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Sent: 5/7/2009 3:12:21 PM
Subject: 5/1/09 Conference Call Draft Summary - LG&E

The following is a draft summary of conference call of 5/1/09.

Participants:

Louisville Gas & Electric Charlie Freibert
Daryn Barker
Wayne Van Liere

PJM Jeff Hoffman
Chris Pacella
Bill Patzin
Helen Burnley
Greg Krajnik

Louisville Gas & Electric/Kentucky has requested a maximum amount of 99 MW of long term firm point to point transmission service on the PJM to LGEE path, beginning January 1, 2010 and ending January 1, 2015. The Point of Receipt (POR) for this request is PJM and the Point of Delivery (POD) is LGEE. This request has been assigned PJM OASIS reference identification 1092401 and was submitted on the PJM OASIS per the PJM Open Access Transmission Tariff (PJM OATT). This can be found on the PJM Web as Long-Term Firm Transmission Service Request – U4-049.

<http://www.pjm.com/planning/long-term-firm-tsr-cust/long-term-tsr.aspx>

The purpose of the conference call:

As LG&E gets further down the road on prospect of purchasing capacity and energy from a wind resource located in the PJM footprint, LG&E would like to make sure they have a firm understanding of the implications of "pseudo tying" the resource to the LGEE Balancing Area. To be clear, their definition of a pseudo tie is an arrangement where the output (or portion of the output) of a resource is electronically "removed" from the PJM Balancing area and "added" to the LGEE BA on a real time basis. This would be accomplished via a dual port RTU (or similar) that would simultaneously send a signal to PJM and LGEE that that would be used in their respective ACE calculations on real time basis.

Questions arise from understanding how this resource and the energy from it are treated in the PJM settlement system. For example, is the resource still consider a resource within PJM and sent dispatch signals? Does the resource still have PJM reporting obligations that any other internal PJM resource has? Is the energy from the resource settled at the generation node as with other internal PJM resources or is it settled as a transaction or "schedule" from the resource to the PJM/LGEE interface (SouthExp).

For discussion purposes, the wind resource is identified as Grand Ridge.

For Control Area to Control Area check out and NERC Reporting, it can be classified as either Dynamic Schedule or Pseudo Tie. Both control areas should implement the same designation DS or PT relative to the RT Telemetry input

into their respective ACE equations. DS or PT being a point of agreement between the three parties, PJM, other Control Area, and participant. Whether it is DS or PT in this case, it is the removal of a Wind Farm Generator injection to the Grid to send it to another Control Area.

For a Dynamic Schedule, it means it gets counted in the Schedule Bucket, and NERC also requires a estimated Tag to be made in RT.

For a Pseudo Tie, it means it gets counted as an "Actual" with other Real Time Tie values, in which case estimated Tagging is not required.

PJM Settlements are the same for both methods: Dynamic Schedule/Pseudo Tie

For Generation exported out of PJM dynamically (or via pseudo tie), they pay Explicit Congestion and Loss LMP charges relative to the difference between the source generator's LMP and the Sink interface price as it would map to the control area in which the Dynamic is sinking.

For example, assuming the Sink Control area(LGEE) maps to SouthExp, then SouthExp would apply.

Congestion Charge = **RT MW** of Dynamic **as reported to eMTR** * (Sink Congestion LMP(SouthExp) minus Source Congestion LMP of Grand Ridge pnode).

Loss Charge = **RT MW** of Dynamic **as reported to eMTR** * (Sink Loss LMP(SouthExp) minus Source Loss LMP of Grand Ridge pnode).

Operating Reserve Charges would not apply since the unit is not "in" the PJM market, as the DS:PT removes it automatically.

Ancillary Services that apply to Exporting power from PJM would apply: Schedules 9-1, 9-3, 9-FERC, 9-OPSI, 9-6, 9-MMU, 1A, Loss Credit, etc.

Also, pending further information regarding capacity ownership from RPM, there will be associated line items.

IF I have missed anything, Please feel free to comment for the benefit of this discussion.

Thanks!

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