing Authorities, Transmission Operators, and other reliability coordinators.

- 2.1.2 Performing analyses to develop an evaluation of system conditions. The Transmission Owner will provide necessary information (e.g., outages and transactions) and Transmission System conditions, as applicable, to the Reliability Coordinator in accordance with applicable NERC Standards. The results of these analyses will be provided to the Transmission Owner and neighboring reliability coordinators in accordance with applicable NERC Reliability Standards and Regional Reliability Council Standards.
- 2.1.3 Determining, directing, and documenting appropriate actions to be taken by the Transmission Owner, the ITO and Reliability Coordinator in accordance with the NERC Reliability Standards, including curtailment of transmission service or energy schedules, re-dispatch of generation and load shedding as necessary to alleviate facility overloads and abnormal voltage conditions, and other circumstances that affect interregional bulk power reliability.
- 2.1.4 Coordinating transmission loading relief and voltage correction actions with the Transmission Owner and with other reliability coordinators.

2.2 **Transmission Owner Responsibilities:**

The Transmission Owner shall have the following responsibilities:

- 2.2.1 Ensuring appropriate telemetry and providing Reliability Coordinator realtime operational information for monitoring.
- 2.2.2 Receiving from the Reliability Coordinator all reliability alerts for TVA Reliability Area and neighboring reliability coordinators.
- 2.2.3 Following Reliability Coordinator directives for corrective actions (e.g., curtailments or load shedding) during system emergencies or to implement TLR procedures.
- 2.2.4 Receiving from Reliability Coordinator all notices regarding Transmission System limitations or other reliability issues, as appropriate

3 **Forward Operations:**

3.1 **Reliability Coordinator Functions:**

The Reliability Coordinator shall perform the following functions:

- 3.1.1 Performing analyses and develop an evaluation of expected next-day Transmission System operations. The results of these analyses shall be provided to the Transmission Owner, the ITO and neighboring reliability coordinators in accordance with applicable NERC Reliability Standards and Regional Reliability Council Standards.

- 3.1.2 Performing analysis of planned transmission and generation outages and coordination of outages with NERC, participants in reliability coordination agreements, and other reliability coordinators as appropriate and as required by NERC. This entails analysis and coordination of planned outages which are beyond next day and intra-day outages.
- 3.1.3 Analyzing and approving all planned maintenance schedules on facilities 100kV and above and planned maintenance of generation facilities submitted by the Transmission Owner in conjunction with other work on the regional transmission grid to determine the impact of the Transmission Owner's planned maintenance schedule on the reliability of the facilities under TVA's purview as Reliability Coordinator, and the purview of neighboring reliability coordinators, and any other relevant effects; and coordinate impacts on available transfer capability with the ITO.
- 3.1.4 Coordinating, as required by either NERC or other agreements, planned maintenance schedules with all adjacent reliability coordination areas and/or Balancing Authority Areas and Transmission Providers; as well as the ITO.

3.2 Transmission Owner Responsibilities:

The Transmission Owner shall have the following responsibilities:

- 3.2.1 Providing generation-related information (e.g., outages and transactions) and expected Transmission System conditions (e.g., transmission facility outages and transactions), as applicable, to the Reliability Coordinator for the next-day operation in accordance with applicable NERC Reliability Standards and Regional Reliability Council standards.
- 3.2.2 Submitting facility ratings and operational data for all generators and transmission facilities in the Transmission Owner's footprint.
- 3.2.3 Coordinating with the ITO and submitting to the Reliability Coordinator generation dispatch information for the Transmission Owner's footprint and following Reliability Coordinator directives regarding dispatch adjustments to mitigate congestion.
- 3.2.4 Submitting to the Reliability Coordinator generation operation plans and commitments for reliability analysis.
- 3.2.5 Submitting to the Reliability Coordinator transmission maintenance plans for reliability analysis.
- 3.2.6 Following Reliability Coordinator directives to revise transmission maintenance plans as required to ensure grid reliability.
- 3.2.7 Receiving from Reliability Coordinator all notices regarding reliability analyses for the TVA Reliability Area as well as neighboring reliability

coordinators.

- 3.2.8 Representing the Transmission Owner on the RCAC and in all RCAC deliberations.

4 JRCA Implementation and Regional Congestion Management

For the purposes of this section IV, capitalized terms not defined in the Tariff will have the definitions used in the JRCA and its related Congestion Management Process (“CMP”), unless otherwise noted in this section IV.

4.1 Reliability Coordinator Functions:

The following functions to be performed by the Reliability Coordinator shall be performed in conjunction with the functions to be performed by the Independent Transmission Operator under the Independent Transmission Organization Agreement and will fully incorporate the Transmission Owner’s operations into the procedures and protocols governing other facilities in the Reliability Coordinator’s Reliability Area in accordance with the provisions of the JRCA:

- 4.1.1 Identifying of Coordinated Flowgates and determination of flowgates requiring Reciprocal Coordination (twice annually).
- 4.1.2 Performing Historic Firm Flow Calculations -- implement transmission service reservation set and designated resources provided by the Transmission Owner for established freeze date; calculate historic firm flow values and ratios for all coordinated flowgates on the Transmission Owner’s system (bi-annually).
- 4.1.3 Developing reciprocal coordination agreements that establish how each Operating Entity will consider its own flowgates as well as the usage of other Operating Entities when it determines the amount of flowgate or constraint capacity remaining. This process will include both operating horizon determination as well as forward looking capacity allocation.
- 4.1.4 Implementing AFC Process -- determining AFC attribute requirements; obtaining NNL Impact Data; implementing Allocation Calculation Process; implement AFC calculation process.
- 4.1.5 Providing the ITO flowgate AFCs on an hourly basis and flowgate allocations on a daily basis.

4.2 Transmission Owner Responsibilities:

The Transmission Owner is obligated to uphold the terms and conditions of the JRCA, and providing the Reliability Coordinator with the information and support it needs in order to carry out its duties under Section 2.3.5 of the JRCA, as Transmission Owner’s Reliability Coordinator. The Transmission Owner shall be responsible for coordinating with the ITO and provide Transmission System data

to the Reliability Coordinator including, but not limited to:

Operating information:

- (i) Transmission Service Reservations;
- (ii) Load forecast requirements;
- (iii) Flowgates requirements;
- (iv) AFC data requirements;
- (v) PSSE Models Requirements;
- (vi) Designated Network Resources requirements;
- (vii) Jointly owned units;
- (viii) Dynamic schedules;
- (ix) NNL allocations requirements; and,
- (x) NNL evaluator requirements.

Projected operating information:

- (i) Unit commitment/merit order;
- (ii) Firm purchase and sales (including grandfathered agreements);
- (iii) Independent power producer information including current operating level, projected operating levels, scheduled outage start and end dates;
- (iv) Planned and actual operational start-up dates for any permanently added, removed, or significantly altered transmission segments; and
- (v) Planned and actual start-up testing and operational start-up dates for any permanently added, removed, or significantly altered generation units.

4.3 ITO Responsibilities:

The ITO shall have the following responsibilities in support of the JRCA, which it will carry out in compliance with the terms of the JRCA:

- 4.3.1** Providing to the Reliability Coordinator all transmission facility plans and facility upgrade schedules.
- 4.3.2** Providing to the Reliability Coordinator the status of all transmission service requests and all new transmission service agreements.
- 4.3.3** Receiving from the Reliability Coordinator all flowgate AFCs on an hourly basis and flowgate allocations on a daily basis.
- 4.3.4** Converting flowgate information provided by the Reliability Coordinator to ATC values for posting on OASIS and for analyzing TSRs.
- 4.3.5** Implementing CMP business rules for AFC vs. ASTFC.

- 4.3.6** Honoring all AFC allocations and AFC over-rides from other CMP participants in the evaluation and granting of transmission service.

5 Regional Coordination

5.1 Reliability Coordinator Functions:

The Reliability Coordinator will ensure a long-term (one year and beyond) plan is available for adequate resources and transmission within the TVA Reliability Area. The Reliability Coordinator will integrate the Transmission Plan provided by the ITO with plans of other operating entities in the Reliability Coordination Area and assess the plans to ensure those plans meet reliability standards. The Reliability Coordinator will advise the ITO of solutions to plans that do not meet those standards. The Reliability Coordinator will then coordinate the Reliability Area Plan with those of neighboring reliability coordinators and Planning Coordinators to ensure wide-area grid reliability.

These functions include:

- 5.1.1** Integrating the transmission and resource (demand and capacity) system models provided by the ITO with those of other Reliability Coordinator Area operating entities to ensure Transmission System reliability and resource adequacy.
- 5.1.2** Applying methodologies and tools to assess and analyze the Transmission System expansion plans and the resource adequacy plans.
- 5.1.3** Collecting all information and data required for modeling and evaluation purposes.
- 5.1.4** Integrating and verifying that the respective plans of the Resource Planners and Transmission Planners within the TVA Reliability Area meet reliability standards.
- 5.1.5** Coordinating the Reliability Coordinator Area plan with neighboring Reliability Coordinators for review, as appropriate.
- 5.1.6** Integrating the Reliability Coordinator Area plan with neighboring Planning Coordinators/reliability coordinators plans to provide a broad multi-regional bulk system planning view.

5.2 Transmission Owner Responsibilities:

The Transmission Owner shall have the following responsibilities:

- 5.2.1** Providing to the Reliability Coordinator demand and energy end-use customer forecasts, capacity resources, and demand response programs.
- 5.2.2** Providing to the Reliability Coordinator generator unit performance characteristics and capabilities.

5.2.3 Providing to Reliability Coordinator long-term capacity purchases and sales.

Appendix 5

Balancing Authority Functions Performed

The Transmission Owner and ITO will split the functional responsibilities for the Balancing Authority, as defined in Version 2 of the NERC Reliability Functional Model, as follows:

1 Balancing Authority Functions performed by the Transmission Owner

- 1.1** Compiling load forecasts from load serving entities.
- 1.2** Receiving operational plans and commitments from generator operators within the Balancing Authority Area.
- 1.3** Deploying reserves in coordination with the Reliability Coordinator.
- 1.4** Receiving, confirming and implementing approved, valid and balanced Net Interchange Schedules (“NSI”) from the OATI software.
- 1.5** Making inter-hour changes to NSI to accommodate loss of generating units and implementation of the Automatic Reserve Sharing System.
- 1.6** Informing Reliability Coordinator and ITO of real-time interruptions within the Balancing Authority Area, including generator outages or load reductions.
- 1.7** Implementing generator commitment and dispatch schedules.
- 1.8** Providing unit commitment/generation dispatch information and generator maintenance plans to ITO and Reliability Coordinator and revising generator maintenance plans as directed by Reliability Coordinator.
- 1.9** Acquiring generator inputs to Ancillary Services from generator owners.
- 1.10** Directing resources (generator operators and load serving entities) to take action to ensure balance in real time.
- 1.11** Taking action as required to ensure balance within the Balancing Authority Area, including load shedding and voltage reductions.
- 1.12** Providing real-time operational information for Reliability Coordinator monitoring.
- 1.13** Checkout Actual Interchange.
- 1.14** Calculating area control error within the Balancing Authority Area.
- 1.15** Monitoring system frequency.

- 1.16 Monitoring and reporting control performance and disturbance recovery.
- 1.17 Implementing emergency procedures (including Energy Emergency Alerts and curtailments as required by NERC Standards).
- 1.18 Approving interchange transactions.
- 1.19 Hourly checkout of interchange schedules.
- 1.20 Provide to the ITO, for posting on OASIS, statistics regarding schedules that the Transmission Owner has modified.

2 Balancing Authority Functions performed by the ITO

- 2.1 Monitoring and validating the NSI value that is provided to the Transmission Owner from OATI software.

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ATTACHMENT P
FUNCTIONS OF THE RELIABILITY COORDINATOR AND THE ITO

1 **OVERVIEW**

- 1.1** This Attachment P sets forth the functions and responsibilities of the Independent Transmission Organization (“ITO”), the Reliability Coordinator (“Reliability Coordinator”) and the Transmission Owner, and includes a description of certain relationships between and amongst the ITO, the Reliability Coordinator, the Transmission Owner, generator owners, load serving entities and other Tariff Participants. This Attachment P will be the governing document in describing and delineating the responsibilities among the Transmission Owner, the ITO, and the Reliability Coordinator.
- 1.2** The Transmission Owner will retain operational control over the Transmission System, but will be obligated to follow the directives of the ITO and Reliability Coordinator as set forth in this Attachment P. The specific division of functions between, and responsibilities of, the ITO, the Reliability Coordinator and the Transmission Owner are set forth in this Attachment P.
- 1.3** The Transmission Owner and ITO have entered into a contract which specifies all of the functions and responsibilities of the ITO and the terms and conditions upon which the ITO will perform such functions and responsibilities (the “ITO Agreement”). This Attachment P is intended solely as a delineation of functions and responsibilities between and amongst the ITO, the Reliability Coordinator and the Transmission Owner, and as a description of certain relationships between and amongst the ITO, the Reliability Coordinator, the Transmission Owner, generator owners, load serving entities and other Tariff Participants. For the avoidance of doubt, the ITO Agreement, which is attached hereto as Attachment Q to the Tariff, is attached for informational purposes only.
- 1.4** The Transmission Owner and Reliability Coordinator have entered into a contract which specifies all of the functions and responsibilities of the Reliability Coordinator and the terms and conditions upon which the Reliability Coordinator will perform such functions and responsibilities (the “RC Agreement”). This Attachment P is intended solely as a delineation of functions and responsibilities between and amongst the Reliability Coordinator, the ITO and the Transmission Owner, and as a description of certain relationships between and amongst the ITO, the Reliability Coordinator, the Transmission Owner, generator owners, load serving entities and other Tariff Participants. For the avoidance of doubt, the RC Agreement, which is attached hereto as Attachment Q to the Tariff, is attached for informational purposes only.
- 1.5** Nothing in this Attachment P precludes the ITO or Reliability Coordinator from performing the same or similar functions for other entities under a separate

contract or expanding to a larger regional entity, provided that the Transmission Owner is reimbursed by the ITO or Reliability Coordinator, as the case may be, in an equitable manner for any capital expenditures or operation and maintenance expenditures made by the ITO or Reliability Coordinator pursuant to this Attachment P to the extent to which the ITO or Reliability Coordinator uses such capital expenditures or operation and maintenance expenditures in connection with such contract or expansion, and provided further that the ITO's or Reliability Coordinator's performance of such additional functions does not breach its duties and responsibilities set forth in this Attachment P.

2. **DEFINITIONS**

The capitalized terms used in this Attachment P shall have the meanings assigned to them below or, if not specifically defined in this Attachment P, shall have the meanings assigned to them elsewhere in the Tariff:

- 2.1 Annual Plan** shall mean the plan developed pursuant to Section 3.3.3 of this Attachment P and Appendix 2 to this Attachment P.
- 2.2 ATC** shall mean Available Transfer Capability.
- 2.3 ATC Methodology** shall mean the criteria, standards, and procedures used to calculate ATC values as set forth in the following: (i) the Tariff provisions applicable to ATC calculations, including Attachment C to the Tariff; (ii) applicable NERC and Regional Reliability Council standards, and NAESB business practices; (iii) the Transmission Owner's ATC Procedures that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P; and (iv) the Transmission Owner's local reliability criteria provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P.
- 2.4 Balancing Authority** shall mean the entity responsible for maintaining loadresource balance within the Balancing Authority Area, as described in the NERC Reliability Functional Model Version 2. The Transmission Owner and the ITO shall divide the responsibilities of the Balancing Authority as provided in Appendix 5 of this Attachment P.
- 2.5 Balancing Authority Area** shall mean the collection of generation, transmission, and loads within the metered boundaries managed by the Balancing Authority. Balancing Authority Area is generally synonymous with Control Area under the Tariff.
- 2.6 Base Case Model** shall mean current power flow models representing the Transmission System used for reliability assessments, TSR studies, Interconnection Studies, and transmission planning and economic studies. When used in the context of TSR studies and Interconnection Studies, "Base Case Model" refers to the annual, seasonal, monthly, or other power flow models used

by the ITO to evaluate the respective TSRs or Interconnection Requests. When used in the context of transmission planning, “Base Case Model” refers to the annual and seasonal power flow model described in Appendix 1 to this Attachment P.

- 2.7 Facilities Study Criteria** shall mean the criteria, standards, and procedures used to perform Facilities Studies as set forth in the following: (i) Tariff provisions applicable to the performance of Facilities Studies; (ii) applicable NERC Reliability Standards and Regional Reliability Council standards; (iii) the Transmission Owner’s business practices related to Facilities Studies that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P; and (iv) the Transmission Owner’s local reliability criteria that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P.
- 2.8 FPA** shall mean the Federal Power Act, 16 USC § 824, *et seq.*
- 2.9 Independent** shall mean: (a) with respect to the ITO, its employees, or designees, that the ITO, its employees, and designees are not subject to the control of the Transmission Owner, any of its Affiliates or any Tariff Participant, and have full decision-making authority to perform all of the functions and responsibilities assigned to them under this Attachment P; and (b) with respect to the Reliability Coordinator and its employees, that the Reliability Coordinator and its employees are not subject to the control of the Transmission Owner or any of its Affiliates, and have full decision-making authority to perform all of the functions and responsibilities assigned to them under this Attachment P.
- 2.10 Interconnection Request** shall mean any Interconnection Request made under the LGIP or SGIP.
- 2.11 Interconnection SIS** shall mean the interconnection System Impact Study required under the LGIP or SGIP.
- 2.12 Interconnection Study(ies)** shall mean studies required to interconnect new generation to the Transmission System under FERC Order Nos. 2003 and 2006.
- 2.13 Interconnection Study Criteria** shall mean the criteria, standards, and procedures used to perform Interconnection Studies as set forth in the following: (i) the LGIP, LGIA, SGIP, and SGIA provisions applicable to the performance of Interconnection Studies; (ii) applicable NERC Reliability Standards and Regional Reliability Council standards; (iii) the Transmission Owner’s business practices related to Interconnection Studies that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P; and (iv) the Transmission Owner’s local reliability criteria that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P.
- 2.14 JRCA** means the Tennessee Valley Authority’s (“TVA’s”) Joint Reliability Coordination Agreement between TVA, the Midwest ISO and PJM

Interconnection, LLC, as may be amended from time to time.

- 2.15 LGIA** shall mean the Standard Large Generator Interconnection Agreement under Attachment J to the Tariff or the version of that agreement executed by an Interconnection Customer, as applicable.
- 2.16 LGIP** shall mean the Standard Large Generator Interconnection Procedures under Attachment J to the Tariff.
- 2.17 Long-Term TSRs** shall mean TSRs that are for a term of one year or greater in duration.
- 2.18 Market Participant** shall have the meaning given to such term in 18 CFR § (b)(2) of FERC's regulations.
- 2.19 NERC** shall mean the North American Electric Reliability Corporation or any successor organization.
- 2.20 NERC Reliability Standards** shall mean the NERC-approved Version 0 reliability standards, compiled in a document titled "Reliability Standards for the Bulk Electric Systems of North America," dated February 7, 2006, as may be amended or superseded from time to time.
- 2.21 Planning Criteria** shall mean the criteria, standards, and procedures used in developing the Annual Plan as set forth Attachment K to the Tariff, as such is accepted for filing by FERC.
- 2.22 Regional Reliability Council** shall mean any one of the eight current NERC Regional Reliability Councils with jurisdiction over the Balancing Authority Area, including ReliabilityFirst Corporation, or its successor.
- 2.23 Short-Term TSRs** shall mean TSRs that are for a term less than one-year in duration.
- 2.24 SIS** shall mean the System Impact Study required under the Tariff to evaluate TSRs and to determine what magnitude of system upgrades, if any, might be required to grant a TSR.
- 2.25 SIS Criteria** shall mean the criteria, standards, and procedures used to perform System Impact Studies as set forth in the following: (i) Tariff provisions applicable to the performance of SISs, including Attachment D to the Tariff; (ii) applicable NERC Reliability Standards and Regional Reliability Council standards; (iii) the Transmission Owner's business practices related to SISs that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P; and (iv) the Transmission Owner's local reliability criteria that are provided to the ITO for posting on OASIS pursuant to Appendix 1 this Attachment P.

- 2.26 SGIA** shall mean the Standard Small Generator Interconnection Agreement under Attachment K to the Tariff or the version of that agreement executed by an Interconnection Customer, as applicable.
- 2.27 SGIP** shall mean the Standard Small Generator Interconnection Procedures under Attachment K to the Tariff.
- 2.28 Transmission Loading Relief (“TLR”)** means actions such as Transmission System reconfiguration, generator redispatch, or load shedding, consistent with the NERC Reliability Standards.
- 2.29 Tariff Participant** shall mean the Transmission Owner’s Transmission Customers, Interconnection Customers, wholesale customers, Affected Systems, Market Participants and similarly qualified third parties within the Balancing Authority Area.
- 2.30 Transmission Planning Conference** shall mean the annual stakeholder meeting conducted by the ITO to gather input and feedback on the planning process and Annual Plan.
- 2.31 Transmission Study Criteria** shall mean the ATC Methodology, the SIS Criteria, and the Facilities Study Criteria.
- 2.32 Transmission Service Request (“TSR”)** shall mean a request submitted by an eligible Transmission Customer under the Tariff for either Point-to-Point Transmission Service or Network Integration Transmission Service, including a new designation of Network Resources or Network Load.
- 2.33 TSR Processing Criteria** shall mean the criteria, standards, and procedures used to process TSRs as set forth in the following: (i) Tariff provisions applicable to TSR processing; (ii) FERC’s OASIS Standards and Communication Protocols and Business Practice Standards for OASIS Transactions; and (iii) the Transmission Owner’s business practices related to OASIS and TSR processing that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P.

3 FUNCTIONS OF THE ITO

3.3 Independence

- 3.1.1** The ITO and its employees and designees (i) shall be Independent of and (ii) shall not discriminate against the Transmission Owner, any of its Affiliates and any Tariff Participant. Any ITO employee or designee owning securities in the Transmission Owner, or its Affiliates or any Tariff Participant shall divest such securities within six (6) months of first being assigned to perform ITO functions or responsibilities, provided that ITO employees and designees shall be entitled to indirectly own securities issued by the Transmission Owner, its Affiliates or any Tariff Participant

through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or the electric utility industry or any segment thereof) under which the ITO employee or designee does not control the purchase or sale of such securities, provided further that participation by an ITO employee or designee in a pension plan of the Transmission Owner, its Affiliates or any Tariff Participant shall not be deemed to be a direct financial interest if the plan is a defined-benefit plan that does not involve the ITO employee's or designee's ownership of the securities. No ITO employees or designees shall be employed by the Transmission Owner or any of its Affiliates.

- 3.1.2** All employees and designees of the ITO performing functions and responsibilities under this Attachment P shall be treated, for the purposes of FERC's Standards of Conduct set forth at 18 CFR Part 358, as transmission employees of the Transmission Owner, and all restrictions related to information sharing and other relationships between merchant employees of the Transmission Owner and/or its Affiliates and transmission employees of the Transmission Owner and/or its Affiliates shall apply to the employees and designees of the ITO.
- 3.1.3** The ITO shall perform its functions and responsibilities under this Attachment P: (i) in accordance with (A) Good Utility Practice, (B) the Transmission Owner's specific requirements and operating guidelines (to the extent these are not inconsistent with other requirements specified in this Attachment P), (C) the Tariff, and (D) all applicable laws and the requirements of federal and state regulatory authorities; and (ii) in an Independent, fair, and nondiscriminatory manner.
- 3.1.4** The ITO shall adopt a policy on conflicts of interest establishing appropriate standards for the professional and financial independence of the ITO, consistent with FERC policies and regulations. In addition, the ITO shall adopt ethics policies and standards for its employees. The ITO and its employees shall comply at all times with the conflicts of interest and ethics policies. The ITO's conflict of interest and ethics policies shall be posted on the Transmission Owner's OASIS. The ITO's conflict of interest policies shall include provisions protecting against any discrimination by the ITO in favor of third parties for whom the ITO may perform services or enjoy a relationship that inures to the ITO's financial benefit.
- 3.1.5** In order to carry out its functions and responsibilities under this Attachment P, the ITO will have complete access to all data and information prepared by or on behalf of or generated for the Transmission Owner's transmission operations personnel that the ITO requests and that the ITO believes is necessary to perform its functions and responsibilities under this Attachment P, subject to appropriate confidentiality provisions. To the extent that the ITO requires access to data or information obtained

by the Transmission Owner from other Tariff Participants, including the Transmission Owner's wholesale merchant function employees, such data or information shall be treated as confidential information, unless otherwise available from public sources or public disclosures.

3.2 General Functions

- 3.2.1** The general functions and responsibilities of the ITO are described in this Section 3.2. A more detailed description of the functions and responsibilities of the ITO, the Reliability Coordinator and the Transmission Owner is provided in Appendices 1-5 to this Attachment P.
- 3.2.2** The ITO shall have experience and expertise appropriate to the performance of its functions and responsibilities under this Attachment P, including the analysis of Transmission System operations and open access regulatory requirements.
- 3.2.3** All functions and responsibilities of the ITO shall be performed by ITO employees or designees of the ITO, and the ITO shall retain full responsibility and authority for any act or omission of such designees.
- 3.2.4** The ITO shall administer the terms and conditions of the Tariff.
- 3.2.5** The ITO will process and evaluate (i.e., grant or deny) all TSRs, including those transactions associated with network service and existing point-to-point service agreements, on a non-discriminatory basis consistent with the Tariff, the TSR Processing Criteria, the Transmission Study Criteria, and Good Utility Practice. The ITO shall be responsible for documenting all transmission service requests under the Tariff, the disposition of such requests, and any data required to support the decision with respect to such requests. The division of responsibilities for evaluation and approval of TSRs is defined in Appendix 1 of this Attachment.
- 3.2.6** The ITO, in consultation with the Transmission Owner, the Reliability Coordinator, and Tariff Participants, shall develop and revise, as appropriate, operating procedures governing the ITO's exercise of its functions and responsibilities in this Attachment P ("Operating Procedures"), which shall be made publicly available on the OASIS except to the extent the ITO and the Transmission Owner jointly determine that certain of the Operating Procedures should not be made publicly available for security reasons consistent with FERC's regulations regarding Critical Energy Infrastructure Information.
- 3.2.7** The ITO shall develop procedures for ensuring the confidentiality of any confidential information or materials made available to the ITO by the Transmission Owner or any Tariff Participant, including information or materials that include or comprise Critical Energy Infrastructure

Information.

- 3.2.8** The ITO shall post any information it possesses regarding proposed changes to the Tariff not later than fifteen (15) days prior to the Transmission Owner's filing of the amendment with FERC. The ITO shall be responsible for keeping the Tariff updated on OASIS and any website to be administered by the ITO.
- 3.2.9** The ITO shall propose Tariff changes to the Transmission Owner to the extent necessary to carry out its responsibilities and functions under this Attachment P. The ITO shall submit bi-annual reports to the Transmission Owner proposing such changes (if any). The ITO shall promptly post these reports on OASIS. The Transmission Owner shall file such Tariff changes under Section 205 of the FPA to the extent the Transmission Owner, in its sole discretion, determines that such Tariff changes are appropriate. If the Transmission Owner declines to file such a Tariff change with the FERC, the ITO and the Transmission Owner shall make a joint submission to the FERC under Section 206 of the FPA, including a statement of their respective positions regarding the Tariff change.
- 3.2.10** The ITO shall coordinate and cooperate with the Reliability Coordinator and provide any information that the Reliability Coordinator may reasonably request in order to carry out its functions under the RC Agreement, subject to any applicable confidentiality requirements.
- 3.2.11** The ITO shall report in writing to FERC every six (6) months (commencing on the six-month anniversary of the effective date of the Tariff and every six (6) months thereafter) to address (i) any concerns expressed by stakeholders and the ITO's response to same and (ii) any issues or Tariff provisions that hinder the ITO from performing its functions and responsibilities under this Attachment P and the other provisions of the Tariff.
- 3.2.12** In addition to the reports provided for in Section 3.2.12, the ITO shall make such other reports to FERC and Transmission Owner's retail regulators as may be required by applicable law and regulations or as may be requested by such authorities.

3.3 Planning Function

- 3.3.1** The ITO shall have ultimate review and approval authority over all planning activities discussed in the Tariff, including those listed in Appendix 2 of this Attachment P. This includes review and approval authority over transmission plans, the development of models, planning criteria, study criteria, plans, studies, the methodology for calculating ATC, and any inputs or numerical values provided by the Transmission Owner. The ITO shall carry out its duties under the Planning Function in a manner that ensures that transmission planning on the Transmission

Owner's system is done on an independent, non-discriminatory basis.

- 3.3.2 All planning shall conform to applicable NERC Reliability Standards, applicable Regional Reliability Council standards, Transmission Owner's specific reliability requirements and operating guidelines, and all applicable requirements of federal or state laws or regulatory authorities. Such planning shall seek to minimize costs, consistent with the reliability and other requirements set forth in the Tariff.
- 3.3.3 The ITO shall conduct an open stakeholder process through which issues and concerns of stakeholders related to the Annual Plan can be received and considered. This process shall include an open Transmission Planning Conference to gather stakeholder input for consideration in the planning process. The focus of this stakeholder process will be those issues or concerns related to the provision of Transmission Service and Interconnection Service under the Tariff.

4 THE FUNCTIONS OF THE RELIABILITY COORDINATOR

4.1 Independence.

- 4.1.1 The Reliability Coordinator and its employees shall be Independent of the Transmission Owner and any of its Affiliates. Any Reliability Coordinator employee owning securities in the Transmission Owner or its Affiliates shall divest such securities within six (6) months of first being assigned to perform Reliability Coordinator functions or responsibilities, provided that Reliability Coordinator employees shall be entitled to indirectly own securities issued by the Transmission Owner or its Affiliates through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or the electric utility industry or any segment thereof) under which the Reliability Coordinator employee does not control the purchase or sale of such securities, provided further that participation by a Reliability Coordinator employee in a pension plan of the Transmission Owner or its Affiliates shall not be deemed to be a direct financial interest if the plan is a defined-benefit plan that does not involve the Reliability Coordinator employee's ownership of the securities. No Reliability Coordinator employees shall be employed by the Transmission Owner or any of its Affiliates.
- 4.1.2 All employees of the Reliability Coordinator performing functions and responsibilities under this Attachment P shall be treated, for purposes of the FERC's Standards of Conduct, as transmission employees of the Transmission Owner, and all restrictions relating to information sharing and other relationships between merchant employees of the Transmission Owner or its Affiliates and transmission/reliability employees of the Transmission Owner or its Affiliates shall apply to such Reliability Coordinator employees.

- 4.1.3** The Reliability Coordinator will perform its functions in accordance with Good Utility Practice and shall: (a) conform to: (i) all applicable reliability criteria, policies, standards, rules, regulations and other requirements of NERC and any applicable Regional Reliability Council or their successors; (ii) the Transmission Owner's specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements specified in this Section 4.1.3); and (iii) all applicable requirements of federal and state regulatory authorities; and (b) not make any adverse distinction between the Transmission Owner, any Market Participant, or any Tariff Participant, on the one hand, and any third-party on whose behalf the Reliability Coordinator may perform transmission-related services or functions on the other hand.
- 4.1.4** Employees of the Reliability Coordinator performing the Reliability Coordinator functions may occupy dedicated offices within facilities owned or operated by the Transmission Owner ("Reliability Coordinator Dedicated Offices"), provided that any such Reliability Coordinator employees shall not share office space with any transmission/reliability employees or merchant employees of the Transmission Owner or its Affiliates, any Market Participant, or any other Tariff Participant. The Transmission Owner and the Reliability Coordinator shall put in place the appropriate procedures to ensure that access to the Reliability Coordinator Dedicated Offices is restricted to the same extent that the Transmission Owner restricts access to its transmission/reliability offices and facilities pursuant to FERC's Standards of Conduct, set forth in 18 CFR Part 358.

4.2 General Functions

- 4.2.1** The general functions of the Reliability Coordinator are described in this Section 4.2. A more detailed description of the functions and responsibilities of the Reliability Coordinator, the ITO and the Transmission Owner is provided in Appendices 1-5 to this Attachment P.
- 4.2.2** In its capacity as Reliability Coordinator, the Reliability Coordinator shall coordinate and cooperate with the ITO and Transmission Owner and provide any information that the ITO or Transmission Owner may reasonably need to carry out its functions, as may be requested. Such information provided to the Reliability Coordinator will be kept confidential in accordance with terms herein.
- 4.3** Reporting; Audit. The Reliability Coordinator will be responsible for making regular reports to FERC and the Transmission Owner's retail regulators as may be required by applicable law and regulations or as may be requested by such authorities.

5 GENERAL RESPONSIBILITIES OF THE TRANSMISSION OWNER, GENERATION OWNERS AND LOAD SERVING ENTITIES

- 5.1 The Transmission Owner shall perform its functions and responsibilities under this Attachment P in accordance with Good Utility Practice and all applicable laws and the requirements of federal and state regulatory authorities.
- 5.2 Nothing in this Attachment P shall be deemed to restrict or prohibit the Transmission Owner from taking any actions it believes are reasonably necessary to protect against endangerment to the safety of employees or the public or damage to facilities.
- 5.3 The Transmission Owner shall have sole authority to file with FERC changes to the Tariff, including this Attachment P, pursuant to Section 205 of the FPA, subject to the terms of the ITO Agreement and/or the Reliability Coordinator Agreement. The Transmission Owner shall provide thirty (30) days notice to the ITO and/or the Reliability Coordinator, as applicable, regarding any such changes.
- 5.4 Generation owners shall provide the ITO with such data, information, and applicable requirements that govern the operation of any generating facilities interconnected with the Transmission System, as the ITO may require to perform its functions and responsibilities under this Attachment P, including any redispatch information required under Section 19.3 of the Tariff.
- 5.5 Generation owners shall submit and coordinate unit schedules as necessary to permit the ITO to assess TTC and transmission reliability.
- 5.6 Load serving entities shall submit, on an annual basis, data concerning projected loads, designated network resources, generation and transmission maintenance schedules, and such other operating data as the ITO may require to perform its functions and responsibilities under this Attachment P.

6 DISPUTE RESOLUTION

Any dispute, claim or controversy amongst the Transmission Owner, the ITO and the Reliability Coordinator involving the division of responsibility as set forth in this Attachment P and/or related to the ITO Agreement or the RC Agreement, as set forth in Attachment Q to the Tariff, (each, a “Dispute”) shall be resolved in accordance with the procedures set forth in this Section 6 to Attachment P. For the avoidance of doubt, any dispute between the ITO and the Transmission Owner or between the Reliability Coordinator and the Transmission Owner shall be resolved pursuant to the dispute resolution provisions of the ITO Agreement or the RC Agreement, respectively.

- 6.1 **Notice of Dispute.** In the event of a Dispute under this Section 6 of Attachment P any party to the Dispute may provide written notice to the other parties to the Dispute, including a description of the nature of the Dispute.
- 6.2 **Dispute Resolution by Representatives.** The parties to the Dispute shall first refer the Dispute to their respective representatives who shall negotiate in good faith to resolve the Dispute.

- 6.3** Dispute Resolution by Executive Management Representatives. If the Dispute is not resolved within fifteen (15) days of being referred to the disputing parties' representatives pursuant to Section 6.2 of this Attachment P, then each party shall have five (5) days to appoint an executive management representative who shall negotiate in good faith to resolve the Dispute.
- 6.4** Dispute Resolution by Mediation. If the parties' executive management representatives are unable to resolve the Dispute within thirty (30) days of their appointment, the parties shall proceed in good faith to submit the matter to a mediator mutually acceptable to the disputing parties. The parties will share equally in the cost of such mediation, which will be conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association.
- 6.5** Arbitration. If the parties are unable to resolve the Dispute within thirty (30) days after the appointment of a mediator pursuant to Section 6.4 of this Attachment P, then the Dispute will be resolved according to the provisions for arbitration and any other remedies as outlined in this Section 6.5 of Attachment P.
- 6.5.1** Choice of Arbitrator(s). Any arbitration initiated under Section 6.5 of Attachment P shall be conducted before a single neutral arbitrator appointed by the disputing parties. If the disputing parties fail to agree upon a single arbitrator within ten (10) days of the referral of the Dispute to arbitration, each disputing party shall choose one arbitrator who shall sit on a three-member arbitration panel. The arbitrator(s) shall provide each of the disputing parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association.
- 6.5.2** Arbitration Decisions. Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of appointment and shall notify the disputing parties in writing of such decision and the reasons therefore. The decision of the arbitrator(s) shall be final and binding upon the disputing parties, and judgment on the award may be entered in any court having jurisdiction; provided, to the extent the final decision of the arbitrator(s) affects jurisdictional rates, terms and conditions of service or facilities, it must also be filed with the FERC consistent with applicable law, and its effectiveness is contingent upon applicable filing and acceptance provisions of applicable law, if any. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act and/or the Administrative Dispute Resolution Act.
- 6.5.3** Costs. Each disputing party shall be responsible for its own costs incurred during the arbitration process and for the cost of the arbitrator chosen by the disputing party to sit on the three member panel or, if applicable, one third of the cost of the single arbitrator jointly chosen by the disputing

parties.

- 6.6** Interim Measures Pending Resolution. Pending resolution of any dispute raised under this Section 6, the parties' positions will prevail as follows. These are only meant to be interim measures, shall not implicate a final outcome of Dispute Resolution taken under this Section 6.
- 6.6.1** In a dispute among the Parties, or between the ITO and the Reliability Coordinator involving matters for which the Transmission Owner has authority to provide inputs, the Transmission Owner's position should control pending outcome of the dispute resolution process.
- 6.6.2** In a dispute among the Parties, or between the ITO and the Reliability Coordinator involving matters for which the Transmission Owner does not have authority to provide inputs, and the dispute concerns matters which, under this Attachment P, the Reliability Coordinator has final review and approval authority, the Reliability Coordinator's position should control pending outcome of the dispute resolution process.
- 6.6.3** In a dispute among the Parties, or between the ITO and the Reliability Coordinator involving matters for which the Transmission Owner does not have authority to provide inputs, and the dispute concerns matters which, under this Attachment P, the ITO has final review and approval authority, the ITO's position should control pending outcome of the dispute resolution process.

Appendix 1

Division of Responsibility for Transmission Service and Interchange

The coordination between and amongst the ITO, the Reliability Coordinator and the Transmission Owner with respect to processing and evaluation of TSRs shall be as provided for in this Appendix 1. As the Tariff administrator for the Transmission Owner, the ITO has ultimate authority over all TSRs and is the lead entity for the evaluation of any TSR.

1 ITO Responsibility - The responsibilities of the ITO in respect of the processing and evaluating TSRs will be performed on a non-discriminatory basis consistent with the TSR Processing and Transmission Study Criteria, and include the following:

- Maintaining commercial interface for receiving and confirming requests for transmission service according to the requirements of the Tariff (e.g. OASIS);
- Calculating and posting ATC and TTC consistent with the Tariff, NERC standards, and NAESB business practices;
- Collecting all necessary information for the processing and evaluation of a TSR;
- Coordinating as necessary with the Transmission Owner and the Reliability Coordinator when processing requests for service into and out of transmission facilities or distribution facilities;
- Determining that all preconditions necessary for a TSR to be considered a Completed Application have been met;
- Maintaining appropriate TSR queues for Short-Term and Long-Term TSRs;
- Determining whether sufficient transmission capability exists to grant or deny a TSR;
- Approving or denying TSRs;
- Providing and executing SIS Agreements, and Facilities Studies Agreements;
- Performing SISs as necessary to evaluate whether sufficient transmission capability exists to accommodate a TSR, what additional facilities might be, required to allow the granting of a TSR (subject to further review in a Facilities Study), redispatch options (when requested by a customer), and conditional curtailment options (when requested by a customer);
- Performing SISs in response to requests to designate new Network Resources under Section 30 of the Tariff, including requests by the Transmission Owner's wholesale merchant function on behalf of Native Load Customers, and verifying that applicable Tariff requirements have been met;
- Providing all notices related to the processing and evaluation of a TSR to the Transmission Customer via OASIS;
- Independently reviewing the Transmission Owner's description of the ATC Methodology, SIS Criteria, Facilities Study Criteria, and TSR Processing Criteria to ensure that these criteria are sufficiently defined for Transmission Customers to understand how TSRs are processed and evaluated. If the ITO concludes that additional explanatory detail is required, the Transmission Owner will modify the appropriate business practice documents to include the additional detail. The ITO will post on OASIS the final versions of the criteria, including the Transmission

Owner's local reliability criteria, subject to applicable confidentiality requirements.

- Independently reviewing data, information and analyses, including Facilities Studies provided or performed by the Transmission Owner or the Reliability Coordinator;
- Ensuring that the TSR Processing Criteria and the Transmission Study Criteria are posted on OASIS and are sufficiently detailed so that the evaluation and processing of TSRs is transparent and understandable, subject to the confidentiality provisions of Attachment P;
- Responding to inquiries by Transmission Customers regarding TSRs concerning the functions performed by the ITO as set forth in Attachment P;
- Determining the amount and applicability of Ancillary Services under Schedules 1-6 of the Tariff that are needed or required for each transaction by Transmission Customers to comport with reliability guidelines;
- Developing and managing computer software that automates the process for evaluating Transmission Service Requests in an independent and nondiscriminatory manner;
- Billing and normal collection/payment of the applicable charges/invoices for SIS and Facilities Studies; and
- Consistent with the Tariff, the ITO will notify Transmission Customers of curtailments and interruptions of TSRs.

2 Transmission Owner Responsibility -- The responsibilities of the Transmission Owner in respect of the processing and evaluation of TSRs include the following:

- Providing data inputs and other information and analyses required by the ITO to study individual TSRs;
- Tendering, entering into, and filing all Transmission Service Agreements in accordance with the Tariff;
- Entering into any Facilities Study Agreement with the ITO and the Transmission Customer;
- Performing Facilities Studies;
- Billing and collecting the applicable charges for Transmission Service under the Tariff and Ancillary Services under Schedules 1-6 and 9 of the Tariff; and
- Supplying the Transmission Customer with detailed descriptions of the current Transmission Study Criteria and TSR Processing Criteria, including: (i) the Transmission Owner's current Tariff; (ii) applicable NERC Reliability Standards; and (iii) the Transmission Owner's local reliability criteria.

3 TSR Processing Criteria - As the Tariff administrator, the ITO has ultimate approval authority over all TSRs Processing Criteria. The TSR Processing Criteria shall be developed as follows:

- 3.1 Base Case Model Development:** Once the Base Case Model is complete, the ITO will participate with the Transmission Owner and the Reliability Coordinator in any additional regional model development processes necessary to create updated

quarterly and monthly regional models from the seasonal and annual models. These models, which are updated quarterly or monthly, will serve as the basis for the annual, seasonal, monthly, or daily Base Case Models for the Transmission System used to evaluate TSRs.

- 3.1.1** In order to develop the regional models and Base Case Models for the Transmission System referenced above, the Transmission Owner and the Reliability Coordinator will provide to the ITO and other modeling group participants such data and information as may be necessary to prepare and update the models. The ITO will review the data inputs provided by the Transmission Owner and the Reliability Coordinator to ensure that the data inputs and resulting models are consistent with the Transmission Study Criteria and Attachment K to the OATT.
- 3.2** Studies for Long-Term TSRs: All Long-Term TSRs will be evaluated in accordance with the Tariff. If a SIS indicates that additions or upgrades are needed to accommodate the TSR, the Transmission Customer may request a Facilities Study. The division of responsibilities and duties related to such studies is described below.

System Impact Study

- 3.2.1** If necessary, the ITO shall inform the Transmission Customer of the need for an SIS and provide the Transmission Customer with the standard form SIS Agreement to be executed by the ITO, the Transmission Owner and the Transmission Customer. The SIS Agreement shall obligate the Transmission Customer to pay for the actual cost of the SIS, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions herein. The ITO will be responsible for determining whether the Transmission Customer has timely complied with all requirements necessary for an SIS and for a request to remain a Completed Application. The ITO will provide a copy of the executed SIS Agreement to the Transmission Owner and Transmission Customer.
- 3.2.2** After confirming that all applicable requirements have been met by the Transmission Customer, the ITO will perform or cause to be performed the required SIS. If the SIS is performed by someone other than the ITO, the ITO still retains the ultimate responsibility and authority for the study. Any such delegation of responsibilities by the ITO will be to entities that are Independent of the Transmission Owner and other Market Participants. To perform the SIS, the ITO will use the current set of applicable Base Case Models. The ITO will update the applicable Base Case Models to reflect then-current data from the Transmission Owner's OASIS regarding additional Long-Term TSRs, including new or expired rollover rights. The ITO will perform the SIS as set forth in the SIS Criteria and will ensure that the Base Case Models, including any updates thereto, are

consistent with the SIS Criteria.

- 3.2.3** The ITO will provide the Transmission Owner (and/or any affected thirdparty Transmission Owner) and the Reliability Coordinator with an initial draft of the SIS report including a list of any constrained transmission elements. The Transmission Owner (or affected third-party Transmission Owner) and the Reliability Coordinator will have the opportunity to review and comment on the report. The Transmission Owner or affected third party Transmission Owner will be responsible for developing a mitigation plan to address any constrained transmission elements. The ITO will review the affected Transmission Owner's mitigation plan and will include the mitigation plan and the Transmission Owner's comments in the final SIS report provided to the Transmission Customer.
- 3.2.4** The ITO, in conjunction with the Transmission Owner and the Reliability Coordinator, will use due diligence to finalize the required SIS in accordance with the Tariff and will provide all notices to the Transmission Customer required under the Tariff. The ITO will post the SIS on OASIS as soon as the SIS is complete, and will respond to requests for work papers supporting the SIS. If the Transmission Owner and the ITO cannot resolve any disagreements regarding the SIS, the ITO will modify the draft SIS report to identify the areas of disagreement and will provide this SIS report to the Transmission Customer by posting on OASIS.
- 3.2.5** If the Transmission Owner, the Reliability Coordinator, and the ITO agree that no additions or upgrades to the Transmission System are needed to accommodate the TSR, and the ITO has determined that the Transmission Customer has met the necessary Tariff requirements, the ITO will provide the Transmission Customer with a Transmission Service Agreement to be executed by the ITO, the Transmission Owner and the Transmission Customer. The Transmission Customer may request that the ITO and the Transmission Owner file an unexecuted Transmission Service Agreement with FERC in accordance with the Tariff if: (i) the Transmission Owner and the ITO cannot agree on whether any additions or upgrades to the Transmission System are needed to accommodate the TSR; (ii) the Transmission Customer does not accept the results of the SIS; or (iii) the ITO, the Transmission Owner, and the Transmission Customer cannot agree on the terms and conditions of the Transmission Service Agreement. If the Transmission Owner and the ITO cannot agree on the scope of the additions or upgrades to the Transmission System that are needed to accommodate the TSR, or if the Transmission Customer does not accept the scope of the necessary additions or upgrades, the parties shall attempt to resolve any such disagreement through the more detailed Facilities Study process if the Transmission Customer elects to undertake such a study.

Facilities Study

- 3.2.6** If a SIS indicates that additions or upgrades are needed to accommodate the TSR, the ITO will provide the Transmission Customer with the standard form Facilities Study Agreement to be executed by the ITO, the Transmission Owner, and the Transmission Customer. The Facilities Study Agreement shall obligate the Transmission Customer to pay for the actual cost of the Facilities Study, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions. The ITO will be responsible for determining whether the Transmission Customer has timely complied with all requirements necessary for a Facilities Study and for a request to remain a Completed Application.
- 3.2.7** After confirming that all applicable requirements have been met by the Transmission Customer, the ITO shall direct the Transmission Owner to perform a Facilities Study. The ITO will provide the Transmission Owner with the updated Base Case Models used by the ITO in performing the SIS, including any additional data that the ITO determines may have material impact on the Facilities Study results. The ITO shall direct the Transmission Owner to determine the scope and estimate the cost of the additions or upgrades to the Transmission System needed to accommodate the TSR. The Transmission Owner shall use the updated Base Case Models as the basis for this determination and shall make this determination on a non-discriminatory basis consistent with the Facilities Study Criteria. The Transmission Owner will provide the ITO with its determination of the scope and estimate of the cost of the necessary additions or upgrades and, upon request, supporting documents and work papers.
- 3.2.8** The ITO will review the Transmission Owner's determination regarding the scope and cost of the necessary additions or upgrades. To the extent necessary, the ITO shall coordinate the Facilities Study with other affected transmission providers and conduct any meetings between the Transmission Owner and any other affected transmission providers. The ITO will prepare an initial draft of the Facilities Study report. The Transmission Owner will have the opportunity to review and comment on the report and its comments will be included in the final Facilities Study report provided to the Transmission Customer. If the ITO and the Transmission Owner cannot resolve any disagreements regarding the Facilities Study, the ITO will modify the draft Facilities Study report to identify the areas of disagreement and will provide this Facilities Study report to the Transmission Customer.
- 3.2.9** The ITO, in conjunction with the Transmission Owner and the Reliability Coordinator, will use due diligence to finalize the required Facilities Study

in accordance with the Tariff and will provide all notices to the Transmission Customer required under the Tariff. The ITO will provide the Transmission Customer with the final Facilities Study report and will respond to requests for work papers supporting the Facilities Study.

3.2.10 If the ITO and the Transmission Owner agree on the final Facilities Study, and the Transmission Customer accepts the final Facilities Study, and the ITO has determined that the Transmission Customer has met the necessary Tariff requirements, the ITO will provide the Transmission Customer with a Transmission Service Agreement to be executed by the ITO, Transmission Owner and the Transmission Customer. If the ITO and the Transmission Owner cannot agree, or the Transmission Customer does not accept the final Facilities Study, or if the Transmission Owner and the Transmission Customer cannot agree on the terms and conditions of the Transmission Service Agreement, the Transmission Customer may request that the Transmission Owner file an unexecuted Transmission Service Agreement with FERC in accordance with the Tariff.

3.3 Studies for Short-Term TSRs: The ITO will evaluate all Short-Term TSRs in accordance with the ATC Methodology using the Base Case Models described in Appendix 1 of this Attachment.

4 Transmission Hoarding

4.1 To guard against hoarding of transmission capacity by Market Participants, the ITO will perform a monthly assessment of unscheduled reservations and redirected capacity. Recurring instances of unused and redirected transmission reservations and instances in which scheduling practices have potentially detrimental market significance will be documented and provided to the FERC in the semiannual ITO report.

Appendix 2

Division of Responsibilities for the Planning Function

Overview

This Appendix 2 of Attachment P of the Tariff is designed to provide a division of responsibilities between the Transmission Owner, the ITO and the Reliability Coordinator. Long-term Transmission Planning for the Transmission Owner's footprint will be conducted as an iterative process as follows: 1) the Transmission Owner will develop the long-term Annual Transmission Plan ("Annual Plan") and submit the Annual Plan to the ITO for initial approval; 2) the ITO will review and conduct an engineering assessment of the Annual Plan; and if it is approved, the ITO will submit the Annual Plan to the Reliability Coordinator; 3) the Reliability Coordinator will conduct a regional assessment of the Annual Plan, subject to the conditions below; and 4) the Reliability Coordinator will submit any changes to the Annual Plan based on its regional assessment to the ITO for final review and approval. The ITO will ensure that transmission planning on the Transmission Owner's system is done on an independent, nondiscriminatory basis. This process is further detailed below.

1. Plan Development by the Transmission Owner

The Transmission Owner will be responsible for the following tasks:

- 1.1 System Models for Transmission Planning.** The Transmission Owner will develop and maintain all transmission and resource (demand and capacity) system models, to evaluate Transmission System performance and resource adequacy. As part of these duties the Transmission Owner is responsible for:
 - 1.1.1** Creating the Base Case Model for the Transmission System. The Base Case Model will include all existing long-term, firm uses of the Transmission System, including: (i) Network Integration Transmission Service; (ii) firm transmission service for the Transmission Owner's Native Load; (iii) Long-Term Point-to-Point Transmission Service; and (iv) firm transmission service provided in accordance with grandfathered agreements. The Base Case Model will be developed pursuant to the modeling procedures used in developing the NERC multi-regional and Reliability *First* regional models.
 - 1.1.2** Providing the Base Case Model to the ITO for review and approval according to the iterative process outlined in the overview to this Appendix 2.
 - 1.1.3** Maintaining other transmission models including, but not limited to steady-state, dynamic and short circuit models.
- 1.2 Assess, develop, and document Resource and Transmission Expansion plans.** The Transmission Owner will assess, develop, and document resource and

transmission Expansion plans including the Annual Plan. These plans include the following responsibilities:

- 1.2.1** Maintaining and applying methodologies and appropriate tools for the development, analysis and simulation of the Transmission System in the assessment and development of transmission expansion plans and the analysis and development of resource adequacy plans.
 - 1.2.2** Developing a long-term (generally one year and beyond) plan for the reliability (adequacy) of the Transmission System.
 - 1.2.3** Defining system protection and control needs and requirements, including special protection systems (remedial action schemes), to meet reliability standards.
 - 1.2.4** Developing and reporting, as appropriate, on the Annual Plan for assessment and compliance with reliability standards.
 - 1.2.5** Monitoring and reporting, as appropriate, its Annual Plan implementation.
- 1.3 Information.** The Transmission Owner will define, collect and develop information required for planning purposes, including:
- 1.3.1 Transmission facility characteristics and ratings.** Collect and maintain specific transmission information regarding characteristics of transmission facilities, lines, equipment, and methodologies, for determining the appropriate thermal ratings of circuits and transformers, including information on transmission line design temperature, voltage and stability limits and other transformer test data.
 - 1.3.2 Demand and energy end-use customer forecasts, capacity resources, and demand response programs.** Including:
 - i. Load forecasts for all existing delivery points for the following ten years, including transmission (wholesale and retail) connected substations and distribution substations, and coincident and noncoincident peak demands and power factor at each delivery point;
 - ii. Plans for new delivery points for the following ten (10) years;
 - iii. Resource plans for the following ten (10) years;
 - iv. Expectations for market access to on- and off-system generation resources;
 - v. All planned on-system distributed generation resources; and vi. Information on all interruptible loads.

1.3.3. Generator unit performance characteristics and capabilities. The Transmission Owner shall provide the ITO with all necessary data, information, and applicable requirements that govern the operation of any generating facilities interconnected with the Transmission System, as the ITO may require for performance of its various functions. The Transmission Owner shall submit and coordinate generator unit schedules as necessary to permit the ITO to assess transmission transfer capability and to permit the Reliability Coordinator to assess transmission reliability. The Transmission Owner shall submit, on an annual basis, data concerning projected loads, designated network resources, generation and transmission maintenance schedules, and other such operating data as the ITO may require for performance its various functions.

1.3.4 Long-term capacity purchases and sales. The Transmission Owner will maintain a list of all long-term capacity purchases and sales and include this information in its model development and the Annual Plan.

2 ITO Review and Assessment

The ITO will be responsible for the following tasks:

- 2.1 Independently reviewing and approving the Transmission Owner's Planning Criteria. If the ITO concludes that additional explanatory detail is required, the Transmission Owner will modify the appropriate business practice documents to include the additional detail. The ITO will ensure that the final versions of the Planning Criteria are posted on OASIS;
- 2.2 Reviewing and approving Transmission Owner's Base Case Model; reviewing, evaluating, and commenting on the Annual Plan as developed by the Transmission Owner. This review and evaluation will be based on all applicable planning criteria and statewide or multi-state transmission planning requirements;
- 2.3 Monitoring the Transmission Owner's transmission facility ratings based on access to data necessary to evaluate such ratings;
- 2.4 Performing an Independent assessment of the Transmission System using the Planning Criteria and the Base Case Model. As part of this assessment, the ITO will independently evaluate whether: (i) the Transmission Owner's Annual Plan complies with the Planning Criteria and the Base Case Model; and (ii) whether there are upgrade projects in the Annual Plan that are not necessary to meet the Planning Criteria and the Base Case Model;
- 2.5 Holding a Transmission Planning Conference to gather input and consider the planning process and the Transmission Owner's Annual Plan; and
- 2.6 Providing the Transmission Owner with its conclusions regarding the reliability assessment and evaluation of the Annual Plan, including any outstanding issues

that the ITO believes the Transmission Owner should address. The Transmission Owner will have the opportunity to review the ITO's conclusions and may submit a revised Annual Plan and supporting documentation to the ITO to address any outstanding issues. Once the Annual Plan has been finalized by the Transmission Owner, the ITO will submit the Annual Plan to the Reliability Coordinator for regional coordination.

3 Regional Coordination

The Reliability Coordinator will be responsible for the following tasks:

- 3.1** Integrating and verifying that the respective plans for the regional area meet reliability standards.
- 3.2** Identifying and reporting on potential Transmission System and resource adequacy deficiencies in the regional area, and providing alternate plans that mitigate these deficiencies.
- 3.3** Reviewing and reporting, as appropriate, on the Transmission Owner's Annual Plan for assessment and compliance with reliability standards within their regional area.
- 3.4** Notifying impacted transmission entities within their regional area of any planned transmission changes that may impact their facilities.
- 3.5** Submitting Annual Plan, including any changes based on the regional coordination, to the ITO for final approval.

4 Final Review and Assessment

- 4.1** The ITO shall have final review and assessment of all plans. If the ITO cannot approve a plan after regional coordination, then the ITO will return the plan to the Transmission Owner for further development as appropriate. The process for final approval of any previously rejected plan will follow the same iterative process as outlined above.
- 4.2** The ITO will post the Transmission Owner's finalized Annual Plan on OASIS.

5 Implementation of Plan and Construction of Upgrades

- 5.1** The Transmission Owner is responsible for the implementation of the Annual Plan. The Transmission Owner will make a good faith effort to design, certify, and build facilities approved by the ITO in the Annual Plan.
- 5.2** In the case where the Reliability Coordinator or the ITO does not agree with the Annual Plan, nothing in this Attachment P shall prevent the Transmission Owner from constructing those facilities it deems necessary to reliably meet its obligation to serve its Network Customers, its Native Load Customers and its Transmission Customers taking Point-to-Point Transmission Service.

Appendix 3

Division of Responsibilities for Generator Interconnections

The coordination between and amongst the ITO, the Reliability Coordinator and the Transmission Owner with respect to processing and evaluation of Interconnection Requests shall be as provided for in this Appendix 3. As the Tariff administrator for the Transmission Owner, the ITO has ultimate authority over all Interconnection Requests and is the lead entity for the evaluation of any Interconnection Request.

- 1** ITO Duties and Responsibilities: The ITO shall process all Interconnection Requests and Interim Interconnection Requests and perform Interconnection Studies in a non-discriminatory manner in accordance with the LGIP and SGIP and the Transmission Owner's Interconnection Study Criteria. Sole authority to grant or deny requests for generation interconnections are the exclusive responsibility of the ITO, and cannot be delegated to any other parties described herein. The ITO will have authority to interpret and apply the guidelines, and shall have responsibility for administration of the Transmission Owner's LGIP and SGIP, including queuing of Interconnection Requests and Interim Interconnection Requests, completion of Interconnection Studies associated with Interconnection Requests and Interim Interconnection Requests, and development of the Transmission System modeling process, software, and assumptions used to evaluate Interconnection Requests and Interim Interconnection Requests. The ITO's responsibilities in processing and evaluating Interconnection Requests and Interim Interconnection Requests include the following:
 - 1.1** Collecting from the Interconnection Customer, the Transmission Owner and the Reliability Coordinator all necessary information for the processing and evaluation of each Interconnection Request and Interim Interconnection Request;
 - 1.2** Determining that all preconditions necessary for a valid Interconnection Request and Interim Interconnection Request have been met;
 - 1.3** Performing Interconnection Feasibility Studies, Interconnection SISs, Interim SISs and Optional Interconnection Studies and coordinating such studies with Affected Systems;
 - 1.4** Maintaining and administering a queue for Interconnection Study requests;
 - 1.5** Posting on the Transmission Owner's OASIS a list of Interconnection Requests and Interim Interconnection Requests and related information as required under the LGIP and SGIP;
 - 1.6** Providing and executing Interconnection Study Agreements, Interim Interconnection System Impact Study Agreements, Interim SGIA SIS Agreements, and Facilities Study Agreements;
 - 1.7** Providing all notices related to the processing and evaluation of an

Customer with an Interconnection Feasibility Study Agreement to be executed by the Interconnection Customer and the ITO. The Interconnection Feasibility Study Agreement shall obligate the Interconnection Customer to pay for the actual cost of the Interconnection Feasibility Study, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions under Sections 4.1 through 4.3 of this Appendix 3. The ITO will be responsible for determining whether the Interconnection Customer has timely complied with all requirements necessary for an Interconnection Feasibility Study and a valid Interconnection Request, as provided in the LGIP or SGIP. The ITO will provide a copy of the executed Interconnection Feasibility Study Agreement to the Transmission Owner.

- 4.2** After confirming that all applicable requirements have been met by the Interconnection Customer, the ITO will perform or cause its designee to perform the required Interconnection Feasibility Study, including any Re-Studies. To perform the Interconnection Feasibility Study, the ITO will use the current set of applicable Base Case Models. The ITO will update the applicable Base Case Models to reflect then-current data from the Transmission Owner's OASIS regarding additional Long-Term TSRs, including new or expired rollover rights. The ITO will perform the Interconnection Feasibility Study as set forth in the Interconnection Study Criteria and will ensure that the Base Case Models, including any updates thereto, are developed as set forth in the Interconnection Study Criteria. The ITO will provide the Transmission Owner with an initial draft of the Interconnection Feasibility Study report, and the Transmission Owner will have the opportunity to review and comment on the report.
- 4.3** The ITO will use reasonable efforts to finalize the Feasibility Study in accordance with the LGIP or SGIP provisions of the Tariff and will provide all notices to the Interconnection Customer required therein. The ITO will be responsible for responding to requests for work papers or other supporting documentation under the LGIP or SGIP. If the Transmission Owner and the ITO cannot resolve any disagreements regarding the Feasibility Study, the ITO will modify the draft Feasibility Study report to identify the areas of disagreement and will provide this Feasibility Study report to the Interconnection Customer. If the Transmission Owner, the ITO, and the Interconnection Customer ultimately cannot agree on the final Interconnection Feasibility Study report, Section 14.5 of the LGIP or Section 4.2 of the SGIP will apply.

5 Interconnection System Impact Study

- 5.1** Pursuant to the LGIP or SGIP, the ITO shall provide the Interconnection Customer with the Interconnection SIS Agreement to be executed by the ITO and the Interconnection Customer. The Interconnection SIS Agreement shall obligate the Interconnection Customer to pay for the actual cost of the Interconnection SIS, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions under Section 5 of this Appendix 3. The ITO will be responsible for determining whether the Interconnection Customer has timely complied with all requirements necessary

for an Interconnection SIS and for a valid Interconnection Request, as set forth in the LGIP or SGIP. The ITO will provide a copy of the executed Interconnection SIS Agreement to the Transmission Owner and the Reliability Coordinator.

- 5.2** After confirming that all applicable requirements have been met by the Interconnection Customer, the ITO shall perform or cause its designee to perform the required Interconnection SIS, including any Re-Studies. To perform the Interconnection SIS, the ITO will use the current set of applicable Base Case Models. The ITO will update the applicable Base Case Models to reflect the current data from the Transmission Owner's OASIS regarding additional Long- Term TSRs, including new or expired rollover rights. The ITO will perform the interconnection SIS as set forth in the Interconnection Study Criteria and will ensure that the Base Case Models, including any updates thereto, are developed as set forth in the Interconnection Study Criteria.
 - 5.3** The ITO will provide the Transmission Owner, the Reliability Coordinator and other Affected System with an initial draft of the Interconnection SIS report, including a list of any constrained transmission elements. The Transmission Owner and the Reliability Coordinator will have the opportunity to review and comment on the report and the Transmission Owner will be responsible for developing a mitigation plan to address any constrained transmission elements. The ITO will review the Transmission Owner's mitigation plan and will include the mitigation plan and the Transmission Owner's comments in the final Interconnection SIS report provided to the Interconnection Customer.
 - 5.4** The ITO, in conjunction with the Transmission Owner and the Reliability Coordinator, will use reasonable efforts to finalize the required Interconnection SIS in accordance with the LGIP or SGIP and will provide all notices to the Interconnection Customer required by the LGIP or SGIP. The ITO will be responsible for responding to requests for work papers supporting the Interconnection SIS. If the Transmission Owner and the ITO cannot resolve any disagreements regarding the Interconnection SIS, the ITO will modify the draft Interconnection SIS report to identify the areas of disagreement and will provide this Interconnection SIS report to the Interconnection Customer. If the Transmission Owner, the ITO, the Reliability Coordinator and the Interconnection Customer ultimately cannot agree on the final Interconnection SIS report, Section 14.5 of the LGIP or Section 4.2 of the SGIP will apply.
- 6** Interconnection Facilities Study
- 6.1** Pursuant to the LGIP or SGIP provisions of the Tariff, the ITO will tender the Interconnection Facilities Study Agreement to the Interconnection Customer to be executed by the ITO, the Transmission Owner, any Affected System, and the Interconnection Customer. The Interconnection Facilities Study Agreement shall obligate the Interconnection Customer to pay for the actual cost of the Interconnection Facilities Study, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions under Section 6 of this Appendix 3.

- 6.2** After confirming that all applicable requirements have been met by the Interconnection Customer, the ITO shall direct the Transmission Owner to perform an Interconnection Facilities Study. The ITO will provide the Transmission Owner with the relevant SIS data used by the ITO in performing the Interconnection SIS, including any additional data that the ITO determines may have material impact on the Interconnection Facilities Study results. The ITO shall direct the Transmission Owner to determine the equipment, engineering, procurement, and construction work necessary to implement the conclusions in the Interconnection SIS. The Transmission Owner shall use the relevant SIS data provided by the ITO as the basis for this determination and shall make this determination consistent with the Interconnection Study Criteria. The Transmission Owner will provide the ITO with its determination and, upon request, supporting documents and work papers.
- 6.3** The ITO will review the Transmission Owner's determination regarding the equipment, engineering, procurement, and construction work necessary to implement the conclusions in the Interconnection SIS. The ITO will prepare an initial draft of the Interconnection Facilities Study report. The Transmission Owner will have the opportunity to review and comment on the report and the Transmission Owner's comments will be included in the final Interconnection Facilities Study report provided to the Interconnection Customer. If the ITO and the Transmission Owner cannot resolve any disagreements regarding the Interconnection Facilities Study, the ITO will modify the draft Interconnection Facilities Study report to identify the areas of disagreement and will provide this Interconnection Facilities Study report to the Interconnection Customer.
- 6.4** The ITO, in conjunction with the Transmission Owner, will use reasonable efforts to finalize the required Interconnection Facilities Study in accordance with the LGIP or SGIP and will provide all notices to the Interconnection Customer required in the LGIP or SGIP. The ITO will be responsible for providing the Interconnection Customer with the final Interconnection Facilities Study report and responding to requests for work papers and supporting documentation for the Interconnection Facilities Study.
- 6.5** If the ITO and the Transmission Owner agree on the final Facilities Study, and the Interconnection Customer accepts the final Facilities Study, and the ITO has determined that the Interconnection Customer has met the necessary LGIP or SGIP requirements, the Transmission Owner will provide the Interconnection Customer with a LGIA or SGIA to be executed by the Transmission Owner and the Interconnection Customer. If the ITO and the Transmission Owner cannot agree, or the Interconnection Customer does not accept the final Interconnection Facilities Study, or if the Transmission Owner and the Interconnection Customer cannot agree on the terms and conditions of the LGIA or SGIP, the parties may attempt to resolve the dispute pursuant to Section 14.5 of the LGIP or Section 4.2 of the SGIP, or the Interconnection Customer may request that the Transmission Owner file an unexecuted LGIA with FERC in accordance with Section 11.3 of the LGIP, or file an unexecuted SGIA with FERC in accordance with Section 4.8

of the SGIA.

- 7 **Interim SIS.** The ITO shall have the responsibility to conduct Interim Interconnection System Impact Studies pursuant to the terms of Section 13 of the LGIP.
8. **Optional Interconnection Study:** If the Interconnection Customer requests an Optional Interconnection Study, the division of responsibilities between the Transmission Owner and the ITO shall be the same as for the Interconnection SIS.

Appendix 4

Division of Responsibilities for the Reliability Function

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

1 Reliability Coordinator General Functions:

The Reliability Coordinator shall perform the following functions:

- 1.1** Serving as NERC designated reliability coordinator and representing the TVA Reliability Area at the NERC and Regional Reliability Council level.
- 1.2** Implementing applicable NERC and regional reliability criteria initiatives, such as maintaining a connection to NERC's Interregional Security Network ("ISN"), day-ahead load-flow analysis, transmission loading relief procedures, and information exchange.
- 1.3** Developing and coordinating with the Reliability Coordination Advisory Committee ("RCAC") new Reliability Coordinator Procedures and revisions to existing Reliability Coordinator Procedures.
- 1.4** Exchanging timely, accurate, and relevant Transmission System information with the Transmission Owner, the ITO, and with other reliability coordinators.
- 1.5** Developing and maintaining system models and tools needed to perform analysis needed to develop operational plans.
- 1.6** Coordinating with neighboring reliability coordinators and other operating entities as appropriate to ensure regional reliability.
- 1.7** Performing all other reliability coordinator functions as required for compliance with applicable NERC Reliability Standards and Regional Reliability Council standards, as the same may be amended or modified from time to time.

2 Real-time Operations:

2.1 Reliability Coordinator Functions:

The Reliability Coordinator shall perform the following functions:

- 2.1.1** Monitoring, analyzing, and coordinating the reliability of the Transmission

Owner's facilities and interfaces with other Balancing Authorities, Transmission Operators, and other reliability coordinators.

- 2.1.2 Performing analyses to develop an evaluation of system conditions. The Transmission Owner will provide necessary information (e.g., outages and transactions) and Transmission System conditions, as applicable, to the Reliability Coordinator in accordance with applicable NERC Standards. The results of these analyses will be provided to the Transmission Owner and neighboring reliability coordinators in accordance with applicable NERC Reliability Standards and Regional Reliability Council Standards.
- 2.1.3 Determining, directing, and documenting appropriate actions to be taken by the Transmission Owner, the ITO and Reliability Coordinator in accordance with the NERC Reliability Standards, including curtailment of transmission service or energy schedules, re-dispatch of generation and load shedding as necessary to alleviate facility overloads and abnormal voltage conditions, and other circumstances that affect interregional bulk power reliability.
- 2.1.4 Coordinating transmission loading relief and voltage correction actions with the Transmission Owner and with other reliability coordinators.

2.2 **Transmission Owner Responsibilities:**

The Transmission Owner shall have the following responsibilities:

- 2.2.1 Ensuring appropriate telemetry and providing Reliability Coordinator realtime operational information for monitoring.
- 2.2.2 Receiving from the Reliability Coordinator all reliability alerts for TVA Reliability Area and neighboring reliability coordinators.
- 2.2.3 Following Reliability Coordinator directives for corrective actions (e.g., curtailments or load shedding) during system emergencies or to implement TLR procedures.
- 2.2.4 Receiving from Reliability Coordinator all notices regarding Transmission System limitations or other reliability issues, as appropriate

3 **Forward Operations:**

3.1 **Reliability Coordinator Functions:**

The Reliability Coordinator shall perform the following functions:

- 3.1.1 Performing analyses and develop an evaluation of expected next-day Transmission System operations. The results of these analyses shall be provided to the Transmission Owner, the ITO and neighboring reliability coordinators in accordance with applicable NERC Reliability Standards and Regional Reliability Council Standards.

- 3.1.2 Performing analysis of planned transmission and generation outages and coordination of outages with NERC, participants in reliability coordination agreements, and other reliability coordinators as appropriate and as required by NERC. This entails analysis and coordination of planned outages which are beyond next day and intra-day outages.
- 3.1.3 Analyzing and approving all planned maintenance schedules on facilities 100kV and above and planned maintenance of generation facilities submitted by the Transmission Owner in conjunction with other work on the regional transmission grid to determine the impact of the Transmission Owner's planned maintenance schedule on the reliability of the facilities under TVA's purview as Reliability Coordinator, and the purview of neighboring reliability coordinators, and any other relevant effects; and coordinate impacts on available transfer capability with the ITO.
- 3.1.4 Coordinating, as required by either NERC or other agreements, planned maintenance schedules with all adjacent reliability coordination areas and/or Balancing Authority Areas and Transmission Providers; as well as the ITO.

3.2 Transmission Owner Responsibilities:

The Transmission Owner shall have the following responsibilities:

- 3.2.1 Providing generation-related information (e.g., outages and transactions) and expected Transmission System conditions (e.g., transmission facility outages and transactions), as applicable, to the Reliability Coordinator for the next-day operation in accordance with applicable NERC Reliability Standards and Regional Reliability Council standards.
- 3.2.2 Submitting facility ratings and operational data for all generators and transmission facilities in the Transmission Owner's footprint.
- 3.2.3 Coordinating with the ITO and submitting to the Reliability Coordinator generation dispatch information for the Transmission Owner's footprint and following Reliability Coordinator directives regarding dispatch adjustments to mitigate congestion.
- 3.2.4 Submitting to the Reliability Coordinator generation operation plans and commitments for reliability analysis.
- 3.2.5 Submitting to the Reliability Coordinator transmission maintenance plans for reliability analysis.
- 3.2.6 Following Reliability Coordinator directives to revise transmission maintenance plans as required to ensure grid reliability.
- 3.2.7 Receiving from Reliability Coordinator all notices regarding reliability analyses for the TVA Reliability Area as well as neighboring reliability

coordinators.

- 3.2.8** Representing the Transmission Owner on the RCAC and in all RCAC deliberations.

4 JRCA Implementation and Regional Congestion Management

For the purposes of this section IV, capitalized terms not defined in the Tariff will have the definitions used in the JRCA and its related Congestion Management Process (“CMP”), unless otherwise noted in this section IV.

4.1 Reliability Coordinator Functions:

The following functions to be performed by the Reliability Coordinator shall be performed in conjunction with the functions to be performed by the Independent Transmission Operator under the Independent Transmission Organization Agreement and will fully incorporate the Transmission Owner’s operations into the procedures and protocols governing other facilities in the Reliability Coordinator’s Reliability Area in accordance with the provisions of the JRCA:

- 4.1.1** Identifying of Coordinated Flowgates and determination of flowgates requiring Reciprocal Coordination (twice annually).
- 4.1.2** Performing Historic Firm Flow Calculations -- implement transmission service reservation set and designated resources provided by the Transmission Owner for established freeze date; calculate historic firm flow values and ratios for all coordinated flowgates on the Transmission Owner’s system (bi-annually).
- 4.1.3** Developing reciprocal coordination agreements that establish how each Operating Entity will consider its own flowgates as well as the usage of other Operating Entities when it determines the amount of flowgate or constraint capacity remaining. This process will include both operating horizon determination as well as forward looking capacity allocation.
- 4.1.4** Implementing AFC Process -- determining AFC attribute requirements; obtaining NNL Impact Data; implementing Allocation Calculation Process; implement AFC calculation process.
- 4.1.5** Providing the ITO flowgate AFCs on an hourly basis and flowgate allocations on a daily basis.

4.2 Transmission Owner Responsibilities:

The Transmission Owner is obligated to uphold the terms and conditions of the JRCA, and providing the Reliability Coordinator with the information and support it needs in order to carry out its duties under Section 2.3.5 of the JRCA, as Transmission Owner’s Reliability Coordinator. The Transmission Owner shall be responsible for coordinating with the ITO and provide Transmission System data

to the Reliability Coordinator including, but not limited to:

Operating information:

- (i) Transmission Service Reservations;
- (ii) Load forecast requirements;
- (iii) Flowgates requirements;
- (iv) AFC data requirements;
- (v) PSSE Models Requirements;
- (vi) Designated Network Resources requirements;
- (vii) Jointly owned units;
- (viii) Dynamic schedules;
- (ix) NNL allocations requirements; and,
- (x) NNL evaluator requirements.

Projected operating information:

- (i) Unit commitment/merit order;
- (ii) Firm purchase and sales (including grandfathered agreements);
- (iii) Independent power producer information including current operating level, projected operating levels, scheduled outage start and end dates;
- (iv) Planned and actual operational start-up dates for any permanently added, removed, or significantly altered transmission segments; and
- (v) Planned and actual start-up testing and operational start-up dates for any permanently added, removed, or significantly altered generation units.

4.3 ITO Responsibilities:

The ITO shall have the following responsibilities in support of the JRCA, which it will carry out in compliance with the terms of the JRCA:

- 4.3.1** Providing to the Reliability Coordinator all transmission facility plans and facility upgrade schedules.
- 4.3.2** Providing to the Reliability Coordinator the status of all transmission service requests and all new transmission service agreements.
- 4.3.3** Receiving from the Reliability Coordinator all flowgate AFCs on an hourly basis and flowgate allocations on a daily basis.
- 4.3.4** Converting flowgate information provided by the Reliability Coordinator to ATC values for posting on OASIS and for analyzing TSRs.
- 4.3.5** Implementing CMP business rules for AFC vs. ASTFC.

- 4.3.6 Honoring all AFC allocations and AFC over-rides from other CMP participants in the evaluation and granting of transmission service.

5 Regional Coordination

5.1 Reliability Coordinator Functions:

The Reliability Coordinator will ensure a long-term (one year and beyond) plan is available for adequate resources and transmission within the TVA Reliability Area. The Reliability Coordinator will integrate the Transmission Plan provided by the ITO with plans of other operating entities in the Reliability Coordination Area and assess the plans to ensure those plans meet reliability standards. The Reliability Coordinator will advise the ITO of solutions to plans that do not meet those standards. The Reliability Coordinator will then coordinate the Reliability Area Plan with those of neighboring reliability coordinators and Planning Coordinators to ensure wide-area grid reliability.

These functions include:

- 5.1.1 Integrating the transmission and resource (demand and capacity) system models provided by the ITO with those of other Reliability Coordinator Area operating entities to ensure Transmission System reliability and resource adequacy.
- 5.1.2 Applying methodologies and tools to assess and analyze the Transmission System expansion plans and the resource adequacy plans.
- 5.1.3 Collecting all information and data required for modeling and evaluation purposes.
- 5.1.4 Integrating and verifying that the respective plans of the Resource Planners and Transmission Planners within the TVA Reliability Area meet reliability standards.
- 5.1.5 Coordinating the Reliability Coordinator Area plan with neighboring Reliability Coordinators for review, as appropriate.
- 5.1.6 Integrating the Reliability Coordinator Area plan with neighboring Planning Coordinators/reliability coordinators plans to provide a broad multi-regional bulk system planning view.

5.2 Transmission Owner Responsibilities:

The Transmission Owner shall have the following responsibilities:

- 5.2.1 Providing to the Reliability Coordinator demand and energy end-use customer forecasts, capacity resources, and demand response programs.
- 5.2.2 Providing to the Reliability Coordinator generator unit performance characteristics and capabilities.

5.2.3 Providing to Reliability Coordinator long-term capacity purchases and sales.

Appendix 5

Balancing Authority Functions Performed

The Transmission Owner and ITO will split the functional responsibilities for the Balancing Authority, as defined in Version 2 of the NERC Reliability Functional Model, as follows:

1 Balancing Authority Functions performed by the Transmission Owner

- 1.1 Compiling load forecasts from load serving entities.
- 1.2 Receiving operational plans and commitments from generator operators within the Balancing Authority Area.
- 1.3 Deploying reserves in coordination with the Reliability Coordinator.
- 1.4 Receiving, confirming and implementing approved, valid and balanced Net Interchange Schedules (“NSI”) from the ~~ITOOATI~~ software.
- 1.5 Making inter-hour changes to NSI to accommodate loss of generating units and implementation of the Automatic Reserve Sharing System.
- 1.6 Informing Reliability Coordinator and ITO of real-time interruptions within the Balancing Authority Area, including generator outages or load reductions.
- 1.7 Implementing generator commitment and dispatch schedules.
- 1.8 Providing unit commitment/generation dispatch information and generator maintenance plans to ITO and Reliability Coordinator and revising generator maintenance plans as directed by Reliability Coordinator.
- 1.9 Acquiring generator inputs to Ancillary Services from generator owners.
- 1.10 Directing resources (generator operators and load serving entities) to take action to ensure balance in real time.
- 1.11 Taking action as required to ensure balance within the Balancing Authority Area, including load shedding and voltage reductions.
- 1.12 Providing real-time operational information for Reliability Coordinator monitoring.
- 1.13 Checkout Actual Interchange.
- 1.14 Calculating area control error within the Balancing Authority Area.
- 1.15 Monitoring system frequency.

- 1.16 Monitoring and reporting control performance and disturbance recovery.
- 1.17 Implementing emergency procedures (including Energy Emergency Alerts and curtailments as directed by the Reliability Coordinator) required by NERC Standards).

1.18 Approving interchange transactions.

1.19 Hourly checkout of interchange schedules.

1.20 Provide to the ITO, for posting on OASIS, statistics regarding schedules that the Transmission Owner has modified.

2 Balancing Authority Functions performed by the ITO

2.1 Approving interchange transactions from the ramping ability perspective. ~~2.2~~
——— Providing a Monitoring and validating the NSI value that is provided to the Transmission Owner from OATI software.

~~2.3~~—— Hourly checkout of interchange schedules.

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137 FERC ¶ 61,195
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
and Cheryl A. LaFleur.

Louisville Gas and Electric Company and
Kentucky Utilities Company

Docket Nos. ER11-4396-000
EC98-2-000
(not consolidated)

ORDER CONDITIONALLY APPROVING TARIFF REVISIONS

(Issued December 15, 2011)

1. On August 30, 2011, Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU) (collectively, Applicants) submitted under sections 203 and 205 of the Federal Power Act (FPA)¹ a proposal to revise certain provisions of their open access transmission tariff (OATT) that pertain to their Independent Transmission Organization (ITO). Specifically, Applicants propose to change the entity that serves as their ITO, and to change certain aspects of the ITO arrangement. Applicants state that their proposal satisfies: (i) the conditions established by the Commission in connection with Applicants' merger in 1998;² and (ii) the conditions placed on Applicants in connection with their withdrawal from the Midwest Independent Transmission System Operator, Inc. (MISO).³

2. For the reasons discussed below, we conditionally accept Applicants' proposal, to become effective September 1, 2012, as requested, subject to a compliance filing.

¹ 16 U.S.C. §§ 824b and 824d (2006).

² See *Louisville Gas and Electric Co.*, 82 FERC ¶ 61,308 (1998) (Merger Order); *E.ON AG*, 97 FERC ¶ 61,049 (2001) (E.ON Merger Order).

³ See *Louisville Gas and Electric Co., et al.*, 114 FERC ¶ 61,282 (2006) (Withdrawal Order).

Docket Nos. ER11-4396-000 and EC98-2-000

I. Background

A. Applicants

3. Applicants are transmission-owning utilities operating in the Commonwealth of Kentucky. LG&E provides retail electric service to over 397,000 customers.⁴ KU provides retail electric service to over 546,000 customers. Under the name Old Dominion Power, KU also provides retail electric service to over 29,000 retail customers in Virginia. In addition to its retail service, KU also sells wholesale electric energy to 12 municipalities in Kentucky. Applicants' total generation capacity is 3,320 megawatts (MW) and 4,989 MW, respectively.

4. Applicants are wholly-owned subsidiaries of PPL Corporation (PPL).⁵ PPL is headquartered in Allentown, Pennsylvania and controls about 19,000 MW of generation in Pennsylvania, Montana, and Kentucky.

B. Merger Order

5. In evaluating Applicants' proposed merger in 1998, the Commission found that the companies' participation in MISO would ensure that the merger did not adversely affect competition in the wholesale power market.⁶ The Commission accepted Applicants' joining MISO (and turning over operation of their transmission facilities to MISO) as a mitigation measure that would provide: (i) impartial transmission planning to reduce congestion; (ii) fair and efficient congestion management; (iii) removal of abuses of native load priority; (iv) elimination of incentives to curtail competitors' generation; and (v) removal of incentives to game Open Access Same-Time Information System (OASIS) management.⁷ Applicants were involved in two subsequent mergers, the first in 2000 with PowerGen plc,⁸ and the second in 2001 with E.ON AG.⁹ In the E.ON Merger Order, the Commission noted Applicants' MISO membership and found

⁴ Applicants' August 30 Filing at 5.

⁵ *Id.*

⁶ *Id.* (citing Merger Order, 82 FERC at 62,214).

⁷ Merger Order, 82 FERC at 62,222, n.39.

⁸ *Louisville Gas & Elec. Co.*, 91 FERC ¶ 61,321 (2000).

⁹ E.ON Merger Order, 97 FERC ¶ 61,049.

Docket Nos. ER11-4396-000 and EC98-2-000

that, as a result of such membership, Applicants lacked the ability to exploit their transmission assets to harm competition in wholesale electricity markets.¹⁰

C. Withdrawal Order

6. In 2005, Applicants filed with the Commission to withdraw from MISO.¹¹ Applicants proposed to utilize independent third parties as their ITO and Reliability Coordinator in order to “maintain the requisite level of independence with respect to the operation of their transmission system and administration of the OATT.”¹² In the Withdrawal Order, the Commission found that Applicants’ proposal to use an ITO and Reliability Coordinator addressed horizontal and vertical market power concerns arising from Applicants’ previous mergers.¹³ Southwest Power Pool, Inc. (SPP) has been Applicants’ ITO since Applicants withdrew from MISO on September 1, 2006.

II. Applicants’ Proposal

7. Applicants propose to appoint TranServ International, Inc. (TranServ) as the new ITO for Applicants’ transmission system. They propose that TranServ, together with its subcontractor MAPPCOR, will perform the functions currently performed by the current ITO (SPP), after SPP’s contract as ITO expires on August 31, 2012.

A. Consistency with Merger Order and Withdrawal Order

8. Applicants request that the Commission find that the assignment of functions under their proposed ITO arrangement with TranServ continues to satisfy their merger commitments as modified by the Withdrawal Order and is otherwise consistent with the requirements of section 203(b) of the FPA. Applicants submit that their continued use of an ITO is in the public interest, and will not have an adverse effect on rates, regulation, or competition.

9. Applicants assert that their proposal to appoint TranServ as ITO will have no adverse effect on rates because the amount paid to TranServ will be less than the amount

¹⁰ Applicants’ August 30 Filing at 5-6 (citing E.ON Merger Order, 97 FERC at 61,283).

¹¹ *Id.* at 6.

¹² *Id.* (citing Louisville Gas and Electric Company, Filing to Withdraw from the Midwest ISO, Docket Nos. ER06-20-000 and EC06-4-000 (filed Oct. 7, 2005)).

¹³ Withdrawal Order, 114 FERC ¶ 61,282 at P 80.

previously paid to SPP. Applicants state that they will reimburse TranServ for certain expenses and costs in addition to annual compensation, but, according to Applicants, TranServ's total compensation will be a significant cost savings to their customers over SPP.¹⁴

10. With regard to regulation, Applicants state that their proposal presents no change in Applicants' current federal/state regulatory obligations. Accordingly, Applicants argue that there is no adverse impact on regulation.¹⁵

11. Applicants also argue that except for the functions specifically proposed to be assumed by Applicants, the proposed ITO arrangement assigns to TranServ the same functions as ITO that are currently assigned to SPP as ITO. Applicants note their proposal continues to satisfy the five specific areas where an independent entity can mitigate transmission-related vertical market power, as set forth in the Withdrawal Order.¹⁶ Therefore, Applicants assert that their proposal will have no adverse effect on competition.

12. While Applicants request an effective date of September 1, 2012, Applicants request Commission action by January 1, 2012, to allow time for transition. Applicants request waiver of any portion of FPA section 205 or 18 C.F.R. Part 35 that has not been satisfied by their filing.

B. Change in ITO Entity

13. SPP's term as ITO expires on August 31, 2012.¹⁷ With stakeholder input, Applicants developed a solicitation process for a successor ITO.¹⁸ Based on the review and evaluation of the numerous bids received (including a bid from SPP), Applicants selected TranServ. Accordingly, on August 29, 2011, Applicants and TranServ entered into an Independent Transmission Organization Agreement (ITO Agreement), which Applicants have filed as part of Attachment Q to Applicants' OATT.¹⁹ Tennessee Valley

¹⁴ Applicants' August 30 Filing at 24.

¹⁵ *Id.*

¹⁶ *Id.* at 19-22 (citing Withdrawal Order, 114 FERC 61,282 at P 81).

¹⁷ *Id.* at 7 (citing Amended and Restated Independent Transmission Organization Agreement, at section 4.8).

¹⁸ *Id.* at 7-9.

¹⁹ *Id.* at 9-10.

Authority (TVA) will continue to serve as Applicants' Reliability Coordinator.²⁰ Applicants state that they chose TranServ to be the ITO because of its "extensive knowledge and experience, thorough work plan, and reasonable cost bid."²¹ TranServ will employ a subcontractor, MAPP COR, for long-term planning support.²² The ITO Agreement states that TranServ, its personnel and designees (including MAPP COR) are subject to the Commission's Standards of Conduct²³ as transmission function employees, and will take steps to ensure compliance.²⁴ The ITO Agreement has an initial term of three years, with successive two-year terms if neither party terminates it.²⁵

C. Changes to ITO Arrangement

14. Applicants state that under their proposal, with certain exceptions described below, the functions assigned to TranServ as the ITO will be the same as the functions assigned to SPP.²⁶ TranServ will, among other things, be responsible for receiving and approving/denying transmission and generator interconnection service requests, including Available Transmission Capacity (ATC) evaluation, performing system impact studies or feasibility analysis studies as provided under Applicants' OATT, calculation and posting of ATC, validating interchange schedules, reviewing and approving all planning activities, administering Applicants' OATT, and operating and maintaining the OASIS site, in the same manner as SPP.²⁷ TranServ will review the Available Flowgate Capacity²⁸ values and flowgate allocations made by TVA for Applicants' system.

²⁰ The Amended Reliability Coordinator Agreement, dated July 19, 2006, between Applicants and TVA is part of Attachment Q to Applicants' OATT. See Louisville Gas and Electric Company, Compliance Filing, Docket No. ER06-20-004 (filed July 19, 2006).

²¹ Applicants' August 30 Filing at 2.

²² *Id.*

²³ 18 C.F.R. Part 358 (2011).

²⁴ Applicants' August 30 Filing at 12 (citing ITO Agreement at section 2.2).

²⁵ ITO Agreement at section 4.

²⁶ Applicants' August 30 Filing at 14.

²⁷ *Id.*

²⁸ Available Flowgate Capacity is the process used to calculate ATC on the Applicants' transmission system.

TranServ will also submit a report to the Commission every six months, as SPP has done, describing any concerns expressed by stakeholders, and the ITO's responses, and any issues or OATT provisions that hinder the ITO from performing its functions and responsibilities.²⁹

15. Applicants state that MAPPCOR, serving as TranServ's subcontractor, will be responsible for performing Applicants' long-range transmission planning and for facilitating stakeholder meetings on long-range transmission planning issues.³⁰

16. However, Applicants' proposal (which modifies Appendix 5 (Balancing Authority Functions Performed) of Attachment P (Functions of the Reliability Coordinator and the ITO) of their OATT and places the ITO Agreement with TranServ in Attachment Q) changes the current ITO assignment of functions such that Applicants will assume all of the functions generally performed by a Balancing Authority entity registered with the North American Electric Reliability Corporation (NERC).³¹

17. Applicants state that they currently perform almost all of the Balancing Authority functions, but some are assigned to SPP as the ITO. When TranServ assumes the role of the ITO, Applicants will assume responsibility for evaluating, approving and monitoring all interchange schedules in and out of the Balancing Authority area for purposes of ensuring reliability. Applicants state that this includes the responsibility to curtail interchange schedules if necessary to comply with transmission loading relief (TLR) procedures. Applicants state that, today, this responsibility rests with SPP as the ITO, which Applicants state has resulted in operational inefficiencies and difficulty in implementing reliability measures.³²

18. Applicants state that six NERC Reliability Standards are implicated in the current delineation of Balancing Authority functions between Applicants and SPP: IRO-006, curtailing an interchange schedule in response to a reliability event; INT-001, coordinating and verifying interchange transaction tags coming into the system; INT-003, coordinating schedules between neighboring Balancing Authorities; INT-004, dynamic

²⁹ Applicants' August 30 Filing at 14 (citing ITO Agreement at section 2.1.2). We note that the reporting requirement is also set down in section 3.2.11 of Attachment P (Functions of the Reliability Coordinator and the ITO).

³⁰ *Id.* at 11.

³¹ *Id.* at 15.

³² *Id.*

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transfer scheduling; INT-006, reliability assessments for transactions; and INT-009, monitoring and validating net schedule interchange calculations.³³

19. Applicants describe how, for each of the six NERC Reliability Standards, the parties operate now and how they propose to operate if Applicants assume all of the Balancing Authority functions.

1. IRO-006 – Transmission Loading Relief Procedures

20. With respect to IRO-006, Applicants state that there are operational inefficiencies which can set back the parties' ability to curtail a schedule quickly when necessary for reliability.³⁴ Applicants state that SPP does not maintain the same reliability-related operational view of Applicants' system, and thus requires a directive from the Reliability Coordinator (TVA) in order to curtail a schedule.³⁵ Applicants state that, when the curtailment will occur at a local level (usually 69 kV and below), the Reliability Coordinator does not believe that it has an obligation to step in. Applicants state that they must get all the parties (Applicants, TVA, SPP, and the customer) on the phone in order to have the schedule curtailed, which they argue can challenge the real-time nature of managing reliability.³⁶

21. Applicants propose to assume the IRO-006 Balancing Authority functions in-house, which they argue will significantly streamline compliance with this requirement. Applicants state that, prior to implementing a redispatch or curtailment, they will attempt to contact the affected customer and work out a solution to the reliability problem, and they will only ask for redispatch or curtail a schedule if the customer is unable or unwilling to remedy the problem itself. Further, Applicants state that the customer, TranServ, and the Reliability Coordinator (TVA) will receive real-time communication through the scheduling system that the schedule will be curtailed and the reasons therefore, providing these parties with a means to follow up and audit the curtailment

³³ Applicants' August 30 Filing at 16-17. According to the list of standards posted on the NERC website, <http://www.nerc.com/page.php?cid=2|20>, "IRO" stands for "Interconnection Reliability Operations and Coordination," and "INT" stands for Interchange Scheduling and Coordination."

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Id.*

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process if necessary.³⁷ Applicants state that they will institute procedures whereby statistics regarding schedules that Applicants modify and the reasons therefore are posted on OASIS.³⁸ Applicants also note that their actions are subject to TVA, SERC, and NERC oversight.³⁹ Applicants state that there is no opportunity for them to discriminate against customers in performing this function, because Applicants can only curtail a schedule pursuant to the NERC Reliability Standards.⁴⁰ Thus, Applicants state that they cannot exercise market power or otherwise harm competition by assuming this function.⁴¹

2. INT-001 (Interchange Information)

22. Applicants state that, under this standard, a Balancing Authority coordinates and verifies interchange transaction tags coming into the system from Source Balancing Authorities. Although today SPP performs this function as ITO, Applicants propose to assume this function. Applicants assert that this is primarily a matching function, ensuring that the Source Balancing Authority and Applicants have the same schedule in their systems.

3. INT-003 (Interchange Transaction Implementation)

23. Applicants state that, under this standard, a Balancing Authority coordinates schedules with Sending and Receiving Balancing Authorities, i.e., neighboring Balancing Authorities that will be transmitting energy into and from a system. Although today SPP performs this function as ITO, Applicants propose to assume this function in-house. Applicants assert that, like INT-001, this is primarily a matching activity, ensuring that the Sending and Receiving Balancing Authorities' schedules match Applicants' schedules.

4. INT-004 (Dynamic Interchange Transaction Modifications)

24. Applicants state that, under this standard, if a Dynamic Transfer schedule is curtailed, once the reliability event is complete, the transaction must be resubmitted and

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Id.* at 18.

⁴⁰ *Id.* at 16-17.

⁴¹ *Id.* at 17.

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approved, and the Sink Balancing Authority informed.⁴² Applicants state that, at this time, there is only one customer on Applicants' transmission system that requires Dynamic Transfer; therefore, this NERC standard is rarely implicated. Nevertheless, Applicants state that, if a Dynamic Transfer transaction must be reloaded, this responsibility currently rests with SPP as ITO. Applicants propose to assume this function, which they state is purely administrative.

5. INT-006 (Response to Interchange Authority)

25. Applicants state that, under this standard, the Balancing Authority must perform a reliability assessment of a transaction before it is implemented.⁴³ Applicants state that SPP currently performs this function as ITO. Applicants note that SPP does not have the same reliability-related operational view of their transmission system as Applicants have. Thus, Applicants state that SPP relies on information and data that Applicants provide. Applicants propose to assume this function, which they argue allows for more efficient performance of this activity.

6. INT-009 (Implementation of Interchange)

26. Applicants state that, under this standard, a Balancing Authority must implement Confirm Interchange as received from the Interchange Authority.⁴⁴ Applicants state that they already perform this function today. Applicants state that OATI software calculates the Net Scheduled Interchange value which is then provided to SPP. SPP provides that data to Applicants, who then verify that the value matches the value in the Energy Management System. Applicants state that the only change under their proposal is that the OATI Net Scheduled Interchange calculation will be provided directly to Applicants, rather than going through TranServ. Applicants state that TranServ will remain responsible for monitoring and validating the Net Scheduled Interchange calculation.

27. Applicants note that all the functions described above are circumscribed by the NERC Reliability Standards and are subject to the Reliability Coordinator (as well as SERC and NERC) oversight. Further, Applicants argue that assuming these functions in-house will result in a savings to customers because if TranServ were to take on these functions, it would have to establish a desk with NERC-Certified Operators that is staffed

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.* at 18.

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24 hours a day, seven days a week, which would require additional staffing and training, resulting in higher costs to customers.

III. Notice of Filing And Responsive Pleadings

28. Notice of Applicants' filing was published in the *Federal Register*, 76 Fed. Reg. 55,896 (2011), with interventions, protests, and comments due on or before September 20, 2011. Bluegrass Generation Company, LLC filed a motion to intervene. SPP and American Municipal Power, Inc. filed motions to intervene in Docket No. ER11-4396-000. East Kentucky Power Cooperative, Inc. (East Kentucky) filed a motion to intervene and comments and supplemental comments in Docket No. EC98-2-000. Kentucky Municipals⁴⁵ filed a motion to intervene and comments in Docket No. ER11-4396-000. On October 4, 2011, Applicants filed an answer responding to the comments.

A. Comments

29. East Kentucky states that while it does not oppose Applicants' filing, it has two potential concerns relating to future implementation of the proposal. East Kentucky notes that Applicants intend to assume the operational responsibility of implementing requested curtailments of schedules when and as necessary to comply with TLRs initiated by the Balancing Authority and/or the Reliability Coordinator, as required under the NERC Reliability Standards. East Kentucky argues that the Commission must strictly limit Applicants' role to operational implementation of TLRs initiated by the Balancing Authority and/or the Reliability Coordinator and make clear that Applicants will have no authority to initiate TLRs.⁴⁶

30. East Kentucky also strongly urges the Commission to make clear that Applicants intend that TransServ perform all the functions and responsibilities described in Applicants' August 30 Filing, including receipt and processing of all transmission and generator interconnection service requests, ATC evaluation, performance of system impact studies or feasibility analysis studies as provided under the OATT, receipt and processing of requests to designate or undesignate network resources, receipt and processing of service modifications or assignments as provided under the OATT, and tracking and posting all required study performance metrics.⁴⁷ East Kentucky clarifies in

⁴⁵ Kentucky Municipals consist of: Kentucky municipal requirements customers of KU; Owensboro Municipal Utilities; Kentucky Municipal Power Agency and its members; Paducah Power System; and the Princeton Electric Plant Board.

⁴⁶ East Kentucky September 20, 2011 Comments at 2-3.

⁴⁷ *Id.* at 4 (citing Applicants' August 30 Filing at 14).

its supplemental comments that it believes that transmission interconnection issues, including transmission system-to-transmission system issues, should be considered part of the ITO's independent oversight.

31. Kentucky Municipals state that they do not oppose appointment of TranServ as ITO. However, Kentucky Municipals request that the Commission make acceptance of the filing conditional on Applicants abiding by statements in Applicants' filing, including but not limited to: the statement that Applicants' ability to curtail transactions is limited to instances where it is necessary to implement TLRs, as described in the NERC IRO Standards; the statement that the Reliability Coordinator and the customer will receive real-time communications regarding the curtailed schedule and the reasons for the curtailment; and the statement that TranServ will have the same planning authority that SPP has had as the ITO.⁴⁸

B. Answer

32. In their answer, Applicants reply that East Kentucky is correct that the initiation of TLRs may be declared only by the Reliability Coordinator. Applicants counter, though, that Applicants have not proposed to alter the status quo with regard to how and when TLRs are initiated and the Balancing Authority's response to them. Applicants state that TLRs are initiated only in response to regional, rather than local, reliability events. Applicants reiterate that they do not seek to remove or modify the Reliability Coordinator's sole authority to initiate TLRs.⁴⁹

33. Applicants state that, as described in Applicants' Filing, the Reliability Coordinator has made it clear that when a schedule modification is required to address a reliability problem at the local level (usually 69 kV and below), resolution of such issues properly rests with the Balancing Authority rather than the Reliability Coordinator. Applicants note that they themselves are the Balancing Authority for their system. Applicants clarify that they have proposed that, as the Balancing Authority, they must have the ability to curtail transmission schedules in order to address reliability issues at the local level as they arise. Applicants state that this function currently rests with SPP in its capacity as ITO. Applicants state that the current terms of the OATT provide that the ITO is responsible for implementing schedule changes in such a circumstance, and SPP requires a directive from the Reliability Coordinator before SPP will act. Applicants state that in order to modify a schedule, Applicants must gather all parties (TVA, SPP, the

⁴⁸ See Kentucky Municipals September 20, 2011 Comments at 5-6 (citing Applicants' August 30 Filing at 3, 22).

⁴⁹ Applicants' October 4 Answer at 9-10.

customer, and itself) on a conference call before SPP will modify the schedule. Applicants state that this can be a time-consuming process, causing particular reliability challenges when the circumstances call for an immediate response.⁵⁰

34. In proposing to manage curtailment that occurs at a local level, Applicants identify safeguards to ensure that Applicants cannot favor their own generation or otherwise harm competition by assuming this function. First, Applicants' actions in modifying a schedule are subject to Reliability Coordinator, SERC, and NERC oversight. As a Balancing Authority, Applicants may modify a schedule only in response to a legitimate, verifiable reliability event, not for competitive purposes. Second, the customer, the ITO, and the Reliability Coordinator will receive real-time communication through the scheduling system that the schedule will be modified and the reliability reasons for such modification. This will provide the affected party with the means to follow up on and audit Applicants' decision-making process, if necessary. Third, Applicants propose to post statistics regarding such curtailments on OASIS, to ensure transparency and independent oversight by all customers. Fourth, TranServ, as the ITO, will remain responsible for granting transmission service, including schedule approval and modification as the transmission provider. Applicants submit that, taken together, these measures make certain that Applicants will have no opportunity to harm competition by assuming these additional Balancing Authority functions.⁵¹

35. Applicants also object to East Kentucky's concern over ITO involvement in transmission system-to-transmission-system issues. Applicants state that East Kentucky is concerned that requests for new interconnections pursuant to the parties' interconnection agreement are currently negotiated directly between the parties, without the ITO playing a role. Applicants note that this is the first time East Kentucky has mentioned such concerns. Applicants state that when Applicants withdrew from MISO, they proposed the ITO in order to administer the terms of the OATT and ensure that transmission service is provided in an open and transparent manner. Applicants state that the ITO's functions have never included oversight for the transmission system-to-transmission system issues addressed by the interconnection agreement, which Applicants describe as physical interconnection issues such as metering, equipment operation, and identification of the parties' transmission assets at a given interconnection point. Applicants state that they did not propose, nor did the Commission ever require, that the ITO have a role in such issues. Applicants claim that besides stating a general belief that transmission system-to-transmission system issues could have an influence on transmission service, East Kentucky cites no specific incident or concern that requires

⁵⁰ *Id.*

⁵¹ *Id.* at 10-11.

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modification of the status quo with regard to the interconnection agreement.⁵²

IV. Discussion

A. Procedural Matters

36. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,⁵³ the timely motions to intervene serve to make the entities that filed them parties to this proceeding. Rule 213(a) of the Commission's Rules of Practice and Procedure prohibits an answer to a protest unless otherwise ordered by the decisional authority.⁵⁴ We accept Applicants' answer because it provides information that assisted us in our decision-making process.

B. Substantive Matters

1. Whether Applicants' Proposal is Consistent with the Requirements in the Merger Order and Withdrawal Order

37. As discussed below, we find that, subject to certain conditions, the arrangement with TranServ likewise satisfies the requirements in the Merger Order and Withdrawal Order. Regarding horizontal competition concerns, in the Merger Order the Commission found that Applicants' participation in MISO, by making available transmission service at non-pancaked rates, increased the number of suppliers able to reach the KU requirements customers' destination market, thereby expanding the geographic scope of the market and adequately lowering market concentration. Thus, the Commission conditioned its approval of Applicants' merger on their participation in MISO.⁵⁵ Regarding vertical competition concerns, in the Merger Order the Commission outlined five specific areas where an independent entity can mitigate transmission-related vertical market power: determining system expansion, a lack of economic stake in maintaining congested interfaces, eliminating the potential for the strategic use of the transmission owner's priority to use internal system capacity for native load, eliminating the incentive

⁵² *Id.* at 12.

⁵³ 18 C.F.R. § 385.214 (2011).

⁵⁴ *Id.* § 385.213(a)(2).

⁵⁵ Merger Order, 82 FERC at 62,214.

to engage in strategic curtailments of generation owned by the transmission owner's generation service competitors, and lack of incentive to game OASIS.⁵⁶

38. In the Withdrawal Order, the Commission found that Applicants' ITO proposal (after revision and in combination with the Reliability Coordinator arrangement with TVA) satisfied the vertical market power concerns in these five areas, and therefore met the Commission's merger requirements in Docket No. EC98-2-000.⁵⁷ The Commission also conditionally accepted Applicants' proposed arrangement for maintaining rate de-pancaking on their withdrawal from MISO to satisfy horizontal market power concerns.⁵⁸

39. Applicants' proposal does not have an adverse impact on horizontal market power or on rates or regulation. Applicants' proposed change in the entity serving as ITO and certain of the ITO functions in no way implicate the Applicants' Commission approved

⁵⁶ Merger Order, 82 FERC at 62,222, n.39:

[I]f properly structured, an ISO . . . can improve the process for determining system expansion needs because that process will no longer be dominated by a transmission operator that also owns generation assets. A properly structured ISO would have no economic stake in maintaining congested interfaces. Moreover, an ISO could eliminate the potential for the strategic use of the transmission owner's priority to use internal system capacity for native load. The ISO could also eliminate the incentive to engage in strategic curtailments of generation owned by the transmission operator's generation service competitors. Also, any incentives for gaming OASIS operations could be removed. These benefits will promote generation entry and competition because the affected markets will be perceived by potential entrants as fairer as a result of the transmission system no longer being controlled by their generation service competitors.

⁵⁷ Withdrawal Order, 114 FERC 61,282 at P 80-81.

⁵⁸ See Withdrawal Order, 114 FERC ¶ 61,282 at P 108-119 (finding that Applicants' rate proposal addresses concerns regarding horizontal market power); see also *E.ON U.S. LLC*, 116 FERC ¶ 61,019 (2006) (conditionally accepting Applicants' proposal on compliance); *E.ON U.S. LLC*, Docket Nos. ER06-20-004 and ER06-20-005, (Aug. 23, 2006) (unpublished letter order) (accepting Applicants' proposal on compliance, including a rate schedule with KU requirements customers).

rate de-pancaking arrangement. Therefore, we find that Applicants' proposal continues to satisfy the Commission's concerns with regard to horizontal competition. With respect to rates, we note Applicants' statement that their proposal to employ TranServ represents a cost savings to customers over the current arrangement with SPP. With regard to regulation, we note that Applicants' proposal presents no change in Applicants' current federal/state regulatory obligations.

40. With respect to vertical market power, TranServ as the ITO will be independent from Applicants, transmission customers, wholesale power customers, and any other Market Participants.⁵⁹ Applicants will have no veto authority over TranServ's personnel decisions.⁶⁰ Compensation disputes will be adjudicated before the Commission.⁶¹ In addition, TranServ will submit a report to the Commission every six months, describing any stakeholder concerns and the ITO's responses, and any issues or OATT provisions that hinder the ITO's performance.⁶² In addition, Applicants have not proposed any changes to TVA's role as Reliability Coordinator, as described in Applicants' OATT and as approved in the Withdrawal Order.⁶³ As noted above, the Commission outlined five specific areas where an independent entity such as an independent system operator (ISO) can mitigate transmission-related vertical market power.⁶⁴ We consider each of these issues here.⁶⁵

⁵⁹ See proposed Attachment P (Functions of the Reliability Coordinator and the ITO), section 3 (Functions of the ITO), section 3.3 (Independence).

⁶⁰ See ITO Agreement, section 2.1 (TranServ Personnel).

⁶¹ See *id.*, section 3.6 (Compensation Disputes).

⁶² See proposed Attachment P (Functions of the Reliability Coordinator and the ITO), section 3 (Functions of the ITO), section 3.2 (General Functions), 3.2.11 (providing for and describing the contents of ITO reports to the Commission every six months).

⁶³ TVA will no longer be contacted regarding curtailments at the local level, below the view of the interchange distribution calculator. As described by Applicants, TVA did not believe it was required to be involved, and the change formalizes TVA's non-involvement.

⁶⁴ Merger Order, 82 FERC at 62,222, n.39.

⁶⁵ We note that our analysis in this section presumes that Applicants will satisfy the compliance directives set forth herein.

a. **System Expansion**

41. In the Merger Order, the Commission found that an ISO can improve the process for determining system expansion needs because that process would not be dominated by a transmission operator that also owns generation assets.⁶⁶ In the Withdrawal Order, the Commission required Applicants to modify their proposed allocation of functions listed in Attachment L of their OATT and in all related agreements to give the entity serving as ITO the same authority over Applicants' transmission planning duties that MISO had at that time.⁶⁷ Specifically, the Commission required Applicants to assign to the ITO approval authority over all models, planning criteria, study criteria, plans, studies, the methodology for calculating ATC, and any inputs or numerical values provided by Applicants to the same extent as MISO had authority over these matters at that time.⁶⁸

42. Additionally, the Commission stated that while the Reliability Coordinator may retain authority to certify transmission plans for reliability purposes, the ITO must have ultimate review and approval authority over such planning functions to the same extent as MISO had at that time.⁶⁹ Applicants submitted a compliance filing on July 19, 2006 to address the Commission's requirements, and the compliance filing was subsequently accepted by the Commission.⁷⁰

43. Our review of the proposal's provisions governing long-term planning on Applicants' system indicates that TranServ will continue to have the same planning authority that SPP currently has as ITO.⁷¹ We reject East Kentucky's argument (filed in Docket No. EC98-2-000) that the ITO should handle transmission system-to-transmission system interconnection issues. Nothing in the Merger Order or Withdrawal Order

⁶⁶ Merger Order, 82 FERC at ¶ 62,222, n.39.

⁶⁷ Withdrawal Order, 114 FERC ¶ 61,282 at P 86.

⁶⁸ *Id.*

⁶⁹ *Id.*

⁷⁰ *See Louisville Gas and Electric Co.*, Docket Nos. ER06-20-004 and ER06-20-005 (Aug. 23, 2006) (unpublished letter order).

⁷¹ The blackline version of Attachment P (Functions of the Reliability Coordinator and the ITO), proposed Appendix 2 (Division of Responsibilities for the Planning Function), shows that TranServ's planning authority as ITO is unchanged from SPP's planning authority as ITO.

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requires the ITO to handle such issues. Therefore, we find that Applicants' proposal adequately addresses concerns regarding system expansion.

b. Maintenance of Congested Interfaces

44. In the Withdrawal Order the Commission conditionally approved Applicants proposal on the basis that SPP and TVA, as entities independent from Applicants, would perform functions that take away Applicants' ability to maintain congested interfaces.⁷² Specifically, the Commission directed that SPP as ITO would calculate ATC and Total Transmission Capability and would be responsible for ensuring that ATC values are calculated on a nondiscriminatory basis consistent with the ATC methodology in the Applicants' OATT. SPP would also validate interchange schedules, including verification of valid sources, sinks and transmission arrangements for such schedules.⁷³

45. Additionally, the Commission determined that TVA, as Reliability Coordinator, would be responsible for coordination of the interfaces between Applicants' system and those of MISO and PJM Interconnection, LLC under the Joint Reliability Agreement. The Commission concluded that neither SPP nor TVA would benefit from higher prices in Applicants' markets, and, therefore SPP and TVA do not have the incentive to maintain congested interfaces on Applicants' system for the purpose of creating higher prices in Applicants' markets.⁷⁴

46. Our review of the proposal indicates that TranServ will continue to calculate and post ATC in the same manner that SPP does currently as ITO.⁷⁵ Under the proposal, TranServ as ITO will not approve interchange schedules, as SPP as ITO did. Instead, Applicants will approve interchange schedules, and TranServ will monitor and validate them.⁷⁶ We find this change is consistent with the Merger Order and Withdrawal Order

⁷² Withdrawal Order, 114 FERC ¶ 61,282 at P 89.

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ The blackline version of proposed Appendix 1 (Division of Responsibility for Transmission Service and Interchange) to Attachment P (Functions of the Reliability Coordinator and the ITO) shows that TranServ's authority over calculating and posting ATC as ITO is unchanged from SPP's authority as ITO.

⁷⁶ Proposed Appendix 5 (Balancing Authority Functions Performed) of Attachment P (Functions of the Reliability Coordinator and the ITO) provides that

(continued...)

requirements. NERC Reliability Standards state that Balancing Authorities are to approve interchange transactions,⁷⁷ and Applicants are the Balancing Authority for their system. We agree with Applicants that approving interchange transactions is primarily a matching function, ensuring that the adjacent Balancing Authority and Applicants have the same schedule in their systems, and does not give Applicants discretion over transmission service. Therefore, we find that this change is consistent with the Merger Order and Withdrawal Order. In addition, because TranServ, like SPP and TVA, would not benefit from higher prices in Applicants' markets, we find that the proposal does not provide an incentive to maintain congested interfaces on Applicants' transmission system.

c. **Transmission Provider's Use of its Internal System Capacity**

47. In the Withdrawal Order, the Commission conditionally approved Applicants' proposal on the basis that SPP, as an independent entity separate from Applicants and market participants, would perform functions that take away Applicants' ability to improperly use their native load priority to make off system sales. Specifically, SPP would receive and approve or deny all transmission service requests, as well as calculate and post ATC. SPP would also validate interchange schedules, including verification of valid sinks and transmission arrangements for such schedules. The Commission concluded that as an independent entity, SPP, like MISO, would have no incentive to facilitate any such abuse.⁷⁸

48. As discussed above, our review of the proposal indicates that TranServ will be responsible for receiving and approving or denying all transmission service requests, calculating and posting ATC in the same manner that SPP does currently, and will monitor and validate interchange schedules.⁷⁹ Additionally, TranServ's actions are subject to audit by SERC and NERC. Thus we find that, as an independent entity, TranServ will have no incentive to facilitate any abuse relating to Applicants' use of internal system capacity.

TranServ as ITO will monitor and validate interchange schedules, and Applicants will approve them.

⁷⁷ Subsequent to the date of the Withdrawal Order, NERC standards have become mandatory rather than voluntary.

⁷⁸ Withdrawal Order, 114 FERC ¶ 61,282 at P 91.

⁷⁹ Applicants' August 30 Filing at 23.

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d. Curtailments

49. In the Merger Order, the Commission found that an independent entity such as an ISO could eliminate the incentive to engage in strategic curtailments of generation owned by the transmission owner's generation service competitors. The Commission found that SPP, serving as ITO, adequately addressed concerns about strategic curtailments. Under Applicants' proposal, TVA, not Applicants, will continue to have the sole ability to initiate the curtailment of generation by initiating TLRs.⁸⁰ The functions that Applicants propose to assume do not allow for discretion, in that they are governed by NERC Reliability Standards concerning Balancing Authorities. The relevant NERC Reliability Standard provides that the Regional Coordinator initiates all TLRs, whether inter-regional or intra-regional.⁸¹ Accordingly, we find that the proposed changes comply with the Merger Order and Withdrawal Order and continue to mitigate Applicants' horizontal and vertical market power.

50. We note that in contrast to Applicants' agreement with SPP as ITO, TLR directives will be handed down from the Reliability Coordinator to Applicants rather than to the ITO. For interchange transactions that are causing an overload in the Applicants' system, TVA will notify Applicants of the specific transaction(s) and amount(s) to be curtailed. For overloads not caused by interchange transactions (i.e., overloads caused by transactions that source and sink within the Applicants' Balancing Authority, including network and native load), TVA will notify Applicants of the total amount of reduction needed, and Applicants will then use curtailment and/or redispatch and, if necessary, load shedding, as appropriate, to mitigate the overload, consistent with the curtailment priorities in their OATT.⁸² We find that Applicants' implementation of these curtailments, as the Balancing Authority, removes the operational inefficiency under the previous arrangement without significantly reducing the ITO's ability to prevent Applicants from exercising market power.

⁸⁰ In response to Kentucky Municipals' and East Kentucky's concerns, we note that Applicants' proposal does not give Applicants the ability to initiate TLRs.

⁸¹ See NERC Reliability Standard IRO-006-EAST-1 (Regional Coordinator will initiate TLR procedures resulting in one or more of the following actions: Inter-area redispatch of generation, Intra-area redispatch of generation, reconfiguration of the transmission system, demand side management, load shedding, etc.).

⁸² Curtailment procedures and priorities are set out in section 13.6 of Applicants' OATT.

51. In regard to Applicants' statements that TVA will not be involved in a curtailment that occurs at the local level,⁸³ the Commission understands these statements as referring to curtailments on non-Bulk Electric System⁸⁴ facilities. Although NERC Reliability Standards do not govern such facilities, we find that Applicants' proposal to post on their OASIS details of any curtailments on these facilities will provide adequate transparency and oversight for the ITO and customers because they will have the real-time notice of Applicants' actions and they will have the ability to make these actions the subject of audits or complaints.⁸⁵

e. ATC Posting

52. In the Withdrawal Order, the Commission stated that an OASIS operator that also owns generation assets would have the ability and incentive to understate the calculation of ATC posted on its OASIS in order to foreclose rival generators. We find Applicants' proposal adequately addresses this concern.

53. Under Applicants' proposal, TranServ will be responsible for the review of transmission service requests, eTag action and statistics, ATC calculation, and the posting of ATC on OASIS, in accordance with SPP's current responsibilities as ITO. TranServ, as an independent entity, has no incentive to manipulate OASIS operations. In addition, TVA will review Applicants' Base Case Model used by TranServ for calculating ATC for reliability purposes. Finally, TVA, not Applicants, will determine Available Flowgate Capacity values and flowgate allocations, and TranServ will have the authority to review these values.

⁸³ In the Applicants' August 30 Filing at 16, Applicants state, "[h]owever, when the curtailment will occur at a local level (usually 69-kV and below), the RC [Reliability Coordinator] does not believe that it has an obligation to step in – the RC [Reliability Coordinator] understands that resolution of such issues rest with the BA [Balancing Authority]."

⁸⁴ The NERC's definition of bulk electric system states "[a]s defined by the Regional Reliability Organization, the electrical generation resources, transmission lines, interconnections with neighboring systems, and associated equipment, generally operated at voltages of 100 kV or higher. Radial transmission facilities serving only load with one transmission source are generally not included in this definition." NERC is currently revising this definition. *See Revision to Electric Reliability Organization Definition of Bulk Electric System*, Order No. 743, 133 FERC ¶ 61,150 (2010).

⁸⁵ *See Sacramento Mun. Util. Dist. v. FERC*, 616 F.3d 520, 542, 392 U.S. App. D.C. 339 (D.C. Cir. 2010).

2. Whether the Proposal is Just and Reasonable and Not Unduly Discriminatory or Preferential

54. Applicants' proposal is consistent with the ITO arrangement conditionally approved in the Withdrawal Order as just and reasonable, not unduly discriminatory, and consistent with or superior to the *pro forma* OATT.⁸⁶

55. We reject Kentucky Municipals' request (filed in Docket No. ER11-4396-000) that we make our acceptance of the filing conditional on Applicants' abiding by all statements in Applicants' August 30 transmittal letter.⁸⁷ Applicants' OATT provisions, rather than Applicants' statements in the transmittal letter, are binding on Applicants.⁸⁸ We note that of Kentucky Municipals' three examples of transmittal letter statements that should be binding on Applicants, two of the three examples are reflected in Applicants' proposed OATT provisions, while one is not.⁸⁹ Below we direct Applicants to revise the

⁸⁶ Withdrawal Order, 114 FERC ¶ 61,282 at P 91.

⁸⁷ See Kentucky Municipals September 20, 2011 Comments at 5-6 (citing Applicants' August 30 Filing at 3, 22).

⁸⁸ Applicants, as the NERC-certified Balancing Authority, must also abide by all applicable NERC Reliability Standards.

⁸⁹ With one partial exception, the three transmittal letter statements cited by Kentucky Municipals are reflected in provisions in proposed Attachment P (Functions of the Reliability Coordinator and the ITO). Specifically, the statement that Applicants' ability to curtail transactions is limited to instances where it is necessary to implement TLRs, as described in the NERC IRO Standards, is reflected in proposed Attachment P, Appendix 4 (Division of Responsibilities for the Reliability Function), section 2.1 (Reliability Coordinator Functions) and section 2.2 (Transmission Owner Responsibilities) (providing TVA will determine, direct, and document appropriate actions to be taken in accordance with NERC Reliability Standards, and Applicants will receive reliability alerts from TVA and follow TVA directives for corrective actions). The statement that TranServ will have the same planning authority that SPP has had as ITO is reflected in proposed Attachment P, Appendix 2 (Division of Responsibilities for the Planning Function) (providing that the ITO's planning authority is unchanged from what it is with SPP as the ITO). However, Applicants' statement in the transmittal letter that the Reliability Coordinator and the customer will receive real-time communications regarding the curtailed schedule and the reasons for the curtailment is only partially reflected in the proposed OATT revisions. Attachment P, Appendix 5 (Balancing Authority Functions Performed), section 1 (Balancing Authority Functions performed by the Transmission Owner) states that Applicants will provide real-time operational

(continued...)

proposed OATT provisions to include this statement. With the clarifying changes directed herein, Applicants' proposed OATT revisions are just and reasonable and adequately formalize the relative responsibilities of Applicants and TranServ, and are otherwise consistent with the Merger Order and Withdrawal Order.

56. While we find the overall proposed ITO arrangement to be just, reasonable, and not unduly discriminatory or preferential, we find certain aspects of the proposal to be unclear, and therefore we require Applicants to submit, within 30 days of the issuance of this order, a revised proposal that addresses the following issues.

57. First, in the Applicants' August 30 Filing, Applicants state that TranServ will not maintain a 24/7 call center. Sections 4 and 4.1 of Appendix A (Independent Transmission Organization Service Specification) of the ITO Agreement provide that TranServ personnel will provide 24-hour support, and that after normal business hours the support is by telephone, with TranServ personnel responding within 30 minutes of notification of a "critical" or "high" importance event. In contrast, Applicants' Attachment P at section 1 of Appendix 1 (Division of Responsibility for Transmission Service and Interchange) states that consistent with the OATT, "the ITO will notify Transmission Customers of curtailments and interruptions of TSRs [transmission service requests]." Curtailments can occur outside of regular business hours, but the provision does not address how TranServ can notify a customer of a curtailment that occurs outside of TranServ's business hours, given that TranServ's personnel may not respond for 30 minutes. Therefore, we direct Applicants to file, in a compliance filing to be submitted within 30 days of the date of this order, revisions to Attachment P or the ITO Agreement to clarify TranServ's role in notifying customers of curtailments that occur outside of regular business hours.

58. Second, Applicants' Attachment P, Appendix 5 (Balancing Authority Functions Performed) states: "The Transmission Owner and ITO will split the functional responsibilities for the Balancing Authority, as defined in *Version 2* of the NERC Reliability Functional Model, as follows" [Italics added.] However, the current NERC Reliability Functional Model is Version 5.⁹⁰ Therefore, we direct Applicants to include in their compliance filing tariff revisions that refer to Version 5 instead of

information to TVA for monitoring, but it does not state that the customer will receive real-time communications regarding the curtailed schedule and the reasons for the curtailment. As stated below, we direct Applicants to file revised language addressing this omission, within 30 days of the issuance of this order.

⁹⁰ NERC posts the current version of the Reliability Functional Model: http://www.nerc.com/files/Functional_Model_V5_Final_2009Dec1.pdf.

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Version 2. In addition, if Version 5 differs from Version 2 in any way that affects the functional responsibilities for the Balancing Authority, Applicants must revise the responsibilities to reflect the difference, and must describe and explain the revisions in the transmittal letter.

59. Third, as noted above, Applicants state in their transmittal letter that the customer and the ITO, and the Reliability Coordinator will receive real-time communications regarding a schedule curtailment and the reasons for the curtailment through the scheduling system.⁹¹ However, this statement is not reflected in the proposed OATT provisions. Therefore, we direct Applicants to include in their compliance filing tariff revisions providing that the customer, the ITO, and the Reliability Coordinator will receive real-time communications regarding a schedule curtailment and the reasons for the curtailment.

60. Finally, we will grant waiver of the Commission's advance notice requirement to permit an effective date of September 1, 2012 for the proposed OATT revisions.⁹²

The Commission orders:

(A) Applicants' proposal to appoint TranServ as their ITO and change certain aspects of the ITO arrangement is hereby conditionally approved, as discussed in the body of this order.

(B) Applicants' tariff revisions are hereby conditionally accepted to become effective September 1, 2012, as requested, as discussed in the body of this order.

⁹¹ Applicants' August 30 Filing at 16.

⁹² See *PSI Energy, Inc.*, 56 FERC ¶ 61,237, at 61,911 (1991) (waiving 120-day advance notice requirement); see also *Trans Bay Cable LLC*, 112 FERC ¶ 61,095, at P 2-3, 32 (2005).

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(C) Applicants are hereby directed to make a compliance filing, within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.



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January 12, 2012

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

Re: Louisville Gas and Electric Company and Kentucky Utilities Company
Docket Nos. ER11-4396-000; EC98-2-000

Dear Secretary Bose:

Pursuant to the Federal Energy Regulatory Commission (“FERC” or “Commission”) order issued on December 15, 2011 in the above-captioned dockets,¹ Louisville Gas and Electric Company and Kentucky Utilities Company (“LG&E/KU”) hereby submit revisions to their Open Access Transmission Tariff (“OATT”) in compliance with the December 15 Order. The December 15 Order accepted LG&E/KU’s proposal to appoint TranServ, Inc. (“TranServ”) and its contractor MAPPCOR to act as the Independent Transmission Organization (“ITO”) for the LG&E/KU transmission system beginning September 1, 2012. However, the December 15 Order required that LG&E/KU modify their OATT to clarify certain items. As described further herein, LG&E/KU have revised Attachment P to their OATT to clarify certain activities that the ITO will perform and certain activities that LG&E/KU will perform in their role as the Balancing Authority (“BA”).

LG&E/KU submit that the OATT revisions proposed herein comply with the requirements of the December 15 Order. LG&E/KU respectfully request that the Commission accept these changes for filing with an effective date of September 1, 2012.

I. Background

LG&E/KU withdrew from the Midwest Independent Transmission System Operator, Inc. (“MISO”) regional transmission organization (“RTO”) in 2006.² As a means of addressing

¹ *Louisville Gas and Electric Co. and Kentucky Utilities Co.*, 137 FERC ¶ 61,195 (2011) (“December 15 Order”).

² *Louisville Gas and Electric Co., et al.*, 114 FERC ¶ 61,282 (2006).

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certain market power concerns that had previously been addressed by LG&E/KU's participation in the RTO, LG&E/KU proposed to utilize an ITO.³ The ITO administers the terms of the OATT and processes requests for transmission and interconnection services, while LG&E/KU, in their role as the Transmission Owner, provide the service to customers.

LG&E/KU selected Southwest Power Pool, Inc. ("SPP") as the first ITO for the LG&E/KU system. LG&E/KU withdrew from MISO on September 1, 2006, and began working with SPP as the ITO. The current ITO agreement with SPP will terminate on September 1, 2012. On August 30, 2011, LG&E/KU filed with the Commission for acceptance of the replacement arrangements that will go into effect when SPP's agreement terminates.⁴

LG&E/KU proposed that TranServ, together with its contractor MAPPCOR, will perform the functions that SPP currently performs as the ITO.⁵ The only change to the delineation responsibilities between LG&E/KU and TranServ as the ITO would be for LG&E/KU to assume performance of all North American Electric Reliability Corporation ("NERC")-required BA functions.⁶ LG&E/KU are registered with NERC as the BA for their Balancing Authority Area ("BAA"), and are thus responsible for evaluating, documenting, and self-certifying compliance with the applicable NERC standards.⁷ By assuming all BA functions in-house, LG&E/KU can ensure that their activities conform to the NERC standards.⁸ LG&E/KU modified Attachment P to their OATT, which delineates the functions performed by LG&E/KU, the ITO, and the Reliability Coordinator, to reflect that LG&E/KU will be performing all of the BA functions. This includes, among other things, responsibility for modifying schedules in response to a reliability event at the local level (usually 69 kV and below).⁹ As described in the August 30 Filing, LG&E/KU will work with the affected customer to find other solutions prior to making such modifications. Further, the affected customer, the ITO, and the Reliability Coordinator will all receive real-time communication through the scheduling system that the schedule will be modified and the reasons for such modification, thus providing these parties with a means to audit the modification process if necessary.¹⁰

³ *Id.* at P 80. LG&E/KU also employ Tennessee Valley Authority as a third-party Reliability Coordinator.

⁴ Louisville Gas and Electric Co. and Kentucky Utilities Company, Filing of Replacement ITO Proposal, Docket Nos. ER11-4396-000 and EC98-2-000 (Aug. 30, 2011) ("August 30 Filing").

⁵ *Id.* at 1.

⁶ *Id.* at 2, 15-18.

⁷ *Id.* at 16.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

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On December 15, 2011, the Commission issued an order conditionally approving LG&E/KU's proposal to appoint TranServ as the ITO, and for LG&E/KU to assume the BA functions.¹¹ The Commission required LG&E/KU to modify their OATT in order to clarify certain items discussed further below. LG&E/KU submit that the OATT modifications provided herewith comply with the Commission's requirements in the December 15 Order. LG&E/KU respectfully request that the Commission accept these changes effective September 1, 2012, the date that TranServ begins as the ITO.

II. Description of Compliance Filing

In the December 15 Order, the Commission required LG&E/KU to modify their OATT in order to clarify certain items. Specifically, the Commission ordered LG&E/KU to make the following changes:

- The OATT specifies that the ITO will notify customers of curtailments and interruptions of transmission service requests ("TSRs").¹² Although TranServ personnel will be available for some after-hours support, it will not have a 24/7 desk. Thus, LG&E/KU must "clarify TranServ's role in notifying customers of curtailments that occur outside of the regular business hours."¹³
- Appendix 5 to Attachment P of the LG&E/KU OATT specifies the BA functions performed based on Version 2 of the NERC Reliability Functional Model. However, the current version of the NERC Reliability Functional Model is Version 5. Thus, LG&E/KU must revise Attachment P to reflect the BA functions in Version 5 of the NERC Reliability Functional Model.¹⁴
- Among the BA functions that LG&E/KU will assume-in house is the ability to modify schedules at the local level (usually 69 kV and below) in order to relieve a reliability problem.¹⁵ LG&E/KU stated in the August 30 Filing that if the BA undertakes such a modification, the customer, the ITO, and the Reliability Coordinator will all receive real-time communications regarding a schedule curtailment and the reasons therefor.¹⁶ LG&E/KU must modify their OATT to state that "the customer, the ITO, and the Reliability Coordinator will all receive real-time

¹¹ See December 15 Order, supra n. 1.

¹² December 15 Order at P 57 (citing Attachment P to the LG&E/KU OATT).

¹³ *Id.*

¹⁴ *Id.* at P 58.

¹⁵ August 30 Filing at P 16.

¹⁶ *Id.*

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communications regarding schedule curtailment and the reasons for the curtailment.”¹⁷

Accordingly, LG&E/KU have modified Attachment P to their OATT in order to reflect the required changes. The changes are explained further below.

A. Notification of Curtailments Outside Regular Business Hours

Attachment P to the LG&E/KU OATT delineates the functions of the ITO, Reliability Coordinator, and Transmission Owner in performing certain activities under the OATT. Appendix 1 to Attachment P discusses the “Division of Responsibility for Transmission Service and Interchange.” Section 1 currently states that the ITO will notify customers of curtailments and interruptions of TSRs. However, as noted above, TransServ will not have a 24/7 desk. LG&E/KU utilize the NERC Electronic Tagging System (“e-Tag”) to process all transmission and energy transactions, including those transactions internal to the BAA. If a schedule is modified for any reason by a party to the transaction (including the Purchasing Entity, the Selling Entity, the relevant Transmission Providers, BAs or Reliability Coordinators), e-Tag will send a modified e-Tag request to the other parties to the transaction, including the customer’s scheduling agent, the ITO, the source and the sink BAs, and the Reliability Coordinator. The modified e-Tag request will identify why the schedule was modified, including, in the case of curtailments, identification of the congested flowgate. The NERC Interchange Scheduling and Coordination (INT) standards define implementation, notification, and timing requirements when interchange transactions are modified. LG&E/KU are required to maintain an online record of any modifications in the e-Tag system for at least 90 days, and hard copy records for at least three years. LG&E/KU have modified Appendix 1 to Attachment P to reflect their utilization of e-Tag, stating that the affected transmission customer, the ITO and the Reliability Coordinator will be automatically notified of schedule modifications through e-Tag. Therefore, e-Tag provides 24/7 real-time communications of changes to TSRs in place of the ITO.

B. Updating the BA Functions

Appendix 5 to Attachment P discusses the BA functions to be performed. When LG&E/KU originally drafted and filed Appendix 5, the allocation of functions between the ITO and LG&E/KU was based on the then-current NERC Reliability Functional Model Version 2. As discussed above, LG&E/KU will assume all BA functions in house as of September 1, 2012. In accordance with the December 15 Order, LG&E/KU have revised Appendix 5 to reflect the tasks and functions performed by the BA in accordance with Version 5 of the NERC Reliability Functional Model.

The December 15 Order states that “if Version 5 differs from Version 2 in any way that affects the operational responsibilities for the Balancing Authority, [LG&E/KU] must revise the

¹⁷ December 15 Order at P 57.

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responsibilities to reflect the difference, and must describe and explain the revisions in the transmittal letter.” LG&E/KU note that while the previous version of Appendix 5 was based on Version 2 of the NERC Reliability Functional Model, Appendix 5 did not follow the precise language used in Version 2. Accordingly, it is difficult to draw a direct line between the BA functions memorialized in the previously-filed Appendix 5 and the changes proposed herein.

The NERC Reliability Functional Model divides up the BA function into Balancing “tasks” and BA “functions.” LG&E/KU have incorporated both the tasks and functions associated with the current version of the model into their Appendix 5. Attached hereto as Exhibit A is a chart showing the BA functions included in the version of Appendix 5 filed on August 30, and any corresponding BA task or function from the NERC Reliability Functional Model Version 5. The purpose of the chart is to show a link between those functions or tasks which were previously memorialized in Appendix 5 and the new version of Appendix 5 attached hereto for filing. LG&E/KU could not find a direct or indirect link between the old Appendix 5 and the new Appendix 5 for the following tasks and functions:

- **Task 1** – Control of any of the following combinations within a Balancing Authority Area:
 - Load and generation (an isolated area)
 - Load and Confirmed Interchange
 - Generation and Confirmed Interchange
 - Generation, load, and Confirmed Interchange
- **Task 5** – Formulate an operational plan (generation commitment, outages, etc.) for reliability evaluation.
- **Task 10** – Provide balancing and energy accounting (including hourly checkout of Confirmed Interchange, Implemented Interchange, and actual interchange), and administer inadvertent energy paybacks.
- **Task 9** – Determine needs for reliability related services.
- **Function 3** – Receives reliability evaluations from the Reliability Coordinator.
- **Function 6** – Develops agreements with adjacent Balancing Authorities for ACE calculation parameters.
- **Function 14** – Receives information from Load Serving Entities on self-provided reliability-related services.
- **Function 15** – Coordinates system restoration plans with the Transmission Operator.
- **Function 17** – Coordinates use of controllable loads with Load-Serving Entities (i.e., interruptible load that has been bid in as a reliability-related service or has agreed to participate in voluntary load shedding program under resource/reserve deficiency situations).
- **Function 18** – Receives loss allocation from Transmission Service Providers (for repayment with in-kind losses).
- **Function 22** – Receives reliability alerts from Reliability Coordinator.
- **Function 23** – Complies with reliability-related requirements (e.g., reactive requirements, location of operating reserves) specified by Reliability Coordinator.

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- **Function 24** – Verifies implementation of emergency procedures to Reliability Coordinator.
- **Function 30** – Implements system restoration plans as directed by the Transmission Operator.
- **Function 31** – Directs Transmission Operator to implement flow control devices.

Accordingly, these are tasks and functions that are newly documented in Appendix 5 to LG&E/KU's Attachment P. LG&E/KU state that while these tasks and functions may not have been previously documented in their OATT, this does not mean that these BA tasks and functions were overlooked on the LG&E/KU system. Additionally, as NERC notes in the introduction to the Reliability Functional Model, the Model is not a Reliability Standard; if there are inconsistencies between the tasks and functions in the Model and a Reliability Standard, the terms of the Reliability Standard shall govern.¹⁸ Consistent with this statement, Appendix 5 states that where its listed functions are inconsistent or conflict with the terms of a NERC Reliability Standard, the NERC Reliability Standard shall govern.

In addition to the tasks and functions included in the current version of the NERC Reliability Functional Model, LG&E/KU have retained the provision of Appendix 5 which states that LG&E/KU will provide to the ITO, for posting on OASIS, statistics regarding schedules that LG&E/KU has modified.¹⁹ LG&E/KU have also moved the provision of Appendix 5 which states that the ITO will monitor and validate the net scheduled interchange ("NSI") value that is provided to the Transmission Owner from OATI software. This activity is more closely aligned with the ITO's activities in support of transmission service and interchange, and thus is now included in Appendix 1 to Attachment P.

C. Real-Time Communications Regarding Schedule Curtailment

As LG&E/KU stated in the August 30 Filing, if LG&E/KU (in their role as the BA) modify a schedule, the affected customer, the ITO, and the Reliability Coordinator all receive real-time communications through the scheduling system regarding the modification and the reasons for such modification. This communication is provided through e-Tag described in

¹⁸ NERC Reliability Functional Model Version 5 at 7, available at http://www.nerc.com/files/Functional_Model_V5_Final_2009Dec1.pdf (last visited January 11, 2012). The introduction states:

The Model is a guideline for the development of standards and their applicability. The Model it is [sic] not a Standard and does not have compliance requirements. Standards developers are not required to include all tasks envisioned in the model, nor are the developers precluded from developing Reliability Standards that address functions not described in the model. Where conflicts or inconsistency exist, the Reliability Standards requirements take precedence over the Model.

¹⁹ December 15 Order at P 51.

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Section II.A., above. As required by the December 15 Order, LG&E/KU have added a provision to Attachment P, Appendix 1, Section 1, which states that the affected transmission customer, the ITO and the Reliability Coordinator will be automatically notified of schedule modifications through e-Tag.

LG&E/KU submit that the changes to their OATT, as described herein, comply with the requirements of the December 15 Order. LG&E/KU respectfully request that the Commission accept these changes with an effective date of September 1, 2012.

III. Contents of Filing, Requested Effective Date, Waiver

In addition to this transmittal letter, LG&E/KU have included the following with this filing:

- A revised version of Attachment P to the LG&E/KU OATT in eTariff format in accordance with Order No. 714, incorporating the changes described herein;
- A blackline version of Attachment P, showing the changes described herein; and
- Exhibit A, a chart showing the BA functions previously included in Attachment P and the corresponding functions included in Version 5 of the NERC Reliability Functional Model.

LG&E/KU respectfully request that the Commission accept these changes as compliant with the December 15 Order with an effective date of September 1, 2012. LG&E/KU request a waiver of any portion of 18 C.F.R. Part 35 that has not been satisfied by this filing.

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IV. Conclusion

WHEREFORE, for the reasons outlined herein, LG&E/KU respectfully request that the Commission accept this filing as compliant with the December 15 Order, and accept the proposed changes for filing effective September 1, 2012.

Respectfully submitted,

/s/ Jennifer Keisling

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ATTACHMENT P

FUNCTIONS OF THE RELIABILITY COORDINATOR AND THE ITO

1 OVERVIEW

- 1.1** This Attachment P sets forth the functions and responsibilities of the Independent Transmission Organization (“ITO”), the Reliability Coordinator (“Reliability Coordinator”) and the Transmission Owner, and includes a description of certain relationships between and amongst the ITO, the Reliability Coordinator, the Transmission Owner, generator owners, load serving entities and other Tariff Participants. This Attachment P will be the governing document in describing and delineating the responsibilities among the Transmission Owner, the ITO, and the Reliability Coordinator.
- 1.2** The Transmission Owner will retain operational control over the Transmission System, but will be obligated to follow the directives of the ITO and Reliability Coordinator as set forth in this Attachment P. The specific division of functions between, and responsibilities of, the ITO, the Reliability Coordinator and the Transmission Owner are set forth in this Attachment P.
- 1.3** The Transmission Owner and ITO have entered into a contract which specifies all of the functions and responsibilities of the ITO and the terms and conditions upon which the ITO will perform such functions and responsibilities (the “ITO Agreement”). This Attachment P is intended solely as a delineation of functions and responsibilities between and amongst the ITO, the Reliability Coordinator and the Transmission Owner, and as a description of certain relationships between and amongst the ITO, the Reliability Coordinator, the Transmission Owner, generator owners, load serving entities and other Tariff Participants. For the avoidance of doubt, the ITO Agreement, which is attached hereto as Attachment Q to the Tariff, is attached for informational purposes only.
- 1.4** The Transmission Owner and Reliability Coordinator have entered into a contract which specifies all of the functions and responsibilities of the Reliability Coordinator and the terms and conditions upon which the Reliability Coordinator will perform such functions and responsibilities (the “RC Agreement”). This Attachment P is intended solely as a delineation of functions and responsibilities between and amongst the Reliability Coordinator, the ITO and the Transmission Owner, and as a description of certain relationships between and amongst the ITO, the Reliability Coordinator, the Transmission Owner, generator owners, load serving entities and other Tariff Participants. For the avoidance of doubt, the RC Agreement, which is attached hereto as Attachment Q to the Tariff, is attached for informational purposes only.
- 1.5** Nothing in this Attachment P precludes the ITO or Reliability Coordinator from performing the same or similar functions for other entities under a separate

contract or expanding to a larger regional entity, provided that the Transmission Owner is reimbursed by the ITO or Reliability Coordinator, as the case may be, in an equitable manner for any capital expenditures or operation and maintenance expenditures made by the ITO or Reliability Coordinator pursuant to this Attachment P to the extent to which the ITO or Reliability Coordinator uses such capital expenditures or operation and maintenance expenditures in connection with such contract or expansion, and provided further that the ITO's or Reliability Coordinator's performance of such additional functions does not breach its duties and responsibilities set forth in this Attachment P.

2. DEFINITIONS

The capitalized terms used in this Attachment P shall have the meanings assigned to them below or, if not specifically defined in this Attachment P, shall have the meanings assigned to them elsewhere in the Tariff:

- 2.1 Annual Plan** shall mean the plan developed pursuant to Section 3.3.3 of this Attachment P and Appendix 2 to this Attachment P.
- 2.2 ATC** shall mean Available Transfer Capability.
- 2.3 ATC Methodology** shall mean the criteria, standards, and procedures used to calculate ATC values as set forth in the following: (i) the Tariff provisions applicable to ATC calculations, including Attachment C to the Tariff; (ii) applicable NERC and Regional Reliability Council standards, and NAESB business practices; (iii) the Transmission Owner's ATC Procedures that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P; and (iv) the Transmission Owner's local reliability criteria provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P.
- 2.4 Balancing Authority** shall mean the entity responsible for maintaining loadresource balance within the Balancing Authority Area, as described in the NERC Reliability Functional Model Version 2. The Transmission Owner and the ITO shall divide the responsibilities of the Balancing Authority as provided in Appendix 5 of this Attachment P.
- 2.5 Balancing Authority Area** shall mean the collection of generation, transmission, and loads within the metered boundaries managed by the Balancing Authority. Balancing Authority Area is generally synonymous with Control Area under the Tariff.
- 2.6 Base Case Model** shall mean current power flow models representing the Transmission System used for reliability assessments, TSR studies, Interconnection Studies, and transmission planning and economic studies. When used in the context of TSR studies and Interconnection Studies, "Base Case Model" refers to the annual, seasonal, monthly, or other power flow models used

by the ITO to evaluate the respective TSRs or Interconnection Requests. When used in the context of transmission planning, “Base Case Model” refers to the annual and seasonal power flow model described in Appendix 1 to this Attachment P.

- 2.7 Facilities Study Criteria** shall mean the criteria, standards, and procedures used to perform Facilities Studies as set forth in the following: (i) Tariff provisions applicable to the performance of Facilities Studies; (ii) applicable NERC Reliability Standards and Regional Reliability Council standards; (iii) the Transmission Owner’s business practices related to Facilities Studies that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P; and (iv) the Transmission Owner’s local reliability criteria that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P.
- 2.8 FPA** shall mean the Federal Power Act, 16 USC § 824, *et seq.*
- 2.9 Independent** shall mean: (a) with respect of the ITO, its employees, or designees, that the ITO, its employees, and designees are not subject to the control of the Transmission Owner, any of its Affiliates or any Tariff Participant, and have full decision-making authority to perform all of the functions and responsibilities assigned to them under this Attachment P; and (b) with respect to the Reliability Coordinator and its employees, that the Reliability Coordinator and its employees are not subject to the control of the Transmission Owner or any of its Affiliates, and have full decision-making authority to perform all of the functions and responsibilities assigned to them under this Attachment P.
- 2.10 Interconnection Request** shall mean any Interconnection Request made under the LGIP or SGIP.
- 2.11 Interconnection SIS** shall mean the interconnection System Impact Study required under the LGIP or SGIP.
- 2.12 Interconnection Study(ies)** shall mean studies required to interconnect new generation to the Transmission System under FERC Order Nos. 2003 and 2006.
- 2.13 Interconnection Study Criteria** shall mean the criteria, standards, and procedures used to perform Interconnection Studies as set forth in the following: (i) the LGIP, LGIA, SGIP, and SGIA provisions applicable to the performance of Interconnection Studies; (ii) applicable NERC Reliability Standards and Regional Reliability Council standards; (iii) the Transmission Owner’s business practices related to Interconnection Studies that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P; and (iv) the Transmission Owner’s local reliability criteria that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P.
- 2.14 JRCA** means the Tennessee Valley Authority’s (“TVA’s”) Joint Reliability Coordination Agreement between TVA, the Midwest ISO and PJM

Interconnection, LLC, as may be amended from time to time.

- 2.15 LGIA** shall mean the Standard Large Generator Interconnection Agreement under Attachment J to the Tariff or the version of that agreement executed by an Interconnection Customer, as applicable.
- 2.16 LGIP** shall mean the Standard Large Generator Interconnection Procedures under Attachment J to the Tariff.
- 2.17 Long-Term TSRs** shall mean TSRs that are for a term of one year or greater in duration.
- 2.18 Market Participant** shall have the meaning given to such term in 18 CFR § (b)(2) of FERC's regulations.
- 2.19 NERC** shall mean the North American Electric Reliability Corporation or any successor organization.
- 2.20 NERC Reliability Standards** shall mean the NERC-approved Version 0 reliability standards, compiled in a document titled "Reliability Standards for the Bulk Electric Systems of North America," dated February 7, 2006, as may be amended or superseded from time to time.
- 2.21 Planning Criteria** shall mean the criteria, standards, and procedures used in developing the Annual Plan as set forth Attachment K to the Tariff, as such is accepted for filing by FERC.
- 2.22 Regional Reliability Council** shall mean any one of the eight current NERC Regional Reliability Councils with jurisdiction over the Balancing Authority Area, including ReliabilityFirst Corporation, or its successor.
- 2.23 Short-Term TSRs** shall mean TSRs that are for a term less than one-year in duration.
- 2.24 SIS** shall mean the System Impact Study required under the Tariff to evaluate TSRs and to determine what magnitude of system upgrades, if any, might be required to grant a TSR.
- 2.25 SIS Criteria** shall mean the criteria, standards, and procedures used to perform System Impact Studies as set forth in the following: (i) Tariff provisions applicable to the performance of SISs, including Attachment D to the Tariff; (ii) applicable NERC Reliability Standards and Regional Reliability Council standards; (iii) the Transmission Owner's business practices related to SISs that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P; and (iv) the Transmission Owner's local reliability criteria that are provided to the ITO for posting on OASIS pursuant to Appendix 1 this Attachment P.

- 2.26 SGIA** shall mean the Standard Small Generator Interconnection Agreement under Attachment K to the Tariff or the version of that agreement executed by an Interconnection Customer, as applicable.
- 2.27 SGIP** shall mean the Standard Small Generator Interconnection Procedures under Attachment K to the Tariff.
- 2.28 Transmission Loading Relief (“TLR”)** means actions such as Transmission System reconfiguration, generator redispatch, or load shedding, consistent with the NERC Reliability Standards.
- 2.29 Tariff Participant** shall mean the Transmission Owner’s Transmission Customers, Interconnection Customers, wholesale customers, Affected Systems, Market Participants and similarly qualified third parties within the Balancing Authority Area.
- 2.30 Transmission Planning Conference** shall mean the annual stakeholder meeting conducted by the ITO to gather input and feedback on the planning process and Annual Plan.
- 2.31 Transmission Study Criteria** shall mean the ATC Methodology, the SIS Criteria, and the Facilities Study Criteria.
- 2.32 Transmission Service Request (“TSR”)** shall mean a request submitted by an eligible Transmission Customer under the Tariff for either Point-to-Point Transmission Service or Network Integration Transmission Service, including a new designation of Network Resources or Network Load.
- 2.33 TSR Processing Criteria** shall mean the criteria, standards, and procedures used to process TSRs as set forth in the following: (i) Tariff provisions applicable to TSR processing; (ii) FERC’s OASIS Standards and Communication Protocols and Business Practice Standards for OASIS Transactions; and (iii) the Transmission Owner’s business practices related to OASIS and TSR processing that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P.

3 FUNCTIONS OF THE ITO

3.3 Independence

- 3.1.1** The ITO and its employees and designees (i) shall be Independent of and (ii) shall not discriminate against the Transmission Owner, any of its Affiliates and any Tariff Participant. Any ITO employee or designee owning securities in the Transmission Owner, or its Affiliates or any Tariff Participant shall divest such securities within six (6) months of first being assigned to perform ITO functions or responsibilities, provided that ITO employees and designees shall be entitled to indirectly own securities issued by the Transmission Owner, its Affiliates or any Tariff Participant

through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or the electric utility industry or any segment thereof) under which the ITO employee or designee does not control the purchase or sale of such securities, provided further that participation by an ITO employee or designee in a pension plan of the Transmission Owner, its Affiliates or any Tariff Participant shall not be deemed to be a direct financial interest if the plan is a defined-benefit plan that does not involve the ITO employee's or designee's ownership of the securities. No ITO employees or designees shall be employed by the Transmission Owner or any of its Affiliates.

- 3.1.2** All employees and designees of the ITO performing functions and responsibilities under this Attachment P shall be treated, for the purposes of FERC's Standards of Conduct set forth at 18 CFR Part 358, as transmission employees of the Transmission Owner, and all restrictions related to information sharing and other relationships between merchant employees of the Transmission Owner and/or its Affiliates and transmission employees of the Transmission Owner and/or its Affiliates shall apply to the employees and designees of the ITO.
- 3.1.3** The ITO shall perform its functions and responsibilities under this Attachment P: (i) in accordance with (A) Good Utility Practice, (B) the Transmission Owner's specific requirements and operating guidelines (to the extent these are not inconsistent with other requirements specified in this Attachment P), (C) the Tariff, and (D) all applicable laws and the requirements of federal and state regulatory authorities; and (ii) in an Independent, fair, and nondiscriminatory manner.
- 3.1.4** The ITO shall adopt a policy on conflicts of interest establishing appropriate standards for the professional and financial independence of the ITO, consistent with FERC policies and regulations. In addition, the ITO shall adopt ethics policies and standards for its employees. The ITO and its employees shall comply at all times with the conflicts of interest and ethics policies. The ITO's conflict of interest and ethics policies shall be posted on the Transmission Owner's OASIS. The ITO's conflict of interest policies shall include provisions protecting against any discrimination by the ITO in favor of third parties for whom the ITO may perform services or enjoy a relationship that inures to the ITO's financial benefit.
- 3.1.5** In order to carry out its functions and responsibilities under this Attachment P, the ITO will have complete access to all data and information prepared by or on behalf of or generated for the Transmission Owner's transmission operations personnel that the ITO requests and that the ITO believes is necessary to perform its functions and responsibilities under this Attachment P, subject to appropriate confidentiality provisions. To the extent that the ITO requires access to data or information obtained

by the Transmission Owner from other Tariff Participants, including the Transmission Owner's wholesale merchant function employees, such data or information shall be treated as confidential information, unless otherwise available from public sources or public disclosures.

3.2 General Functions

- 3.2.1** The general functions and responsibilities of the ITO are described in this Section 3.2. A more detailed description of the functions and responsibilities of the ITO, the Reliability Coordinator and the Transmission Owner is provided in Appendices 1-5 to this Attachment P.
- 3.2.2** The ITO shall have experience and expertise appropriate to the performance of its functions and responsibilities under this Attachment P, including the analysis of Transmission System operations and open access regulatory requirements.
- 3.2.3** All functions and responsibilities of the ITO shall be performed by ITO employees or designees of the ITO, and the ITO shall retain full responsibility and authority for any act or omission of such designees.
- 3.2.4** The ITO shall administer the terms and conditions of the Tariff.
- 3.2.5** The ITO will process and evaluate (i.e., grant or deny) all TSRs, including those transactions associated with network service and existing point-to-point service agreements, on a non-discriminatory basis consistent with the Tariff, the TSR Processing Criteria, the Transmission Study Criteria, and Good Utility Practice. The ITO shall be responsible for documenting all transmission service requests under the Tariff, the disposition of such requests, and any data required to support the decision with respect to such requests. The division of responsibilities for evaluation and approval of TSRs is defined in Appendix 1 of this Attachment.
- 3.2.6** The ITO, in consultation with the Transmission Owner, the Reliability Coordinator, and Tariff Participants, shall develop and revise, as appropriate, operating procedures governing the ITO's exercise of its functions and responsibilities in this Attachment P ("Operating Procedures"), which shall be made publicly available on the OASIS except to the extent the ITO and the Transmission Owner jointly determine that certain of the Operating Procedures should not be made publicly available for security reasons consistent with FERC's regulations regarding Critical Energy Infrastructure Information.
- 3.2.7** The ITO shall develop procedures for ensuring the confidentiality of any confidential information or materials made available to the ITO by the Transmission Owner or any Tariff Participant, including information or materials that include or comprise Critical Energy Infrastructure Information.

- 3.2.8** The ITO shall post any information it possesses regarding proposed changes to the Tariff not later than fifteen (15) days prior to the Transmission Owner's filing of the amendment with FERC. The ITO shall be responsible for keeping the Tariff updated on OASIS and any website to be administered by the ITO.
- 3.2.9** The ITO shall propose Tariff changes to the Transmission Owner to the extent necessary to carry out its responsibilities and functions under this Attachment P. The ITO shall submit bi-annual reports to the Transmission Owner proposing such changes (if any). The ITO shall promptly post these reports on OASIS. The Transmission Owner shall file such Tariff changes under Section 205 of the FPA to the extent the Transmission Owner, in its sole discretion, determines that such Tariff changes are appropriate. If the Transmission Owner declines to file such a Tariff change with the FERC, the ITO and the Transmission Owner shall make a joint submission to the FERC under Section 206 of the FPA, including a statement of their respective positions regarding the Tariff change.
- 3.2.10** The ITO shall coordinate and cooperate with the Reliability Coordinator and provide any information that the Reliability Coordinator may reasonably request in order to carry out its functions under the RC Agreement, subject to any applicable confidentiality requirements.
- 3.2.11** The ITO shall report in writing to FERC every six (6) months (commencing on the six-month anniversary of the effective date of the Tariff and every six (6) months thereafter) to address (i) any concerns expressed by stakeholders and the ITO's response to same and (ii) any issues or Tariff provisions that hinder the ITO from performing its functions and responsibilities under this Attachment P and the other provisions of the Tariff.
- 3.2.12** In addition to the reports provided for in Section 3.2.12, the ITO shall make such other reports to FERC and Transmission Owner's retail regulators as may be required by applicable law and regulations or as may be requested by such authorities.

3.3 Planning Function

- 3.3.1** The ITO shall have ultimate review and approval authority over all planning activities discussed in the Tariff, including those listed in Appendix 2 of this Attachment P. This includes review and approval authority over transmission plans, the development of models, planning criteria, study criteria, plans, studies, the methodology for calculating ATC, and any inputs or numerical values provided by the Transmission Owner. The ITO shall carry out its duties under the Planning Function in a manner that ensures that transmission planning on the Transmission Owner's system is done on an independent, non-discriminatory basis.

- 3.3.2** All planning shall conform to applicable NERC Reliability Standards, applicable Regional Reliability Council standards, Transmission Owner's specific reliability requirements and operating guidelines, and all applicable requirements of federal or state laws or regulatory authorities. Such planning shall seek to minimize costs, consistent with the reliability and other requirements set forth in the Tariff.
- 3.3.3** The ITO shall conduct an open stakeholder process through which issues and concerns of stakeholders related to the Annual Plan can be received and considered. This process shall include an open Transmission Planning Conference to gather stakeholder input for consideration in the planning process. The focus of this stakeholder process will be those issues or concerns related to the provision of Transmission Service and Interconnection Service under the Tariff.

4 THE FUNCTIONS OF THE RELIABILITY COORDINATOR

4.1 Independence.

- 4.1.1** The Reliability Coordinator and its employees shall be Independent of the Transmission Owner and any of its Affiliates. Any Reliability Coordinator employee owning securities in the Transmission Owner or its Affiliates shall divest such securities within six (6) months of first being assigned to perform Reliability Coordinator functions or responsibilities, provided that Reliability Coordinator employees shall be entitled to indirectly own securities issued by the Transmission Owner or its Affiliates through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or the electric utility industry or any segment thereof) under which the Reliability Coordinator employee does not control the purchase or sale of such securities, provided further that participation by a Reliability Coordinator employee in a pension plan of the Transmission Owner or its Affiliates shall not be deemed to be a direct financial interest if the plan is a defined-benefit plan that does not involve the Reliability Coordinator employee's ownership of the securities. No Reliability Coordinator employees shall be employed by the Transmission Owner or any of its Affiliates.
- 4.1.2** All employees of the Reliability Coordinator performing functions and responsibilities under this Attachment P shall be treated, for purposes of the FERC's Standards of Conduct, as transmission employees of the Transmission Owner, and all restrictions relating to information sharing and other relationships between merchant employees of the Transmission Owner or its Affiliates and transmission/reliability employees of the Transmission Owner or its Affiliates shall apply to such Reliability Coordinator employees.
- 4.1.3** The Reliability Coordinator will perform its functions in accordance with Good Utility Practice and shall: (a) conform to: (i) all applicable reliability

criteria, policies, standards, rules, regulations and other requirements of NERC and any applicable Regional Reliability Council or their successors; (ii) the Transmission Owner's specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements specified in this Section 4.1.3); and (iii) all applicable requirements of federal and state regulatory authorities; and (b) not make any adverse distinction between the Transmission Owner, any Market Participant, or any Tariff Participant, on the one hand, and any third-party on whose behalf the Reliability Coordinator may perform transmission-related services or functions on the other hand.

4.1.4 Employees of the Reliability Coordinator performing the Reliability Coordinator functions may occupy dedicated offices within facilities owned or operated by the Transmission Owner ("Reliability Coordinator Dedicated Offices"), provided that any such Reliability Coordinator employees shall not share office space with any transmission/reliability employees or merchant employees of the Transmission Owner or its Affiliates, any Market Participant, or any other Tariff Participant. The Transmission Owner and the Reliability Coordinator shall put in place the appropriate procedures to ensure that access to the Reliability Coordinator Dedicated Offices is restricted to the same extent that the Transmission Owner restricts access to its transmission/reliability offices and facilities pursuant to FERC's Standards of Conduct, set forth in 18 CFR Part 358.

4.2 General Functions

4.2.1 The general functions of the Reliability Coordinator are described in this Section 4.2. A more detailed description of the functions and responsibilities of the Reliability Coordinator, the ITO and the Transmission Owner is provided in Appendices 1-5 to this Attachment P.

4.2.2 In its capacity as Reliability Coordinator, the Reliability Coordinator shall coordinate and cooperate with the ITO and Transmission Owner and provide any information that the ITO or Transmission Owner may reasonably need to carry out its functions, as may be requested. Such information provided to the Reliability Coordinator will be kept confidential in accordance with terms herein.

4.3 Reporting; Audit. The Reliability Coordinator will be responsible for making regular reports to FERC and the Transmission Owner's retail regulators as may be required by applicable law and regulations or as may be requested by such authorities.

5 **GENERAL RESPONSIBILITIES OF THE TRANSMISSION OWNER, GENERATION OWNERS AND LOAD SERVING ENTITIES**

5.1 The Transmission Owner shall perform its functions and responsibilities under this Attachment P in accordance with Good Utility Practice and all applicable

laws and the requirements of federal and state regulatory authorities.

- 5.2 Nothing in this Attachment P shall be deemed to restrict or prohibit the Transmission Owner from taking any actions it believes are reasonably necessary to protect against endangerment to the safety of employees or the public or damage to facilities.
- 5.3 The Transmission Owner shall have sole authority to file with FERC changes to the Tariff, including this Attachment P, pursuant to Section 205 of the FPA, subject to the terms of the ITO Agreement and/or the Reliability Coordinator Agreement. The Transmission Owner shall provide thirty (30) days notice to the ITO and/or the Reliability Coordinator, as applicable, regarding any such changes.
- 5.4 Generation owners shall provide the ITO with such data, information, and applicable requirements that govern the operation of any generating facilities interconnected with the Transmission System, as the ITO may require to perform its functions and responsibilities under this Attachment P, including any redispatch information required under Section 19.3 of the Tariff.
- 5.5 Generation owners shall submit and coordinate unit schedules as necessary to permit the ITO to assess TTC and transmission reliability.
- 5.6 Load serving entities shall submit, on an annual basis, data concerning projected loads, designated network resources, generation and transmission maintenance schedules, and such other operating data as the ITO may require to perform its functions and responsibilities under this Attachment P.

6 DISPUTE RESOLUTION

Any dispute, claim or controversy amongst the Transmission Owner, the ITO and the Reliability Coordinator involving the division of responsibility as set forth in this Attachment P and/or related to the ITO Agreement or the RC Agreement, as set forth in Attachment Q to the Tariff, (each, a “Dispute”) shall be resolved in accordance with the procedures set forth in this Section 6 to Attachment P. For the avoidance of doubt, any dispute between the ITO and the Transmission Owner or between the Reliability Coordinator and the Transmission Owner shall be resolved pursuant to the dispute resolution provisions of the ITO Agreement or the RC Agreement, respectively.

- 6.1 **Notice of Dispute.** In the event of a Dispute under this Section 6 of Attachment P any party to the Dispute may provide written notice to the other parties to the Dispute, including a description of the nature of the Dispute.
- 6.2 **Dispute Resolution by Representatives.** The parties to the Dispute shall first refer the Dispute to their respective representatives who shall negotiate in good faith to resolve the Dispute.
- 6.3 **Dispute Resolution by Executive Management Representatives.** If the Dispute is not resolved within fifteen (15) days of being referred to the disputing parties’

representatives pursuant to Section 6.2 of this Attachment P, then each party shall have five (5) days to appoint an executive management representative who shall negotiate in good faith to resolve the Dispute.

- 6.4** Dispute Resolution by Mediation. If the parties' executive management representatives are unable to resolve the Dispute within thirty (30) days of their appointment, the parties shall proceed in good faith to submit the matter to a mediator mutually acceptable to the disputing parties. The parties will share equally in the cost of such mediation, which will be conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association.
- 6.5** Arbitration. If the parties are unable to resolve the Dispute within thirty (30) days after the appointment of a mediator pursuant to Section 6.4 of this Attachment P, then the Dispute will be resolved according to the provisions for arbitration and any other remedies as outlined in this Section 6.5 of Attachment P.
- 6.5.1** Choice of Arbitrator(s). Any arbitration initiated under Section 6.5 of Attachment P shall be conducted before a single neutral arbitrator appointed by the disputing parties. If the disputing parties fail to agree upon a single arbitrator within ten (10) days of the referral of the Dispute to arbitration, each disputing party shall choose one arbitrator who shall sit on a three-member arbitration panel. The arbitrator(s) shall provide each of the disputing parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association.
- 6.5.2** Arbitration Decisions. Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of appointment and shall notify the disputing parties in writing of such decision and the reasons therefore. The decision of the arbitrator(s) shall be final and binding upon the disputing parties, and judgment on the award may be entered in any court having jurisdiction; provided, to the extent the final decision of the arbitrator(s) affects jurisdictional rates, terms and conditions of service or facilities, it must also be filed with the FERC consistent with applicable law, and its effectiveness is contingent upon applicable filing and acceptance provisions of applicable law, if any. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act and/or the Administrative Dispute Resolution Act.
- 6.5.3** Costs. Each disputing party shall be responsible for its own costs incurred during the arbitration process and for the cost of the arbitrator chosen by the disputing party to sit on the three member panel or, if applicable, one third of the cost of the single arbitrator jointly chosen by the disputing parties.

6.6 Interim Measures Pending Resolution. Pending resolution of any dispute raised under this Section 6, the parties' positions will prevail as follows. These are only meant to be interim measures, shall not implicate a final outcome of Dispute Resolution taken under this Section 6.

6.6.1 In a dispute among the Parties, or between the ITO and the Reliability Coordinator involving matters for which the Transmission Owner has authority to provide inputs, the Transmission Owner's position should control pending outcome of the dispute resolution process.

6.6.2 In a dispute among the Parties, or between the ITO and the Reliability Coordinator involving matters for which the Transmission Owner does not have authority to provide inputs, and the dispute concerns matters which, under this Attachment P, the Reliability Coordinator has final review and approval authority, the Reliability Coordinator's position should control pending outcome of the dispute resolution process.

6.6.3 In a dispute among the Parties, or between the ITO and the Reliability Coordinator involving matters for which the Transmission Owner does not have authority to provide inputs, and the dispute concerns matters which, under this Attachment P, the ITO has final review and approval authority, the ITO's position should control pending outcome of the dispute resolution process.

Appendix 1

Division of Responsibility for Transmission Service and Interchange

The coordination between and amongst the ITO, the Reliability Coordinator and the Transmission Owner with respect to processing and evaluation of TSRs shall be as provided for in this Appendix 1. As the Tariff administrator for the Transmission Owner, the ITO has ultimate authority over all TSRs and is the lead entity for the evaluation of any TSR.

1 ITO Responsibility - The responsibilities of the ITO in respect of the processing and evaluating TSRs will be performed on a non-discriminatory basis consistent with the TSR Processing and Transmission Study Criteria, and include the following:

- Maintaining commercial interface for receiving and confirming requests for transmission service according to the requirements of the Tariff (e.g. OASIS);
- Calculating and posting ATC and TTC consistent with the Tariff, NERC standards, and NAESB business practices;
- Collecting all necessary information for the processing and evaluation of a TSR;
- Coordinating as necessary with the Transmission Owner and the Reliability Coordinator when processing requests for service into and out of transmission facilities or distribution facilities;
- Determining that all preconditions necessary for a TSR to be considered a Completed Application have been met;
- Maintaining appropriate TSR queues for Short-Term and Long-Term TSRs;
- Determining whether sufficient transmission capability exists to grant or deny a TSR;
- Approving or denying TSRs;
- Providing and executing SIS Agreements, and Facilities Studies Agreements;
- Performing SISs as necessary to evaluate whether sufficient transmission capability exists to accommodate a TSR, what additional facilities might be, required to allow the granting of a TSR (subject to further review in a Facilities Study), redispatch options (when requested by a customer), and conditional curtailment options (when requested by a customer);
- Performing SISs in response to requests to designate new Network Resources under Section 30 of the Tariff, including requests by the Transmission Owner's wholesale merchant function on behalf of Native Load Customers, and verifying that applicable Tariff requirements have been met;
- Providing all notices related to the processing and evaluation of a TSR to the Transmission Customer via OASIS;
- Independently reviewing the Transmission Owner's description of the ATC Methodology, SIS Criteria, Facilities Study Criteria, and TSR Processing Criteria to ensure that these criteria are sufficiently defined for Transmission Customers to understand how TSRs are processed and evaluated. If the ITO concludes that additional explanatory detail is required, the Transmission Owner will modify the appropriate business practice documents to include the additional detail. The ITO will post on OASIS the final versions of the criteria, including the Transmission

Owner's local reliability criteria, subject to applicable confidentiality requirements.

- Independently reviewing data, information and analyses, including Facilities Studies provided or performed by the Transmission Owner or the Reliability Coordinator;
- Ensuring that the TSR Processing Criteria and the Transmission Study Criteria are posted on OASIS and are sufficiently detailed so that the evaluation and processing of TSRs is transparent and understandable, subject to the confidentiality provisions of Attachment P;
- Responding to inquiries by Transmission Customers regarding TSRs concerning the functions performed by the ITO as set forth in Attachment P;
- Determining the amount and applicability of Ancillary Services under Schedules 1-6 of the Tariff that are needed or required for each transaction by Transmission Customers to comport with reliability guidelines;
- Developing and managing computer software that automates the process for evaluating Transmission Service Requests in an independent and nondiscriminatory manner;
- Billing and normal collection/payment of the applicable charges/invoices for SIS and Facilities Studies; and
- Monitoring and validating the Net Scheduled Interchange ("NSI") value that is provided to the Transmission Owner from OATI software.
- Any affected Transmission Customer, the ITO, and the Reliability Coordinator will be automatically notified of modifications to TSRs through the NERC Electronic Tagging System ("e-Tag"). E-tag provides information on a real-time basis regarding a schedule modification and the reasons for that modification.

2 Transmission Owner Responsibility -- The responsibilities of the Transmission Owner in respect of the processing and evaluation of TSRs include the following:

- Providing data inputs and other information and analyses required by the ITO to study individual TSRs;
- Tendering, entering into, and filing all Transmission Service Agreements in accordance with the Tariff;
- Entering into any Facilities Study Agreement with the ITO and the Transmission Customer;
- Performing Facilities Studies;
- Billing and collecting the applicable charges for Transmission Service under the Tariff and Ancillary Services under Schedules 1-6 and 9 of the Tariff; and
- Supplying the Transmission Customer with detailed descriptions of the current Transmission Study Criteria and TSR Processing Criteria, including: (i) the Transmission Owner's current Tariff; (ii) applicable NERC Reliability Standards; and (iii) the Transmission Owner's local reliability criteria.

3 TSR Processing Criteria - As the Tariff administrator, the ITO has ultimate approval authority over all TSRs Processing Criteria. The TSR Processing Criteria shall be developed as follows:

- 3.1** Base Case Model Development: Once the Base Case Model is complete, the ITO will participate with the Transmission Owner and the Reliability Coordinator in any additional regional model development processes necessary to create updated quarterly and monthly regional models from the seasonal and annual models. These models, which are updated quarterly or monthly, will serve as the basis for the annual, seasonal, monthly, or daily Base Case Models for the Transmission System used to evaluate TSRs.
- 3.1.1** In order to develop the regional models and Base Case Models for the Transmission System referenced above, the Transmission Owner and the Reliability Coordinator will provide to the ITO and other modeling group participants such data and information as may be necessary to prepare and update the models. The ITO will review the data inputs provided by the Transmission Owner and the Reliability Coordinator to ensure that the data inputs and resulting models are consistent with the Transmission Study Criteria and Attachment K to the OATT.
- 3.2** Studies for Long-Term TSRs: All Long-Term TSRs will be evaluated in accordance with the Tariff. If a SIS indicates that additions or upgrades are needed to accommodate the TSR, the Transmission Customer may request a Facilities Study. The division of responsibilities and duties related to such studies is described below.

System Impact Study

- 3.2.1** If necessary, the ITO shall inform the Transmission Customer of the need for an SIS and provide the Transmission Customer with the standard form SIS Agreement to be executed by the ITO, the Transmission Owner and the Transmission Customer. The SIS Agreement shall obligate the Transmission Customer to pay for the actual cost of the SIS, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions herein. The ITO will be responsible for determining whether the Transmission Customer has timely complied with all requirements necessary for an SIS and for a request to remain a Completed Application. The ITO will provide a copy of the executed SIS Agreement to the Transmission Owner and Transmission Customer.
- 3.2.2** After confirming that all applicable requirements have been met by the Transmission Customer, the ITO will perform or cause to be performed the required SIS. If the SIS is performed by someone other than the ITO, the ITO still retains the ultimate responsibility and authority for the study. Any such delegation of responsibilities by the ITO will be to entities that are Independent of the Transmission Owner and other Market Participants. To perform the SIS, the ITO will use the current set of applicable Base Case Models. The ITO will update the applicable Base Case Models to

reflect then-current data from the Transmission Owner's OASIS regarding additional Long-Term TSRs, including new or expired rollover rights. The ITO will perform the SIS as set forth in the SIS Criteria and will ensure that the Base Case Models, including any updates thereto, are consistent with the SIS Criteria.

- 3.2.3** The ITO will provide the Transmission Owner (and/or any affected third-party Transmission Owner) and the Reliability Coordinator with an initial draft of the SIS report including a list of any constrained transmission elements. The Transmission Owner (or affected third-party Transmission Owner) and the Reliability Coordinator will have the opportunity to review and comment on the report. The Transmission Owner or affected third party Transmission Owner will be responsible for developing a mitigation plan to address any constrained transmission elements. The ITO will review the affected Transmission Owner's mitigation plan and will include the mitigation plan and the Transmission Owner's comments in the final SIS report provided to the Transmission Customer.
- 3.2.4** The ITO, in conjunction with the Transmission Owner and the Reliability Coordinator, will use due diligence to finalize the required SIS in accordance with the Tariff and will provide all notices to the Transmission Customer required under the Tariff. The ITO will post the SIS on OASIS as soon as the SIS is complete, and will respond to requests for work papers supporting the SIS. If the Transmission Owner and the ITO cannot resolve any disagreements regarding the SIS, the ITO will modify the draft SIS report to identify the areas of disagreement and will provide this SIS report to the Transmission Customer by posting on OASIS.
- 3.2.5** If the Transmission Owner, the Reliability Coordinator, and the ITO agree that no additions or upgrades to the Transmission System are needed to accommodate the TSR, and the ITO has determined that the Transmission Customer has met the necessary Tariff requirements, the ITO will provide the Transmission Customer with a Transmission Service Agreement to be executed by the ITO, the Transmission Owner and the Transmission Customer. The Transmission Customer may request that the ITO and the Transmission Owner file an unexecuted Transmission Service Agreement with FERC in accordance with the Tariff if: (i) the Transmission Owner and the ITO cannot agree on whether any additions or upgrades to the Transmission System are needed to accommodate the TSR; (ii) the Transmission Customer does not accept the results of the SIS; or (iii) the ITO, the Transmission Owner, and the Transmission Customer cannot agree on the terms and conditions of the Transmission Service Agreement. If the Transmission Owner and the ITO cannot agree on the scope of the additions or upgrades to the Transmission System that are needed to accommodate the TSR, or if the Transmission Customer does not accept the scope of the necessary additions or upgrades, the parties shall attempt to resolve any such disagreement through the more detailed Facilities

Study process if the Transmission Customer elects to undertake such a study.

Facilities Study

- 3.2.6** If a SIS indicates that additions or upgrades are needed to accommodate the TSR, the ITO will provide the Transmission Customer with the standard form Facilities Study Agreement to be executed by the ITO, the Transmission Owner, and the Transmission Customer. The Facilities Study Agreement shall obligate the Transmission Customer to pay for the actual cost of the Facilities Study, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions. The ITO will be responsible for determining whether the Transmission Customer has timely complied with all requirements necessary for a Facilities Study and for a request to remain a Completed Application.
- 3.2.7** After confirming that all applicable requirements have been met by the Transmission Customer, the ITO shall direct the Transmission Owner to perform a Facilities Study. The ITO will provide the Transmission Owner with the updated Base Case Models used by the ITO in performing the SIS, including any additional data that the ITO determines may have material impact on the Facilities Study results. The ITO shall direct the Transmission Owner to determine the scope and estimate the cost of the additions or upgrades to the Transmission System needed to accommodate the TSR. The Transmission Owner shall use the updated Base Case Models as the basis for this determination and shall make this determination on a non-discriminatory basis consistent with the Facilities Study Criteria. The Transmission Owner will provide the ITO with its determination of the scope and estimate of the cost of the necessary additions or upgrades and, upon request, supporting documents and work papers.
- 3.2.8** The ITO will review the Transmission Owner's determination regarding the scope and cost of the necessary additions or upgrades. To the extent necessary, the ITO shall coordinate the Facilities Study with other affected transmission providers and conduct any meetings between the Transmission Owner and any other affected transmission providers. The ITO will prepare an initial draft of the Facilities Study report. The Transmission Owner will have the opportunity to review and comment on the report and its comments will be included in the final Facilities Study report provided to the Transmission Customer. If the ITO and the Transmission Owner cannot resolve any disagreements regarding the Facilities Study, the ITO will modify the draft Facilities Study report to identify the areas of disagreement and will provide this Facilities Study report to the Transmission Customer.

3.2.9 The ITO, in conjunction with the Transmission Owner and the Reliability Coordinator, will use due diligence to finalize the required Facilities Study in accordance with the Tariff and will provide all notices to the Transmission Customer required under the Tariff. The ITO will provide the Transmission Customer with the final Facilities Study report and will respond to requests for work papers supporting the Facilities Study.

3.2.10 If the ITO and the Transmission Owner agree on the final Facilities Study, and the Transmission Customer accepts the final Facilities Study, and the ITO has determined that the Transmission Customer has met the necessary Tariff requirements, the ITO will provide the Transmission Customer with a Transmission Service Agreement to be executed by the ITO, Transmission Owner and the Transmission Customer. If the ITO and the Transmission Owner cannot agree, or the Transmission Customer does not accept the final Facilities Study, or if the Transmission Owner and the Transmission Customer cannot agree on the terms and conditions of the Transmission Service Agreement, the Transmission Customer may request that the Transmission Owner file an unexecuted Transmission Service Agreement with FERC in accordance with the Tariff.

3.3 Studies for Short-Term TSRs: The ITO will evaluate all Short-Term TSRs in accordance with the ATC Methodology using the Base Case Models described in Appendix 1 of this Attachment.

4 Transmission Hoarding

4.1 To guard against hoarding of transmission capacity by Market Participants, the ITO will perform a monthly assessment of unscheduled reservations and redirected capacity. Recurring instances of unused and redirected transmission reservations and instances in which scheduling practices have potentially detrimental market significance will be documented and provided to the FERC in the semiannual ITO report.

Appendix 2

Division of Responsibilities for the Planning Function

Overview

This Appendix 2 of Attachment P of the Tariff is designed to provide a division of responsibilities between the Transmission Owner, the ITO and the Reliability Coordinator. Long-term Transmission Planning for the Transmission Owner's footprint will be conducted as an iterative process as follows: 1) the Transmission Owner will develop the long-term Annual Transmission Plan ("Annual Plan") and submit the Annual Plan to the ITO for initial approval; 2) the ITO will review and conduct an engineering assessment of the Annual Plan; and if it is approved, the ITO will submit the Annual Plan to the Reliability Coordinator; 3) the Reliability Coordinator will conduct a regional assessment of the Annual Plan, subject to the conditions below; and 4) the Reliability Coordinator will submit any changes to the Annual Plan based on its regional assessment to the ITO for final review and approval. The ITO will ensure that transmission planning on the Transmission Owner's system is done on an independent, nondiscriminatory basis. This process is further detailed below.

1. Plan Development by the Transmission Owner

The Transmission Owner will be responsible for the following tasks:

1.1 System Models for Transmission Planning. The Transmission Owner will develop and maintain all transmission and resource (demand and capacity) system models, to evaluate Transmission System performance and resource adequacy. As part of these duties the Transmission Owner is responsible for:

1.1.1 Creating the Base Case Model for the Transmission System. The Base Case Model will include all existing long-term, firm uses of the Transmission System, including: (i) Network Integration Transmission Service; (ii) firm transmission service for the Transmission Owner's Native Load; (iii) Long-Term Point-to-Point Transmission Service; and (iv) firm transmission service provided in accordance with grandfathered agreements. The Base Case Model will be developed pursuant to the modeling procedures used in developing the NERC multi-regional and Reliability *First* regional models.

1.1.2 Providing the Base Case Model to the ITO for review and approval according to the iterative process outlined in the overview to this Appendix 2.

1.1.3 Maintaining other transmission models including, but not limited to steady-state, dynamic and short circuit models.

1.2 Assess, develop, and document Resource and Transmission Expansion plans. The Transmission Owner will assess, develop, and document resource and

transmission Expansion plans including the Annual Plan. These plans include the following responsibilities:

- 1.2.1** Maintaining and applying methodologies and appropriate tools for the development, analysis and simulation of the Transmission System in the assessment and development of transmission expansion plans and the analysis and development of resource adequacy plans.
 - 1.2.2** Developing a long-term (generally one year and beyond) plan for the reliability (adequacy) of the Transmission System.
 - 1.2.3** Defining system protection and control needs and requirements, including special protection systems (remedial action schemes), to meet reliability standards.
 - 1.2.4** Developing and reporting, as appropriate, on the Annual Plan for assessment and compliance with reliability standards.
 - 1.2.5** Monitoring and reporting, as appropriate, its Annual Plan implementation.
- 1.3 Information.** The Transmission Owner will define, collect and develop information required for planning purposes, including:
- 1.3.1 Transmission facility characteristics and ratings.** Collect and maintain specific transmission information regarding characteristics of transmission facilities, lines, equipment, and methodologies, for determining the appropriate thermal ratings of circuits and transformers, including information on transmission line design temperature, voltage and stability limits and other transformer test data.
 - 1.3.2 Demand and energy end-use customer forecasts, capacity resources, and demand response programs.** Including:
 - i. Load forecasts for all existing delivery points for the following ten years, including transmission (wholesale and retail) connected substations and distribution substations, and coincident and noncoincident peak demands and power factor at each delivery point;
 - ii. Plans for new delivery points for the following ten (10) years;
 - iii. Resource plans for the following ten (10) years;
 - iv. Expectations for market access to on- and off-system generation resources;
 - v. All planned on-system distributed generation resources; and vi. Information on all interruptible loads.

1.3.3. Generator unit performance characteristics and capabilities. The Transmission Owner shall provide the ITO with all necessary data, information, and applicable requirements that govern the operation of any generating facilities interconnected with the Transmission System, as the ITO may require for performance of its various functions. The Transmission Owner shall submit and coordinate generator unit schedules as necessary to permit the ITO to assess transmission transfer capability and to permit the Reliability Coordinator to assess transmission reliability. The Transmission Owner shall submit, on an annual basis, data concerning projected loads, designated network resources, generation and transmission maintenance schedules, and other such operating data as the ITO may require for performance its various functions.

1.3.4 Long-term capacity purchases and sales. The Transmission Owner will maintain a list of all long-term capacity purchases and sales and include this information in its model development and the Annual Plan.

2 ITO Review and Assessment

The ITO will be responsible for the following tasks:

- 2.1** Independently reviewing and approving the Transmission Owner's Planning Criteria. If the ITO concludes that additional explanatory detail is required, the Transmission Owner will modify the appropriate business practice documents to include the additional detail. The ITO will ensure that the final versions of the Planning Criteria are posted on OASIS;
- 2.2** Reviewing and approving Transmission Owner's Base Case Model; reviewing, evaluating, and commenting on the Annual Plan as developed by the Transmission Owner. This review and evaluation will be based on all applicable planning criteria and statewide or multi-state transmission planning requirements;
- 2.3** Monitoring the Transmission Owner's transmission facility ratings based on access to data necessary to evaluate such ratings;
- 2.4** Performing an Independent assessment of the Transmission System using the Planning Criteria and the Base Case Model. As part of this assessment, the ITO will independently evaluate whether: (i) the Transmission Owner's Annual Plan complies with the Planning Criteria and the Base Case Model; and (ii) whether there are upgrade projects in the Annual Plan that are not necessary to meet the Planning Criteria and the Base Case Model;
- 2.5** Holding a Transmission Planning Conference to gather input and consider the planning process and the Transmission Owner's Annual Plan; and
- 2.6** Providing the Transmission Owner with its conclusions regarding the reliability assessment and evaluation of the Annual Plan, including any outstanding issues

that the ITO believes the Transmission Owner should address. The Transmission Owner will have the opportunity to review the ITO's conclusions and may submit a revised Annual Plan and supporting documentation to the ITO to address any outstanding issues. Once the Annual Plan has been finalized by the Transmission Owner, the ITO will submit the Annual Plan to the Reliability Coordinator for regional coordination.

3 Regional Coordination

The Reliability Coordinator will be responsible for the following tasks:

- 3.1** Integrating and verifying that the respective plans for the regional area meet reliability standards.
- 3.2** Identifying and reporting on potential Transmission System and resource adequacy deficiencies in the regional area, and providing alternate plans that mitigate these deficiencies.
- 3.3** Reviewing and reporting, as appropriate, on the Transmission Owner's Annual Plan for assessment and compliance with reliability standards within their regional area.
- 3.4** Notifying impacted transmission entities within their regional area of any planned transmission changes that may impact their facilities.
- 3.5** Submitting Annual Plan, including any changes based on the regional coordination, to the ITO for final approval.

4 Final Review and Assessment

- 4.1** The ITO shall have final review and assessment of all plans. If the ITO cannot approve a plan after regional coordination, then the ITO will return the plan to the Transmission Owner for further development as appropriate. The process for final approval of any previously rejected plan will follow the same iterative process as outlined above.
- 4.2** The ITO will post the Transmission Owner's finalized Annual Plan on OASIS.

5 Implementation of Plan and Construction of Upgrades

- 5.1** The Transmission Owner is responsible for the implementation of the Annual Plan. The Transmission Owner will make a good faith effort to design, certify, and build facilities approved by the ITO in the Annual Plan.
- 5.2** In the case where the Reliability Coordinator or the ITO does not agree with the Annual Plan, nothing in this Attachment P shall prevent the Transmission Owner from constructing those facilities it deems necessary to reliably meet its obligation to serve its Network Customers, its Native Load Customers and its Transmission Customers taking Point-to-Point Transmission Service.

Appendix 3

Division of Responsibilities for Generator Interconnections

The coordination between and amongst the ITO, the Reliability Coordinator and the Transmission Owner with respect to processing and evaluation of Interconnection Requests shall be as provided for in this Appendix 3. As the Tariff administrator for the Transmission Owner, the ITO has ultimate authority over all Interconnection Requests and is the lead entity for the evaluation of any Interconnection Request.

- 1** ITO Duties and Responsibilities: The ITO shall process all Interconnection Requests and Interim Interconnection Requests and perform Interconnection Studies in a non-discriminatory manner in accordance with the LGIP and SGIP and the Transmission Owner's Interconnection Study Criteria. Sole authority to grant or deny requests for generation interconnections are the exclusive responsibility of the ITO, and cannot be delegated to any other parties described herein. The ITO will have authority to interpret and apply the guidelines, and shall have responsibility for administration of the Transmission Owner's LGIP and SGIP, including queuing of Interconnection Requests and Interim Interconnection Requests, completion of Interconnection Studies associated with Interconnection Requests and Interim Interconnection Requests, and development of the Transmission System modeling process, software, and assumptions used to evaluate Interconnection Requests and Interim Interconnection Requests. The ITO's responsibilities in processing and evaluating Interconnection Requests and Interim Interconnection Requests include the following:
 - 1.1** Collecting from the Interconnection Customer, the Transmission Owner and the Reliability Coordinator all necessary information for the processing and evaluation of each Interconnection Request and Interim Interconnection Request;
 - 1.2** Determining that all preconditions necessary for a valid Interconnection Request and Interim Interconnection Request have been met;
 - 1.3** Performing Interconnection Feasibility Studies, Interconnection SISs, Interim SISs and Optional Interconnection Studies and coordinating such studies with Affected Systems;
 - 1.4** Maintaining and administering a queue for Interconnection Study requests;
 - 1.5** Posting on the Transmission Owner's OASIS a list of Interconnection Requests and Interim Interconnection Requests and related information as required under the LGIP and SGIP;
 - 1.6** Providing and executing Interconnection Study Agreements, Interim Interconnection System Impact Study Agreements, Interim SGIA SIS Agreements, and Facilities Study Agreements;
 - 1.7** Providing all notices related to the processing and evaluation of an

Customer with an Interconnection Feasibility Study Agreement to be executed by the Interconnection Customer and the ITO. The Interconnection Feasibility Study Agreement shall obligate the Interconnection Customer to pay for the actual cost of the Interconnection Feasibility Study, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions under Sections 4.1 through 4.3 of this Appendix 3. The ITO will be responsible for determining whether the Interconnection Customer has timely complied with all requirements necessary for an Interconnection Feasibility Study and a valid Interconnection Request, as provided in the LGIP or SGIP. The ITO will provide a copy of the executed Interconnection Feasibility Study Agreement to the Transmission Owner.

- 4.2** After confirming that all applicable requirements have been met by the Interconnection Customer, the ITO will perform or cause its designee to perform the required Interconnection Feasibility Study, including any Re-Studies. To perform the Interconnection Feasibility Study, the ITO will use the current set of applicable Base Case Models. The ITO will update the applicable Base Case Models to reflect then-current data from the Transmission Owner's OASIS regarding additional Long-Term TSRs, including new or expired rollover rights. The ITO will perform the Interconnection Feasibility Study as set forth in the Interconnection Study Criteria and will ensure that the Base Case Models, including any updates thereto, are developed as set forth in the Interconnection Study Criteria. The ITO will provide the Transmission Owner with an initial draft of the Interconnection Feasibility Study report, and the Transmission Owner will have the opportunity to review and comment on the report.
- 4.3** The ITO will use reasonable efforts to finalize the Feasibility Study in accordance with the LGIP or SGIP provisions of the Tariff and will provide all notices to the Interconnection Customer required therein. The ITO will be responsible for responding to requests for work papers or other supporting documentation under the LGIP or SGIP. If the Transmission Owner and the ITO cannot resolve any disagreements regarding the Feasibility Study, the ITO will modify the draft Feasibility Study report to identify the areas of disagreement and will provide this Feasibility Study report to the Interconnection Customer. If the Transmission Owner, the ITO, and the Interconnection Customer ultimately cannot agree on the final Interconnection Feasibility Study report, Section 14.5 of the LGIP or Section 4.2 of the SGIP will apply.

5 Interconnection System Impact Study

- 5.1** Pursuant to the LGIP or SGIP, the ITO shall provide the Interconnection Customer with the Interconnection SIS Agreement to be executed by the ITO and the Interconnection Customer. The Interconnection SIS Agreement shall obligate the Interconnection Customer to pay for the actual cost of the Interconnection SIS, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions under Section 5 of this Appendix 3. The ITO will be responsible for determining whether the Interconnection Customer has timely complied with all requirements necessary

for an Interconnection SIS and for a valid Interconnection Request, as set forth in the LGIP or SGIP. The ITO will provide a copy of the executed Interconnection SIS Agreement to the Transmission Owner and the Reliability Coordinator.

- 5.2** After confirming that all applicable requirements have been met by the Interconnection Customer, the ITO shall perform or cause its designee to perform the required Interconnection SIS, including any Re-Studies. To perform the Interconnection SIS, the ITO will use the current set of applicable Base Case Models. The ITO will update the applicable Base Case Models to reflect the current data from the Transmission Owner's OASIS regarding additional Long- Term TSRs, including new or expired rollover rights. The ITO will perform the interconnection SIS as set forth in the Interconnection Study Criteria and will ensure that the Base Case Models, including any updates thereto, are developed as set forth in the Interconnection Study Criteria.
 - 5.3** The ITO will provide the Transmission Owner, the Reliability Coordinator and other Affected System with an initial draft of the Interconnection SIS report, including a list of any constrained transmission elements. The Transmission Owner and the Reliability Coordinator will have the opportunity to review and comment on the report and the Transmission Owner will be responsible for developing a mitigation plan to address any constrained transmission elements. The ITO will review the Transmission Owner's mitigation plan and will include the mitigation plan and the Transmission Owner's comments in the final Interconnection SIS report provided to the Interconnection Customer.
 - 5.4** The ITO, in conjunction with the Transmission Owner and the Reliability Coordinator, will use reasonable efforts to finalize the required Interconnection SIS in accordance with the LGIP or SGIP and will provide all notices to the Interconnection Customer required by the LGIP or SGIP. The ITO will be responsible for responding to requests for work papers supporting the Interconnection SIS. If the Transmission Owner and the ITO cannot resolve any disagreements regarding the Interconnection SIS, the ITO will modify the draft Interconnection SIS report to identify the areas of disagreement and will provide this Interconnection SIS report to the Interconnection Customer. If the Transmission Owner, the ITO, the Reliability Coordinator and the Interconnection Customer ultimately cannot agree on the final Interconnection SIS report, Section 14.5 of the LGIP or Section 4.2 of the SGIP will apply.
- 6** Interconnection Facilities Study
- 6.1** Pursuant to the LGIP or SGIP provisions of the Tariff, the ITO will tender the Interconnection Facilities Study Agreement to the Interconnection Customer to be executed by the ITO, the Transmission Owner, any Affected System, and the Interconnection Customer. The Interconnection Facilities Study Agreement shall obligate the Interconnection Customer to pay for the actual cost of the Interconnection Facilities Study, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions under Section 6 of this Appendix 3.

- 6.2** After confirming that all applicable requirements have been met by the Interconnection Customer, the ITO shall direct the Transmission Owner to perform an Interconnection Facilities Study. The ITO will provide the Transmission Owner with the relevant SIS data used by the ITO in performing the Interconnection SIS, including any additional data that the ITO determines may have material impact on the Interconnection Facilities Study results. The ITO shall direct the Transmission Owner to determine the equipment, engineering, procurement, and construction work necessary to implement the conclusions in the Interconnection SIS. The Transmission Owner shall use the relevant SIS data provided by the ITO as the basis for this determination and shall make this determination consistent with the Interconnection Study Criteria. The Transmission Owner will provide the ITO with its determination and, upon request, supporting documents and work papers.
- 6.3** The ITO will review the Transmission Owner's determination regarding the equipment, engineering, procurement, and construction work necessary to implement the conclusions in the Interconnection SIS. The ITO will prepare an initial draft of the Interconnection Facilities Study report. The Transmission Owner will have the opportunity to review and comment on the report and the Transmission Owner's comments will be included in the final Interconnection Facilities Study report provided to the Interconnection Customer. If the ITO and the Transmission Owner cannot resolve any disagreements regarding the Interconnection Facilities Study, the ITO will modify the draft Interconnection Facilities Study report to identify the areas of disagreement and will provide this Interconnection Facilities Study report to the Interconnection Customer.
- 6.4** The ITO, in conjunction with the Transmission Owner, will use reasonable efforts to finalize the required Interconnection Facilities Study in accordance with the LGIP or SGIP and will provide all notices to the Interconnection Customer required in the LGIP or SGIP. The ITO will be responsible for providing the Interconnection Customer with the final Interconnection Facilities Study report and responding to requests for work papers and supporting documentation for the Interconnection Facilities Study.
- 6.5** If the ITO and the Transmission Owner agree on the final Facilities Study, and the Interconnection Customer accepts the final Facilities Study, and the ITO has determined that the Interconnection Customer has met the necessary LGIP or SGIP requirements, the Transmission Owner will provide the Interconnection Customer with a LGIA or SGIA to be executed by the Transmission Owner and the Interconnection Customer. If the ITO and the Transmission Owner cannot agree, or the Interconnection Customer does not accept the final Interconnection Facilities Study, or if the Transmission Owner and the Interconnection Customer cannot agree on the terms and conditions of the LGIA or SGIP, the parties may attempt to resolve the dispute pursuant to Section 14.5 of the LGIP or Section 4.2 of the SGIP, or the Interconnection Customer may request that the Transmission Owner file an unexecuted LGIA with FERC in accordance with Section 11.3 of the LGIP, or file an unexecuted SGIA with FERC in accordance with Section 4.8

of the SGIA.

- 7 **Interim SIS.** The ITO shall have the responsibility to conduct Interim Interconnection System Impact Studies pursuant to the terms of Section 13 of the LGIP.
8. **Optional Interconnection Study:** If the Interconnection Customer requests an Optional Interconnection Study, the division of responsibilities between the Transmission Owner and the ITO shall be the same as for the Interconnection SIS.

Appendix 4

Division of Responsibilities for the Reliability Function

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

1 Reliability Coordinator General Functions:

The Reliability Coordinator shall perform the following functions:

- 1.1** Serving as NERC designated reliability coordinator and representing the TVA Reliability Area at the NERC and Regional Reliability Council level.
- 1.2** Implementing applicable NERC and regional reliability criteria initiatives, such as maintaining a connection to NERC's Interregional Security Network ("ISN"), day-ahead load-flow analysis, transmission loading relief procedures, and information exchange.
- 1.3** Developing and coordinating with the Reliability Coordination Advisory Committee ("RCAC") new Reliability Coordinator Procedures and revisions to existing Reliability Coordinator Procedures.
- 1.4** Exchanging timely, accurate, and relevant Transmission System information with the Transmission Owner, the ITO, and with other reliability coordinators.
- 1.5** Developing and maintaining system models and tools needed to perform analysis needed to develop operational plans.
- 1.6** Coordinating with neighboring reliability coordinators and other operating entities as appropriate to ensure regional reliability.
- 1.7** Performing all other reliability coordinator functions as required for compliance with applicable NERC Reliability Standards and Regional Reliability Council standards, as the same may be amended or modified from time to time.

2 Real-time Operations:

2.1 Reliability Coordinator Functions:

The Reliability Coordinator shall perform the following functions:

- 2.1.1** Monitoring, analyzing, and coordinating the reliability of the Transmission

Owner's facilities and interfaces with other Balancing Authorities, Transmission Operators, and other reliability coordinators.

- 2.1.2 Performing analyses to develop an evaluation of system conditions. The Transmission Owner will provide necessary information (e.g., outages and transactions) and Transmission System conditions, as applicable, to the Reliability Coordinator in accordance with applicable NERC Standards. The results of these analyses will be provided to the Transmission Owner and neighboring reliability coordinators in accordance with applicable NERC Reliability Standards and Regional Reliability Council Standards.
- 2.1.3 Determining, directing, and documenting appropriate actions to be taken by the Transmission Owner, the ITO and Reliability Coordinator in accordance with the NERC Reliability Standards, including curtailment of transmission service or energy schedules, re-dispatch of generation and load shedding as necessary to alleviate facility overloads and abnormal voltage conditions, and other circumstances that affect interregional bulk power reliability.
- 2.1.4 Coordinating transmission loading relief and voltage correction actions with the Transmission Owner and with other reliability coordinators.

2.2 **Transmission Owner Responsibilities:**

The Transmission Owner shall have the following responsibilities:

- 2.2.1 Ensuring appropriate telemetry and providing Reliability Coordinator realtime operational information for monitoring.
- 2.2.2 Receiving from the Reliability Coordinator all reliability alerts for TVA Reliability Area and neighboring reliability coordinators.
- 2.2.3 Following Reliability Coordinator directives for corrective actions (e.g., curtailments or load shedding) during system emergencies or to implement TLR procedures.
- 2.2.4 Receiving from Reliability Coordinator all notices regarding Transmission System limitations or other reliability issues, as appropriate

3 **Forward Operations:**

3.1 **Reliability Coordinator Functions:**

The Reliability Coordinator shall perform the following functions:

- 3.1.1 Performing analyses and develop an evaluation of expected next-day Transmission System operations. The results of these analyses shall be provided to the Transmission Owner, the ITO and neighboring reliability coordinators in accordance with applicable NERC Reliability Standards and Regional Reliability Council Standards.

- 3.1.2 Performing analysis of planned transmission and generation outages and coordination of outages with NERC, participants in reliability coordination agreements, and other reliability coordinators as appropriate and as required by NERC. This entails analysis and coordination of planned outages which are beyond next day and intra-day outages.
- 3.1.3 Analyzing and approving all planned maintenance schedules on facilities 100kV and above and planned maintenance of generation facilities submitted by the Transmission Owner in conjunction with other work on the regional transmission grid to determine the impact of the Transmission Owner's planned maintenance schedule on the reliability of the facilities under TVA's purview as Reliability Coordinator, and the purview of neighboring reliability coordinators, and any other relevant effects; and coordinate impacts on available transfer capability with the ITO.
- 3.1.4 Coordinating, as required by either NERC or other agreements, planned maintenance schedules with all adjacent reliability coordination areas and/or Balancing Authority Areas and Transmission Providers; as well as the ITO.

3.2 Transmission Owner Responsibilities:

The Transmission Owner shall have the following responsibilities:

- 3.2.1 Providing generation-related information (e.g., outages and transactions) and expected Transmission System conditions (e.g., transmission facility outages and transactions), as applicable, to the Reliability Coordinator for the next-day operation in accordance with applicable NERC Reliability Standards and Regional Reliability Council standards.
- 3.2.2 Submitting facility ratings and operational data for all generators and transmission facilities in the Transmission Owner's footprint.
- 3.2.3 Coordinating with the ITO and submitting to the Reliability Coordinator generation dispatch information for the Transmission Owner's footprint and following Reliability Coordinator directives regarding dispatch adjustments to mitigate congestion.
- 3.2.4 Submitting to the Reliability Coordinator generation operation plans and commitments for reliability analysis.
- 3.2.5 Submitting to the Reliability Coordinator transmission maintenance plans for reliability analysis.
- 3.2.6 Following Reliability Coordinator directives to revise transmission maintenance plans as required to ensure grid reliability.
- 3.2.7 Receiving from Reliability Coordinator all notices regarding reliability analyses for the TVA Reliability Area as well as neighboring reliability

coordinators.

- 3.2.8 Representing the Transmission Owner on the RCAC and in all RCAC deliberations.

4 JRCA Implementation and Regional Congestion Management

For the purposes of this section IV, capitalized terms not defined in the Tariff will have the definitions used in the JRCA and its related Congestion Management Process (“CMP”), unless otherwise noted in this section IV.

4.1 Reliability Coordinator Functions:

The following functions to be performed by the Reliability Coordinator shall be performed in conjunction with the functions to be performed by the Independent Transmission Operator under the Independent Transmission Organization Agreement and will fully incorporate the Transmission Owner’s operations into the procedures and protocols governing other facilities in the Reliability Coordinator’s Reliability Area in accordance with the provisions of the JRCA:

- 4.1.1 Identifying of Coordinated Flowgates and determination of flowgates requiring Reciprocal Coordination (twice annually).
- 4.1.2 Performing Historic Firm Flow Calculations -- implement transmission service reservation set and designated resources provided by the Transmission Owner for established freeze date; calculate historic firm flow values and ratios for all coordinated flowgates on the Transmission Owner’s system (bi-annually).
- 4.1.3 Developing reciprocal coordination agreements that establish how each Operating Entity will consider its own flowgates as well as the usage of other Operating Entities when it determines the amount of flowgate or constraint capacity remaining. This process will include both operating horizon determination as well as forward looking capacity allocation.
- 4.1.4 Implementing AFC Process -- determining AFC attribute requirements; obtaining NNL Impact Data; implementing Allocation Calculation Process; implement AFC calculation process.
- 4.1.5 Providing the ITO flowgate AFCs on an hourly basis and flowgate allocations on a daily basis.

4.2 Transmission Owner Responsibilities:

The Transmission Owner is obligated to uphold the terms and conditions of the JRCA, and providing the Reliability Coordinator with the information and support it needs in order to carry out its duties under Section 2.3.5 of the JRCA, as Transmission Owner’s Reliability Coordinator. The Transmission Owner shall be responsible for coordinating with the ITO and provide Transmission System data

to the Reliability Coordinator including, but not limited to:

Operating information:

- (i) Transmission Service Reservations;
- (ii) Load forecast requirements;
- (iii) Flowgates requirements;
- (iv) AFC data requirements;
- (v) PSSE Models Requirements;
- (vi) Designated Network Resources requirements;
- (vii) Jointly owned units;
- (viii) Dynamic schedules;
- (ix) NNL allocations requirements; and,
- (x) NNL evaluator requirements.

Projected operating information:

- (i) Unit commitment/merit order;
- (ii) Firm purchase and sales (including grandfathered agreements);
- (iii) Independent power producer information including current operating level, projected operating levels, scheduled outage start and end dates;
- (iv) Planned and actual operational start-up dates for any permanently added, removed, or significantly altered transmission segments; and
- (v) Planned and actual start-up testing and operational start-up dates for any permanently added, removed, or significantly altered generation units.

4.3 ITO Responsibilities:

The ITO shall have the following responsibilities in support of the JRCA, which it will carry out in compliance with the terms of the JRCA:

- 4.3.1** Providing to the Reliability Coordinator all transmission facility plans and facility upgrade schedules.
- 4.3.2** Providing to the Reliability Coordinator the status of all transmission service requests and all new transmission service agreements.
- 4.3.3** Receiving from the Reliability Coordinator all flowgate AFCs on an hourly basis and flowgate allocations on a daily basis.
- 4.3.4** Converting flowgate information provided by the Reliability Coordinator to ATC values for posting on OASIS and for analyzing TSRs.
- 4.3.5** Implementing CMP business rules for AFC vs. ASTFC.

- 4.3.6** Honoring all AFC allocations and AFC over-rides from other CMP participants in the evaluation and granting of transmission service.

5 Regional Coordination

5.1 Reliability Coordinator Functions:

The Reliability Coordinator will ensure a long-term (one year and beyond) plan is available for adequate resources and transmission within the TVA Reliability Area. The Reliability Coordinator will integrate the Transmission Plan provided by the ITO with plans of other operating entities in the Reliability Coordination Area and assess the plans to ensure those plans meet reliability standards. The Reliability Coordinator will advise the ITO of solutions to plans that do not meet those standards. The Reliability Coordinator will then coordinate the Reliability Area Plan with those of neighboring reliability coordinators and Planning Coordinators to ensure wide-area grid reliability.

These functions include:

- 5.1.1** Integrating the transmission and resource (demand and capacity) system models provided by the ITO with those of other Reliability Coordinator Area operating entities to ensure Transmission System reliability and resource adequacy.
- 5.1.2** Applying methodologies and tools to assess and analyze the Transmission System expansion plans and the resource adequacy plans.
- 5.1.3** Collecting all information and data required for modeling and evaluation purposes.
- 5.1.4** Integrating and verifying that the respective plans of the Resource Planners and Transmission Planners within the TVA Reliability Area meet reliability standards.
- 5.1.5** Coordinating the Reliability Coordinator Area plan with neighboring Reliability Coordinators for review, as appropriate.
- 5.1.6** Integrating the Reliability Coordinator Area plan with neighboring Planning Coordinators/reliability coordinators plans to provide a broad multi-regional bulk system planning view.

5.2 Transmission Owner Responsibilities:

The Transmission Owner shall have the following responsibilities:

- 5.2.1** Providing to the Reliability Coordinator demand and energy end-use customer forecasts, capacity resources, and demand response programs.
- 5.2.2** Providing to the Reliability Coordinator generator unit performance characteristics and capabilities.

5.2.3 Providing to Reliability Coordinator long-term capacity purchases and sales.

Appendix 5

Balancing Authority

The Transmission Owner is registered with NERC as the Balancing Authority for the Transmission Owner's Balancing Authority Area. Accordingly, the Transmission Owner is responsible for performing the following tasks and functions as provided for in Version 5 of the NERC Reliability Functional Model. Consistent with the terms of the NERC Reliability Functional Model, these tasks and functions are intended as guidelines only. If there is a conflict or inconsistency with the tasks and functions listed below and the requirements included in a NERC Reliability Standard, the terms included in the NERC Reliability Standard shall govern the Transmission Owner's actions.

Function — Balancing

Tasks

1. Control any of the following combinations within a Balancing Authority Area:
 - a. Load and generation (an isolated system)
 - b. Load and Confirmed Interchange
 - c. Generation and Confirmed Interchange
 - d. Generation, load, and Confirmed Interchange
2. Calculate area control error within the reliability area.
3. Operate in the Balancing Authority Area to maintain load-interchange-generation balance.
4. Review generation commitments, dispatch, and load forecasts.
5. Formulate an operational plan (generation commitment, outages, etc.) for reliability evaluation.
6. Approve Arranged Interchange from ramping ability perspective.
7. Implement Confirmed Interchange.
8. Operate the Balancing Authority Area to contribute to Interconnection frequency.
9. Monitor and report control performance and disturbance recovery.
10. Provide balancing and energy accounting (including hourly checkout of Confirmed Interchange, Implemented Interchange and actual interchange), and administer inadvertent energy paybacks.
11. Determine needs for reliability-related services.
12. Deploy reliability-related services.
13. Implement emergency procedures.

Relationships with Other Functional Entities

Ahead of Time

1. Receives operating and availability status of generating units and operational plans and commitments from Generator Operators (including annual maintenance plans) within the Balancing Authority Area.

2. Receives annual maintenance plans from Generator Owners within the Balancing Authority Area.
3. Receives reliability evaluations from the Reliability Coordinator.
4. Receives final approval or denial of a request for an Arranged Interchange from the Interchange Coordinators.
5. Compiles load forecasts from Load-Serving Entities.
6. Develops agreements with adjacent Balancing Authorities for ACE calculation parameters.
7. Submits integrated operational plans to the Reliability Coordinator for reliability evaluation and provides balancing information to the Reliability Coordinator for monitoring.
8. Confirms Arranged Interchange with Interchange Coordinators.
9. Confirms ramping capability with Interchange Coordinators.
10. Implements generator commitment and dispatch schedules from the Load-Serving Entities and Generator Operators who have arranged for generation within the Balancing Authority Area.
11. Acquires reliability-related services from Generator Operator.
12. Receives dispatch adjustments from Reliability Coordinators to prevent exceeding limits.
13. Receives generator information from Generator Owners including unit maintenance schedules and retirement plans.
14. Receives information from Load Serving Entities on self-provided reliability-related services.
15. Coordinates system restoration plans with Transmission Operator.
16. Provides generation dispatch to Reliability Coordinators.

Real Time

17. Coordinates use of controllable loads with Load-Serving Entities (i.e., interruptible load that has been bid in as a reliability-related service or has agreed to participate in voluntary load shedding program under resource/reserve deficiency situations).
18. Receives loss allocation from Transmission Service Providers (for repayment with in-kind losses).
19. Receives Real-time operating information from the Transmission Operator, adjacent Balancing Authorities and Generator Operators.
20. Receives operating information from Generator Operators.
21. Provides Real-time operational information for Reliability Coordinator monitoring.
22. Receives reliability alerts from Reliability Coordinator.
23. Complies with reliability-related requirements (e.g., reactive requirements, location of operating reserves) specified by Reliability Coordinator.
24. Verifies implementation of emergency procedures to Reliability Coordinator.
25. Informs Reliability Coordinator and Interchange Coordinators of Confirmed Interchange changes (e.g., due to generation or load interruptions) involving its Balancing Authority Area.
26. Directs resources (Generator Operators and Load-Serving Entities) to take action to ensure balance in real time.

27. Directs Transmission Operator (or Distribution Provider) to reduce voltage or shed load if needed to ensure balance within its Balancing Authority Area.
28. Directs Generator Operators to implement redispatch for congestion management as directed by the Reliability Coordinator.
29. Implements corrective actions and emergency procedures as directed by the Reliability Coordinator.
30. Implements system restoration plans as directed by the Transmission Operator.
31. Directs Transmission Operator to implement flow control devices.
32. Receives information of Implemented Interchange and Confirmed Interchange curtailments from Interchange Coordinator.

After the hour

33. Confirms Implemented Interchange with Confirmed Interchange provided by the Interchange Coordinators after the hour for “checkout.”
34. Confirms Implemented Interchange and Confirmed Interchange with adjacent Balancing Authorities after the hour for “checkout.”
35. Provides to the ITO, for posting on OASIS, statistics regarding interchange schedules that the Transmission Owner has modified.

ATTACHMENT P

FUNCTIONS OF THE RELIABILITY COORDINATOR AND THE ITO

1 OVERVIEW

- 1.1** This Attachment P sets forth the functions and responsibilities of the Independent Transmission Organization (“ITO”), the Reliability Coordinator (“Reliability Coordinator”) and the Transmission Owner, and includes a description of certain relationships between and amongst the ITO, the Reliability Coordinator, the Transmission Owner, generator owners, load serving entities and other Tariff Participants. This Attachment P will be the governing document in describing and delineating the responsibilities among the Transmission Owner, the ITO, and the Reliability Coordinator.
- 1.2** The Transmission Owner will retain operational control over the Transmission System, but will be obligated to follow the directives of the ITO and Reliability Coordinator as set forth in this Attachment P. The specific division of functions between, and responsibilities of, the ITO, the Reliability Coordinator and the Transmission Owner are set forth in this Attachment P.
- 1.3** The Transmission Owner and ITO have entered into a contract which specifies all of the functions and responsibilities of the ITO and the terms and conditions upon which the ITO will perform such functions and responsibilities (the “ITO Agreement”). This Attachment P is intended solely as a delineation of functions and responsibilities between and amongst the ITO, the Reliability Coordinator and the Transmission Owner, and as a description of certain relationships between and amongst the ITO, the Reliability Coordinator, the Transmission Owner, generator owners, load serving entities and other Tariff Participants. For the avoidance of doubt, the ITO Agreement, which is attached hereto as Attachment Q to the Tariff, is attached for informational purposes only.
- 1.4** The Transmission Owner and Reliability Coordinator have entered into a contract which specifies all of the functions and responsibilities of the Reliability Coordinator and the terms and conditions upon which the Reliability Coordinator will perform such functions and responsibilities (the “RC Agreement”). This Attachment P is intended solely as a delineation of functions and responsibilities between and amongst the Reliability Coordinator, the ITO and the Transmission Owner, and as a description of certain relationships between and amongst the ITO, the Reliability Coordinator, the Transmission Owner, generator owners, load serving entities and other Tariff Participants. For the avoidance of doubt, the RC Agreement, which is attached hereto as Attachment Q to the Tariff, is attached for informational purposes only.
- 1.5** Nothing in this Attachment P precludes the ITO or Reliability Coordinator from performing the same or similar functions for other entities under a separate

contract or expanding to a larger regional entity, provided that the Transmission Owner is reimbursed by the ITO or Reliability Coordinator, as the case may be, in an equitable manner for any capital expenditures or operation and maintenance expenditures made by the ITO or Reliability Coordinator pursuant to this Attachment P to the extent to which the ITO or Reliability Coordinator uses such capital expenditures or operation and maintenance expenditures in connection with such contract or expansion, and provided further that the ITO's or Reliability Coordinator's performance of such additional functions does not breach its duties and responsibilities set forth in this Attachment P.

2. **DEFINITIONS**

The capitalized terms used in this Attachment P shall have the meanings assigned to them below or, if not specifically defined in this Attachment P, shall have the meanings assigned to them elsewhere in the Tariff:

- 2.1 **Annual Plan** shall mean the plan developed pursuant to Section 3.3.3 of this Attachment P and Appendix 2 to this Attachment P.
- 2.2 **ATC** shall mean Available Transfer Capability.
- 2.3 **ATC Methodology** shall mean the criteria, standards, and procedures used to calculate ATC values as set forth in the following: (i) the Tariff provisions applicable to ATC calculations, including Attachment C to the Tariff; (ii) applicable NERC and Regional Reliability Council standards, and NAESB business practices; (iii) the Transmission Owner's ATC Procedures that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P; and (iv) the Transmission Owner's local reliability criteria provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P.
- 2.4 **Balancing Authority** shall mean the entity responsible for maintaining loadresource balance within the Balancing Authority Area, as described in the NERC Reliability Functional Model Version 2. The Transmission Owner and the ITO shall divide the responsibilities of the Balancing Authority as provided in Appendix 5 of this Attachment P.
- 2.5 **Balancing Authority Area** shall mean the collection of generation, transmission, and loads within the metered boundaries managed by the Balancing Authority. Balancing Authority Area is generally synonymous with Control Area under the Tariff.
- 2.6 **Base Case Model** shall mean current power flow models representing the Transmission System used for reliability assessments, TSR studies, Interconnection Studies, and transmission planning and economic studies. When used in the context of TSR studies and Interconnection Studies, "Base Case Model" refers to the annual, seasonal, monthly, or other power flow models used

by the ITO to evaluate the respective TSRs or Interconnection Requests. When used in the context of transmission planning, “Base Case Model” refers to the annual and seasonal power flow model described in Appendix 1 to this Attachment P.

- 2.7 Facilities Study Criteria** shall mean the criteria, standards, and procedures used to perform Facilities Studies as set forth in the following: (i) Tariff provisions applicable to the performance of Facilities Studies; (ii) applicable NERC Reliability Standards and Regional Reliability Council standards; (iii) the Transmission Owner’s business practices related to Facilities Studies that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P; and (iv) the Transmission Owner’s local reliability criteria that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P.
- 2.8 FPA** shall mean the Federal Power Act, 16 USC § 824, *et seq.*
- 2.9 Independent** shall mean: (a) with respect to the ITO, its employees, or designees, that the ITO, its employees, and designees are not subject to the control of the Transmission Owner, any of its Affiliates or any Tariff Participant, and have full decision-making authority to perform all of the functions and responsibilities assigned to them under this Attachment P; and (b) with respect to the Reliability Coordinator and its employees, that the Reliability Coordinator and its employees are not subject to the control of the Transmission Owner or any of its Affiliates, and have full decision-making authority to perform all of the functions and responsibilities assigned to them under this Attachment P.
- 2.10 Interconnection Request** shall mean any Interconnection Request made under the LGIP or SGIP.
- 2.11 Interconnection SIS** shall mean the interconnection System Impact Study required under the LGIP or SGIP.
- 2.12 Interconnection Study(ies)** shall mean studies required to interconnect new generation to the Transmission System under FERC Order Nos. 2003 and 2006.
- 2.13 Interconnection Study Criteria** shall mean the criteria, standards, and procedures used to perform Interconnection Studies as set forth in the following: (i) the LGIP, LGIA, SGIP, and SGIA provisions applicable to the performance of Interconnection Studies; (ii) applicable NERC Reliability Standards and Regional Reliability Council standards; (iii) the Transmission Owner’s business practices related to Interconnection Studies that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P; and (iv) the Transmission Owner’s local reliability criteria that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P.
- 2.14 JRCA** means the Tennessee Valley Authority’s (“TVA’s”) Joint Reliability Coordination Agreement between TVA, the Midwest ISO and PJM

Interconnection, LLC, as may be amended from time to time.

- 2.15 LGIA** shall mean the Standard Large Generator Interconnection Agreement under Attachment J to the Tariff or the version of that agreement executed by an Interconnection Customer, as applicable.
- 2.16 LGIP** shall mean the Standard Large Generator Interconnection Procedures under Attachment J to the Tariff.
- 2.17 Long-Term TSRs** shall mean TSRs that are for a term of one year or greater in duration.
- 2.18 Market Participant** shall have the meaning given to such term in 18 CFR § (b)(2) of FERC's regulations.
- 2.19 NERC** shall mean the North American Electric Reliability Corporation or any successor organization.
- 2.20 NERC Reliability Standards** shall mean the NERC-approved Version 0 reliability standards, compiled in a document titled "Reliability Standards for the Bulk Electric Systems of North America," dated February 7, 2006, as may be amended or superseded from time to time.
- 2.21 Planning Criteria** shall mean the criteria, standards, and procedures used in developing the Annual Plan as set forth Attachment K to the Tariff, as such is accepted for filing by FERC.
- 2.22 Regional Reliability Council** shall mean any one of the eight current NERC Regional Reliability Councils with jurisdiction over the Balancing Authority Area, including ReliabilityFirst Corporation, or its successor.
- 2.23 Short-Term TSRs** shall mean TSRs that are for a term less than one-year in duration.
- 2.24 SIS** shall mean the System Impact Study required under the Tariff to evaluate TSRs and to determine what magnitude of system upgrades, if any, might be required to grant a TSR.
- 2.25 SIS Criteria** shall mean the criteria, standards, and procedures used to perform System Impact Studies as set forth in the following: (i) Tariff provisions applicable to the performance of SISs, including Attachment D to the Tariff; (ii) applicable NERC Reliability Standards and Regional Reliability Council standards; (iii) the Transmission Owner's business practices related to SISs that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P; and (iv) the Transmission Owner's local reliability criteria that are provided to the ITO for posting on OASIS pursuant to Appendix 1 this Attachment P.

- 2.26 SGIA** shall mean the Standard Small Generator Interconnection Agreement under Attachment K to the Tariff or the version of that agreement executed by an Interconnection Customer, as applicable.
- 2.27 SGIP** shall mean the Standard Small Generator Interconnection Procedures under Attachment K to the Tariff.
- 2.28 Transmission Loading Relief (“TLR”)** means actions such as Transmission System reconfiguration, generator redispatch, or load shedding, consistent with the NERC Reliability Standards.
- 2.29 Tariff Participant** shall mean the Transmission Owner’s Transmission Customers, Interconnection Customers, wholesale customers, Affected Systems, Market Participants and similarly qualified third parties within the Balancing Authority Area.
- 2.30 Transmission Planning Conference** shall mean the annual stakeholder meeting conducted by the ITO to gather input and feedback on the planning process and Annual Plan.
- 2.31 Transmission Study Criteria** shall mean the ATC Methodology, the SIS Criteria, and the Facilities Study Criteria.
- 2.32 Transmission Service Request (“TSR”)** shall mean a request submitted by an eligible Transmission Customer under the Tariff for either Point-to-Point Transmission Service or Network Integration Transmission Service, including a new designation of Network Resources or Network Load.
- 2.33 TSR Processing Criteria** shall mean the criteria, standards, and procedures used to process TSRs as set forth in the following: (i) Tariff provisions applicable to TSR processing; (ii) FERC’s OASIS Standards and Communication Protocols and Business Practice Standards for OASIS Transactions; and (iii) the Transmission Owner’s business practices related to OASIS and TSR processing that are provided to the ITO for posting on OASIS pursuant to Appendix 1 to this Attachment P.

3 FUNCTIONS OF THE ITO

3.3 Independence

- 3.1.1** The ITO and its employees and designees (i) shall be Independent of and (ii) shall not discriminate against the Transmission Owner, any of its Affiliates and any Tariff Participant. Any ITO employee or designee owning securities in the Transmission Owner, or its Affiliates or any Tariff Participant shall divest such securities within six (6) months of first being assigned to perform ITO functions or responsibilities, provided that ITO employees and designees shall be entitled to indirectly own securities issued by the Transmission Owner, its Affiliates or any Tariff Participant

through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or the electric utility industry or any segment thereof) under which the ITO employee or designee does not control the purchase or sale of such securities, provided further that participation by an ITO employee or designee in a pension plan of the Transmission Owner, its Affiliates or any Tariff Participant shall not be deemed to be a direct financial interest if the plan is a defined-benefit plan that does not involve the ITO employee's or designee's ownership of the securities. No ITO employees or designees shall be employed by the Transmission Owner or any of its Affiliates.

- 3.1.2** All employees and designees of the ITO performing functions and responsibilities under this Attachment P shall be treated, for the purposes of FERC's Standards of Conduct set forth at 18 CFR Part 358, as transmission employees of the Transmission Owner, and all restrictions related to information sharing and other relationships between merchant employees of the Transmission Owner and/or its Affiliates and transmission employees of the Transmission Owner and/or its Affiliates shall apply to the employees and designees of the ITO.
- 3.1.3** The ITO shall perform its functions and responsibilities under this Attachment P: (i) in accordance with (A) Good Utility Practice, (B) the Transmission Owner's specific requirements and operating guidelines (to the extent these are not inconsistent with other requirements specified in this Attachment P), (C) the Tariff, and (D) all applicable laws and the requirements of federal and state regulatory authorities; and (ii) in an Independent, fair, and nondiscriminatory manner.
- 3.1.4** The ITO shall adopt a policy on conflicts of interest establishing appropriate standards for the professional and financial independence of the ITO, consistent with FERC policies and regulations. In addition, the ITO shall adopt ethics policies and standards for its employees. The ITO and its employees shall comply at all times with the conflicts of interest and ethics policies. The ITO's conflict of interest and ethics policies shall be posted on the Transmission Owner's OASIS. The ITO's conflict of interest policies shall include provisions protecting against any discrimination by the ITO in favor of third parties for whom the ITO may perform services or enjoy a relationship that inures to the ITO's financial benefit.
- 3.1.5** In order to carry out its functions and responsibilities under this Attachment P, the ITO will have complete access to all data and information prepared by or on behalf of or generated for the Transmission Owner's transmission operations personnel that the ITO requests and that the ITO believes is necessary to perform its functions and responsibilities under this Attachment P, subject to appropriate confidentiality provisions. To the extent that the ITO requires access to data or information obtained

by the Transmission Owner from other Tariff Participants, including the Transmission Owner's wholesale merchant function employees, such data or information shall be treated as confidential information, unless otherwise available from public sources or public disclosures.

3.2 General Functions

- 3.2.1** The general functions and responsibilities of the ITO are described in this Section 3.2. A more detailed description of the functions and responsibilities of the ITO, the Reliability Coordinator and the Transmission Owner is provided in Appendices 1-5 to this Attachment P.
- 3.2.2** The ITO shall have experience and expertise appropriate to the performance of its functions and responsibilities under this Attachment P, including the analysis of Transmission System operations and open access regulatory requirements.
- 3.2.3** All functions and responsibilities of the ITO shall be performed by ITO employees or designees of the ITO, and the ITO shall retain full responsibility and authority for any act or omission of such designees.
- 3.2.4** The ITO shall administer the terms and conditions of the Tariff.
- 3.2.5** The ITO will process and evaluate (i.e., grant or deny) all TSRs, including those transactions associated with network service and existing point-to-point service agreements, on a non-discriminatory basis consistent with the Tariff, the TSR Processing Criteria, the Transmission Study Criteria, and Good Utility Practice. The ITO shall be responsible for documenting all transmission service requests under the Tariff, the disposition of such requests, and any data required to support the decision with respect to such requests. The division of responsibilities for evaluation and approval of TSRs is defined in Appendix 1 of this Attachment.
- 3.2.6** The ITO, in consultation with the Transmission Owner, the Reliability Coordinator, and Tariff Participants, shall develop and revise, as appropriate, operating procedures governing the ITO's exercise of its functions and responsibilities in this Attachment P ("Operating Procedures"), which shall be made publicly available on the OASIS except to the extent the ITO and the Transmission Owner jointly determine that certain of the Operating Procedures should not be made publicly available for security reasons consistent with FERC's regulations regarding Critical Energy Infrastructure Information.
- 3.2.7** The ITO shall develop procedures for ensuring the confidentiality of any confidential information or materials made available to the ITO by the Transmission Owner or any Tariff Participant, including information or materials that include or comprise Critical Energy Infrastructure

Information.

- 3.2.8** The ITO shall post any information it possesses regarding proposed changes to the Tariff not later than fifteen (15) days prior to the Transmission Owner's filing of the amendment with FERC. The ITO shall be responsible for keeping the Tariff updated on OASIS and any website to be administered by the ITO.
- 3.2.9** The ITO shall propose Tariff changes to the Transmission Owner to the extent necessary to carry out its responsibilities and functions under this Attachment P. The ITO shall submit bi-annual reports to the Transmission Owner proposing such changes (if any). The ITO shall promptly post these reports on OASIS. The Transmission Owner shall file such Tariff changes under Section 205 of the FPA to the extent the Transmission Owner, in its sole discretion, determines that such Tariff changes are appropriate. If the Transmission Owner declines to file such a Tariff change with the FERC, the ITO and the Transmission Owner shall make a joint submission to the FERC under Section 206 of the FPA, including a statement of their respective positions regarding the Tariff change.
- 3.2.10** The ITO shall coordinate and cooperate with the Reliability Coordinator and provide any information that the Reliability Coordinator may reasonably request in order to carry out its functions under the RC Agreement, subject to any applicable confidentiality requirements.
- 3.2.11** The ITO shall report in writing to FERC every six (6) months (commencing on the six-month anniversary of the effective date of the Tariff and every six (6) months thereafter) to address (i) any concerns expressed by stakeholders and the ITO's response to same and (ii) any issues or Tariff provisions that hinder the ITO from performing its functions and responsibilities under this Attachment P and the other provisions of the Tariff.
- 3.2.12** In addition to the reports provided for in Section 3.2.12, the ITO shall make such other reports to FERC and Transmission Owner's retail regulators as may be required by applicable law and regulations or as may be requested by such authorities.

3.3 Planning Function

- 3.3.1** The ITO shall have ultimate review and approval authority over all planning activities discussed in the Tariff, including those listed in Appendix 2 of this Attachment P. This includes review and approval authority over transmission plans, the development of models, planning criteria, study criteria, plans, studies, the methodology for calculating ATC, and any inputs or numerical values provided by the Transmission Owner. The ITO shall carry out its duties under the Planning Function in a manner that ensures that transmission planning on the Transmission

Owner's system is done on an independent, non-discriminatory basis.

3.3.2 All planning shall conform to applicable NERC Reliability Standards, applicable Regional Reliability Council standards, Transmission Owner's specific reliability requirements and operating guidelines, and all applicable requirements of federal or state laws or regulatory authorities. Such planning shall seek to minimize costs, consistent with the reliability and other requirements set forth in the Tariff.

3.3.3 The ITO shall conduct an open stakeholder process through which issues and concerns of stakeholders related to the Annual Plan can be received and considered. This process shall include an open Transmission Planning Conference to gather stakeholder input for consideration in the planning process. The focus of this stakeholder process will be those issues or concerns related to the provision of Transmission Service and Interconnection Service under the Tariff.

4 THE FUNCTIONS OF THE RELIABILITY COORDINATOR

4.1 Independence.

4.1.1 The Reliability Coordinator and its employees shall be Independent of the Transmission Owner and any of its Affiliates. Any Reliability Coordinator employee owning securities in the Transmission Owner or its Affiliates shall divest such securities within six (6) months of first being assigned to perform Reliability Coordinator functions or responsibilities, provided that Reliability Coordinator employees shall be entitled to indirectly own securities issued by the Transmission Owner or its Affiliates through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or the electric utility industry or any segment thereof) under which the Reliability Coordinator employee does not control the purchase or sale of such securities, provided further that participation by a Reliability Coordinator employee in a pension plan of the Transmission Owner or its Affiliates shall not be deemed to be a direct financial interest if the plan is a defined-benefit plan that does not involve the Reliability Coordinator employee's ownership of the securities. No Reliability Coordinator employees shall be employed by the Transmission Owner or any of its Affiliates.

4.1.2 All employees of the Reliability Coordinator performing functions and responsibilities under this Attachment P shall be treated, for purposes of the FERC's Standards of Conduct, as transmission employees of the Transmission Owner, and all restrictions relating to information sharing and other relationships between merchant employees of the Transmission Owner or its Affiliates and transmission/reliability employees of the Transmission Owner or its Affiliates shall apply to such Reliability Coordinator employees.

- 4.1.3** The Reliability Coordinator will perform its functions in accordance with Good Utility Practice and shall: (a) conform to: (i) all applicable reliability criteria, policies, standards, rules, regulations and other requirements of NERC and any applicable Regional Reliability Council or their successors; (ii) the Transmission Owner's specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements specified in this Section 4.1.3); and (iii) all applicable requirements of federal and state regulatory authorities; and (b) not make any adverse distinction between the Transmission Owner, any Market Participant, or any Tariff Participant, on the one hand, and any third-party on whose behalf the Reliability Coordinator may perform transmission-related services or functions on the other hand.
- 4.1.4** Employees of the Reliability Coordinator performing the Reliability Coordinator functions may occupy dedicated offices within facilities owned or operated by the Transmission Owner ("Reliability Coordinator Dedicated Offices"), provided that any such Reliability Coordinator employees shall not share office space with any transmission/reliability employees or merchant employees of the Transmission Owner or its Affiliates, any Market Participant, or any other Tariff Participant. The Transmission Owner and the Reliability Coordinator shall put in place the appropriate procedures to ensure that access to the Reliability Coordinator Dedicated Offices is restricted to the same extent that the Transmission Owner restricts access to its transmission/reliability offices and facilities pursuant to FERC's Standards of Conduct, set forth in 18 CFR Part 358.

4.2 General Functions

- 4.2.1** The general functions of the Reliability Coordinator are described in this Section 4.2. A more detailed description of the functions and responsibilities of the Reliability Coordinator, the ITO and the Transmission Owner is provided in Appendices 1-5 to this Attachment P.
- 4.2.2** In its capacity as Reliability Coordinator, the Reliability Coordinator shall coordinate and cooperate with the ITO and Transmission Owner and provide any information that the ITO or Transmission Owner may reasonably need to carry out its functions, as may be requested. Such information provided to the Reliability Coordinator will be kept confidential in accordance with terms herein.
- 4.3** Reporting; Audit. The Reliability Coordinator will be responsible for making regular reports to FERC and the Transmission Owner's retail regulators as may be required by applicable law and regulations or as may be requested by such authorities.

5 GENERAL RESPONSIBILITIES OF THE TRANSMISSION OWNER, GENERATION OWNERS AND LOAD SERVING ENTITIES

- 5.1 The Transmission Owner shall perform its functions and responsibilities under this Attachment P in accordance with Good Utility Practice and all applicable laws and the requirements of federal and state regulatory authorities.
- 5.2 Nothing in this Attachment P shall be deemed to restrict or prohibit the Transmission Owner from taking any actions it believes are reasonably necessary to protect against endangerment to the safety of employees or the public or damage to facilities.
- 5.3 The Transmission Owner shall have sole authority to file with FERC changes to the Tariff, including this Attachment P, pursuant to Section 205 of the FPA, subject to the terms of the ITO Agreement and/or the Reliability Coordinator Agreement. The Transmission Owner shall provide thirty (30) days notice to the ITO and/or the Reliability Coordinator, as applicable, regarding any such changes.
- 5.4 Generation owners shall provide the ITO with such data, information, and applicable requirements that govern the operation of any generating facilities interconnected with the Transmission System, as the ITO may require to perform its functions and responsibilities under this Attachment P, including any redispatch information required under Section 19.3 of the Tariff.
- 5.5 Generation owners shall submit and coordinate unit schedules as necessary to permit the ITO to assess TTC and transmission reliability.
- 5.6 Load serving entities shall submit, on an annual basis, data concerning projected loads, designated network resources, generation and transmission maintenance schedules, and such other operating data as the ITO may require to perform its functions and responsibilities under this Attachment P.

6 DISPUTE RESOLUTION

Any dispute, claim or controversy amongst the Transmission Owner, the ITO and the Reliability Coordinator involving the division of responsibility as set forth in this Attachment P and/or related to the ITO Agreement or the RC Agreement, as set forth in Attachment Q to the Tariff, (each, a “Dispute”) shall be resolved in accordance with the procedures set forth in this Section 6 to Attachment P. For the avoidance of doubt, any dispute between the ITO and the Transmission Owner or between the Reliability Coordinator and the Transmission Owner shall be resolved pursuant to the dispute resolution provisions of the ITO Agreement or the RC Agreement, respectively.

- 6.1 **Notice of Dispute.** In the event of a Dispute under this Section 6 of Attachment P any party to the Dispute may provide written notice to the other parties to the Dispute, including a description of the nature of the Dispute.
- 6.2 **Dispute Resolution by Representatives.** The parties to the Dispute shall first refer the Dispute to their respective representatives who shall negotiate in good faith to resolve the Dispute.

- 6.3** Dispute Resolution by Executive Management Representatives. If the Dispute is not resolved within fifteen (15) days of being referred to the disputing parties' representatives pursuant to Section 6.2 of this Attachment P, then each party shall have five (5) days to appoint an executive management representative who shall negotiate in good faith to resolve the Dispute.
- 6.4** Dispute Resolution by Mediation. If the parties' executive management representatives are unable to resolve the Dispute within thirty (30) days of their appointment, the parties shall proceed in good faith to submit the matter to a mediator mutually acceptable to the disputing parties. The parties will share equally in the cost of such mediation, which will be conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association.
- 6.5** Arbitration. If the parties are unable to resolve the Dispute within thirty (30) days after the appointment of a mediator pursuant to Section 6.4 of this Attachment P, then the Dispute will be resolved according to the provisions for arbitration and any other remedies as outlined in this Section 6.5 of Attachment P.
- 6.5.1** Choice of Arbitrator(s). Any arbitration initiated under Section 6.5 of Attachment P shall be conducted before a single neutral arbitrator appointed by the disputing parties. If the disputing parties fail to agree upon a single arbitrator within ten (10) days of the referral of the Dispute to arbitration, each disputing party shall choose one arbitrator who shall sit on a three-member arbitration panel. The arbitrator(s) shall provide each of the disputing parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association.
- 6.5.2** Arbitration Decisions. Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of appointment and shall notify the disputing parties in writing of such decision and the reasons therefore. The decision of the arbitrator(s) shall be final and binding upon the disputing parties, and judgment on the award may be entered in any court having jurisdiction; provided, to the extent the final decision of the arbitrator(s) affects jurisdictional rates, terms and conditions of service or facilities, it must also be filed with the FERC consistent with applicable law, and its effectiveness is contingent upon applicable filing and acceptance provisions of applicable law, if any. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act and/or the Administrative Dispute Resolution Act.
- 6.5.3** Costs. Each disputing party shall be responsible for its own costs incurred during the arbitration process and for the cost of the arbitrator chosen by the disputing party to sit on the three member panel or, if applicable, one third of the cost of the single arbitrator jointly chosen by the disputing

parties.

- 6.6** Interim Measures Pending Resolution. Pending resolution of any dispute raised under this Section 6, the parties' positions will prevail as follows. These are only meant to be interim measures, shall not implicate a final outcome of Dispute Resolution taken under this Section 6.
- 6.6.1** In a dispute among the Parties, or between the ITO and the Reliability Coordinator involving matters for which the Transmission Owner has authority to provide inputs, the Transmission Owner's position should control pending outcome of the dispute resolution process.
- 6.6.2** In a dispute among the Parties, or between the ITO and the Reliability Coordinator involving matters for which the Transmission Owner does not have authority to provide inputs, and the dispute concerns matters which, under this Attachment P, the Reliability Coordinator has final review and approval authority, the Reliability Coordinator's position should control pending outcome of the dispute resolution process.
- 6.6.3** In a dispute among the Parties, or between the ITO and the Reliability Coordinator involving matters for which the Transmission Owner does not have authority to provide inputs, and the dispute concerns matters which, under this Attachment P, the ITO has final review and approval authority, the ITO's position should control pending outcome of the dispute resolution process.

Appendix 1

Division of Responsibility for Transmission Service and Interchange

The coordination between and amongst the ITO, the Reliability Coordinator and the Transmission Owner with respect to processing and evaluation of TSRs shall be as provided for in this Appendix 1. As the Tariff administrator for the Transmission Owner, the ITO has ultimate authority over all TSRs and is the lead entity for the evaluation of any TSR.

1 ITO Responsibility - The responsibilities of the ITO in respect of the processing and evaluating TSRs will be performed on a non-discriminatory basis consistent with the TSR Processing and Transmission Study Criteria, and include the following:

- Maintaining commercial interface for receiving and confirming requests for transmission service according to the requirements of the Tariff (e.g. OASIS);
- Calculating and posting ATC and TTC consistent with the Tariff, NERC standards, and NAESB business practices;
- Collecting all necessary information for the processing and evaluation of a TSR;
- Coordinating as necessary with the Transmission Owner and the Reliability Coordinator when processing requests for service into and out of transmission facilities or distribution facilities;
- Determining that all preconditions necessary for a TSR to be considered a Completed Application have been met;
- Maintaining appropriate TSR queues for Short-Term and Long-Term TSRs;
- Determining whether sufficient transmission capability exists to grant or deny a TSR;
- Approving or denying TSRs;
- Providing and executing SIS Agreements, and Facilities Studies Agreements;
- Performing SISs as necessary to evaluate whether sufficient transmission capability exists to accommodate a TSR, what additional facilities might be, required to allow the granting of a TSR (subject to further review in a Facilities Study), redispatch options (when requested by a customer), and conditional curtailment options (when requested by a customer);
- Performing SISs in response to requests to designate new Network Resources under Section 30 of the Tariff, including requests by the Transmission Owner's wholesale merchant function on behalf of Native Load Customers, and verifying that applicable Tariff requirements have been met;
- Providing all notices related to the processing and evaluation of a TSR to the Transmission Customer via OASIS;
- Independently reviewing the Transmission Owner's description of the ATC Methodology, SIS Criteria, Facilities Study Criteria, and TSR Processing Criteria to ensure that these criteria are sufficiently defined for Transmission Customers to understand how TSRs are processed and evaluated. If the ITO concludes that additional explanatory detail is required, the Transmission Owner will modify the appropriate business practice documents to include the additional detail. The ITO will post on OASIS the final versions of the criteria, including the Transmission

Owner's local reliability criteria, subject to applicable confidentiality requirements.

- Independently reviewing data, information and analyses, including Facilities Studies provided or performed by the Transmission Owner or the Reliability Coordinator;
- Ensuring that the TSR Processing Criteria and the Transmission Study Criteria are posted on OASIS and are sufficiently detailed so that the evaluation and processing of TSRs is transparent and understandable, subject to the confidentiality provisions of Attachment P;
- Responding to inquiries by Transmission Customers regarding TSRs concerning the functions performed by the ITO as set forth in Attachment P;
- Determining the amount and applicability of Ancillary Services under Schedules 1-6 of the Tariff that are needed or required for each transaction by Transmission Customers to comport with reliability guidelines;
- Developing and managing computer software that automates the process for evaluating Transmission Service Requests in an independent and nondiscriminatory manner;
- Billing and normal collection/payment of the applicable charges/invoices for SIS and Facilities Studies; and
- Monitoring and validating the Net Scheduled Interchange ("NSI") value that is provided to the Transmission Owner from OATI software.
- Consistent with the Tariff, the ITO will notify Transmission Customers of curtailments and interruptions of TSRs. **Any affected Transmission Customer, the ITO, and the Reliability Coordinator will be automatically notified of modifications to TSRs through the NERC Electronic Tagging System ("e-Tag"). E-tag provides information on a real-time basis regarding a schedule modification and the reasons for that modification.**

2 Transmission Owner Responsibility -- The responsibilities of the Transmission Owner in respect of the processing and evaluation of TSRs include the following:

- Providing data inputs and other information and analyses required by the ITO to study individual TSRs;
- Tendering, entering into, and filing all Transmission Service Agreements in accordance with the Tariff;
- Entering into any Facilities Study Agreement with the ITO and the Transmission Customer;
- Performing Facilities Studies;
- Billing and collecting the applicable charges for Transmission Service under the Tariff and Ancillary Services under Schedules 1-6 and 9 of the Tariff; and
- Supplying the Transmission Customer with detailed descriptions of the current Transmission Study Criteria and TSR Processing Criteria, including: (i) the Transmission Owner's current Tariff; (ii) applicable NERC Reliability Standards; and (iii) the Transmission Owner's local reliability criteria.

3 TSR Processing Criteria - As the Tariff administrator, the ITO has ultimate approval

authority over all TSRs Processing Criteria. The TSR Processing Criteria shall be developed as follows:

- 3.1 Base Case Model Development:** Once the Base Case Model is complete, the ITO will participate with the Transmission Owner and the Reliability Coordinator in any additional regional model development processes necessary to create updated quarterly and monthly regional models from the seasonal and annual models. These models, which are updated quarterly or monthly, will serve as the basis for the annual, seasonal, monthly, or daily Base Case Models for the Transmission System used to evaluate TSRs.
 - 3.1.1** In order to develop the regional models and Base Case Models for the Transmission System referenced above, the Transmission Owner and the Reliability Coordinator will provide to the ITO and other modeling group participants such data and information as may be necessary to prepare and update the models. The ITO will review the data inputs provided by the Transmission Owner and the Reliability Coordinator to ensure that the data inputs and resulting models are consistent with the Transmission Study Criteria and Attachment K to the OATT.
- 3.2 Studies for Long-Term TSRs:** All Long-Term TSRs will be evaluated in accordance with the Tariff. If a SIS indicates that additions or upgrades are needed to accommodate the TSR, the Transmission Customer may request a Facilities Study. The division of responsibilities and duties related to such studies is described below.

System Impact Study

- 3.2.1** If necessary, the ITO shall inform the Transmission Customer of the need for an SIS and provide the Transmission Customer with the standard form SIS Agreement to be executed by the ITO, the Transmission Owner and the Transmission Customer. The SIS Agreement shall obligate the Transmission Customer to pay for the actual cost of the SIS, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions herein. The ITO will be responsible for determining whether the Transmission Customer has timely complied with all requirements necessary for an SIS and for a request to remain a Completed Application. The ITO will provide a copy of the executed SIS Agreement to the Transmission Owner and Transmission Customer.
- 3.2.2** After confirming that all applicable requirements have been met by the Transmission Customer, the ITO will perform or cause to be performed the required SIS. If the SIS is performed by someone other than the ITO, the ITO still retains the ultimate responsibility and authority for the study. Any such delegation of responsibilities by the ITO will be to entities that are Independent of the Transmission Owner and other Market Participants.

To perform the SIS, the ITO will use the current set of applicable Base Case Models. The ITO will update the applicable Base Case Models to reflect then-current data from the Transmission Owner's OASIS regarding additional Long-Term TSRs, including new or expired rollover rights. The ITO will perform the SIS as set forth in the SIS Criteria and will ensure that the Base Case Models, including any updates thereto, are consistent with the SIS Criteria.

- 3.2.3** The ITO will provide the Transmission Owner (and/or any affected ~~third-party~~**third-party** Transmission Owner) and the Reliability Coordinator with an initial draft of the SIS report including a list of any constrained transmission elements. The Transmission Owner (or affected third-party Transmission Owner) and the Reliability Coordinator will have the opportunity to review and comment on the report. The Transmission Owner or affected third party Transmission Owner will be responsible for developing a mitigation plan to address any constrained transmission elements. The ITO will review the affected Transmission Owner's mitigation plan and will include the mitigation plan and the Transmission Owner's comments in the final SIS report provided to the Transmission Customer.
- 3.2.4** The ITO, in conjunction with the Transmission Owner and the Reliability Coordinator, will use due diligence to finalize the required SIS in accordance with the Tariff and will provide all notices to the Transmission Customer required under the Tariff. The ITO will post the SIS on OASIS as soon as the SIS is complete, and will respond to requests for work papers supporting the SIS. If the Transmission Owner and the ITO cannot resolve any disagreements regarding the SIS, the ITO will modify the draft SIS report to identify the areas of disagreement and will provide this SIS report to the Transmission Customer by posting on OASIS.
- 3.2.5** If the Transmission Owner, the Reliability Coordinator, and the ITO agree that no additions or upgrades to the Transmission System are needed to accommodate the TSR, and the ITO has determined that the Transmission Customer has met the necessary Tariff requirements, the ITO will provide the Transmission Customer with a Transmission Service Agreement to be executed by the ITO, the Transmission Owner and the Transmission Customer. The Transmission Customer may request that the ITO and the Transmission Owner file an unexecuted Transmission Service Agreement with FERC in accordance with the Tariff if: (i) the Transmission Owner and the ITO cannot agree on whether any additions or upgrades to the Transmission System are needed to accommodate the TSR; (ii) the Transmission Customer does not accept the results of the SIS; or (iii) the ITO, the Transmission Owner, and the Transmission Customer cannot agree on the terms and conditions of the Transmission Service Agreement. If the Transmission Owner and the ITO cannot agree on the scope of the additions or upgrades to the Transmission System that are needed to

accommodate the TSR, or if the Transmission Customer does not accept the scope of the necessary additions or upgrades, the parties shall attempt to resolve any such disagreement through the more detailed Facilities Study process if the Transmission Customer elects to undertake such a study.

Facilities Study

- 3.2.6** If a SIS indicates that additions or upgrades are needed to accommodate the TSR, the ITO will provide the Transmission Customer with the standard form Facilities Study Agreement to be executed by the ITO, the Transmission Owner, and the Transmission Customer. The Facilities Study Agreement shall obligate the Transmission Customer to pay for the actual cost of the Facilities Study, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions. The ITO will be responsible for determining whether the Transmission Customer has timely complied with all requirements necessary for a Facilities Study and for a request to remain a Completed Application.
- 3.2.7** After confirming that all applicable requirements have been met by the Transmission Customer, the ITO shall direct the Transmission Owner to perform a Facilities Study. The ITO will provide the Transmission Owner with the updated Base Case Models used by the ITO in performing the SIS, including any additional data that the ITO determines may have material impact on the Facilities Study results. The ITO shall direct the Transmission Owner to determine the scope and estimate the cost of the additions or upgrades to the Transmission System needed to accommodate the TSR. The Transmission Owner shall use the updated Base Case Models as the basis for this determination and shall make this determination on a non-discriminatory basis consistent with the Facilities Study Criteria. The Transmission Owner will provide the ITO with its determination of the scope and estimate of the cost of the necessary additions or upgrades and, upon request, supporting documents and work papers.
- 3.2.8** The ITO will review the Transmission Owner's determination regarding the scope and cost of the necessary additions or upgrades. To the extent necessary, the ITO shall coordinate the Facilities Study with other affected transmission providers and conduct any meetings between the Transmission Owner and any other affected transmission providers. The ITO will prepare an initial draft of the Facilities Study report. The Transmission Owner will have the opportunity to review and comment on the report and its comments will be included in the final Facilities Study report provided to the Transmission Customer. If the ITO and the Transmission Owner cannot resolve any disagreements regarding the Facilities Study, the ITO will modify the draft Facilities Study report to

identify the areas of disagreement and will provide this Facilities Study report to the Transmission Customer.

3.2.9 The ITO, in conjunction with the Transmission Owner and the Reliability Coordinator, will use due diligence to finalize the required Facilities Study in accordance with the Tariff and will provide all notices to the Transmission Customer required under the Tariff. The ITO will provide the Transmission Customer with the final Facilities Study report and will respond to requests for work papers supporting the Facilities Study.

3.2.10 If the ITO and the Transmission Owner agree on the final Facilities Study, and the Transmission Customer accepts the final Facilities Study, and the ITO has determined that the Transmission Customer has met the necessary Tariff requirements, the ITO will provide the Transmission Customer with a Transmission Service Agreement to be executed by the ITO, Transmission Owner and the Transmission Customer. If the ITO and the Transmission Owner cannot agree, or the Transmission Customer does not accept the final Facilities Study, or if the Transmission Owner and the Transmission Customer cannot agree on the terms and conditions of the Transmission Service Agreement, the Transmission Customer may request that the Transmission Owner file an unexecuted Transmission Service Agreement with FERC in accordance with the Tariff.

3.3 Studies for Short-Term TSRs: The ITO will evaluate all Short-Term TSRs in accordance with the ATC Methodology using the Base Case Models described in Appendix 1 of this Attachment.

4 Transmission Hoarding

4.1 To guard against hoarding of transmission capacity by Market Participants, the ITO will perform a monthly assessment of unscheduled reservations and redirected capacity. Recurring instances of unused and redirected transmission reservations and instances in which scheduling practices have potentially detrimental market significance will be documented and provided to the FERC in the semiannual ITO report.

Appendix 2

Division of Responsibilities for the Planning Function

Overview

This Appendix 2 of Attachment P of the Tariff is designed to provide a division of responsibilities between the Transmission Owner, the ITO and the Reliability Coordinator. Long-term Transmission Planning for the Transmission Owner's footprint will be conducted as an iterative process as follows: 1) the Transmission Owner will develop the long-term Annual Transmission Plan ("Annual Plan") and submit the Annual Plan to the ITO for initial approval; 2) the ITO will review and conduct an engineering assessment of the Annual Plan; and if it is approved, the ITO will submit the Annual Plan to the Reliability Coordinator; 3) the Reliability Coordinator will conduct a regional assessment of the Annual Plan, subject to the conditions below; and 4) the Reliability Coordinator will submit any changes to the Annual Plan based on its regional assessment to the ITO for final review and approval. The ITO will ensure that transmission planning on the Transmission Owner's system is done on an independent, nondiscriminatory basis. This process is further detailed below.

1. Plan Development by the Transmission Owner

The Transmission Owner will be responsible for the following tasks:

1.1 System Models for Transmission Planning. The Transmission Owner will develop and maintain all transmission and resource (demand and capacity) system models, to evaluate Transmission System performance and resource adequacy. As part of these duties the Transmission Owner is responsible for:

1.1.1 Creating the Base Case Model for the Transmission System. The Base Case Model will include all existing long-term, firm uses of the Transmission System, including: (i) Network Integration Transmission Service; (ii) firm transmission service for the Transmission Owner's Native Load; (iii) Long-Term Point-to-Point Transmission Service; and (iv) firm transmission service provided in accordance with grandfathered agreements. The Base Case Model will be developed pursuant to the modeling procedures used in developing the NERC multi-regional and Reliability *First* regional models.

1.1.2 Providing the Base Case Model to the ITO for review and approval according to the iterative process outlined in the overview to this Appendix 2.

1.1.3 Maintaining other transmission models including, but not limited to steady-state, dynamic and short circuit models.

1.2 Assess, develop, and document Resource and Transmission Expansion plans. The Transmission Owner will assess, develop, and document resource and

transmission Expansion plans including the Annual Plan. These plans include the following responsibilities:

- 1.2.1** Maintaining and applying methodologies and appropriate tools for the development, analysis and simulation of the Transmission System in the assessment and development of transmission expansion plans and the analysis and development of resource adequacy plans.
 - 1.2.2** Developing a long-term (generally one year and beyond) plan for the reliability (adequacy) of the Transmission System.
 - 1.2.3** Defining system protection and control needs and requirements, including special protection systems (remedial action schemes), to meet reliability standards.
 - 1.2.4** Developing and reporting, as appropriate, on the Annual Plan for assessment and compliance with reliability standards.
 - 1.2.5** Monitoring and reporting, as appropriate, its Annual Plan implementation.
- 1.3 Information.** The Transmission Owner will define, collect and develop information required for planning purposes, including:
- 1.3.1 Transmission facility characteristics and ratings.** Collect and maintain specific transmission information regarding characteristics of transmission facilities, lines, equipment, and methodologies, for determining the appropriate thermal ratings of circuits and transformers, including information on transmission line design temperature, voltage and stability limits and other transformer test data.
 - 1.3.2 Demand and energy end-use customer forecasts, capacity resources, and demand response programs.** Including:
 - i. Load forecasts for all existing delivery points for the following ten years, including transmission (wholesale and retail) connected substations and distribution substations, and coincident and noncoincident peak demands and power factor at each delivery point;
 - ii. Plans for new delivery points for the following ten (10) years;
 - iii. Resource plans for the following ten (10) years;
 - iv. Expectations for market access to on- and off-system generation resources;
 - v. All planned on-system distributed generation resources; and vi. Information on all interruptible loads.

1.3.3. Generator unit performance characteristics and capabilities. The Transmission Owner shall provide the ITO with all necessary data, information, and applicable requirements that govern the operation of any generating facilities interconnected with the Transmission System, as the ITO may require for performance of its various functions. The Transmission Owner shall submit and coordinate generator unit schedules as necessary to permit the ITO to assess transmission transfer capability and to permit the Reliability Coordinator to assess transmission reliability. The Transmission Owner shall submit, on an annual basis, data concerning projected loads, designated network resources, generation and transmission maintenance schedules, and other such operating data as the ITO may require for performance its various functions.

1.3.4 Long-term capacity purchases and sales. The Transmission Owner will maintain a list of all long-term capacity purchases and sales and include this information in its model development and the Annual Plan.

2 ITO Review and Assessment

The ITO will be responsible for the following tasks:

- 2.1** Independently reviewing and approving the Transmission Owner's Planning Criteria. If the ITO concludes that additional explanatory detail is required, the Transmission Owner will modify the appropriate business practice documents to include the additional detail. The ITO will ensure that the final versions of the Planning Criteria are posted on OASIS;
- 2.2** Reviewing and approving Transmission Owner's Base Case Model; reviewing, evaluating, and commenting on the Annual Plan as developed by the Transmission Owner. This review and evaluation will be based on all applicable planning criteria and statewide or multi-state transmission planning requirements;
- 2.3** Monitoring the Transmission Owner's transmission facility ratings based on access to data necessary to evaluate such ratings;
- 2.4** Performing an Independent assessment of the Transmission System using the Planning Criteria and the Base Case Model. As part of this assessment, the ITO will independently evaluate whether: (i) the Transmission Owner's Annual Plan complies with the Planning Criteria and the Base Case Model; and (ii) whether there are upgrade projects in the Annual Plan that are not necessary to meet the Planning Criteria and the Base Case Model;
- 2.5** Holding a Transmission Planning Conference to gather input and consider the planning process and the Transmission Owner's Annual Plan; and
- 2.6** Providing the Transmission Owner with its conclusions regarding the reliability assessment and evaluation of the Annual Plan, including any outstanding issues

that the ITO believes the Transmission Owner should address. The Transmission Owner will have the opportunity to review the ITO's conclusions and may submit a revised Annual Plan and supporting documentation to the ITO to address any outstanding issues. Once the Annual Plan has been finalized by the Transmission Owner, the ITO will submit the Annual Plan to the Reliability Coordinator for regional coordination.

3 Regional Coordination

The Reliability Coordinator will be responsible for the following tasks:

- 3.1** Integrating and verifying that the respective plans for the regional area meet reliability standards.
- 3.2** Identifying and reporting on potential Transmission System and resource adequacy deficiencies in the regional area, and providing alternate plans that mitigate these deficiencies.
- 3.3** Reviewing and reporting, as appropriate, on the Transmission Owner's Annual Plan for assessment and compliance with reliability standards within their regional area.
- 3.4** Notifying impacted transmission entities within their regional area of any planned transmission changes that may impact their facilities.
- 3.5** Submitting Annual Plan, including any changes based on the regional coordination, to the ITO for final approval.

4 Final Review and Assessment

- 4.1** The ITO shall have final review and assessment of all plans. If the ITO cannot approve a plan after regional coordination, then the ITO will return the plan to the Transmission Owner for further development as appropriate. The process for final approval of any previously rejected plan will follow the same iterative process as outlined above.
- 4.2** The ITO will post the Transmission Owner's finalized Annual Plan on OASIS.

5 Implementation of Plan and Construction of Upgrades

- 5.1** The Transmission Owner is responsible for the implementation of the Annual Plan. The Transmission Owner will make a good faith effort to design, certify, and build facilities approved by the ITO in the Annual Plan.
- 5.2** In the case where the Reliability Coordinator or the ITO does not agree with the Annual Plan, nothing in this Attachment P shall prevent the Transmission Owner from constructing those facilities it deems necessary to reliably meet its obligation to serve its Network Customers, its Native Load Customers and its Transmission Customers taking Point-to-Point Transmission Service.

Appendix 3

Division of Responsibilities for Generator Interconnections

The coordination between and amongst the ITO, the Reliability Coordinator and the Transmission Owner with respect to processing and evaluation of Interconnection Requests shall be as provided for in this Appendix 3. As the Tariff administrator for the Transmission Owner, the ITO has ultimate authority over all Interconnection Requests and is the lead entity for the evaluation of any Interconnection Request.

- 1** ITO Duties and Responsibilities: The ITO shall process all Interconnection Requests and Interim Interconnection Requests and perform Interconnection Studies in a non-discriminatory manner in accordance with the LGIP and SGIP and the Transmission Owner's Interconnection Study Criteria. Sole authority to grant or deny requests for generation interconnections are the exclusive responsibility of the ITO, and cannot be delegated to any other parties described herein. The ITO will have authority to interpret and apply the guidelines, and shall have responsibility for administration of the Transmission Owner's LGIP and SGIP, including queuing of Interconnection Requests and Interim Interconnection Requests, completion of Interconnection Studies associated with Interconnection Requests and Interim Interconnection Requests, and development of the Transmission System modeling process, software, and assumptions used to evaluate Interconnection Requests and Interim Interconnection Requests. The ITO's responsibilities in processing and evaluating Interconnection Requests and Interim Interconnection Requests include the following:
 - 1.1** Collecting from the Interconnection Customer, the Transmission Owner and the Reliability Coordinator all necessary information for the processing and evaluation of each Interconnection Request and Interim Interconnection Request;
 - 1.2** Determining that all preconditions necessary for a valid Interconnection Request and Interim Interconnection Request have been met;
 - 1.3** Performing Interconnection Feasibility Studies, Interconnection SISs, Interim SISs and Optional Interconnection Studies and coordinating such studies with Affected Systems;
 - 1.4** Maintaining and administering a queue for Interconnection Study requests;
 - 1.5** Posting on the Transmission Owner's OASIS a list of Interconnection Requests and Interim Interconnection Requests and related information as required under the LGIP and SGIP;
 - 1.6** Providing and executing Interconnection Study Agreements, Interim Interconnection System Impact Study Agreements, Interim SGIA SIS Agreements, and Facilities Study Agreements;
 - 1.7** Providing all notices related to the processing and evaluation of an

Customer with an Interconnection Feasibility Study Agreement to be executed by the Interconnection Customer and the ITO. The Interconnection Feasibility Study Agreement shall obligate the Interconnection Customer to pay for the actual cost of the Interconnection Feasibility Study, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions under Sections 4.1 through 4.3 of this Appendix 3. The ITO will be responsible for determining whether the Interconnection Customer has timely complied with all requirements necessary for an Interconnection Feasibility Study and a valid Interconnection Request, as provided in the LGIP or SGIP. The ITO will provide a copy of the executed Interconnection Feasibility Study Agreement to the Transmission Owner.

- 4.2** After confirming that all applicable requirements have been met by the Interconnection Customer, the ITO will perform or cause its designee to perform the required Interconnection Feasibility Study, including any Re-Studies. To perform the Interconnection Feasibility Study, the ITO will use the current set of applicable Base Case Models. The ITO will update the applicable Base Case Models to reflect then-current data from the Transmission Owner's OASIS regarding additional Long-Term TSRs, including new or expired rollover rights. The ITO will perform the Interconnection Feasibility Study as set forth in the Interconnection Study Criteria and will ensure that the Base Case Models, including any updates thereto, are developed as set forth in the Interconnection Study Criteria. The ITO will provide the Transmission Owner with an initial draft of the Interconnection Feasibility Study report, and the Transmission Owner will have the opportunity to review and comment on the report.
- 4.3** The ITO will use reasonable efforts to finalize the Feasibility Study in accordance with the LGIP or SGIP provisions of the Tariff and will provide all notices to the Interconnection Customer required therein. The ITO will be responsible for responding to requests for work papers or other supporting documentation under the LGIP or SGIP. If the Transmission Owner and the ITO cannot resolve any disagreements regarding the Feasibility Study, the ITO will modify the draft Feasibility Study report to identify the areas of disagreement and will provide this Feasibility Study report to the Interconnection Customer. If the Transmission Owner, the ITO, and the Interconnection Customer ultimately cannot agree on the final Interconnection Feasibility Study report, Section 14.5 of the LGIP or Section 4.2 of the SGIP will apply.

5 Interconnection System Impact Study

- 5.1** Pursuant to the LGIP or SGIP, the ITO shall provide the Interconnection Customer with the Interconnection SIS Agreement to be executed by the ITO and the Interconnection Customer. The Interconnection SIS Agreement shall obligate the Interconnection Customer to pay for the actual cost of the Interconnection SIS, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions under Section 5 of this Appendix 3. The ITO will be responsible for determining whether the Interconnection Customer has timely complied with all requirements necessary

for an Interconnection SIS and for a valid Interconnection Request, as set forth in the LGIP or SGIP. The ITO will provide a copy of the executed Interconnection SIS Agreement to the Transmission Owner and the Reliability Coordinator.

- 5.2** After confirming that all applicable requirements have been met by the Interconnection Customer, the ITO shall perform or cause its designee to perform the required Interconnection SIS, including any Re-Studies. To perform the Interconnection SIS, the ITO will use the current set of applicable Base Case Models. The ITO will update the applicable Base Case Models to reflect the current data from the Transmission Owner's OASIS regarding additional Long- Term TSRs, including new or expired rollover rights. The ITO will perform the interconnection SIS as set forth in the Interconnection Study Criteria and will ensure that the Base Case Models, including any updates thereto, are developed as set forth in the Interconnection Study Criteria.
- 5.3** The ITO will provide the Transmission Owner, the Reliability Coordinator and other Affected System with an initial draft of the Interconnection SIS report, including a list of any constrained transmission elements. The Transmission Owner and the Reliability Coordinator will have the opportunity to review and comment on the report and the Transmission Owner will be responsible for developing a mitigation plan to address any constrained transmission elements. The ITO will review the Transmission Owner's mitigation plan and will include the mitigation plan and the Transmission Owner's comments in the final Interconnection SIS report provided to the Interconnection Customer.
- 5.4** The ITO, in conjunction with the Transmission Owner and the Reliability Coordinator, will use reasonable efforts to finalize the required Interconnection SIS in accordance with the LGIP or SGIP and will provide all notices to the Interconnection Customer required by the LGIP or SGIP. The ITO will be responsible for responding to requests for work papers supporting the Interconnection SIS. If the Transmission Owner and the ITO cannot resolve any disagreements regarding the Interconnection SIS, the ITO will modify the draft Interconnection SIS report to identify the areas of disagreement and will provide this Interconnection SIS report to the Interconnection Customer. If the Transmission Owner, the ITO, the Reliability Coordinator and the Interconnection Customer ultimately cannot agree on the final Interconnection SIS report, Section 14.5 of the LGIP or Section 4.2 of the SGIP will apply.

6 Interconnection Facilities Study

- 6.1** Pursuant to the LGIP or SGIP provisions of the Tariff, the ITO will tender the Interconnection Facilities Study Agreement to the Interconnection Customer to be executed by the ITO, the Transmission Owner, any Affected System, and the Interconnection Customer. The Interconnection Facilities Study Agreement shall obligate the Interconnection Customer to pay for the actual cost of the Interconnection Facilities Study, including any costs incurred by the ITO or the Transmission Owner associated with performing their respective functions under Section 6 of this Appendix 3.

- 6.2** After confirming that all applicable requirements have been met by the Interconnection Customer, the ITO shall direct the Transmission Owner to perform an Interconnection Facilities Study. The ITO will provide the Transmission Owner with the relevant SIS data used by the ITO in performing the Interconnection SIS, including any additional data that the ITO determines may have material impact on the Interconnection Facilities Study results. The ITO shall direct the Transmission Owner to determine the equipment, engineering, procurement, and construction work necessary to implement the conclusions in the Interconnection SIS. The Transmission Owner shall use the relevant SIS data provided by the ITO as the basis for this determination and shall make this determination consistent with the Interconnection Study Criteria. The Transmission Owner will provide the ITO with its determination and, upon request, supporting documents and work papers.
- 6.3** The ITO will review the Transmission Owner's determination regarding the equipment, engineering, procurement, and construction work necessary to implement the conclusions in the Interconnection SIS. The ITO will prepare an initial draft of the Interconnection Facilities Study report. The Transmission Owner will have the opportunity to review and comment on the report and the Transmission Owner's comments will be included in the final Interconnection Facilities Study report provided to the Interconnection Customer. If the ITO and the Transmission Owner cannot resolve any disagreements regarding the Interconnection Facilities Study, the ITO will modify the draft Interconnection Facilities Study report to identify the areas of disagreement and will provide this Interconnection Facilities Study report to the Interconnection Customer.
- 6.4** The ITO, in conjunction with the Transmission Owner, will use reasonable efforts to finalize the required Interconnection Facilities Study in accordance with the LGIP or SGIP and will provide all notices to the Interconnection Customer required in the LGIP or SGIP. The ITO will be responsible for providing the Interconnection Customer with the final Interconnection Facilities Study report and responding to requests for work papers and supporting documentation for the Interconnection Facilities Study.
- 6.5** If the ITO and the Transmission Owner agree on the final Facilities Study, and the Interconnection Customer accepts the final Facilities Study, and the ITO has determined that the Interconnection Customer has met the necessary LGIP or SGIP requirements, the Transmission Owner will provide the Interconnection Customer with a LGIA or SGIA to be executed by the Transmission Owner and the Interconnection Customer. If the ITO and the Transmission Owner cannot agree, or the Interconnection Customer does not accept the final Interconnection Facilities Study, or if the Transmission Owner and the Interconnection Customer cannot agree on the terms and conditions of the LGIA or SGIP, the parties may attempt to resolve the dispute pursuant to Section 14.5 of the LGIP or Section 4.2 of the SGIP, or the Interconnection Customer may request that the Transmission Owner file an unexecuted LGIA with FERC in accordance with Section 11.3 of the LGIP, or file an unexecuted SGIA with FERC in accordance with Section 4.8

of the SGIA.

- 7 **Interim SIS.** The ITO shall have the responsibility to conduct Interim Interconnection System Impact Studies pursuant to the terms of Section 13 of the LGIP.
8. **Optional Interconnection Study:** If the Interconnection Customer requests an Optional Interconnection Study, the division of responsibilities between the Transmission Owner and the ITO shall be the same as for the Interconnection SIS.

Appendix 4

Division of Responsibilities for the Reliability Function

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

1 Reliability Coordinator General Functions:

The Reliability Coordinator shall perform the following functions:

- 1.1** Serving as NERC designated reliability coordinator and representing the TVA Reliability Area at the NERC and Regional Reliability Council level.
- 1.2** Implementing applicable NERC and regional reliability criteria initiatives, such as maintaining a connection to NERC's Interregional Security Network ("ISN"), day-ahead load-flow analysis, transmission loading relief procedures, and information exchange.
- 1.3** Developing and coordinating with the Reliability Coordination Advisory Committee ("RCAC") new Reliability Coordinator Procedures and revisions to existing Reliability Coordinator Procedures.
- 1.4** Exchanging timely, accurate, and relevant Transmission System information with the Transmission Owner, the ITO, and with other reliability coordinators.
- 1.5** Developing and maintaining system models and tools needed to perform analysis needed to develop operational plans.
- 1.6** Coordinating with neighboring reliability coordinators and other operating entities as appropriate to ensure regional reliability.
- 1.7** Performing all other reliability coordinator functions as required for compliance with applicable NERC Reliability Standards and Regional Reliability Council standards, as the same may be amended or modified from time to time.

2 Real-time Operations:

2.1 Reliability Coordinator Functions:

The Reliability Coordinator shall perform the following functions:

- 2.1.1** Monitoring, analyzing, and coordinating the reliability of the Transmission

Owner's facilities and interfaces with other Balancing Authorities, Transmission Operators, and other reliability coordinators.

- 2.1.2 Performing analyses to develop an evaluation of system conditions. The Transmission Owner will provide necessary information (e.g., outages and transactions) and Transmission System conditions, as applicable, to the Reliability Coordinator in accordance with applicable NERC Standards. The results of these analyses will be provided to the Transmission Owner and neighboring reliability coordinators in accordance with applicable NERC Reliability Standards and Regional Reliability Council Standards.
- 2.1.3 Determining, directing, and documenting appropriate actions to be taken by the Transmission Owner, the ITO and Reliability Coordinator in accordance with the NERC Reliability Standards, including curtailment of transmission service or energy schedules, re-dispatch of generation and load shedding as necessary to alleviate facility overloads and abnormal voltage conditions, and other circumstances that affect interregional bulk power reliability.
- 2.1.4 Coordinating transmission loading relief and voltage correction actions with the Transmission Owner and with other reliability coordinators.

2.2 **Transmission Owner Responsibilities:**

The Transmission Owner shall have the following responsibilities:

- 2.2.1 Ensuring appropriate telemetry and providing Reliability Coordinator realtime operational information for monitoring.
- 2.2.2 Receiving from the Reliability Coordinator all reliability alerts for TVA Reliability Area and neighboring reliability coordinators.
- 2.2.3 Following Reliability Coordinator directives for corrective actions (e.g., curtailments or load shedding) during system emergencies or to implement TLR procedures.
- 2.2.4 Receiving from Reliability Coordinator all notices regarding Transmission System limitations or other reliability issues, as appropriate

3 **Forward Operations:**

3.1 **Reliability Coordinator Functions:**

The Reliability Coordinator shall perform the following functions:

- 3.1.1 Performing analyses and develop an evaluation of expected next-day Transmission System operations. The results of these analyses shall be provided to the Transmission Owner, the ITO and neighboring reliability coordinators in accordance with applicable NERC Reliability Standards and Regional Reliability Council Standards.

- 3.1.2 Performing analysis of planned transmission and generation outages and coordination of outages with NERC, participants in reliability coordination agreements, and other reliability coordinators as appropriate and as required by NERC. This entails analysis and coordination of planned outages which are beyond next day and intra-day outages.
- 3.1.3 Analyzing and approving all planned maintenance schedules on facilities 100kV and above and planned maintenance of generation facilities submitted by the Transmission Owner in conjunction with other work on the regional transmission grid to determine the impact of the Transmission Owner's planned maintenance schedule on the reliability of the facilities under TVA's purview as Reliability Coordinator, and the purview of neighboring reliability coordinators, and any other relevant effects; and coordinate impacts on available transfer capability with the ITO.
- 3.1.4 Coordinating, as required by either NERC or other agreements, planned maintenance schedules with all adjacent reliability coordination areas and/or Balancing Authority Areas and Transmission Providers; as well as the ITO.

3.2 Transmission Owner Responsibilities:

The Transmission Owner shall have the following responsibilities:

- 3.2.1 Providing generation-related information (e.g., outages and transactions) and expected Transmission System conditions (e.g., transmission facility outages and transactions), as applicable, to the Reliability Coordinator for the next-day operation in accordance with applicable NERC Reliability Standards and Regional Reliability Council standards.
- 3.2.2 Submitting facility ratings and operational data for all generators and transmission facilities in the Transmission Owner's footprint.
- 3.2.3 Coordinating with the ITO and submitting to the Reliability Coordinator generation dispatch information for the Transmission Owner's footprint and following Reliability Coordinator directives regarding dispatch adjustments to mitigate congestion.
- 3.2.4 Submitting to the Reliability Coordinator generation operation plans and commitments for reliability analysis.
- 3.2.5 Submitting to the Reliability Coordinator transmission maintenance plans for reliability analysis.
- 3.2.6 Following Reliability Coordinator directives to revise transmission maintenance plans as required to ensure grid reliability.
- 3.2.7 Receiving from Reliability Coordinator all notices regarding reliability analyses for the TVA Reliability Area as well as neighboring reliability

coordinators.

- 3.2.8** Representing the Transmission Owner on the RCAC and in all RCAC deliberations.

4 JRCA Implementation and Regional Congestion Management

For the purposes of this section IV, capitalized terms not defined in the Tariff will have the definitions used in the JRCA and its related Congestion Management Process (“CMP”), unless otherwise noted in this section IV.

4.1 Reliability Coordinator Functions:

The following functions to be performed by the Reliability Coordinator shall be performed in conjunction with the functions to be performed by the Independent Transmission Operator under the Independent Transmission Organization Agreement and will fully incorporate the Transmission Owner’s operations into the procedures and protocols governing other facilities in the Reliability Coordinator’s Reliability Area in accordance with the provisions of the JRCA:

- 4.1.1** Identifying of Coordinated Flowgates and determination of flowgates requiring Reciprocal Coordination (twice annually).
- 4.1.2** Performing Historic Firm Flow Calculations -- implement transmission service reservation set and designated resources provided by the Transmission Owner for established freeze date; calculate historic firm flow values and ratios for all coordinated flowgates on the Transmission Owner’s system (bi-annually).
- 4.1.3** Developing reciprocal coordination agreements that establish how each Operating Entity will consider its own flowgates as well as the usage of other Operating Entities when it determines the amount of flowgate or constraint capacity remaining. This process will include both operating horizon determination as well as forward looking capacity allocation.
- 4.1.4** Implementing AFC Process -- determining AFC attribute requirements; obtaining NNL Impact Data; implementing Allocation Calculation Process; implement AFC calculation process.
- 4.1.5** Providing the ITO flowgate AFCs on an hourly basis and flowgate allocations on a daily basis.

4.2 Transmission Owner Responsibilities:

The Transmission Owner is obligated to uphold the terms and conditions of the JRCA, and providing the Reliability Coordinator with the information and support it needs in order to carry out its duties under Section 2.3.5 of the JRCA, as Transmission Owner’s Reliability Coordinator. The Transmission Owner shall be responsible for coordinating with the ITO and provide Transmission System data

to the Reliability Coordinator including, but not limited to:

Operating information:

- (i) Transmission Service Reservations;
- (ii) Load forecast requirements;
- (iii) Flowgates requirements;
- (iv) AFC data requirements;
- (v) PSSE Models Requirements;
- (vi) Designated Network Resources requirements;
- (vii) Jointly owned units;
- (viii) Dynamic schedules;
- (ix) NNL allocations requirements; and,
- (x) NNL evaluator requirements.

Projected operating information:

- (i) Unit commitment/merit order;
- (ii) Firm purchase and sales (including grandfathered agreements);
- (iii) Independent power producer information including current operating level, projected operating levels, scheduled outage start and end dates;
- (iv) Planned and actual operational start-up dates for any permanently added, removed, or significantly altered transmission segments; and
- (v) Planned and actual start-up testing and operational start-up dates for any permanently added, removed, or significantly altered generation units.

4.3 ITO Responsibilities:

The ITO shall have the following responsibilities in support of the JRCA, which it will carry out in compliance with the terms of the JRCA:

- 4.3.1** Providing to the Reliability Coordinator all transmission facility plans and facility upgrade schedules.
- 4.3.2** Providing to the Reliability Coordinator the status of all transmission service requests and all new transmission service agreements.
- 4.3.3** Receiving from the Reliability Coordinator all flowgate AFCs on an hourly basis and flowgate allocations on a daily basis.
- 4.3.4** Converting flowgate information provided by the Reliability Coordinator to ATC values for posting on OASIS and for analyzing TSRs.
- 4.3.5** Implementing CMP business rules for AFC vs. ASTFC.

- 4.3.6 Honoring all AFC allocations and AFC over-rides from other CMP participants in the evaluation and granting of transmission service.

5 Regional Coordination

5.1 Reliability Coordinator Functions:

The Reliability Coordinator will ensure a long-term (one year and beyond) plan is available for adequate resources and transmission within the TVA Reliability Area. The Reliability Coordinator will integrate the Transmission Plan provided by the ITO with plans of other operating entities in the Reliability Coordination Area and assess the plans to ensure those plans meet reliability standards. The Reliability Coordinator will advise the ITO of solutions to plans that do not meet those standards. The Reliability Coordinator will then coordinate the Reliability Area Plan with those of neighboring reliability coordinators and Planning Coordinators to ensure wide-area grid reliability.

These functions include:

- 5.1.1 Integrating the transmission and resource (demand and capacity) system models provided by the ITO with those of other Reliability Coordinator Area operating entities to ensure Transmission System reliability and resource adequacy.
- 5.1.2 Applying methodologies and tools to assess and analyze the Transmission System expansion plans and the resource adequacy plans.
- 5.1.3 Collecting all information and data required for modeling and evaluation purposes.
- 5.1.4 Integrating and verifying that the respective plans of the Resource Planners and Transmission Planners within the TVA Reliability Area meet reliability standards.
- 5.1.5 Coordinating the Reliability Coordinator Area plan with neighboring Reliability Coordinators for review, as appropriate.
- 5.1.6 Integrating the Reliability Coordinator Area plan with neighboring Planning Coordinators/reliability coordinators plans to provide a broad multi-regional bulk system planning view.

5.2 Transmission Owner Responsibilities:

The Transmission Owner shall have the following responsibilities:

- 5.2.1 Providing to the Reliability Coordinator demand and energy end-use customer forecasts, capacity resources, and demand response programs.
- 5.2.2 Providing to the Reliability Coordinator generator unit performance characteristics and capabilities.

5.2.3 Providing to Reliability Coordinator long-term capacity purchases and sales.

Appendix 5

Balancing Authority Functions Performed

The Transmission Owner and ITO will split the functional responsibilities for is registered with NERC as the Balancing Authority, as defined in Version 2 for the Transmission Owner's Balancing Authority Area. Accordingly, the Transmission Owner is responsible for performing the following tasks and functions as provided for in Version 5 of the NERC Reliability Functional Model. Consistent with the terms of the NERC Reliability Functional Model, as follows: these tasks and functions are intended as guidelines only. If there is a conflict or inconsistency with the tasks and functions listed below and the requirements included in a NERC Reliability Standard, the terms included in the NERC Reliability Standard shall govern the Transmission Owner's actions.

1 — Balancing Authority Functions performed by the Transmission Owner

Function — Balancing

Tasks

1. Control any of the following combinations within a Balancing Authority Area:
 - a. Load and generation (an isolated system)
 - b. Load and Confirmed Interchange
 - c. Generation and Confirmed Interchange
 - d. Generation, load, and Confirmed Interchange
2. Calculate area control error within the reliability area.
3. Operate in the Balancing Authority Area to maintain load-interchange-generation balance.
4. 1.1 — Compiling load forecasts from load serving entities. Review generation commitments, dispatch, and load forecasts.
 - 1.2 — Receiving
5. Formulate an operational plan (generation commitment, outages, etc.) for reliability evaluation.
6. Approve Arranged Interchange from ramping ability perspective.
7. Implement Confirmed Interchange.
8. Operate the Balancing Authority Area to contribute to Interconnection frequency.
9. Monitor and report control performance and disturbance recovery.
10. Provide balancing and energy accounting (including hourly checkout of Confirmed Interchange, Implemented Interchange and actual interchange), and administer inadvertent energy paybacks.
11. Determine needs for reliability-related services.
12. Deploy reliability-related services.
13. Implement emergency procedures.

Relationships with Other Functional Entities

Ahead of Time

- 1. Receives operating and availability status of generating units and operational plans and commitments from generator operators within the Balancing Authority Area.**
 - 1.3 — Deploying reserves in coordination with Generator Operators (including annual maintenance plans) within the Balancing Authority Area.**
- 2. Receives annual maintenance plans from Generator Owners within the Balancing Authority Area.**
- 3. Receives reliability evaluations from the Reliability Coordinator.**
 - 1.4 — Receiving, confirming and implementing approved, valid and balanced Net-Interchange Schedules (“NSI”) from the OATI software.**
 - 1.5 — Making inter-hour changes to NSI to accommodate loss of generating units and implementation of the Automatic Reserve Sharing System.**
- 4. Receives final approval or denial of a request for an Arranged Interchange from the Interchange Coordinators.**
- 5. Compiles load forecasts from Load-Serving Entities.**
- 6. Develops agreements with adjacent Balancing Authorities for ACE calculation parameters.**
- 7. Submits integrated operational plans to the Reliability Coordinator for reliability evaluation and provides balancing information to the Reliability Coordinator for monitoring.**
- 8. Confirms Arranged Interchange with Interchange Coordinators.**
- 9. Confirms ramping capability with Interchange Coordinators.**
- 10. Implements generator commitment and dispatch schedules from the Load-Serving Entities and Generator Operators who have arranged for generation within the Balancing Authority Area.**
- 11. Acquires reliability-related services from Generator Operator.**
- 12. Receives dispatch adjustments from Reliability Coordinators to prevent exceeding limits.**
- 13. Receives generator information from Generator Owners including unit maintenance schedules and retirement plans.**
- 14. Receives information from Load Serving Entities on self-provided reliability-related services.**
- 15. Coordinates system restoration plans with Transmission Operator.**
- 16. Provides generation dispatch to Reliability Coordinators.**

Real Time

- 17. Coordinates use of controllable loads with Load-Serving Entities (i.e., interruptible load that has been bid in as a reliability-related service or has agreed to participate in voluntary load shedding program under resource/reserve deficiency situations).**
- 18. Receives loss allocation from Transmission Service Providers (for repayment with in-kind losses).**
- 19. Receives Real-time operating information from the Transmission Operator, adjacent Balancing Authorities and Generator Operators.**

- 20. Receives operating information from Generator Operators.**
- 21. Provides Real-time operational information for Reliability Coordinator monitoring.**
- 22. Receives reliability alerts from Reliability Coordinator.**
- 23. Complies with reliability-related requirements (e.g., reactive requirements, location of operating reserves) specified by Reliability Coordinator.**
- 24. Verifies implementation of emergency procedures to Reliability Coordinator.**
- 25. 1.6 — Informing Informs Reliability Coordinator and ITO of real time Interchange Coordinators of Confirmed Interchange changes (e.g., due to generation or load interruptions within the) involving its Balancing Authority Area, including generator outages or load reductions.**
- 26. 1.7 — Implementing generator commitment and dispatch schedules.**
- 27. 1.8 — Providing unit commitment/generation dispatch information and generator maintenance plans to ITO and Reliability Coordinator and revising generator maintenance plans as directed by Reliability Coordinator.**
- 28. 1.9 — Acquiring generator inputs to Ancillary Services from generator owners.**
- 29. 1.10 — Directing Directs resources (generator operators and load-serving entities Generator Operators and Load-Serving Entities) to take action to ensure balance in real time.**
- 30. 1.11 — Taking action as required Directs Transmission Operator (or Distribution Provider) to reduce voltage or shed load if needed to ensure balance within the its Balancing Authority Area, including load shedding and voltage reductions.**
- 31. 1.12 — Providing real time operational information for Reliability Coordinator monitoring.**
- 32. 1.13 — Checkout Actual Interchange.**
- 33. 1.14 — Calculating area control error within the Balancing Authority Area.**
- 34. 1.15 — Monitoring system frequency.**
- 35. 1.16 — Monitoring and reporting control performance and disturbance recovery.**
- 36. 1.17 — Implementing emergency procedures (including Energy Emergency Alerts and curtailments as required by NERC Standards).**
- 37. 1.18 — Approving interchange transactions.**
- 38. 1.19 — Hourly checkout of interchange schedules.**
- 39. Directs Generator Operators to implement redispatch for congestion management as directed by the Reliability Coordinator.**
- 40. Implements corrective actions and emergency procedures as directed by the Reliability Coordinator.**
- 41. Implements system restoration plans as directed by the Transmission Operator.**
- 42. Directs Transmission Operator to implement flow control devices.**
- 43. Receives information of Implemented Interchange and Confirmed Interchange curtailments from Interchange Coordinator.**

After the hour

- 44. Confirms Implemented Interchange with Confirmed Interchange provided by the Interchange Coordinators after the hour for “checkout.”**
- 45. Confirms Implemented Interchange and Confirmed Interchange with adjacent Balancing Authorities after the hour for “checkout.”**

~~46. 1.20~~ — Provide Provides to the ITO, for posting on OASIS, statistics regarding interchange schedules that the Transmission Owner has modified.

~~2~~ — **Balancing Authority Functions performed by the ITO**

~~2.1~~ — ~~Monitoring and validating the NSI value that is provided to the Transmission Owner from OATI software.~~

Exhibit A

**Functions Previously Listed in Appendix 5 to Attachment P and
Corresponding Tasks or Functions in Version 5 of the NERC Reliability Functional Model**

<u>Appendix 5 to Attachment P</u>	<u>NERC Model v. 5</u>
1.1 Compiling load forecasts from load serving entities.	<p>Task 4 – Review generation commitments, dispatch, and load forecasts.</p> <p>Function 5 – Complies load forecasts from Load-Serving Entities.</p>
1.2 Receiving operational plans and commitments from generator operators within the Balancing Authority Area.	<p>Function 1 – Receives operating and availability status of generating units and operational plans and commitments from Generator Operators (including annual maintenance plans) within the Balancing Authority Area.</p> <p>Function 2 – Receives annual maintenance plans from Generator Owners within the Balancing Authority Area.</p> <p>Function 13 – Receives generator information from Generator Owners including unit maintenance schedules and retirement plans.</p> <p>Function 20 – Receives operational information from Generator Operators.</p>
1.3 Deploying reserves in coordination with the Reliability Coordinator.	<p>Task 12 – Deploy reliability-related services.</p>
1.4 Receiving, confirming, and implementing approved, valid and balanced Net Scheduled Interchange (“NSI”) from the OATI software.	<p>Task 7 – Implement confirmed interchange.</p> <p>Function 4 – Receives final approval or denial of a request for Arranged Interchange from the Interchange Coordinators.</p> <p>Function 8 – Confirms Arranged Interchange with Interchange Coordinators.</p> <p>Function 32 – Receives information of Implemented Interchange and Confirmed Interchange curtailments from Interchange Coordinator.</p>

<u>Appendix 5 to Attachment P</u>	<u>NERC Model v. 5</u>
<p>1.5 Making inter-hour changes to NSI to accommodate loss of generating units and implementation of the Automatic Reserve Sharing System.</p>	<p>Function 19 – Receives real-time operating information from the Transmission Operator, adjacent Balancing Authorities, and Generator Operators.</p> <p>Function 25 – Informs Reliability Coordinator and Interchange coordinators of Confirmed Interchange changes (e.g. due to generation or load interruptions) involving its Balancing Authority Area.</p> <p>Function 26 – Directs resources (Generator Operators and Load-Serving Entities) to take action to ensure balance in real time.</p>
<p>1.6 Informing Reliability Coordinator and ITO of real-time interruptions within the Balancing Authority Area, including generator outages or load reductions.</p>	<p>Function 25 – Informs Reliability Coordinator and Interchange coordinators of Confirmed Interchange changes (e.g. due to generation or load interruptions) involving its Balancing Authority Area.</p>
<p>1.7 Implementing generator commitment and dispatch schedules.</p>	<p>Task 4 – Review generation commitments, dispatch, and load forecasts.</p> <p>Function 10 – Implements generator commitment and dispatch schedules from the Load-Serving Entities and Generator Operators who have arranged for generation within the Balancing Authority Area.</p>
<p>1.8 Providing unit commitment/generation dispatch information and generator maintenance plans to the ITO and Reliability Coordinator and revising generator maintenance plans as directed by the Reliability Coordinator.</p>	<p>Function 2 – Receives annual maintenance plans from Generator Owners within the Balancing Authority Area.</p> <p>Function 7 – Submits integrated operational plans to the Reliability Coordinator for reliability evaluation and provides balancing information to the Reliability Coordinator for monitoring.</p> <p>Function 16 – Provides generation dispatch to the Reliability Coordinator.</p>
<p>1.9 Acquiring generator inputs to Ancillary Services from generator owners.</p>	<p>Function 11 – Acquires reliability-related services from Generator Operator.</p>
<p>1.10 Directing resources (generator operators and load serving entities) to take action to ensure balance in real time.</p>	<p>Function 12 – Receives dispatch adjustments from Reliability Coordinators to prevent exceeding limits.</p> <p>Function 28 – Directs Generator Operators to implement redispatch for congestion management as directed by the Reliability Coordinator.</p>

<u>Appendix 5 to Attachment P</u>	<u>NERC Model v. 5</u>
1.11 Taking action as required to ensure balance within the Balancing Authority Area, including load shedding and voltage reductions.	<p>Task 13 – Implement emergency procedures.</p> <p>Function 26 – Directs resources (Generator Operators and Load-Serving Entities) to take action to ensure balance in real time.</p> <p>Function 27 – Directs Transmission Operator (or Distribution Provider) to reduce voltage or shed load if need to ensure balance within its Balancing Authority Area.</p> <p>Function 29 – Implements corrective actions and emergency procedures as directed by the Reliability Coordinator.</p>
1.12 Providing real-time operational information for Reliability Coordinator monitoring.	<p>Function 21 – Provides real-time operational information for Reliability Coordinator Monitoring.</p>
1.13 Check out actual interchange.	<p>Function 4 – Receives final approval or denial of a request for an Arranged Interchange from the Interchange Coordinators.</p> <p>Function 33 – Confirms Implemented Interchange with Confirmed Interchange provides by the Interchange Coordinators after the hour for “checkout.”</p> <p>Function 34 – Confirms Implemented Interchange with adjacent Balancing Authorities after the hour for “checkout.”</p>
1.14 Calculating area control error within the Balancing Authority Area.	<p>Task 2 – Calculate area control error within the reliability area.</p>
1.15 Monitoring system frequency.	<p>Task 8 – Operate the Balancing Authority Area to contribute to Interconnection frequency.</p> <p>Task 3 – Operate in the Balancing Authority Area to maintain load-interchange-generation balance.</p>
1.16 Monitoring and reporting control performance and disturbance recovery.	<p>Task 9 – Monitor and report control performance and disturbance recovery.</p>
1.17 Implementing emergency procedures (including Energy Emergency Alerts and curtailments as required by NERC Standards).	<p>Function 28 – Directs Generator Operators to implement redispatch for congestion management is directed by the Reliability Coordinator.</p> <p>Function 29 – Implements corrective actions and emergency procedures as directed by the Reliability Coordinator.</p>

<u>Appendix 5 to Attachment P</u>	<u>NERC Model v. 5</u>
1.18 Approving interchange transactions.	<p>Task 4 – Approve Arranged Interchange from ramping ability perspective.</p> <p>Function 8 – Confirms Arranged Interchange with Interchange Coordinators.</p>
1.19 Hourly checkout of interchange schedules.	<p>Function 4 – Receives final approval or denial of a request for an Arranged Interchange from the Interchange Coordinators.</p> <p>Function 33 – Confirms Implemented Interchange with Confirmed Interchange provides by the Interchange Coordinators after the hour for “checkout.”</p> <p>Function 34 – Confirms Implemented Interchange with adjacent Balancing Authorities after the hour for “checkout.”</p>
1.20 Provide to the ITO, for posting on OASIS, statistics regarding schedules that the Transmission Owner has modified.	This function is specific to LG&E/KU.