

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE APPLICATION OF THE	)	
FUEL ADJUSTMENT CLAUSE OF KENTUCKY	)	CASE NO. 2000-00497-B
UTILITIES COMPANY FROM MAY 1, 2001	)	
THROUGH OCTOBER 31, 2001	)	

COMMISSION STAFF S SUPPLEMENTAL INTERROGATORIES AND REQUESTS  
FOR PRODUCTION OF DOCUMENTS TO KENTUCKY UTILITIES COMPANY

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Kentucky Utilities Company ("KU") shall file the original and 8 copies of the following information with the Commission no later than June 14, 2002, with a copy to all parties of record. Each copy of the information requested shall 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 shall be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to KU s Response to Kentucky Industrial Utility Customers, Inc. s ( KIUC ) First Set of Data Requests, Item 14.

a. Provide each KU solicitation to which the suppliers were responding.

b. Provide all responses to each solicitation provided in Item 1(a).

2. Refer to KU's Response to KIUC's First Set of Data Requests, Item 9. For each coal supplier that failed to make contract deliveries of coal to KU's Ghent Station from June 1, 2000 to October 31, 2001, provide a narrative description of KU's assessment of that supplier's production problems. KU's response should not cross-reference or refer to other responses in this proceeding.

3. The May 17, 2001 letter agreement between Energy Coal SpA and Western Kentucky Energy Corporation ( WKE ) for the purchase of foreign coal states that the BTU level of this coal is 11,835 BTU per pound. State whether the BTU level of this coal is within the BTU specifications set forth in KU's coal solicitation of June 20, 2001. If not, explain why this coal would have been considered for assignment to the regulated utility by LG&E Energy Corp. management. See Memorandum to Contract File from Mark McAdams, Manager of Fuels Strategy and Procurement, WKE (June 11, 2001) at 3.

4. a. Refer to Electronic Mail Message from Mike Dotson, LG&E/KU Manager of Fuels, LG&E Energy Corporation, to Steven Dufour, Senior Fuel Contract Administrator, Kentucky Utilities Company (Dec. 18, 2001). State whether the payment of \$145,256.25 to Crouse Corporation is included in the average price per ton of \$59.31 that KU reported for the foreign coal on its Analysis of Fuel Purchases for July 2001 contained in KU's monthly fuel adjustment clause report for July 2001.

b. If the response to Item 4(a) is no, state whether KU included the payment of \$145,256.25 to Crouse Corporation in the average price per ton of coal in

its Analysis of Fuel Purchases for any other reporting period. If yes, state the period(s) in which this cost was included.

b. List and describe each cost or expense that KU incurred as a result of its purchase of the foreign coal from WKE. For each cost listed, state whether KU included that cost when calculating the foreign coal's average price per ton as \$59.31.

5. Refer to Electronic Mail Message from Mark McAdams, Manager Fuels Strategy and Procurement, WKE, to Steven Dufour, Senior Fuel Contract Administrator, KU, and Gerhard Haimberger, LG&E/KU Director of Fuels (July 17, 2001).

a. Describe in detail the problems with the Ghent Plant's barge unloader that occurred from July through September 2001 and the effect of these problems on the Ghent Plant's coal supply during these months.

b. State the total amount of coal in tons that the 55 barges referred to in the electronic message would hold.

6. Refer to KU's Response to Commission Staff's Interrogatories and Requests for Production of Documents, Item 10. Describe KU's ability to blend different fuels for its Ghent Units 2, 3 and 4 and compare this ability to WKE's ability to blend fuels at the plants that WKE operates.

7. Refer to KU's Response to Commission Staff's Interrogatories and Requests for Production of Documents, Item 12, and Prepared Direct Testimony of Gregory P. Cantrell, Exhibit GPC-5.

a. Explain why KU did not also reject the bid of Glencore Ltd. to provide 70,000 tons of coal with an 11,700 BTU for low BTU as well as high sulfur content.

b. Explain why, given the tight market conditions that existed at the time bids were submitted, KU failed to engage suppliers whose bids were close to meeting bid specifications in further discussions to obtain more acceptable bids.

8. At page 2 of KU's Response to Commission Staff's Interrogatories and Requests for Production of Documents, Item 14(b), Mr. Cantrell states that [a]fter again reviewing and considering the bids offered for compliance coal, I decided that none of the remaining bids for compliance coal met the specifications of the Ghent units and/or KU's near-term reliability needs. Given that KU's purchases for Ghent Units 2, 3 and 4 for this period included coals with BTU levels of 11,600 BTU and less and that KU purchased foreign coal with a contract specified BTU level of 11,865 BTU, explain why the Glencore bids to provide coal with BTU levels of 11,500 and 11,600 were considered unacceptable due to low BTU.

9. At page 3 of KU's Response to Commission Staff's Interrogatories and Requests for Production of Documents, Item 14(b), Mr. Cantrell states that Mr. McAdams had arranged to send a few barges of the [foreign] coal to one company as a test, which coal was going to be priced in the low to mid \$60/ton range. Provide all documents related to this arrangement that are in the possession of KU or any other affiliate or entity of the Powergen Holding Company System.

10. At page 2 of KU's Response to Commission Staff's Interrogatories and Requests for Production of Documents, Item 14(b), Mr. Cantrell refers to operational constraints at Ghent. Describe in detail these constraints.

11. At page 2 of KU's Response to Commission Staff's Interrogatories and Requests for Production of Documents, Item 14(b), Mr. Cantrell states that delivery of

Power Basin River coal purchased as a result of the June 20, 2001 solicitation would not occur until the fall of 2001. Describe the effect, if any, that this delay in the delivery had on KU's analysis of its coal needs for the months of July through September.

12. Refer to KU's Response to Commission Staff's Interrogatories and Requests for Production of Documents, Item 14(b), and Prepared Direct Testimony of Gregory P. Cantrell at 15.

a. Explain why, given the market conditions that existed at the time of its purchase of foreign coal from WKE, KU chose to purchase only 100,000 tons of this coal and not to purchase the entire 150,000 tons that WKE offered.

b. State the use that WKE made of the remaining 50,000 tons of foreign coal that it offered to sell to KU. If WKE sold this coal to another entity, identify the entity or entities and state the sale price(s).

13. Refer to KU's Response to Commission Staff's Interrogatories and Requests for Production of Documents, Item 17.

a. State the date on which KU entered into an agreement with Sunrise Coal, Inc. to load coal into trucks at WKE's Wilson Station for delivery to Green River Station.

b. Provide the agreement between KU and Sunrise Coal, Inc.

14. List all outstanding and unresolved disputes between KU and its coal suppliers. This listing should contain the name of each supplier, the contract in dispute, and a description of the nature of the dispute and the current status of the dispute.

15. Refer to Prepared Direct Testimony of Gregory P. Cantrell at 13, 16, and Exhibit GPC-5.

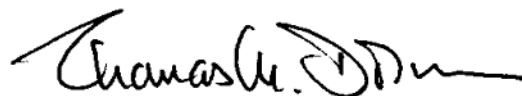
a. Exhibit GPC-5 describes certain bids of Peabody Coaltrade and Island Fork Construction as price high. In his testimony, however, Mr. Cantrell, did not identify high price as a reason for the rejection of any bid. State whether KU would have accepted or further investigated any of these bids if the supplier had quoted the sources of the offered coal.

b. Three bids for compliance coal (Island Fork and Enron Global) involved coal with BTW levels of 13,000 or higher BTU. State whether coal with such BTU levels could have been used at Ghent Units 2, 3 and 4 between July 1 through September 30, 2001. Explain.

16. Refer to Prepared Direct Testimony of Gregory P. Cantrell at 17, lines 7 - 9.

a. Indicate the specific requirements and regulations to which Mr. Cantrell refers.

b. For each requirement or regulation listed in Item 16(a), explain how KU's coal purchase was in accordance with that transaction.



---

Thomas M. Dorman  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, Kentucky 40602

DATED: May 31, 2002

cc: Parties of Record