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December 5, 2014

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

Re: Louisville Gas and Electric Company and
Kentucky Utilities Company
Docket No. ER11-4396-

Dear Secretary Bose:

This letter transmits for filing the Semi-Annual ITO Report for the period March 2014 – August 2014 required by Attachment P of the LG&E/KU Joint Pro Forma Open Access Transmission Tariff.

Please contact the undersigned with any questions.

Respectfully submitted,

/s/ Stephen C. Palmer
Stephen C. Palmer
Alston & Bird LLP
The Atlantic Building
950 F Street, NW
Washington, DC 20004

Attorney for TranServ International, Inc.

ATTACHMENT

**INDEPENDENT TRANSMISSION
ORGANIZATION (ITO) FOR LG&E/KU
SEMI-ANNUAL REPORT
MARCH 2014 - AUGUST 2014**

Version 1.0

December 05, 2014

TranServ International, Inc.

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Minneapolis, MN 55418

Phone: 763.205.7080

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1. Introduction

On September 01, 2012, TranServ International, Inc. (TranServ) began to perform its obligations as the Independent Transmission Organization (ITO) for Louisville Gas & Electric Company (LG&E) and the Kentucky Utilities Company (KU) pursuant to the terms of the ITO Agreement between LG&E/KU and TranServ dated August 29, 2011 (ITO Agreement) and Attachment P of the LG&E/KU Joint Pro Forma Open Access Transmission Tariff (OATT).¹ The Southwest Power Pool, Inc. (SPP) served as ITO for the LG&E/KU system until August 31, 2012.

Section 3.2.1.1 of Attachment P of the OATT requires that the ITO “report in writing to FERC every 6 months . . . to address (i) any concerns expressed by stakeholders and the ITO’s response to same and (ii) any issues or Tariff provisions that hinder the ITO from performing its functions and responsibilities under this Attachment P and the other provisions of the Tariff.” Appendix 1 of Attachment P of the OATT also requires that the Semi-Annual ITO Report include the ITO’s documentation of possible transmission hoarding.

¹ By order dated December 15, 2011, the Commission accepted TranServ as new ITO for LG&E/KU effective September 01, 2012. See *Louisville Gas and Electric Co. and Kentucky Utilities Co.*, 137 FERC 61,195 (2011).

2. General ITO Activities and Stakeholder Concerns

2.1 Current Reporting Period

Attachment P and the ITO Agreement require the ITO to conduct and oversee the LG&E/KU Stakeholder Process. The Stakeholder Process provides a forum for interested parties to raise concerns and discuss with ITO management issues related to the ITO's tariff administration, planning, and other functions.

During the current reporting period, March 2014 – August 2014, the ITO held one stakeholder meeting in Louisville, KY on June 25, 2014. The meeting was hosted by the ITO and attended by 34 participants. The agenda and meeting minutes are included in this report as Exhibit 1. The presentations from the meeting can be found under the Stakeholder Information tab on the LG&E/KU Open Access Same-Time Information System (OASIS).

<https://www.oasis.oati.com/LGEE/index.html>

Pursuant to Attachment P, the ITO is responsible for reviewing and approving all planning activities for the LG&E/KU transmission system. The ITO is currently reviewing the 2014 LG&E/KU Transmission Expansion Plan submitted by LG&E/KU on December 30, 2013.

2.2 Stakeholder Concerns Expressed to ITO

The ITO documents any Stakeholder concerns and the ITO response to those concerns. Any such responses are included in meeting minutes in Exhibit 1 or posted on OASIS.

2.3 Issues or Tariff Provisions that Hinder the ITO from Performing its Required Duties

The ITO and LG&E/KU transmission are evaluating alternative language to clarify in the Tariff or business practice documents the methodology for reporting the capability of Transmission Customers' Network Resources - in particular whether such reports should indicate the current actual capability of a Transmission Customer's Network Resource, which could be different from the original capability of the resource when it was initially designated. This clarification is also needed in the context of uprate requests for existing generators received by the ITO and LG&E/KU transmission. In addition, this clarification will assist the ITO in its monitoring of any practice that would result in the withholding of excess transmission capacity that cannot be physically dispatched by the customer and will help the ITO to accurately assess the modeling

of each Designated Network Resource (DNR) in the Transmission Expansion Plan (TEP).

3. Hoarding Analysis

The ITO is charged with identifying activities by Market Participants that could potentially result in transmission capacity hoarding on the LG&E/KU system. Pursuant to Section 4.1 of Appendix 1 to Attachment P of LG&E/KU's OATT, the ITO compiles monthly data on unscheduled reservations and redirected capacity to identify recurring instances that could have a potentially detrimental market impact.

3.1 Recurring Instances of Unused Transmission Reservations

TranServ has posted a table on the OASIS which contains a report of monthly transmission capacity reserved that went unused or nearly unused for more than one month during the current reporting period, March 2014 – August 2014. For each reservation listed in the table under the Stakeholders Information tab in the applicable ITO Semi-Annual Report folder, TranServ found no request for monthly firm service was denied on the paths where these occurred during the service periods of these unused reservations. Therefore, TranServ found no detrimental market impact resulting from these reservations.

3.2 Recurring Redirected Transmission Reservations

TranServ has posted a table on the OASIS which contains a report of purchased transmission capacity that was redirected on multiple occasions during the current reporting period, March 2014 – August 2014. The table is located under the Stakeholders Information tab in the applicable ITO Semi-Annual Report folder. The majority of the redirected capacity was scheduled on the redirected path. The capacity redirected comprises a small percentage of the daily transmission sold on the LG&E/KU transmission system. TranServ observed no detrimental market impact resulting from the redirect transactions.

3.3 Instances in which Scheduling Practices Have Had Potentially Detrimental Market Significance

TranServ has posted a table on the OASIS which contains the scheduling statistics for the LG&E/KU Balancing Authority for the current reporting period, March 2014 – August 2014. The table is located under the Stakeholders Information tab in the applicable ITO Semi-Annual Report folder. For the six month review period, TranServ examined the statistics of the cancelled, terminated, and reloaded tags for all scheduling parties and found that the totals of these type actions for each month were a very small portion of the overall schedules submitted

and further investigations into individual behavior was unnecessary.

Exhibit List

Exhibit 1: Agenda and Minutes from ITO Stakeholder Meeting (June 25, 2014)

Exhibit 1

ITO Stakeholder Meeting

June 25, 2014

TranServ International, Inc.

3660 Technology Drive NE

Minneapolis, MN 55418

Phone: 763.205.7080

LG&E/KU ITO Stakeholder Meeting
June 25, 2014, 9:00 AM
Galt House, Sampson Room
140 North Fourth Street, Louisville, KY 40202

AGENDA

Dial in Access: 800-503-2899
Access code: 4076113
Webcast Link: <https://www.callinfo.com/prt?host=gcc&ac=4076113&an=8005032899>

8:00 - 9:00 Breakfast

Introduction & Overview Tom Kansier (ITO)
ITO Operations Larry Monday (ITO)
ITO System Impact and Generation Interconnection Studies Mary Melvin (ITO)
Reliability Coordinator Updates Nate Schweighart (TVA)
ITO 2014 Transmission Expansion Plan Assessment Larry Brusseau (ITO)
Planning and Construction Update Delyn Kilpack (LGE/KU)
Order 1000 Impact to Local Planning Derek Rahn (LGE/KU)
2014 Transmission Rates Derek Rahn (LG&E/KU)
LG&E/KU Stakeholder Planning Committee Update Tim Lyons (OMU)
Open Forum – Stakeholder Feedback & Wrap-up Tom Kansier (ITO)
Adjourn/Break

Stakeholder Planning Committee (SPC) Meeting Tim Lyons (OMU)
Adjourn/Break

Transmission Owner Update Derek Rahn (LG&E/KU)

Adjourn

Noon - 1:00 Lunch in (TBD) Room

LG&E/KU ITO Stakeholder Meeting

June 25, 2014, 9:00 AM

Galt House, Nunn Room

140 North Fourth Street, Louisville, KY 40202

Action Items from meeting:

No action items from this meeting were noted.

Meeting Minutes

Agenda Item 1 – Introduction and Overview

Note: Presentation materials have been posted on the LG&E/KU OASIS.

Mr. Kansier from MAPPCOR opened the meeting with a welcome and introductions. The following were in attendance:

Austin McLimore	OMU
Carol Foxworthy	LG&E/KU
Charlie Freibert,	LG&E/KU
Chris Balmer,	LG&E/KU
Dan Hawk	LG&E/KU
Dave Clark	KMPA
Delyn Kilpack,	LG&E/KU
Derek Rahn,	LG&E/KU
Duane Schrader,	LG&E/KU
Fernando Rubio	LG&E/KU
Jennifer Keisling,	LG&E/KU
John Humphries,	KMPA
Kevin Burns,	TranServ
Larry Brusseau,	MAPPCOR
Larry Monday,	TranServ
LaVita Jones	LG&E/KU
Marjorie Parsons,	TVA
Mary Melvin,	TranServ
Matt Burns,	LG&E/KU
Maxwell Shannon,	LG&E/KU
Nate Schweighart,	TVA
Nathan Bradley	EKPC
Nick Mistry,	LG&E/KU
Peter Koegel,	MAPPCOR
Ray Snyder	LG&E/KU
Rob Leesman,	OMU
Robert Tallman	LG&E/KU
Simon Cherucheril,	TranServ
Thomas DePaull,	LG&E/KU
Tim Lyons,	OMU
Tom Jessee	LG&E/KU
Tom Kansier,	MAPPCOR
Tom Trauger,	KMPA (Spiegel & McDiarmid)
Wayne Van Liere,	LG&E/KU

Agenda Item 2 – ITO Operations

Mr. Monday from TranServ gave a presentation on the ITO Operations, including reservation metrics. This presentation covered the Nov 2013 – May 2014 period.

Agenda Item 3 – ITO System Impact and Generation Interconnection Studies

Ms. Melvin from TranServ gave a presentation on the status and progress of the System Impact Studies for Transmission Service Requests for 2013 4th quarter and 2014 1st quarter.

Ms. Melvin also presented on the Generator Interconnection Studies. The presentation included an update on all studies in the queue and the status of each.

Q: How do neighboring queues affect LG&E/KU GI studies?

A: Ms. Parsons, TVA, will notify impacted parties if impacts occur that might need to be studied. An Ad-Hoc group oversees the studies.

Agenda Item 4 – Reliability Coordinator Updates

Mr. Schweighart from TVA gave a presentation covering the following Reliability Coordinator Updates.

Operations Reliability Coordination Agreement (ORCA) Update – Joint Parties are impacted by flows between Entergy and MISO. Only 10% of flows are over the interconnection tie line and 90% flows on Joint Parties ties. The MISO-Entergy tie is a 1000 MW reservation which ends in April 2015. A long-term agreement is desired by all parties. Phase I – 2000 MW dispatch limit; can be lowered to 1500 MW. Q: Why the large swings? A: 100,000 MW system and a single tie. Unit outages can impact dispatch flow as well as 5-minute LMPs. Phases 2 & 3 – No standing 2000 MW limit; limit calculated regularly. MISO is self-imposing a 1000 MW limit currently; easing the manual labor burden on RC of monitoring the flows.

Summer Outlook: Summer 2014 NOAA Weather is reported as normal. The USEC load is gone, the Coleman generation is retired, and increasing market footprints are leading to greater impacts. Summer reliability looks good and summer peak demands are projected to be met.

Other Industry Changes: NERC is no longer in the tool business. The IDCWG now falls under the IDC Association. Parallel Flow Visualization (PFV) discussions are continuing in NAESB/NERC. This could affect firmness of service, market flow calculations, and TLR priorities.

Q: Can you explain what is happening in the CMP Process?

A: It's not just for Market BAs. The CMP process accounts for Firm and Non-firm market flows. It's important to non-market areas like TVA and LGEE and allows for the ability to call TLR3 and provide relief from market flows.

The 2004 Freeze Date is being discussed. Firm Transactions, Generators, and Loads were frozen to set allocations. The parties are discussing if a new freeze date is needed to bring allocation more current to reality. Or perhaps a new CMP all together that doesn't get stale. These discussions are in their infancy.

Q: Are TLR Postings Public?

A: Yes, they are posted on the NERC Event Analysis page. TLRs are posted one month after-the-fact.

Q: Generator shifts impacts LGEE. What about TVA? A: Issues in Summershade and Paradise areas are producing more congestion. Q: Are there any projected projects for these issues?

A: Currently, TVA is studying upgrades and load curtailments. Reconfiguration of the area is

also an option being reviewed. An ETA is not yet available. Discussions are not all public at this point. There will be a scoping meeting Fall 2014.

Agenda Item 5 – ITO 2014 Transmission Expansion Plan (TEP) Assessment

Mr. Brusseau gave an update of the 2014 TEP Assessment. The review is ongoing with an approval date of mid-September anticipated.

Q: When is the Stakeholder Review? A: After completion of the RC review. There will be a Stakeholder webinar for the ITO to present the final TEP and Assessment. The current schedule has ITO approval in Mid-September 2014.

Agenda Item 6 – LG&E/KU Planning and Construction Update

Ms. Kilpack gave an update on the Planning and Construction Plan for LG&E/KU.

Ms. Kilpack presented a description the Transmission Expansion Planning process.

Ms. Kilpack described the TPL standard changes which will impact the load forecasting data request. There are additional models required under the new standard. Off-peak models must be created and studied using scalable loads and off-peak load forecasts. A Spring Light Load model must be created. Sensitivities using varying load forecast assumptions of 90/10 and 50/50 will also be created and studied.

Q: What is the definition of Off-peak? What is the timing of new load forecasts?

A: The Off-peak definition is open for group to decide. NERC is not specific in the Standard. The load forecast data request will be updated for 2014 and the schedule will be moved up. A discussion item will be added to the 2014 TEP Webcast meeting noted in Agenda Item 5.

Ms. Kilpack provided a Construction Update (Handout) summarizing the 2012 Projects Completed in 2013 (Attachment 9 in TEP) and an update on the 2014 TEP Projects with a 2014 Need Date. This information was posted prior to the meeting.

Agenda Item 7 – Order 1000 Impact to Local Planning

Mr. Rahn gave an update on the Order 1000 Impact to Local Planning for LG&E/KU. Mr. Rahn reviewed the old vs. new timelines of the following processes.

TO and ITO Interaction – New timeline is more detailed, includes more studies, the load forecasts are now due October 31, and the overall schedule is condensed from an 18-month cycle to 14 months.

Local Transmission Planning Process Overview – The overview is posted on OASIS and follows the new condensed timeline (14 months).

SPC & Economic Planning Studies Overview - Rather than quarterly, SPC meetings will be scheduled with ITO Stakeholder meetings and with Ad-Hoc meetings in between as needed. With the new timeline, the EP queue opens in July and closes in September. The EP will present 5 economic studies proposed in November and will complete the studies and present the results in May.

Mr. Rahn explained that the new planning cycle will coordinate with the SERTP Process for Order 1000 regional planning. This schedule has the TEP approved in December to be able to present an approved TEP to the SERTP process.

Agenda Item 8 – LG&E/KU 2014 Transmission Rates

Mr. Rahn gave an update on the 2014 LG&E/KU transmission rates. The OATT Rates are effective June 1, 2014. The FERC approved formula is stated in Attachment O of the OATT. The presentation is posted on OASIS with these meeting minutes.

Q: ROE of 10.88%; Does FERC review this rate since interest rates are lower than 2006?

A: The FERC approved rate is locked in OATT.

Q: How does de-pancaking of rates work?

A: Mr. Rahn will get back to KMPA (Tom) with a detailed response.

Q: What drives the O&M reduction? A: There was a 2.5% decrease in O&M last year. However, there is no single driver.

Agenda Item 9 – Stakeholder Planning Committee (SPC) Update

Mr. Lyons from OMU, as the Chairman of the Stakeholder Planning Committee (SPC) gave an update on the SPC activities.

Mr. Lyons gave an overview of LG&E/KU's OATT Attachment K.

Mr. Lyons reviewed the 2013 Accomplishments: Order 1000 SERTP Update, Review ITO Projects, Updates on Transmission Costs, EIPC & SIRPP updates, Address SPC Issues, Economic Planning Studies (5), ITO Stakeholder Meetings, and NOC joint meeting (1).

Mr. Lyons reviewed the 2014 Plan: Order 1000 SERTP Update, Review ITO Projects, Updates on Transmission Costs, EIPC & SIRPP updates, Address SPC Issues, Economic Planning Studies (5), ITO Stakeholder Meetings, and NOC joint meeting (1).

Agenda Item 10 – Open Forum – Feedback and Wrap-Up

Mr. Kansier asked if anyone had any additional items to discuss.

With no further discussion, the ITO Stakeholder meeting was adjourned at 11:35 a.m.

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the above-referenced proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010 (2014)).

Dated at Washington, D.C. this 5th day of December, 2014.

/s/ Stephen C. Palmer

Stephen C. Palmer
Alston & Bird LLP