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File #: 126966

December 18, 2012

Paul T. Diskin  
Director  
PA Public Utility Commission  
Bureau of Technical Utility Services  
Commonwealth Keystone Building  
400 North Street, 3rd Floor West  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**RE: PPL Electric Utilities Corporation -- Utility Services Agreement for Mutual Assistance with Kentucky Utilities Company also doing business in Virginia as Old Dominion Power Company  
Docket No. G-2011-2263689**

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Dear Mr. Diskin:

On September 16, 2011, PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) filed the above-referenced affiliate agreement (“Utility Services Agreement”) with the Pennsylvania Public Utility Commission (“Commission”). As explained in the initial filing, the Utility Services Agreement is an agreement for mutual assistance between PPL Electric and Kentucky Utilities Company, a public utility organized under Kentucky and Virginia law and doing business in Virginia as Old Dominion Power Company (“KU/ODP”). Both PPL Electric and KU/ODP are subsidiaries of PPL Corporation.

The Utility Services Agreement will allow PPL Electric and KU/ODP to provide emergency assistance to one another when service has been disrupted due to the elements, equipment malfunctions, accidents, sabotage or other occurrences for which emergency assistance is deemed to be necessary or advisable. Under the terms of the Utility Services Agreement, emergency assistance will be provided only: (1) upon request, (2) when the requesting company believes that the service will benefit the requesting company and its customers, and (3) when the responding company believes that it can provide the service without material detriment to the responding company and its customers.

In informal discovery in this proceeding, Commission staff has questioned how certain costs are determined and charged, including lodging, meals and vehicle charges. Additional explanation

ALLENTOWN HARRISBURG LANCASTER PHILADELPHIA PITTSBURGH PRINCETON WASHINGTON, D.C.

A PENNSYLVANIA PROFESSIONAL CORPORATION

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is provided below. As to lodging and meals, PPL Electric generally books motels and provides meals for emergency personnel. The Company tries to book moderately priced motels reasonably close to the area of work that have sufficient parking for trucks and other large vehicles. The Company also generally provides meals for the emergency personnel, which often includes a breakfast buffet, delivery of cold lunches (so the emergency personnel can continue working) and dinner at the moderately priced motel. As to vehicle charges, the industry practice is to charge a price per hour for vehicles that includes operating, maintenance and depreciation expenses as opposed to charging a price based upon mileage. This is industry practice because while the vehicles are working on facilities, miles are not being put on the vehicle but the vehicle and machinery on the vehicle are being operated to repair facilities.

In addition, the Company notes that the Commission's approval of the Utility Services Agreement does not constitute approval of the reasonableness of the costs that are incurred under the Agreement. Therefore, by approving the Utility Services Agreement, the Commission will not be approving stays at expensive hotels or expensive meals which, as discussed above, are unlikely to occur. Rather, the reasonableness of the costs can be reviewed in the Company's base rate proceedings where it requests recovery of such costs.

Commission staff has also expressed concern about language in the Utility Services Agreement that states costs and expenses shall include, "but not be limited to" a specific list of costs. Commission staff is concerned that the "but not be limited to" language is too broad. In response to this concern, the Company notes that the "but not be limited to" language was taken directly from the Edison Electric Institute governing principles. A copy of these principles is attached hereto. Moreover, the Agreement is a narrow affiliate agreement that only applies to emergency assistance and all costs must be related to the emergency assistance. Also, under Paragraph 2B of the Agreement, the responding company must furnish documentation of expenses to the requesting company so all expenses are documented.

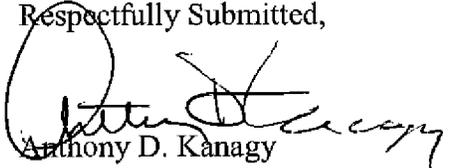
The Company requests that the Commission approve the Utility Services Agreement without amendment. The Utility Services Agreement has been approved by the Virginia State Corporation Commission ("Virginia Commission"). A copy of the Virginia Commission's order approving the Agreement is attached. If any modifications are made to the Agreement, the Company must resubmit it to the Virginia Commission for approval. This would cause additional delay, and the Company would like to avoid a situation where the Virginia Commission would request an additional change and then the Company would be required to resubmit the Agreement to the Commission for approval, etc.

The Company also notes that unlike many affiliate agreements, the Utility Services Agreement is narrowly limited to situations where emergency assistance is needed by the requesting company. In most years with normal weather conditions, the Agreement may be used only once or not at all.

Paul T. Diskin  
December 18, 2012  
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For these reasons, PPL Electric respectfully requests that the Utility Services Agreement be submitted to the Commission for approval under Chapter 21 of the Public Utility Code, 66 Pa. C.S. Chapter 21.

Respectfully Submitted,



Anthony D. Kanagy

ADK/skr  
Enclosures  
cc: Rosemary Chiavetta, Secretary





**EDISON ELECTRIC  
INSTITUTE**

**RESTORE POWER**

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**SUGGESTED GOVERNING PRINCIPLES COVERING  
EMERGENCY ASSISTANCE ARRANGEMENTS  
BETWEEN EDISON ELECTRIC INSTITUTE MEMBER COMPANIES**

Electric companies have occasion to call upon other companies for emergency assistance in the form of personnel or equipment to aid in maintaining or restoring electric utility service when such service has been disrupted by acts of the elements, equipment malfunctions, accidents, sabotage or any other occurrences where the parties deem emergency assistance to be necessary or advisable. While it is acknowledged that a company is not under any obligation to furnish such emergency assistance, experience indicates that companies are willing to furnish such assistance when personnel or equipment are available.

In the absence of a continuing formal contract between a company requesting emergency assistance ("Requesting Company") and a company willing to furnish such assistance ("Responding Company"), the following principles are suggested as the basis for a contract governing emergency assistance to be established at the time such assistance is requested:

1. The emergency assistance period shall commence when personnel and/or equipment expenses are initially incurred by the Responding Company in response to the Requesting Company's needs. (This would include any request for the Responding Company to prepare its employees and/or equipment for transport to the Requesting Company's location but to await further instructions before departing). The emergency assistance period shall terminate when such employees and/or equipment have returned to the Responding Company, and shall include any mandated DOT rest time resulting from the assistance provided and reasonable time required to prepare the equipment for return to normal activities (e.g. cleaning off trucks, restocking minor materials, etc.).
2. To the extent possible, the companies should reach a mutual understanding and agreement in advance on the anticipated length – in general – of the emergency assistance period. For extended assistance periods, the companies should agree on the process for replacing or providing extra rest for the Responding Company's employees. It is understood and agreed that if, in the Responding Company's judgment such action becomes necessary the decision to terminate the assistance and recall employees, contractors, and equipment lies solely with the Responding Company. The Requesting Company will take the necessary action to return such employees, contractors, and equipment promptly.
3. Employees of Responding Company shall at all times during the emergency assistance period continue to be employees of Responding Company and shall not be deemed employees of Requesting Company for any purpose. Responding Company shall be an independent Contractor of Requesting Company and wages, hours and other terms and conditions of employment of Responding Company shall remain applicable to its employees during the emergency assistance period.
4. Responding Company shall make available at least one supervisor in addition to crew foremen. All instructions for work to be done by Responding Company's crews shall be given by Requesting Company to Responding Company's supervisor(s); or, when



Responding Company's crews are to work in widely separate areas, to such of Responding Company's foremen as may be designated for the purpose by Responding Company's supervisor(s).

5. Unless otherwise agreed by the companies, Requesting Company shall be responsible for supplying and/or coordinating support functions such as lodging, meals, materials, etc. As an exception to this, the Responding Company shall normally be responsible for arranging lodging and meals en route to the Receiving Company and for the return trip home. The cost for these in transit expenses will be covered by the requesting company.
6. Responding Company's safety rules shall apply to all work done by their employees. Unless mutually agreed otherwise, the Requesting Company's switching and tagging rules should be followed to ensure consistent and safe operation. Any questions or concerns arising about any safety rules and/or procedures should be brought to the proper level of management for prompt resolution between management of the Requesting and Responding Companies.
7. All time sheets and work records pertaining to Responding Company's employees furnishing emergency assistance shall be kept by Responding Company.
8. Requesting Company shall indicate to Responding Company the type and size of trucks and other equipment desired as well as the number of job function of employees requested but the extent to which Responding Company makes available such equipment and employees shall be at Responding Company's sole discretion.
9. Requesting Company shall reimburse Responding Company for all costs and expenses incurred by Responding Company as a result of furnishing emergency assistance. Responding Company shall furnish documentation of expenses to Requesting Company. Such costs and expenses shall include, but not be limited to, the following:
  - a. Employees' wages and salaries for paid time spent in Requesting Company's service area and paid time during travel to and from such service area, plus Responding Company's standard payable additives to cover all employee benefits and allowances for vacation, sick leave and holiday pay and social and retirement benefits, all payroll taxes, workmen's compensation, employer's liability insurance and other contingencies and benefits imposed by applicable law or regulation.
  - b. Employee travel and living expenses (meals, lodging and reasonable incidentals).
  - c. Replacement cost of materials and supplies expended or furnished.
  - d. Repair or replacement cost of equipment damaged or lost.
  - e. Charges, at rates internally used by Responding Company, for the use of transportation equipment and other equipment requested.



- f. Administrative and general costs, which are properly allocable to the emergency assistance to the extent such costs, are not chargeable pursuant to the foregoing subsections.
10. Requesting Company shall pay all costs and expenses of Responding Company within sixty days after receiving an invoice therefor.
11. Requesting Company shall indemnify, hold harmless and defend the Responding Company from and against any and all liability for loss, damage, cost or expense which Responding Company may incur by reason of bodily injury, including death, to any person or persons or by reason of damage to or destruction of any property, including the loss of use thereof, which result from furnishing emergency assistance and whether or not due in whole or in part to any act, omission, or negligence of Responding Company except to the extent that such death or injury to person, or damage to property, is caused by the willful or wanton misconduct and / or gross negligence of the Responding Company. Where payments are made by the Responding Company under a workmen's compensation or disability benefits law or any similar law for bodily injury or death resulting from furnishing emergency assistance, Requesting Company shall reimburse the Responding Company for such payments, except to the extent that such bodily injury or death is caused by the willful or wanton misconduct and / or gross negligence of the Responding Company..
12. In the event any claim or demand is made or suit or action is filed against Responding Company alleging liability for which Requesting Company shall indemnify and hold harmless Responding Company under paragraph (11) above, Responding Company shall promptly notify Requesting Company thereof, and Requesting Company, at its sole cost and expense, shall settle, compromise or defend the same in such manner as it in its sole discretion deems necessary or prudent. Responding Company shall cooperate with Requesting Company's reasonable efforts to investigate, defend and settle the claim or lawsuit.
13. Non-affected companies should consider the release of contractors during restoration activities. The non-affected company shall supply the requesting companies with contact information of the contactors (this may be simply supplying the contractors name). The contractors will negotiate directly with requesting companies.

Last update September 2005

- Section 11 and 12 updated



COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
AT RICHMOND, November 14, 2011

JOINT APPLICATION OF

KENTUCKY UTILITIES COMPANY  
d/b/a OLD DOMINION POWER COMPANY,  
LOUISVILLE GAS AND ELECTRIC COMPANY,  
LG&E AND KU SERVICES COMPANY,  
LG&E AND KU ENERGY LLC,  
LG&E AND KU CAPITAL LLC,  
PPL CORPORATION,  
PPL ELECTRIC UTILITIES CORPORATION,

CASE NO. PUE-2011-00095

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DOCUMENT CONTROL

and

PPL SERVICES CORPORATION

For authority to engage in affiliate transactions and  
to enter into Utility Services Agreements, pursuant to  
Chapter 4 of Title 56 of the Code of Virginia, § 56-76 *et seq.*

ORDER GRANTING AUTHORITY

On August 15, 2011, Kentucky Utilities Company d/b/a Old Dominion Power Company ("KU/ODP"), Louisville Gas and Electric Company ("LG&E"), LG&E and KU Services Company ("LK Services"), LG&E and KU Energy LLC ("LKE"), LG&E and KU Capital LLC ("LKC"), PPL Corporation ("PPL"), PPL Electric Utilities Corporation ("PPL Electric"), and PPL Services Corporation ("PPL Services") (collectively, "Joint Applicants") filed a joint application ("Joint Application") with the State Corporation Commission ("Commission"), pursuant to Chapter 4 of Title 56 of the Code of Virginia ("Code")<sup>1</sup> and Ordering Paragraph (17) of the Commission's Final Order entered October 19, 2010, in Case No. PUE-2010-00060

<sup>1</sup> Va. Code § 56-76 *et seq.* ("Affiliates Act").

("2010 Order"),<sup>2</sup> requesting authority to engage in affiliate transactions and to enter into four (4) separate Utility Services Agreements, consisting of an Amended and Restated Utility Services Agreement ("Amended Services Agreement"),<sup>3</sup> a Third-Party Vendor Services Agreement ("Third-Party Agreement"), a Data Hosting Agreement ("Data Hosting Agreement"), and a Utility Services Agreement for Mutual Assistance ("Mutual Assistance Agreement") (collectively, the "Utility Services Agreements").

#### Amended Services Agreement

The Amended Services Agreement is between KU/ODP, LG&E, and LK Services and is an amendment to the 2010 Agreement approved by the Commission in its 2011 Order. The services provided to and available from KU/ODP, LG&E, and LK Services under the Amended Services Agreement, the rules for determining and allocating the costs of such services, and the terms and conditions for the provision of such services are set forth in the Cost Allocation Manual ("CAM") attached to the Amended Services Agreement as Exhibit A. These services, allocation methods, and terms and conditions are primarily the same as those approved in the 2010 Agreement.

<sup>2</sup> *Joint Petition of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S., LLC, and Kentucky Utilities Company d/b/a Old Dominion Power Company, For approval of transfer of ownership and control*, Case No. PUE-2010-00060, 2010 S.C.C. Ann. Rept. 534, Final Order (Oct. 19, 2010). Ordering Paragraph (17) of the 2010 Order states: "In the event that [LK Services] utilizes any other affiliates, including [PPL Services], to provide services to KU/ODP, then KU/ODP shall file an application requesting approval under the Affiliates Act to obtain such services." *Id.* at 537. Therefore, KU/ODP is required to file the instant Joint Application due to the proposed utilization of additional affiliates, specifically LKE, LKC, PPL, PPL Electric, and PPL Services.

<sup>3</sup> On May 11, 2011, the Commission issued an Order Granting Authority in Case No. PUE-2010-00141 ("2011 Order") approving an amended and restated Utility Service Agreement between KU/ODP, LG&E, and LK Services ("2010 Agreement"). The 2010 Agreement reflected the repeal of the Public Utility Holding Company Act of 1935 ("1935 Act"), the change of LK Services' legal name that occurred on September 30, 2010, and updated the list of services provided and allocation methods used under the 2010 Agreement, with appropriate modifications made to the Cost Allocation Manual. See *Joint Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, Louisville Gas and Electric Company, and LG&E and KU Services Company, For authority to engage in affiliate transactions and to enter into an Amended and Restated Utility Service Agreement pursuant to Chapter 4 of Title 56 of the Code of Virginia, § 56-76 et seq.*, Case No. PUE-2010-00141, Doc. Con. Cen. No. 447468, Order Granting Authority (May 11, 2011). On June 9, 2011, pursuant to Ordering Paragraph (9) of the 2011 Order, KU/ODP filed with the Commission an executed copy of the 2010 Agreement reflecting the revisions ordered by the Commission in the 2011 Order.

The Amended Services Agreement, however, provides for expanded affiliate transactions between KU/ODP and LG&E related to their generation facilities and transmission and distribution systems, as well as to recognize the provision of retail business services between the two utility companies. Specifically, the expanded transactions under the Amended Services Agreement provide for: (1) KU/ODP and LG&E employees to operate, maintain, and service solely and jointly owned generation units;<sup>4</sup> (2) KU/ODP and LG&E employees to provide operation and maintenance services for their respective transmission and distribution systems, and for KU/ODP and LG&E to provide to one another, upon request and at cost, certain goods that are needed to operate their respective systems; and (3) KU/ODP and LG&E to provide retail business services to one another such as those described in Section IV (Description of Services) of the CAM (e.g., customer service, meter reading, etc.). All such transactions will be invoiced at fully allocated cost and will occur only as reasonably required when KU/ODP and LG&E believe in good faith that such transactions will be to their advantage.

Similar to the 2010 Agreement, the Amended Services Agreement allows for KU/ODP and LG&E to provide to or receive from each other, at not more than cost less depreciation, any goods that were purchased by each for their own or joint use. The Amended Services Agreement, however, eliminates the “break down or other emergency” standard found in the 2010 Agreement because that standard was based on the regulations enacted under the now repealed 1935 Act.<sup>5</sup> Finally, the Joint Applicants represent that the contents of Exhibit A to the 2010 Agreement (Description of Services and Allocation Factors) are fully contained in the CAM and, therefore, propose eliminating Exhibit A attached to the 2010 Agreement and, in its

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<sup>4</sup> Currently, KU/ODP and LG&E jointly own eleven (11) generation units.

<sup>5</sup> The 1935 Act has been replaced by the Public Utility Holding Company Act of 2005. (Energy Policy Act of 2005, Pub. L. No. 109-58, August 8, 2005, 119 Stat. 594 (the Energy Policy Act), §§ 1263, 1274.)

place, attaching only the CAM to the Amended Services Agreement, which contains no substantive changes.

The Joint Applicants state that, other than the changes discussed above, the terms and conditions of the Amended Services Agreement are the same as those approved by the Commission in the 2010 Agreement. The Amended Services Agreement provides that KU/ODP, LG&E, or LK Services may terminate the agreement by providing sixty (60) days' written notice to the remaining parties. The Amended Services Agreement contains a five (5)-year period of authorization, to become effective upon the date of approval by the Commission, and does not provide for renewability.

#### Third-Party Agreement

The Third-Party Agreement is between KU/ODP, LKE, PPL, and PPL Services and provides for LKE, PPL, and PPL Services to invoice KU/ODP, at cost, for KU/ODP's portion of certain joint purchases made with third-party vendors such as subscriptions to publications; membership in trade groups; license and maintenance fees for accounting and financial software; or engineering, financial, or legal services.<sup>6</sup> The Third-Party Agreement will only be used where KU/ODP may cost-effectively enter a purchase due to the combined buying power of KU/ODP and its PPL affiliates, or where costs remain neutral but combined purchasing is desired for administrative billing purposes. The Joint Applicants state that, where possible, KU/ODP will be directly invoiced by the third-party vendor for its share of any applicable purchase. The Third-Party Agreement applies only where a third-party vendor refuses or is unable to separately invoice KU/ODP, or where separate invoicing would require additional costs or excessive

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<sup>6</sup> PPL's involvement in the agreement is limited to transactions that involve procuring membership in and paying membership dues to the Edison Electric Institute ("EEI"), as well as certain specific instances in which PPL, and not PPL Services, procures and pays the fees for outside legal representation and certain software and software licenses.

procedures, thereby necessitating LKE, PPL, or PPL Services invoicing KU/ODP for its portion of the overall costs.

Pursuant to the terms of the Third-Party Agreement, LKE, PPL, and PPL Services will invoice KU/ODP at the actual cost for the good or service procured. Determination of cost will be transaction specific depending on the type of good or service being procured, using factors such as revenues, owned capacity, number of Securities and Exchange Commission registrants, number of software users, labor hours, labor dollars, departmental or entity headcount, capital expenditures, operations and maintenance costs, retail energy sales, generating plant sites, average allocation of direct reports, net book value of utility plant, total line of business assets, electrical capital expenditures, substation assets, and transformer assets, or based upon particular third-party vendor rate schedules or quantities/hours delivered.

The Third-Party Agreement provides that KU/ODP, LKE, PPL, or PPL Services may terminate the agreement by providing sixty (60) days' written notice to the other parties. The Third-Party Agreement contains a five (5)-year period of authorization, to become effective upon the date of approval by the Commission, and does not provide for renewability.

#### Data Hosting Agreement

The Data Hosting Agreement is between KU/ODP, LG&E, LK Services, LKC, and PPL Services and provides for LK Services to provide alternate data hosting services to PPL Services at the Simpsonville Data Center (the "Data Center"). The Data Center is jointly owned by KU/ODP, LG&E, and LKC in the following approximate percentages: KU/ODP owns 46.5%, LG&E owns 52.3%, and LKC owns 1.2%. The parties to the Data Hosting Agreement propose using available space at the Data Center to house equipment needed to serve as an alternate data center for PPL Services. LK Services will provide the labor and maintenance required for the

alternate data hosting,<sup>7</sup> while KU/ODP, LG&E, and LKC will provide the space and receive the benefit of recovering portions of the Data Center's cost through LK Services from PPL Services. Initially, PPL Services is requesting to store one (1) row of equipment for alternate data hosting at the Data Center, and may request an expansion of services in the future.

Exhibit A to the Data Hosting Agreement contains a Fee Schedule that will be used for determining the costs PPL Services will be charged for its use of the Data Center. The costs billed to PPL Services will be divided into three categories: fixed costs, variable costs, and project start-up costs. Variable costs, such as electricity usage by the equipment used to provide alternate data storage to PPL Services, will be provided at the tariffed rate. Project start-up costs, such as the labor involved with installing needed equipment, will be billed to PPL Services at cost. Fixed costs will be billed to PPL Services in proportion to the space its equipment occupies at the Data Center. PPL Services' alternate data hosting equipment will occupy a space that is approximately equal to 8.3% of the Data Center's total square footage. Therefore, fixed costs, such as revenue recovery, property tax and insurance, facility expenses, labor, and depreciation, will be billed to PPL Services in an amount equal to 8.3% of the Data Center's annual budget. The Data Hosting Agreement also contains a true-up provision to ensure that PPL Services is billed for all the costs it incurs.

The Joint Applicants represent that invoicing PPL Services for fixed costs according to the square footage it occupies in the Data Center is an appropriate way for KU/ODP, LG&E, and LKC to recover costs associated with the Data Center. KU/ODP, LG&E, and LKC will incur the same costs with or without PPL Services utilizing the Data Center for alternate data hosting. The Joint Applicants state that allowing KU/ODP, LG&E, and LKC to provide space in the Data

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<sup>7</sup> Since neither LK Services nor PPL Services are regulated by the Commission, approval of the provision of services by LK Services to PPL Services under the Data Hosting Agreement is not required under the Affiliates Act.

Center for PPL Services' alternate data hosting needs results in a benefit to the companies and to KU/ODP and LG&E customers, who will be credited with the revenue received from PPL Services for its use of the Data Center, thereby helping to reduce rates in future rate cases.

The Joint Applicants state that the Data Hosting Agreement contains adequate safeguards to protect confidential information and the rights of all parties thereto. The Data Hosting Agreement contains a term of five (5) years from the date of Commission approval and provides that KU/ODP, LG&E, LK Services, LKC, or PPL Services may terminate the agreement upon providing sixty (60) days' written notice to the remaining parties. PPL Services will have ninety (90) days after the date of termination to remove its equipment from the Data Center. During this ninety (90)-day period, however, PPL Services may request LK Services to continue providing data hosting services upon the same terms and conditions as exist under the Data Hosting Agreement. The Data Hosting Agreement may be renewed but is not self-renewing.

#### Mutual Assistance Agreement

The Mutual Assistance Agreement is between KU/ODP and PPL Electric and provides that KU/ODP and PPL Electric may receive from and provide mutual assistance to each other in the form of personnel, equipment, and services to aid in restoring and/or maintaining electric utility service when such service has been disrupted by the elements, equipment malfunctions, accidents, sabotage, or any other occurrence for which emergency assistance is deemed to be necessary or advisable ("Emergency Assistance").<sup>8</sup> The Mutual Assistance Agreement states that such Emergency Assistance will be provided only (a) upon request, (b) when the requesting party ("Requesting Company") believes in good faith that the Emergency Assistance will benefit

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<sup>8</sup> On August 30, 2011, the Joint Applicants advised Commission Staff that KU/ODP had released 25 line technicians to support PPL Electric's storm restoration efforts following Hurricane Irene. The KU/ODP system did not sustain any damages or outages because of Hurricane Irene. The Joint Applicants stated that PPL Electric would reimburse KU/ODP at KU/ODP's fully distributed cost.

it and its native-load customers, and (c) the responding party (“Responding Company”) believes in good faith that it can provide the Emergency Assistance without material detriment to itself or its native-load customers.

Pursuant to the terms of the Mutual Assistance Agreement, the Emergency Assistance period will commence when personnel and/or equipment expenses are initially incurred by the Responding Company in response to the Requesting Company’s needs and will terminate when such employees or equipment have returned to the Responding Company. The Requesting Company will be charged all costs and expenses incurred by the Responding Company related to the provision of Emergency Assistance, such as employees’ wages and benefits, employee travel and living expenses, replacement cost of materials and supplies, repair or replacement costs of equipment damaged or lost, charges for the use of transportation equipment and other equipment requested, and administrative and general costs that are properly allocable to the Emergency Assistance. The Joint Applicants represent that these principles governing cost and expenses under the Mutual Assistance Agreement are consistent with EEI’s “Suggested Governing Principles Covering Emergency Assistance Arrangements Between Edison Electric Institute Member Companies,” which the Joint Applicants state is illustrative of mutual assistance agreements nationwide.

The Mutual Assistance Agreement provides that KU/ODP or PPL Electric may terminate the agreement by providing sixty (60) days’ written notice to the other party. The Mutual Assistance Agreement contains a five (5)-year period of authorization, to become effective upon the date of approval by either the Commission or the Pennsylvania Public Utility Commission

("PPUC"), whichever occurs later,<sup>9</sup> and does not provide for renewal but may be renewed in the future with the Commission's approval.

The Joint Applicants represent that the Utility Services Agreements are in the public interest and that, as with past services agreements, the Utility Services Agreements are integral to achieving the benefits of the recent acquisition of KU/ODP by PPL approved in Case No. PUE-2010-00060<sup>10</sup> and those mergers previously approved by the Commission in Case Nos. PUA-1997-00041, PUA-2000-00020, and PUA-2001-00028.<sup>11</sup> The Utility Services Agreements will allow for the continued performance of centralized staff functions, mutual assistance, and other services, and will facilitate the proper allocation of costs among the Joint Applicants. In addition, each of the Utility Services Agreements contains a five (5)-year period of authorization, which is consistent with the approval period for affiliate agreements established by the Commission in recent Affiliates Act approvals.<sup>12</sup>

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<sup>9</sup> The Joint Applicants represent that, in addition to KU/ODP requiring approval from the Commission, PPL Electric must receive approval from the PPUC before the Mutual Assistance Agreement becomes effective.

<sup>10</sup> In its 2010 Order, the Commission approved the transfer of ownership and control of KU/ODP to PPL through PPL's acquisition of LKE, KU/ODP's direct parent company. See note 2 *supra*.

<sup>11</sup> *Petition of Kentucky Utilities Company, d/b/a Old Dominion Power Company, KU Energy Corporation, and LG&E Energy Corp., For approval of the acquisition of control of Kentucky Utilities Company by LG&E Energy Corp.*, Case No. PUA-1997-00041, 1998 S.C.C. Ann. Rept. 162, Consent Order (Jan. 20, 1998); *Joint Petition of PowerGen plc, LG&E Energy Corp., and Kentucky Utilities Company, d/b/a Old Dominion Power Company, For approval of a merger*, Case No. PUA-2000-00020, 2000 S.C.C. Ann. Rept. 175, Final Order (July 21, 2000); and *Joint Petition of E.ON AG, PowerGen plc, LG&E Energy Corp., and Kentucky Utilities Company, d/b/a Old Dominion Power Company, For approval of an acquisition*, Case No. PUA-2001-00028, 2001 S.C.C. Ann. Rept. 196, Final Order (Oct. 5, 2001).

<sup>12</sup> See, e.g., *Application of East Coast Transport, Inc., and Tenaska, Inc., For approval of transactions under Chapter 4 of Title 56 of the Code of Virginia*, Case No. PUE-2009-00042, 2009 S.C.C. Ann. Rept. 474, Order Granting Approval (Aug. 3, 2009); *Joint Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, Louisville Gas and Electric Company, and LG&E and KU Services Company, For authority to engage in affiliate transactions and to enter into an Amended and Restated Utility Service Agreement pursuant to Chapter 4 of Title 56 of the Code of Virginia, § 56-76 et seq.*, Case No. PUE-2010-00141, Doc. Con. Cen. No. 447468, Order Granting Authority (May 11, 2011); *Application of NTELOS Telephone Inc., For approval of an amendment to an Affiliates Agreement pursuant to the Affiliates Act, Va. Code § 56-76 et seq.*, Case No. PUC-2011-00040, Doc. Con. Cen. No. 451473, Order Granting Approval (Aug. 26, 2011).

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that the above-described affiliate transactions and the Utility Services Agreements are in the public interest and should, therefore, be approved subject to the requirements recommended in the Commission Staff's Action Brief filed contemporaneously with this Order and noted below.

Accordingly, IT IS ORDERED THAT:

(1) Pursuant to § 56-77 of the Code, the Joint Applicants are hereby granted authority to engage in affiliate transactions and to enter into the four (4) Utility Services Agreements as described herein, provided that the requirements as set forth herein are met.

(2) Should KU/ODP wish to continue operating under any of the Utility Services Agreements, as approved herein, after the five (5)-year period of authorization, subsequent Commission approval shall be required.

(3) The authority granted herein for the Amended Services Agreement shall not include the provision by LK Services or LG&E of services to KU/ODP through the use of KU/ODP affiliates. Should LK Services or LG&E desire to use KU/ODP affiliates in providing services, KU/ODP shall be required to file a separate application for approval pursuant to the Affiliates Act.

(4) Approval of the Utility Services Agreements shall be limited to the services specifically identified in each of the Utility Services Agreements. Should KU/ODP desire to obtain additional services from or provide additional services to its affiliates, other than those services specifically listed in the Utility Services Agreements approved in this case, subsequent Commission approval shall be required.

(5) Separate Commission approval shall be required for any changes in the terms and conditions in each of the Utility Services Agreements approved herein, including changes in allocation methodologies, service category descriptions, and successors and assigns.

(6) KU/ODP shall maintain records to demonstrate that the services provided by KU/ODP to its affiliates are cost beneficial to Virginia customers and that, for all services provided to its affiliates where a market and a market price may exist, KU/ODP shall bear the burden of showing that it charged the higher of cost or market for such services. Likewise, where services are provided to KU/ODP by its affiliates, KU/ODP's records must demonstrate that such services are beneficial to Virginia customers and that, where a market and a market price exist, KU/ODP paid the lower of cost or market for such services. Records of such investigations and comparisons shall be available for Commission Staff review upon request.

(7) KU/ODP shall file executed copies of each of the Utility Services Agreements approved herein within thirty (30) days of the date of this Order Granting Authority or within thirty (30) days of the agreement becoming effective, whichever occurs later, subject to administrative extension by the Commission's Director of Public Utility Accounting ("PUA Director").

(8) The authority granted herein shall supplement the authority granted in Case No. PUE-2010-00141.

(9) The authority granted herein shall not preclude the Commission from exercising the provisions of §§ 56-78 and 56-80 of the Code hereafter.

(10) The Commission reserves the right to examine the books and records of any affiliate in connection with the authority granted herein, whether or not such affiliate is regulated by this Commission.

(11) The authority granted herein shall have no ratemaking implications for annual informational filings or future rate proceedings. Specifically, it will not guarantee the recovery of any costs directly or indirectly related to the Utility Services Agreements.

(12) All transactions under the Utility Services Agreements shall be included in KU/ODP's Annual Report of Affiliate Transactions ("ARAT") submitted to the Commission's PUA Director on or before May 1 of each year, which deadline may be extended administratively by the Commission's PUA Director. In addition to information currently provided in the ARAT, all transactions under the Utility Services Agreements shall be reported in the ARAT as ordered in Case No. PUE-2010-00141.

(13) If annual informational and/or general rate case filings are not based on a calendar year, then KU/ODP shall include the affiliate information contained in the ARAT in such filings.

(14) There appearing nothing further to be done in this matter, it is hereby dismissed.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:  
Kendrick R. Riggs, Esquire, Stoll Keenon Ogden PLLC, 2000 PNC Plaza, 500 West Jefferson Street, Louisville, Kentucky 40202-2828; Allyson K. Sturgeon, Esquire, Senior Corporate Attorney, LG&E and KU Energy LLC, 220 West Main Street, Louisville, Kentucky 40202; and Lonnie E. Bellar, Vice President, State Regulation and Rates, LG&E and KU Energy LLC, 220 West Main Street, Louisville, Kentucky 40202; and a copy shall be delivered to the Commission's Office of General Counsel and the Divisions of Public Utility Accounting and Energy Regulation.