

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A REVIEW OF THE ADEQUACY OF)	ADMINISTRATIVE
KENTUCKY'S GENERATION)	CASE NO. 387
CAPACITY AND TRANSMISSION)	
SYSTEM		

SECOND DATA REQUEST OF COMMISSION STAFF

Kentucky Power Company d/b/a American Electric Power ("Kentucky Power"), East Kentucky Power Cooperative, Inc. ("EKPC"), Kentucky Utilities Company ("KU"), Louisville Gas and Electric Company ("LG&E"), Big Rivers Electric Corporation ("Big Rivers"), and The Union Light, Heat and Power Company ("ULH&P") are requested, pursuant to 807 KAR 5:001, to file with the Commission the original and 12 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before August 30, 2001. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be give to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

The following questions are directed to each utility noted above for response:

1. One of the activities of Regional Transmission Organizations (“RTO”) will be the analysis of transmission constraints and the development of solutions from a regional perspective. Currently, the siting of new transmission routes resides with individual states. However, the transmission systems contained in the RTOs cover several states.

a. Does the utility favor continuation of individual states having siting jurisdiction over transmission routes? Explain the response.

b. If yes to part (a.), describe how continued state jurisdiction over transmission siting will impact the analysis and planning of an RTO, which will be addressing transmission problems from a regional, rather than state, perspective.

c. Some groups have advocated that the siting jurisdiction be transferred to regional approving authorities, which would be made up of the various state commissions in the region, or to the Federal Energy Regulatory Commission. What is the utility’s position on these alternatives?

2. The possibility exists that at least three different RTOs could be administering the transmission system within Kentucky.

a. Does the utility believe that having Kentucky covered by multiple RTOs will be a positive or negative situation? Explain the response.

b. Would having Kentucky as part of one RTO be a more or less desirable situation? Explain the response.

3. Will increased demand for transmission capacity increase transmission cost for your native load? Explain the response.

4. Are generation unit maintenance schedules coordinated among interconnected utilities? If yes, explain how the schedules are coordinated. If not, discuss how reliability could be jeopardized by generating units of interconnected utilities being out of service simultaneously.

The following questions are directed to Kentucky Power:

5. LG&E and KU have indicated that more OVEC capacity has recently been made available to them. Is this true for American Electric Power (“AEP”) as well? If so, does AEP have any plans to make that capacity available to Kentucky Power for Kentucky customers?

6. Refer to the direct testimony of Myron Adams (“Adams Testimony”) and MDA Exhibit 1. Kentucky Power’s winter peak demand is forecast to grow at an average annual rate of roughly two percent from 2002 through 2006, but that rate declines to roughly one percent from 2007 through 2010. The testimony refers to the use of short- and long-term forecasts in developing the demand forecast. Identify and describe the factors that cause the decline in the average growth rate beginning in 2007 and discuss Kentucky Power’s level of confidence in these forecast results.

7. Refer to Kentucky Power’s response to Item 4 of the Commission’s July 2, 2001 Order. Explain why Kentucky Power does not develop a high case load forecast.

8. Refer to the Adams Testimony and MDA Exhibit 2 which shows a significant increase in Kentucky Power’s capacity deficit beginning in 2005 due to the loss of 390 megawatts currently provided from the Rockport Generating Station (“Rockport”) under a unit power agreement.

a. Rockport is owned by affiliates of Kentucky Power. Provide a narrative discussion of any efforts by Kentucky Power to either extend or renew the Rockport agreement. Provide copies of any correspondence related to those attempts.

b. If Kentucky Power has not sought to extend or renew the Rockport agreement, explain why not and identify the criteria relied upon in determining that such a decision is in the best interest of Kentucky Power's ratepayers and will result in the lowest cost for power in the future.

9. The direct testimony of Paul B. Johnson refers to 25,000 megawatts of AEP generation connected to the AEP East system and an expected summer 2001 peak load of 23,000 megawatts. Explain whether a reserve margin of 2,000 megawatts, or 8.6 percent, is considered acceptable in light of AEP's 12 percent reserve margin used for planning purposes.

10. Refer to the Adams Testimony and MDA Exhibit 3. Kentucky Power has no plans to add generating capacity because it believes new power plant construction in the region will negate the need for new company-owned capacity.

a. Kentucky Power has no control of the announced generating capacity which it indicates it expects to rely upon in the future and has no guarantee that a significant portion of that capacity will be completed. Explain why Kentucky Power is confident it can rely on such capacity in the future.

b. Provide, on a yearly basis, a listing of the announced capacity shown in MDA Exhibit 3 that identifies the capacity by type, i.e. – base, intermediate, peaking, and by fuel source, i.e. – coal, natural gas, oil, hydro, etc.

11. Refer to the Adams Testimony at page 9 that includes the statement, “Furthermore, market price may decline below the level that would justify new company power plant construction.”

a. The statement implies that market prices at present exceed the level necessary to justify new company power plant construction. Provide the level of market prices to which Mr. Adams was referring in that statement.

b. Explain why the statement indicates that prices may decline (emphasis added). Specifically describe the conditions that will influence market prices and explain why there is uncertainty as to whether prices will decline to a point below the level that could justify new company power plant construction.

c. Given the uncertainty about market prices, explain in detail why Kentucky Power is planning to rely upon the wholesale power market to the extent indicated in its testimony and data responses.

12. Does Kentucky Power have any study or analysis that demonstrates that, over a 35-year period, purchasing capacity at market based prices will be less expensive than constructing capacity? If yes, provide copies of the study or analysis.

13. Explain how transmission for native load is currently reserved on Kentucky Power’s transmission system.

14. How will transmission for Kentucky Power’s native load be reserved and billed/recovered when the RTO is operational? Do you expect the transmission costs to serve native load to increase under the RTO tariff? Explain the response and the amount of any increase. (For purposes of this question, assume that there is no retail

rate moratorium and that the proposed modifications to the American Electric Power Interconnection Agreement are approved without change.)

15. Kentucky Power's response to the Commission's July 2, 2001 Order, Item 18, states that the AEP transmission system currently has adequate capacity to reliably serve approximately 1500 MW of native customers' peak demand, but your peak demand is shown going from 1538 MW in 2001/2002 to 1773 MW in 2010/2011.

a. Explain how you plan to increase transmission capacity to meet the forecasted peak demand.

b. Explain whether additional transmission requirements of merchant plants in your service territory will reduce the capability to reliably serve Kentucky Power's native load.

c. Explain whether additional transmission of wheeled power through the AEP transmission system will reduce the capability to reliably serve Kentucky Power's native load.

The following questions are directed to EKPC:

16. Describe EKPC's current plans concerning participation in a RTO. Include with this response a discussion of the alternatives being considered and indicate when EKPC plans to make a final decision about joining an RTO.

17. The testimony of Ronald Brown indicates that EKPC as a winter-peaking utility intends to meet its winter peak needs with wholesale power purchases. What risks, if any, does EKPC bear by relying upon this strategy of purchasing vs. building to meet its winter peak needs?

18. In response to Item 3 of the Commission July 2, 2001 Order, EKPC states that the requested cost information is proprietary and requests not to provide it due to competitive reasons. EKPC bases its request on its concern that competitors will obtain such information, if granted confidential protection, pursuant to confidentiality agreements. This response is not acceptable. This information should be provided, as originally requested, pursuant to a request for confidential treatment.

The following questions are directed to KU:

19. Refer to KU's response to the Commission's July 2, 2001 Order, Item 3.

a. Given the monthly variations in MWH and average dollars per MWH for the different power purchases, explain in detail how the monthly total dollars per MWH for each month can equal \$24.89/MWH. Include workpapers and calculations supporting the amounts reported for each month in the period.

b. Provide the workpapers and calculations supporting the amounts reported for each year's total dollars per MWH.

20. According to KU's response to the Commission's July 2, 2001 Order, Item 6, the capacity made available to KU from participation in OVEC has increased since the filing of the 1999 IRP. Provide details of this increased capacity, including the amount of increase to KU, the years in which it will be available, and how this unforeseen increase affects other supply-side or demand-side resources that were recommended by the 1999 IRP.

21. How is transmission for native load currently reserved on KU's transmission system?

22. How will transmission for KU's native load be reserved and billed/recovered when your RTO is operational? Do you expect transmission costs for native load to increase under the RTO tariff? Explain.

The following questions are directed to LG&E:

23. Refer to LG&E's response to the Commission's July 2, 2001 Order, Item 3.

a. Given the monthly variations in MWH and average dollars per MWH for the different power purchases, explain in detail how the monthly total dollars per MWH for each month can equal \$24.89/MWH. Include workpapers and calculations supporting the amounts reported for each month in the period.

b. Explain in detail how the annual total dollars per MWH can be \$29.67/MWH for 1999 and \$26.38/MWH for 2000, if in each month of the appropriate year, the monthly total dollars per MWH equaled \$24.89/MWH. Include workpapers and calculations supporting the amounts reported for each year's totals.

24. According to LG&E's response to the Commission's July 2, 2001 Order, Item 6, the capacity made available to LG&E from participation in OVEC has increased since the filing of the 1999 IRP. Provide details of this increased capacity, including the amount of increase to LG&E, the years in which it will be available, and how this unforeseen increase affects other supply-side or demand-side resources that were recommended by the 1999 IRP.

25. Explain how transmission for native load is currently reserved on LG&E's transmission system.

26. How will transmission for LG&E's native load be reserved and billed/recovered when your RTO is operational? Do you expect transmission costs for native load to increase under the RTO tariff? Explain the response.

The following questions are directed to ULH&P:

27. Refer to pages 6 and 7 of the direct testimony of Douglas F. Esamann, which references ULH&P and other distribution-only utilities in Kentucky, including cooperatives and municipalities, that rely exclusively on purchased power. ULH&P is a wholly-owned subsidiary of its wholesale power supplier. Provide a list showing any other distribution-only utilities operating in Kentucky that have the same less-than-arms-length relationship with their wholesale power supplier.

28. Refer to Item 4 of ULH&P's response to the Commission's July 2, 2001 Order. Through 2006 ULH&P's summer peak demand is forecast to grow at an average annual rate of roughly two percent, but that rate declines to roughly one percent from 2007 through 2010. Identify and describe the factors that cause the decline in the average growth rate beginning in 2007 and discuss ULH&P's level of confidence in these forecast results.

29. Explain how transmission for native load is currently reserved on Cinergy's and ULH&P's transmission systems.

30. How will transmission for ULH&P's native load be reserved and billed/recovered when your RTO is operational? Do you expect ULH&P's transmission costs to serve native load to increase under the RTO tariff? Explain the response.



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cc: Parties of Record