

RELIABILITY COORDINATOR AGREEMENT

BETWEEN

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

AND

TENNESSEE VALLEY AUTHORITY

Issued By: Paul W. Thompson, Senior Vice President, Energy Svcs.
Issued On: April 11, 2006

Effective On Transmission
Owner's Exit from the
Midwest ISO

Filed to Comply with order of the Federal Energy Regulatory Commission
Docket Nos. EC06-4-000 et al. and ER06-20-000 et al.
Issued March 17, 2006, 114 FERC ¶ 61,282

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RELIABILITY COORDINATOR AGREEMENT

This Reliability Coordinator Agreement (this “Agreement”) is entered into this 6th day of April, 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;

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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 ("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

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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, re-dispatching generation, and shedding load, in each case, in order to avoid adverse effects on interregional bulk power reliability.

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

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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.

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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 decision-making 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

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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 issues with respect to such a dispute will be for informational purposes only, and is not binding on the Parties.

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.

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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

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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

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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.

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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

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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

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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

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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

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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

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products/completed operations liability, owners protective, blanket contractual liability, personal injury liability and broad form property damage.

9.1.3 Errors & Omissions Insurance in the amount of \$5,000,000.

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

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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,

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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

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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.

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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

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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:

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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

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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. To the extent that any of the terms set forth in Attachment L to the OATT or any other provision of the OATT which purports to describe, identify, govern, or otherwise address the Functions, the standards of performance, or any other aspect specifically set forth in this Agreement are inconsistent with this Agreement, this Agreement shall control.

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.

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The LG&E Companies
FERC Electric Tariff, First Rev. Vol. 1


Substitute Original Sheet No. 504s
Replacing Original Sheet No. 504s

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

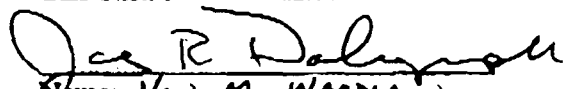
LOUISVILLE GAS AND ELECTRIC COMPANY


Name: MARK A. SCHMITT
Title: ACTING DIRECTOR SUPPLY CHAIN
Date: 4/7/06

KENTUCKY UTILITIES COMPANY


Name: MARK A. SCHMITT
Title: ACTING DIRECTOR SUPPLY CHAIN
Date: 4/7/06

TENNESSEE VALLEY AUTHORITY

for 
Name: VAN M. WARDLAW
Title: VICE - PRESIDENT, TRANSMISSION AND RELIABILITY
Date: 4/07/2006

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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.

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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

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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 committed to upholding 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:

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The ITO shall have the following responsibilities:

- 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.

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- 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. 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

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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 non-coincident 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.

1.4.3 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 to ensure that these criteria are sufficiently defined for Transmission Customers to understand how transmission planning is conducted. 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 to ensure that such model reflects annual and seasonal power flows, includes all existing long-term, firm uses of the Transmission System, and is consistent with the approved Planning Criteria; 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.

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; provided, however, that the Reliability Coordinator and the ITO shall have no right or ability to compel LG&E/KU to construct facilities of any kind.

**ATTACHMENT C
TO THE RELIABILITY COORDINATOR AGREEMENT**

LIST OF KEY PERSONNEL

[To be provided by TVA]

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EXHIBIT 1
TO THE RELIABILITY COORDINATOR AGREEMENT

COPY OF JOINT RELIABILITY COORDINATION AGREEMENT AND CMP

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