



**STOLL
KEENON
OGDEN**

2000 PNC PLAZA
500 WEST JEFFERSON STREET
LOUISVILLE, KY 40202-2828
MAIN: (502) 333-6000
FAX: (502) 333-6099

W. DUNCAN CROSBY III
DIRECT DIAL: (502) 560-4263
DIRECT FAX: (502) 627-8754
duncan.crosby@skofirm.com

July 27, 2012

RECEIVED

JUL 27 2012

PUBLIC SERVICE
COMMISSION

VIA HAND DELIVERY

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

RE: The Application of East Kentucky Power Cooperative, Inc. to Transfer Functional Control of Certain Transmission Facilities to PJM Interconnection, LLC
Case No. 2012-00169

Dear Mr. DeRouen:

Enclosed please find and accept for filing the original and ten copies of Kentucky Utilities Company and Louisville Gas and Electric Company's Motion to Modify Procedural Schedule in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me via our office courier.

Should you have any questions please contact me at your convenience.

Sincerely,

W. Duncan Crosby III

WDC:ec
Enclosures
cc: Parties of Record

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

MOTION TO MODIFY PROCEDURAL SCHEDULE

Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) (collectively, the “Companies”) move the Commission to modify the procedural schedule in this proceeding to delay the date by which interveners, including the Companies, must file comments or testimony. The Companies seek this delay on the ground that the applicant, East Kentucky Power Cooperative, Inc. (“EKPC”) has not provided sufficient data in its application and responses to data requests to permit the Companies to conduct analyses required to evaluate and provide informed commentary upon EKPC’s proposal. In support of this motion, the Companies state as follows:

1. On May 3, 2012, applied to the Commission for authority to become a full transmission-owning member of PJM Interconnection, L.L.C. (“PJM”). To become a full PJM member, EKPC will have to transfer functional control of its transmission facilities to PJM.

2. EKPC’s application claims that full PJM membership will provide net-present-value benefits of \$142 million over ten years. These savings are supposed to come from three main sources: (1) more efficient generating unit dispatch and lower total production costs resulting from eliminating EKPC-PJM transmission charges (de-pancaking) and participating in a fully integrated regional energy market; (2) lower generation reserve planning requirements;

and (3) avoided long-term firm point-to-point transmission charges EKPC currently incurs to ensure adequate power export and import capability.¹

3. As the Companies argued in their petition to intervene in this proceeding, they and EKPC are highly interconnected. Indeed, the Companies and EKPC share 67 points of interconnection and use each other's facilities to serve their customers through numerous load interconnection points. The Commission acknowledged the interconnectedness of the Companies' and EKPC's respective systems in its June 13, 2012 Order permitting the Companies to intervene in this proceeding, and noted that such interconnectedness "justif[ies] an inquiry in this case into the impacts, if any, of East Kentucky's proposed membership in PJM on the operations, rates, and service of LGE and KU."²

4. The Companies have sought diligently through two rounds of discovery in this proceeding to obtain data sufficient to permit the Companies to determine "the impacts, if any, of East Kentucky's proposed membership in PJM on the operations, rates, and service of LGE and KU." Indeed, when the Companies asked EKPC to provide the cost impact to the Companies of serving the Companies' customers, EKPC replied that impacts to the Companies' customers are not EKPC's concern:

This question implies that EKPC should make its determination as to whether to seek to fully integrate into PJM in part upon the resulting rate impact (if any) to the Companies' ratepayers. EKPC does not accept that premise and is unaware of any statutory authority or Commission precedent holding that a utility must act in the best interests of the ratepayers of another utility. To the contrary, EKPC believes that a utility has the obligation to act in the best interests of its own customers, which in EKPC's case are also its owners. In line with this idea, EKPC's analysis to date has focused upon the rate impact that full integration into PJM would

¹ EKPC Application at 5-6.

² Order at 3.

have upon its own customers and not the customers of other utilities, including the Companies’.³

...

EKPC has not performed any analysis specifically to determine what the precise cost impacts might be to the Companies or other neighboring utilities to serve their native load customers from the EKPC system after EKPC becomes a full member of PJM.⁴

5. Notwithstanding EKPC’s stated disregard for the impact of its actions on its neighbors, it claims, “None of the analysis performed by EKPC to date has suggested that the Companies will be harmed in any respect as a result of the integration.”⁵ But it is not clear how EKPC could have reached this conclusion having stated:

a. “EKPC’s analysis to date has focused upon the rate impact that full integration into PJM would have upon its own customers and not the customers of other utilities, including the Companies’”;⁶

b. “EKPC has not performed any analysis specifically to determine what the precise cost impacts might be to the Companies or other neighboring utilities to serve their native load customers from the EKPC system after EKPC becomes a full member of PJM”;⁷

c. “Regarding the studies mentioned in Data Request No. 4b of the Companies’ first set related to potential impacts on current interconnections between EKPC and LG&E/KU, PJM is still in the process of performing its integration studies for

³ EKPC Response to Companies’ Supplemental DR No. 7.

⁴ EKPC Response to Companies’ Supplemental DR No. 12a.

⁵ EKPC Responses to Companies’ Supplemental DR Nos. 7, 12a.

⁶ EKPC Response to Companies’ Supplemental DR No. 7.

⁷ EKPC Response to Companies’ Supplemental DR No. 12a.

EKPC. As stated in EKPC's response to this previous Data Request, the results of the integration studies will be provided once they are available";⁸ and

d. "EKPC is in the process of conducting power flow analyses for a range of import/export patterns and load levels to provide an indication of potential issues due to varying EKPC dispatch/power transfers, and will include the LG&E/KU system in this assessment. EKPC expects to complete this assessment in August 2012, and will provide the results to LG&E/KU upon completion."⁹

6. The Companies cannot provide informed or meaningful testimony or comments on EKPC's proposed full PJM membership without having the results of the studies EKPC has cited and has promised to provide to the Companies upon their completion. At this point, all the Companies have—all that is in the record—concerning possible operational and cost impacts to their system from EKPC's proposal is EKPC's assurance that there won't be any. But EKPC's assertions in this regard are not an acceptable substitute for actual analysis. The Companies therefore respectfully move the Commission to modify the procedural schedule in this proceeding to permit the Companies and all other interveners to file their comments or testimony by two weeks after EKPC provides the final power-flow analyses and integration studies EKPC has said it and PJM are conducting.

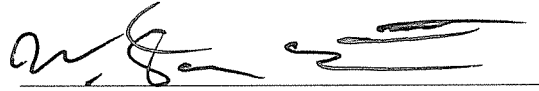
WHEREFORE, Louisville Gas and Electric Company and Kentucky Utilities Company respectfully ask the Commission to modify the procedural schedule in this proceeding to permit the Companies and all other interveners to file their comments or testimony by two weeks after EKPC provides the final power-flow analyses and integration studies EKPC has said it and PJM are conducting.

⁸ EKPC Response to Companies' Supplemental DR No. 8.

⁹ *Id.*

Dated: July 27, 2012

Respectfully submitted,



Kendrick R. Riggs
W. Duncan Crosby III
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202
Telephone: (502) 333-6000

Allyson K. Sturgeon
Senior Corporate Attorney
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-2088

*Counsel for Louisville Gas and Electric
Company and Kentucky Utilities Company*

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing Motion was served upon the following persons by United States first class mail, postage prepaid, on the 27th day of July, 2012:

Roger R. Cowden
Corporate Counsel
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707


Jennifer Black Hans
Dennis G. Howard, II
Lawrence W. Cook
Office of the Kentucky Attorney General
Office of Rate Intervention
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204

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

Jason R. Bentley
McBrayer, McGinnis, Leslie & Kirkland, PLLC
305 Ann Street
Suite 308
Frankfort, KY 40601

Mark David Goss
David S. Samford
Goss Samford PLLC
2365 Harrodsburg Road, Suite 8130
Lexington, Kentucky 40504

Michael L. Kurtz
Boehm, Kurtz & Lowry
36 E. Seventh Street
Suite 1510
Cincinnati, OH 45202



*Counsel for Louisville Gas and Electric
Company and Kentucky Utilities Company*