

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

Investigation into the Membership of
Louisville Gas and Electric Company
and Kentucky Utilities Company in the
Midwest Independent Transmission
System Operator, Inc.

OCT 9 6 2003

Case No. 2003-00266

**Supplemental Data Requests to LG&E and KU from
Midwest Independent Transmission System Operator, Inc.**

Midwest Independent Transmission System Operator, Inc. ("Midwest ISO"), pursuant to the scheduling in the Order dated July 31, 2003, hereby submits these data requests to Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU"):

Instructions

- a. Identify for each Request (a) the witness who is responding and will be prepared to answer further questions about the subject matter of that Request and (b) any other person who prepared or provided information for the response.
- b. These Requests are continuing, so as to require further and supplemental responses if LG&E/KU locates, receives, or generates additional information within the scope of these Requests between the time of the response and the time of any hearing conducted in this case.
- c. If any Request appears confusing or it is not clear what information is being sought, please seek clarification from the undersigned counsel.
- d. In these Requests, "document" refers to writings and records of every type and encompasses a tangible or intangible compilation of data or information.
 - i. Documents that are in electronic form, e.g., e-mail, computerized forms, or databases, may be provided as print-outs (hard copies) or sent in a usable electronic format on a diskette or other storage medium or via e-mail or the Internet.

- ii. If a document requested is readily available and downloadable from Internet (including the Web), it is a sufficient response to identify the document, provide a specific address, and give any necessary directions for downloading it.
 - iii. If a response is provided by reference to, or in the form of, a database, identify and explain each field or variable contained in or categorizing the data unless it is self-evident to a person not otherwise familiar with the database.
 - iv. If no document is responsive to a request calling for a document, then so state and treat the question as requesting a textual response.
- e. If LG&E/KU has objections to any Request on the grounds that the requested information is proprietary in nature, and LG&E/KU intends to seek confidential treatment of that information from the Commission pursuant to 807 KAR 5:001 § 7, please notify undersigned counsel in advance of filing and serving the responses regarding the subject matter and the intent to seek confidential treatment.
- f. Capitalized or *italicized* terms in these Data Requests are defined as follows:
- i. LG&E/KU — LG&E and KU, collectively and individually.
 - ii. Commission — Kentucky Public Service Commission.
 - iii. FERC — Federal Energy Regulatory Commission.
 - iv. *the cost-benefit analysis* — the cost-benefit analysis attached to the testimony of Mathew J. Morey as Exhibit MJM-1.
- g. References to earlier information requests are to “1 PSC #” or “1 MISO #”.

Information Requests

1. LG&E/KU’s states on page 3 of its response to 1 PSC 5(f) that it expects to incur expenses for legal and regulatory services in support of its participation in Midwest ISO “that would exceed those costs for similar services if the Companies were to withdraw from MISO and operate as a standalone system.”
 - a. Identify what type of “legal and regulatory” services LG&E/KU expects to employ “in support of its participation in MISO”.
 - b. Identify what type of “legal and regulatory” services LG&E/KU expects to employ in operating as a standalone system.

- c. Provide the basis for LG&E/KU's expectation that the legal and regulatory costs incurred in support of its participation in Midwest ISO will exceed those for similar services if LG&E/KU operated as a standalone system.
 - d. Provide details and any supporting documentation related to the estimated annual expenses of \$0.9 million if LG&E/KU remains a member of Midwest ISO.
2. Refer to 1 PSC 6, wherein LG&E/KU provides a statistical comparison of expenses incurred and revenues received both before and after it joined Midwest ISO.
 - a. Indicate whether the data provided for Midwest ISO Open Access Transmission revenues and expenses for the years 2002-03 excludes bundled load and off-system sales. If not, state the applicable amounts excluding bundled load and off-system sales.
 - b. If so, provide the applicable data for the bundled load and off-system sales, which LG&E/KU excluded from these totals.
3. In response to 1 PSC 13(b), LG&E/KU answered that *the cost-benefit analysis* did not address the impact of the order issued by FERC on July 24, 2003 in Docket No. RM02-1-000. Explain the impact of this order on *the cost-benefit analysis* regarding the maintenance of LG&E/KU's membership in Midwest ISO.
4. Provide documents and materials received, obtained, or provided by LG&E/KU in the "informal review of the costs and benefits of RTO membership and FERC's Standard Market Design" referred to in the 1 PSC 14 request and response.
5. In 1 MISO 5, Midwest ISO requested that LG&E/KU "[i]dentify and provide all studies, analyses, and documents that relate to the testimony of Matthew J. Morey (p.12 ll. 20-23) that 'by operating a stand-alone system, LGE/KU would be better able to control the costs and the risks that it faces from transmission congestion within its own transmission system ... and would be better able to avoid curtailment within its system.'" LG&E/KU's answered this question by making reference to its response to 1 MISO 9. However, LG&E/KU did not specifically identify the documents used to support this particular statement by

Morey. Please specifically identify these documents, or explain why LG&E/KU cannot fulfill this request.

6. Note [4] of page 10 of 71 of the attachment to the response to 1 MISO 9 assumes that LG&E/KU would only receive financial transmission rights ("FTRs") sufficient to hedge 80% of its congestion costs. Describe the basis, including providing any supporting calculations or studies, for this assumption.
7. Referring to Matthew J. Morey's estimate that Off-system Trades with Midwest ISO members would equal 5% of total energy sales, included as an attachment to pages 10 of 71 of the response to 1 MISO 9:
 - a. Have any studies or analyses been conducted to identify optimal or expected volumes of purchases and/or sales between LG&E/KU as a stand alone entity and Midwest ISO members? If so, provide copies thereof.
 - b. For each month during the period February 2002 – October 2003, what has been the MWh of:
 - i. Energy purchases by LG&E/KU from Midwest ISO members.
 - ii. Energy sales by LG&E/KU to Midwest ISO members.
 - iii. Other energy exchanges between LG&E/KU and Midwest ISO members.
 - iv. Other energy purchases, sales, and exchanges with non-Midwest ISO member entities from sources or to sinks inside the Midwest ISO footprint.
8. Referring to sales by LG&E and KU to parties other than native load customers (*e.g.*, wholesale power sales):
 - a. Describe how revenues and costs related to such sales are treated for Kentucky regulatory accounting and ratemaking purposes.
 - b. How is the treatment of these revenues and costs affected by the LG&E/KU Earnings Sharing Mechanism?
 - c. To what extent can profits (or losses) from such sales affect rates for LG&E/KU's native load customers?
9. Referring to financial hedging transactions entered into by LG&E and KU:

- a. How are LG&E/KU revenues and costs related to such transactions treated for Kentucky regulatory accounting and ratemaking purposes?
 - b. How is the treatment of these revenues and costs affected by the LG&E/KU Earnings Sharing Mechanism?
 - c. To what extent can profits (or losses) from such transactions affect rates for LG&E/KU's native load customers?
10. Referring to revenues and costs relating to FTRs:
 - a. How does LG&E/KU anticipate that such revenues and costs would be treated for Kentucky regulatory accounting and ratemaking purposes?
 - b. How would the treatment of these revenues and costs be affected by the LG&E/KU Earnings Sharing Mechanism?
 - c. To what extent would gains (or losses) from such rights affect rates for LG&E/KU's native load customers?
11. With regard to cost-reducing day ahead and real-time trades:
 - a. What, if any, indications does LG&E/KU have regarding the extent to which it currently identifies all such trades.
 - b. If LG&E/KU withdraws from Midwest ISO, will it be able to identify all cost-reducing day ahead and real-time trades?
12. Referring to the situation if LG&E/KU withdraws from Midwest ISO:
 - a. Describe in detail how LG&E/KU will operate its transmission system(s) to manage congestion that may occur within or at the borders of their system(s).
 - b. In response to 1 MISO 15, LG&E/KU indicate that it assumes the use of a system of TLRs. Identify or describe the system that is assumed, including categories of TLRs and basis on which TLRs will be called.
 - c. In operating its transmission system, to what extent and how will LG&E/KU rely on redispatch to accommodate transactions that would otherwise have to be curtailed?
 - d. How will the congestion management system be implemented with respect to LG&E/KU use of transmission to serve native load customers? Wholesale transactions to which LG&E/KU may be a party? Transactions involving third parties?

13. Provide all data relating to TLRs for the LG&E and KU transmission systems for the five years prior to the date when LG&E/KU joined Midwest ISO.
14. Provide all data related to any instances in the last 12 years when LG&E/KU have implemented any emergency operating procedures, including, but not limited to, operating without sufficient quick-start reserve, operating without sufficient spinning reserve, and unscheduled imports or voltage reductions.
15. Does LG&E/KU have any analysis which compares the financial position of LG&E/KU given an allocation of FTRs relative to the position that LG&E/KU would be in with its existing physical transmission rights, given that the use of those physical rights may be curtailed to manage congestion? If so, provide a copy of any such analysis.
16. In the meeting notes supplied in response to 1 MISO 17, the statement appears that, "We measure the \$ impact of congestion – Lost Rev.; Re-dispatch cost; Lost Opportunity".
 - a. Provide a copy of the reports, studies, analyses and data used by LG&E/KU over the last 5 years to measure the dollar impacts of congestion.
 - b. Identify and provide a copy of all reports, studies, analyses, and data used to develop the Congestion Cost figures described in the work papers attached to the response to 1 MISO 9, page 10 of 71.
17. Page 1 of LG&E/KU's attachments to its response to 1 MISO 17(c) is a regular 8x11-inch piece of paper with handwriting at the bottom. However, the majority of the document is blank. Explain whether LG&E/KU has redacted any information from this document. If so, provide a reason why this information has been redacted.
18. List each document —responsive to an initial request or a supplemental request — from which information has been redacted, or which LG&E/KU has not provided on the grounds that it is confidential or privileged. For each such document:

- a. Identify the reason(s) LG&E/KU has redacted information from the document or the grounds upon which LG&E/KU chooses not to provide such document.
 - b. For each document for which the attorney-client privilege is claimed:
 - i. Identify the attorney and client involved, and if the client is not a natural person, identify the person sending or receiving the document on behalf of the client.
 - ii. Indicate whether the document was communicated by the attorney or by the client.
 - iii. State who was present when the item was communicated, and if a document is involved, to whom it has been distributed, and where and how it is filed within the attorney's and client's offices.
 - iv. Indicate whether the document has been communicated to any person other than the attorney and client involved, and if yes, identify such third person by name and indicate the relationship to the client and the attorney, and the date of such communication.
 - v. State the period of time during which the attorney-client relationship existed.
 - vi. If the privileged portion of a document is capable of being excised, so that the remainder is no longer privileged, then produce the non-privileged portion of the document or information.
19. Referring to the response to 1 MISO 18, the section labeled "Benefits", page 4 of 6:
- a. Identify how membership in Midwest ISO "significantly reduces market power issues in the merger."
 - b. Provide all documents that discuss market power issues associated with the proposed merger of LG&E and KU.
 - c. What alternatives to membership in Midwest ISO did LG&E/KU consider as a possible means to mitigate market power issues in the merger?
20. For the period November 1, 2002 through October 31, 2003 (or the most recent continuous 12 month period for which the data is available) and for each generating station or unit for which:

- a. a separate coal supply is maintained, list by month the average delivered cost of coal purchased per MMBtu and the average sulfur content of coal purchased.
 - b. a separate gas supply is maintained, list by month the quantities of gas purchased and average delivered cost of gas purchased per MMBtu.
 - c. a separate distillate oil supply is maintained, list by month the quantities of distillate oil purchased and average delivered cost of distillate oil purchased per MMBtu.
 - d. a separate residual oil supply is maintained, list by month the quantities of residual oil purchased and average delivered cost of residual oil purchased per MMBtu, and the average sulfur content of the oil purchased.
21. Provide the names of the selected vendors, supporting bid tabulation sheets, names of generating units to which coal will be supplied, and expected delivered cost of coal for coal suppliers selected in the following coal supply solicitations:
- a. March 21, 2003 for LG&E.
 - b. March 10, 2003 for KU.
 - c. Any more recently completed coal supply solicitations.
22. For the period November 1, 2002 through October 31, 2003 (or the most recent continuous 12 month period for which the data is available) and for each generating unit (or station if not available on a unit level), provide the following data in the indicated units:
- a. commission dates the unit was placed in service and its projected retirement date — (MM/DD/YYYY)
 - b. emissions (SO_x and NO_x) — lbs. per MMBtu
 - c. variable operating and maintenance costs — \$/mwh
 - d. heat rates, average and by blocks for capacity blocks used in unit dispatch — btu/kwh
 - e. hydro energies, by month — gwh
 - f. startup costs — \$ per start
 - g. maximum rate of ramp up and ramp down — mw/hour
 - h. minimum run and down times — hours

- i. forced outage rate — %
 - j. unit capacity — mw
23. If LG&E/KU has conducted any analysis regarding how withdrawal from Midwest ISO to become a stand-alone transmission operator might affect its planning for, investment in, or requirements for improvements in its transmission system:
- a. What were the results of the analysis?
 - b. Provide copies of all planning studies or other documents related to such analysis.
24. For each year 2003-2018, identify LG&E/KU's forecast (or actual data if available) of its system load – resource balance, including:
- a. System peak load.
 - b. System coincident peak (MW) and energy (GWH).
 - c. Capacity additions and uprates (MW, unit, and type).
 - d. Capacity retirements and derates (MW, unit, and type).
 - e. Capacity additions, uprates, retirements, and derates by IPPs or other third parties located within its control area and serving system load (MW, unit, and type).
 - f. Reserve margin.
25. Provide copies of the most recent reserve margin adequacy studies for LG&E/KU.
26. Describe all variable pricing and interruptible load products currently (or planned to be) offered by LG&E/KU, including, for each such product: (a) how many customers are enrolled; (b) how many MW of load are under contract; (c) on how many MW of load can LG&E/KU dependably rely to interrupt or curtail on peak; and, (d) for variable pricing products, the anticipated load reduction coincident with system peak for each year 2004-2018 in MW and percentage of peak load.
27. For the most recent year for which data is available, what is LG&E/KU's best estimate of:
- a. The breakdown by SIC code of commercial and industrial sales?

- b. The contribution of commercial and industrial load to system peak load?
 - c. The breakdown by SIC code of commercial and industrial load contribution to system peak load?
28. If LG&E/KU has any studies or analyses related to the short-term price elasticity of its customers or to the potential demand response of customers to price changes in variable pricing products, provide copies of any written studies or analyses; if not written or otherwise documented, summarize the results of any such studies or analyses. (In either case, references to specific customer names may be redacted.)
29. Provide the Integrated Resource Plans most recently filed by LG&E and KU.
30. In its response to 1 MISO 22(c), LG&E/KU makes reference to Section 3.8.2 of *the cost-benefit analysis* prepared by Matthew J. Morey (at p.38). However, this section does not specifically address whether LG&E/KU's workforce will increase or decrease from its present numbers. Explain whether LG&E/KU anticipates that its workforce will either increase or decrease as a result of its withdrawal from Midwest ISO. If yes, provide an estimate as to the extent LG&E/KU's workforce will either increase or decrease.
31. Instead of the detailed organizational chart requested in 1 MISO 30, LG&E/KU responded with a "split of functions" between Midwest ISO and LGE/KU before and after Midwest ISO. Midwest ISO requests:
- a. A detailed organization chart listing number of personnel and full-time equivalents ("FTEs") and the corresponding FTE compensation by function for the following pre-Midwest ISO functions:
 - Tariff Administration
 - Business Services
 - Reliability Servicesand the following post-Midwest ISO functions:
 - Tariff Administration
 - Business Services
 - Reliability Services
 - Individual RTO Services

- b. A detailed organization chart listing number of personnel and FTEs and the corresponding FTE compensation by function for those who devote any work time to supporting any of the functions listed in subpart a.
- 32. Various responses to the initial data requests list as a responding witness Mark S. Johnson or Martyn Gallus. For each of them:
 - a. Identify his relationship to LG&E/KU.
 - b. If he has previously testified before the Commission, identify the specific cases, including case numbers, of Commission proceedings in which he has testified.
 - c. Provide a resume, curriculum vitae, or other statement of his qualifications, including educational background and prior employment history.
- 33. Attached to LG&E/KU's response to 1 MISO 19 are reports prepared by Robert E. Lyon and Larry Monday. For each of them:
 - a. Identify his relationship to LG&E/KU.
 - b. If he has previously testified before the Commission, identify the specific cases, including case numbers, of Commission proceedings in which he has testified.
 - c. Provide a resume, curriculum vitae, or other statement of his qualifications, including educational background and prior employment history.
- 34. If a response to a supplemental request by the Commission Staff, Midwest ISO, or another party lists as a responding witness someone other than Paul W. Thompson, Michael S. Beer, Matthew J. Morey, Mark S. Johnson, Martyn Gallus, Robert E. Lyon, Larry Monday, or Linda S. Portasik:
 - a. Identify the person's relationship to LG&E/KU.
 - b. If the person has previously testified before the Commission, identify the specific cases, including case numbers, of Commission proceedings in which the person has testified.

- c. Provide a resume, curriculum vitae, or other statement of the person's qualifications, including educational background and prior employment history.

Respectfully submitted,

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CERTIFICATE OF FILING AND SERVICE

I hereby certify that on this the 30th day of October, 2003, the original and ten (10) copies of this Supplemental Data Requests to LG&E and KU were hand-delivered for filing with the Commission, an electronic file was e-mailed to Linda Portasik, counsel for LG&E and KU, and a copy was sent by first-class U.S. mail to:

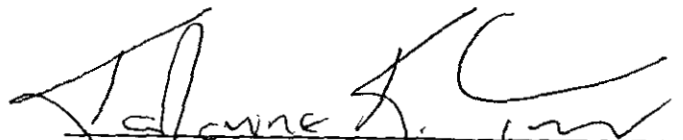
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