November 3, 2014

PJM Board of Managers
PJM Interconnection, LLC
2750 Monroe Boulevard
Audobon, PA 19403

RE: Late-Filed Comment on the PJM Capacity Performance Proposal

Dear Board Members:

The Kentucky Public Service Commission ("KPSC") respectfully requests that the PJM Board of Managers ("PJM Board") accepts this late-filed comment on the capacity performance proposal issued by the PJM Interconnection, LLC ("PJM"), as revised on October 7, 2014. The revised capacity performance proposal for the first time provides that the Capacity Performance product requirements, as proposed for Reliability Pricing Model Entities, would equally apply to Fix Resource Requirement ("FRR") Entities, including resource mix, eligibility requirements, and penalties. KPSC notes that Kentucky jurisdictional electric utilities operate within a traditional vertically integrated regulatory framework and that two of its jurisdictional electric utilities, Duke Energy Kentucky, Inc. ("Duke Kentucky") and Kentucky Power Company ("Kentucky Power"), participate in PJM as FRR Entities.

On October 28, 2014, American Electric Power Service Corporation and Duke Energy (jointly "AEP/Duke Energy"), on behalf of their state-regulated utility affiliates within PJM, Kentucky Power and Duke Kentucky, respectively, submitted comments to the revised capacity performance proposal. The AEP/Duke Energy comment states that the Capacity Performance requirements would not be able to work within the FRR construct and would effectively and unlawfully remove an FRR entity’s option to self-supply.

On October 28, 2014, the Indiana Utility Regulatory Commission, the Michigan Public Service Commission, and the Indiana Office of Utility Consumer Counselor (collectively "IURC/MPSC") submitted joint comments to the capacity performance proposal. The IURC/MPSC request that FRR Entities be exempt from the Capacity Performance requirements on the basis that the proposed Capacity Performance
requirements places burdens on FRR Entities located in states that retain traditional regulation like Indiana and Michigan in contravention of the Federal Power Act.

KPSC acknowledges and understands PJM’s concerns regarding the performance of generating units in its footprint during the extreme winter weather events in January of 2014 caused by the Polar Vortex. However, the KPSC desires to express its support for the concerns expressed in the comments submitted by AEP and Duke Kentucky and by the IURC, MPSC, and the Indiana Office of Utility Consumer Counselor. KPSC specifically express its support for the request to modify the capacity performance proposal such that the FRR Entities are exempted from the Capacity Performance requirements.

Sincerely,

[Signature]

David L. Armstrong
Chairman