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MAR 14 2005

PUBLIC SERVICE
COMMISSION

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March 11, 2005

VIA FEDERAL EXPRESS

#7910-0369-6040

Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

**RE: *In the Matter of the Investigation Into the Membership of Louisville Gas and Electric Company and Kentucky Utilities Company in the Midwest Independent Transmission System Operator*
Case No. 2003-00266**

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and ten copies of Louisville Gas and Electric Company's and Kentucky Utilities Company's Requests for Information to the Midwest Independent Transmission System Operator, Inc. in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me in the enclosed self-addressed stamped envelope.

Should you have any questions or need any additional information, please contact me at your convenience.

Very truly yours,

Kendrick R. Riggs

KRR/ec

Enclosures

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAR 14 2005

In the Matter of:

PUBLIC SERVICE
COMMISSION

**INVESTIGATION INTO THE)
MEMBERSHIP OF LOUISVILLE)
GAS AND ELECTRIC COMPANY)
AND KENTUCKY UTILITIES)
COMPANY IN THE MIDWEST)
INDEPENDENT TRANSMISSION)
SYSTEM OPERATOR)**

CASE NO. 2003-00266

**LOUISVILLE GAS AND ELECTRIC COMPANY'S AND
KENTUCKY UTILITIES COMPANY'S
REQUESTS FOR INFORMATION TO
THE MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.**

Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively, the "Companies") submit their requests for information to the Midwest Independent Transmission System Operator, Inc. ("MISO").

As used herein, "Documents" include all correspondence, memoranda, notes, maps, drawings, surveys or other written recorded materials, whether external or internal, of every kind or description, in the possession of or accessible to MISO, its witnesses, consultants or its counsel.

Please identify by name, title, position and responsibility the person or persons answering each of these requests for information for MISO at the bottom of each response.

1. Please provide the following PROMOD IV and Powerbase files used for this cost/benefit study.

- a. All Powerbase ".XML" files
- b. The "Event" File
- c. The ".RAW" power flow file

2. On page 1, line 22, of his March 3, 2005, testimony, Dr. McNamara uses the phrase “essentially the same portfolio.”

- a. Please define what Dr. McNamara means by use of the word “essentially”: is the portfolio the same as the Companies or not, and if not, what is different about the portfolio in his analysis?
- b. Please identify the exact resources that are different by generator and/or contract.
- c. Please explain why Dr. McNamara used a different portfolio.

3. In its February 18, 2005, pleading at pages 3 and 5 filed with the Commission in this investigation, MISO stated:

[T]he Midwest ISO did not retain or specially employ Dr. McNamara for this investigation or to provide expert opinion testimony in the investigation. Dr. McNamara’s testimony before this Commission is [as] an officer of the Midwest ISO and presents the position of the Midwest ISO on the issues under investigation. The Midwest ISO designated Dr. McNamara to present that position because of his economics expertise and his first-hand knowledge of the development and implementation of the Day 2 Markets as set out in the Midwest ISO’s Energy Markets Tariff.

...

[M]uch of Dr. McNamara’s testimony is not opinion at all, but reports facts and the Midwest ISO’s positions.

- a. Is Dr. McNamara a competent and qualified witness to testify on behalf of MISO on all matters discussed in all his testimony and the data responses he has sponsored in this investigation?
- b. Is Dr. McNamara presenting any testimony as an expert witness on any issues in this investigation? If so, please state the specific issues on which Dr. McNamara is testifying as an expert, and provide a description of his qualifications to offer such expert testimony on each issue separately.

- c. In particular, is Dr. McNamara an expert on transmission reliability?
 - i. If so, please provide a detailed description of his qualifications to offer opinions on the reliability of the transmission system.
- d. If there are any issues addressed in Dr. McNamara's testimony or the data responses he has sponsored which Dr. McNamara will not be willing or qualified to address under cross-examination, please:
 - i. Identify those issues;
 - ii. State the names of all other witnesses MISO will produce to testify on those issues at the hearing; and
 - iii. Identify the issues on which such witnesses will offer testimony.

4. The cost-benefit study submitted on November 14, 2004 estimates purchased power costs for the In MISO option of \$1.5 million (rounded). The cost-benefit study submitted on January 20, 2005 estimates purchased power costs for the In MISO option of \$4.1 million (rounded), and the cost-benefit study submitted February 21, 2005, estimates purchased power costs for the In MISO option of \$89.1 million (rounded). The cost-benefit study submitted on March 3, 2005 estimates purchased power costs for the In MISO option of \$103.4 million (rounded). The inclusion of the EEI/OVEC contracts accounts for about \$73 million of the \$89.1 million reported in the February 21, 2005, cost-benefit study and of the \$103.4 million in the March 3, 2005, cost-benefit study; however, the purchase power costs absent EEI/OVEC contracts are \$16 million in the February 21, 2005, cost-benefit study and \$30.3 million in the March 3, 2005, cost-benefit study. Similarly divergent estimates for purchased power costs were obtained as well for the TORC option in the three studies.

- a. Please provide a spreadsheet that breaks out the purchased power costs and in particular explains, notwithstanding the EEI/OVEC contract amounts, how the purchased power costs in the cost-benefit study submitted February 21, 2005 can be 10.6 times the purchase power costs in the November 2004 study and 4 times the purchase power costs in the January 20, 2005, study.

5. The cost-benefit analysis MISO produced on March 3, 2005, indicates that the Companies' volume-weighted average market prices for generation will increase from Day 1 to Day 2 (see Exh. RRM Table 4C). Yet in MISO's June 25, 2004, FERC compliance filing¹ containing testimony and work papers concerning a "detailed production costing and power flow analysis ... conducted using the PROMOD IV model," Dr. McNamara stated that "[t]he average load zone market clearing price of power in the Midwest ISO footprint is forecast to be lower under the Midwest ISO TEMT by \$1.18 per MWH" and "the average price paid for power imports would fall by an average of \$2.74 per MWH or 9.1%" (pp. 50-51).

- a. Please explain the apparent discrepancy between what MISO is reporting in this case and what it reported to FERC regarding the effect on average market prices of moving from Day 1 to Day 2.
- b. Please provide the following PROMOD IV and Powerbase files used in MISO's above-referenced FERC study:
 - i. All Powerbase ".XML" files
 - ii. The "Event" File
 - iii. The ".RAW" power flow file

¹ FERC docket numbers ER04-691-000 and EL04-104-000.

- c. Please state and describe in detail any and all methodological differences between the PROMOD study MISO conducted for this proceeding and the PROMOD study MISO conducted for FERC.

6. The cost-benefit analysis MISO produced on March 3, 2005, indicates that the Companies will enjoy over \$22 million annually in FTR revenues (net of congestion costs) should they remain MISO members. Yet in a PROMOD study MISO performed for Wisconsin MISO stakeholders dated March 26, 2004, MISO reported that the Wisconsin stakeholders will also enjoy over \$3.5 million annually in FTR revenues (net of congestion costs) (see p. iv, Table 1).

- a. Please state whether MISO agrees that, ideally, total FTR revenues should equal total congestion costs across the MISO footprint. Please explain your answer in detail.
- b. If MISO agrees that total FTR revenues and total congestion costs should be equal in the aggregate, does MISO further agree that, if the Companies and the Wisconsin stakeholders are to receive more in FTR revenues than they will pay to MISO in congestion costs, it must be true that other market participants will receive less in FTR revenues than they will pay in congestion costs?
 - i. If MISO agrees, please list which states or market participants will receive less FTR revenue than they will pay in congestion costs.
 - ii. If MISO does not agree, please explain in detail why MISO disagrees.

- c. Please provide the following PROMOD IV and Powerbase files used in MISO’s above-referenced Wisconsin study:
 - i. All Powerbase “.XML” files
 - ii. The “Event” File
 - iii. The “.RAW” power flow file
- d. Please state and describe in detail any and all methodological differences between the PROMOD study MISO conducted for this proceeding and the PROMOD study MISO conducted for the Wisconsin stakeholders.

7. The following table compiles the transmission revenue estimates for the TORC scenario from the four most recent MISO cost-benefit analyses.

Nov 19, 2004 testimony Table 2	\$19,580,566
Jan 20, 2005 testimony Table 2A	\$17,425,058
Feb 21, 2005 testimony Table 2B	\$11,174,434
Mar. 3, 2005 testimony Table 2C	\$6,449,557

Please provide details and justification for the reduction in Transmission Revenues for the TORC option in the March 3, 2005, study relative to the Transmission Revenues for the TORC option in the study filed on November 19, 2004. Please also provide any supporting information, calculations, and work papers necessary to reproduce the justification.

8. Referring to Table 2C, please identify the “Transmission Charges” that are referenced in the “Off System Sales Revenue Net of Transmission Charges.” Describe the transmission charges that are being “netted” in this revenue. Is the netting of these “Transmission Charges” consistent with the treatment of Transmission Revenues shown in Table 2C and referenced in question no. 7?

9. The MISO administrative cost has stayed constant at \$14,150,839 in all four of the MISO cost benefit studies completed since and including the Nov 19, 2004 study.

- a. Please provide the 5 year projections for Schedules 10, 16 and 17 rates that were used in the calculation.
- b. Was the calculation of Schedule 16 charges revised to reflect the actual quantity of FTRs allocated to LG&E and assumed in the calculation of FTR revenue by the MISO in the March 3, 2005 cost benefit study? If not, why not?

10. Please supply details describing the PROMOD IV pool structure and hurdle rates used for the MISO Day 1, MISO Day 2, and TORC cases.

11. Please supply details describing any differences in flowgate capacity between the MISO Day 1, MISO Day 2, and TORC cases.

12. Please provide details on how each item under the Generation and Purchased Power Cost on Exhibit RRM - Table 2C are allocated between Native Load and Off-System Sales.

13. Please describe how and what components are included in the Fixed O&M costs in Exhibit RRM - Table 2C.

- a. If these items are fixed, why are the values in the MISO and TORC cases different?

14. Dr. McNamara's testimony (March 3, 2005 submission, page 23, lines 14-15) states: "When adjusting the resource portfolio, we placed loads that were tied to specific generating units with those units."

- a. Is Dr. McNamara's phrase "resource portfolio" in reference to the Companies' resource portfolio or some other portfolio? If it is another

portfolio, please explain exactly what resources are included and how many MWs of each resource are included.

- b. If the answer to (a) is the Companies' resource portfolio, then please identify specifically what loads were tied to specific generating units in the adjusted resource portfolio. Also, please describe the load and generating units in detail, including but not limited to the MW of such loads and the specific generating units to which they were tied, and other operating characteristics of each.

15. Please provide a list of the specific buses that are used to calculate the average LG&E/KU generation LMP as labeled as column heading "LG&EGEN-NL" in worksheet "Congestion Costs" in spreadsheet "In MISO total Cost - Co Resources 03-02-05.xls" included on the CD delivered to the Companies on March 3, 2005.

- a. Was this average generation LMP calculation weighted by the total generation output of each unit or only by output going to native load?
- b. How is the impact of the OVEC purchase included in this simplified calculation of congestion cost to serve native load? Please provide a detailed response.

16. Refer to Dr. McNamara's testimony of March 3, 2005, at page 6 lines 6-7. Dr. McNamara states "The Midwest ISO runs more complex models that reflect actual bus level loads and generation throughout its footprint." Please explain how MISO's model, as applied to conduct the cost-benefit study submitted on March 3, 2005, reflected "actual" bus level loads and generation. Does this model purport to show exactly what the unit commitment and dispatch and redispatch would be under the Day 2 operations? If so, please explain how this modeling

program accomplishes “actual” bus level generation and bus level loads. If not, explain what is referred to by “actual” bus level loads and generation.

17. Refer to Dr. McNamara’s testimony of March 3, 2005, at page 7 lines 17-18. Dr. McNamara states: “This scenario combined low fuel prices with lower than anticipated flowgate utilization after market implementation.” Please explain the basis upon which “lower than anticipated flowgate utilization” was developed and describe and quantify the impact of this assumption on the results of the cost/benefit study submitted March 3, 2005 in contrast to the cost-benefit studies submitted on February 21, 2005, January 20, 2005, and November 14, 2004.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

18. The March 3, 2005, submission by MISO of testimony and exhibits supporting the cost-benefit study represents the fifth study submitted by MISO in the current proceeding, and the fourth since and including MISO's November 19, 2004, study. The two tables below summarize the results of all four of those studies, labeled November 19, 2004, Study, January 20, 2005, Study, February 21, 2005, Study and March 3, 2005, Study. Table A summarizes the four studies in terms of the In MISO option. Table B summarizes the four studies in terms of the TORC option.

- a. Please provide a detailed explanation of the changes that occur in each row (i.e., cost or revenue category) across the four studies from November to March. For each of the last three studies (January 20, 2005, Study, February 21, 2005, Study, and March 3, 2005 Study), list all the changes with respect to assumptions, data inputs and other aspects of modeling in each study relative to the study immediately preceding it.
- b. Explain in detail, on a row by row basis (i.e., by reference to Tables A and B), how the changes in assumptions, data or other aspect of modeling in each study relative to the study immediately preceding it are evidenced in that study.

Table A Summary of MISO's Four Estimates of the Costs and Revenues for the In MISO Option

Category	In MISO Case (November 19 Study)	In MISO Case (January 20 Study)	In MISO Case (February 21 Study)	In MISO Case (March 3 Study)
Costs				
RTO Administrative Costs				
Schedule 10, 16, and 17 Charges	14,150,839	14,150,839	14,150,839	14,150,839
<i>Subtotal</i>	14,150,839	14,150,839	14,150,839	14,150,839
Generation & Purchased Power Costs				
Native Load				
Fuel Costs	384,625,356	439,113,302	412,727,180	419,993,740
Fixed O&M Costs	197,553,638	197,920,896	152,327,658	139,732,540
Variable O&M Costs	36,838,596	42,604,890	32,138,445	30,783,635
Emission Costs	40,762,279	134,740,599	115,585,961	119,100,459
Purchased Power Costs	1,477,237	4,068,887	89,077,366	103,357,023
<i>Subtotal</i>	661,257,106	818,448,574	801,856,610	812,967,397
Off-system Sales				
Fuel Costs	176,023,086	154,011,047	113,954,078	76,221,423
Fixed O&M Costs	-3,137,990	-367,280	1,239,720	1,114,830
Variable O&M Costs	15,256,641	12,424,668	7,844,903	5,161,909
Emission Costs	16,272,908	45,122,394	35,317,416	24,922,128
Purchased Power Costs	-430,378	-226,818	-509,126	-570,876
<i>Subtotal</i>	203,984,267	210,964,011	157,846,991	106,849,414
Transmission Usage Charges				
Transmission Payments on Off-system Sales	Reflected in Off-system Sales Revenues which are presented net of Transmission Payments	Reflected in Off-system Sales Revenues which are presented net of Transmission Payments	Reflected in Off-system Sales Revenues which are presented net of Transmission Payments	Reflected in Off-system Sales Revenues which are presented net of Transmission Payments
Transmission Congestion Costs	35,204,526	47,225,127	34,481,398	44,427,737
<i>Subtotal</i>	35,204,526	47,225,127	34,481,398	44,427,737
Uplift Charges				
GFA Option B Uplift	331,392	978,426	1,850,816	1,952,216
Narrow Constrained Area Uplift	1,039,116	1,095,877	106,280	105,532
<i>Subtotal</i>	1,370,508	2,074,303	1,957,096	2,057,748
Administrative and General Costs				
Internal Administrative & General Costs for RTO Membership	2,620,000	2,620,000	2,620,000	2,620,000
Administrative & General Costs + Reliability Coordination Services	-	-	-	-
<i>Subtotal</i>	2,620,000	2,620,000	2,620,000	2,620,000
Total Costs	918,587,246	1,095,482,854	1,012,912,934	983,073,135

Revenues				
Off-system Sales				
Off-system Sales Revenue Net of Transmission Charges	265,464,074	266,985,873	190,386,855	122,221,282
<i>Subtotal</i>	265,464,074	266,985,873	190,386,855	122,221,282
Transmission Revenues				
MISO Distribution of Schedule 1,7, & 8 Transmission Revenues	25,672,746	25,672,746	25,672,746	25,672,746
Transmission Revenues from Off-system Sales			-	
<i>Subtotal</i>	25,672,746	25,672,746	25,672,746	25,672,746
Financial Transmission Rights				
Allocation of Financial Transmission Rights	56,039,359	68,899,863	65,912,553	66,944,818
Share of Net Revenue from Auction of FTRs	2,000,000	2,000,000	2,000,000	2,000,000
<i>Subtotal</i>	58,039,359	70,899,863	67,912,553	68,944,818
Total Revenues	349,176,179	363,558,482	283,972,154	216,838,846
Total Annual Cost to Serve Load	569,411,067	731,924,372	728,940,780	766,234,289

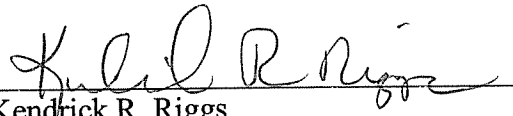
Table B Summary of MISO’s Four Estimates of the Costs and Revenues for the TORC Option

Category	TORC Case (November 19 Study)	TORC Case (January 20 Study)	TORC Case (February 21 Study)	TORC Case (March 3 Study)
Costs				
RTO Administrative Costs				
Schedule 10, 16, and 17 Charges	-	-		
<i>Subtotal</i>	-	-		
Generation & Purchased Power Costs				
Native Load				
Fuel Costs	388,038,801	442,609,132	420,533,873	429,273,798
Fixed O&M Costs	198,005,228	198,181,656	152,894,398	140,213,940
Variable O&M Costs	36,740,866	42,554,363	32,171,000	30,869,052
Emission Costs	41,235,887	136,484,687	118,304,262	121,768,773
Purchased Power Costs	1,205,480	3,739,748	87,945,061	102,165,432
<i>Subtotal</i>	665,226,262	823,569,586	811,848,594	824,290,995
Purchased Power Costs without EEI-OVEC Contracts				
Off-system Sales				
Fuel Costs	114,070,400	109,781,394	77,400,610	45,263,563
Fixed O&M Costs	-3,000,420	-398,000	806,620	726,410
Variable O&M Costs	9,636,696	8,721,043	5,275,458	3,087,076
Emission Costs	10,003,791	30,081,743	22,633,059	13,999,040
Purchased Power Costs	-322,187	-224,490	(579,375)	(391,727)
<i>Subtotal</i>	130,388,280	147,961,690	105,536,372	62,684,362
Transmission Usage Charges				
Transmission Payments on Off-system Sales	Reflected in Off-system Sales Revenues which are presented net of Transmission Payments	Reflected in Off-system Sales Revenues which are presented net of Transmission Payments	Reflected in Off-system Sales Revenues which are presented net of Transmission Payments	Reflected in Off-system Sales Revenues which are presented net of Transmission Payments -
Transmission Congestion Costs	-	-		-
<i>Subtotal</i>	-	-		-
Uplift Charges				
GFA Option B Uplift	-	-		
Narrow Constrained Area Uplift	-	-		
<i>Subtotal</i>	-	-		
Administrative and General Costs				
Internal Administrative & General Costs for RTO Membership	-	-		-
Administrative & General Costs + Reliability Coordination Services	1,840,000	1,840,000	1,840,000	1,840,000
<i>Subtotal</i>	1,840,000	1,840,000	1,840,000	1,840,000
Total Costs	797,454,542	973,371,276	919,224,966	888,815,357

Revenues				
Off-system Sales				
Off-system Sales Revenue Net of Transmission Charges	164,571,870	176,363,402	122,172,911	69,876,964
<i>Subtotal</i>	164,571,870	176,363,402	122,172,911	69,876,964
Transmission Revenues				
MISO Distribution of Schedule 1,7, & 8 Transmission Revenues	-	-	-	
Transmission Revenues from Off-system Sales	19,580,566	17,425,058	11,174,434	6,449,557
<i>Subtotal</i>	19,580,566	17,425,058	11,174,434	6,449,557
Financial Transmission Rights				
Allocation of Financial Transmission Rights	-	-	-	
Share of Net Revenue from Auction of FTRs	-	-	-	
<i>Subtotal</i>	-	-	-	
Total Revenues	184,152,436	193,788,460	133,347,345	76,326,521
Total Annual Cost to Serve Load	613,302,106	779,582,816	785,877,621	812,488,836

Dated: March 11, 2005

Respectfully submitted,



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Counsel for Louisville Gas and Electric
Company and Kentucky Utilities Company

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Requests for Information was served via first class U.S. mail, postage prepaid, this 11th day of March 2005, upon the following persons:

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Benjamin D. Allen
Yunker & Associates
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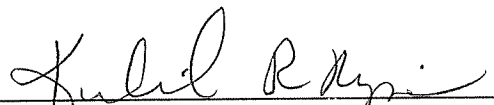
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