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DEC 15 2009

PUBLIC SERVICE  
COMMISSION

Mr. Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602-0615

**E.ON U.S. LLC**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.eon-us.com

Rick E. Lovekamp  
Manager - Regulatory Affairs  
T 502-627-3780  
F 502-627-3213  
rick.lovekamp@eon-us.com

December 15, 2009

RE: APPLICATION OF KENTUCKY UTILITIES COMPANY AND  
LOUISVILLE GAS AND ELECTRIC COMPANY TO TRANSFER  
CONTROL OF CERTAIN TRANSMISSION FUNTIONS  
Case No. 2009-00427

Dear Mr. DeRouen:

Enclosed please find an original and five (5) copies of the Response of Kentucky Utilities Company to Commission Staff's First Data Request dated December 3, 2009, in the above-referenced proceeding.

Should you have any questions concerning the enclosed, please do not hesitate to contact me.

Sincerely,

Rick E. Lovekamp

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>APPLICATION OF KENTUCKY UTILITIES</b>	<b>)</b>	
<b>COMPANY AND LOUISVILLE GAS AND</b>	<b>)</b>	<b>CASE NO.</b>
<b>ELECTRIC COMPANY TO TRANSFER</b>	<b>)</b>	<b>2009-00427</b>
<b>CONTROL OF CERTAIN TRANSMISSION</b>	<b>)</b>	
<b>FUNCTIONS</b>	<b>)</b>	

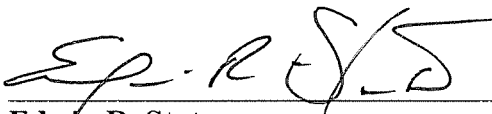
**RESPONSE OF**  
**KENTUCKY UTILITIES COMPANY**  
**AND**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**TO COMMISSION STAFF'S FIRST DATA REQUEST**  
**DATED DECEMBER 3, 2009**

**FILED: December 15, 2009**


VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Edwin R. Staton**, being duly sworn, deposes and says that he is Director - Transmission for E.ON U.S. Services, Inc., and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

  
\_\_\_\_\_  
**Edwin R. Staton**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 15<sup>th</sup> day of December 2009.

  
\_\_\_\_\_  
Notary Public (SEAL)

My Commission Expires:

Sept 20, 2010



**KENTUCKY UTILITIES COMPANY  
AND  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Data Request  
Dated December 3, 2009**

**Case No. 2009-00427**

**Question No. 1**

**Witness: Edwin R. "Ed" Staton, Director, Transmission**

Q-1. Refer to page 4 of the joint application, paragraph No. 9. Provide a detailed description of the events, disputes, etc. that led to the recent settlement with the Southwest Power Pool, Inc ("SPP").

A-1. SPP serves as the Independent Transmission Organization ("ITO") on behalf of LG&E/KU. In its capacity as the ITO, SPP is responsible for, among other things, administering LG&E/KU's Open Access Transmission Tariff ("OATT"), processing transmission service requests, hosting and operating OASIS and overseeing transmission planning. The ITO Agreement sets forth the terms by which SPP is compensated for providing such services and directs that any disputes regarding compensation be directed to FERC for resolution.

On April 24, 2009, SPP filed with the Federal Energy Regulatory Commission ("FERC") in Docket Nos. EC06-4 and ER06-20, a notice of dispute regarding the compensation provisions of the ITO Agreement. Specifically, SPP argued that FERC's issuance of Order No. 890,<sup>1</sup> promulgating certain regulatory requirements designed to enhance open access to transmission service to all transmission customers, caused additional compliance and operational responsibilities for SPP in its role as the ITO. SPP asserted that it had to hire additional staff and dedicate additional resources to provide Order No. 890 related functions that neither SPP nor LG&E/KU contemplated when they entered into the ITO Agreement. As a result,

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<sup>1</sup> *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228 (2009).

SPP argued that section 3.5 of the ITO Agreement which calls for the “negotiation of fees for additional services” was applicable and should be used to increase the fees paid to SPP for the provision of services under the ITO Agreement.

On May 5, 2009, LG&E/KU responded to SPP’s notice of dispute and informed FERC that it was amenable to the dispute being referred to FERC settlement judge procedures. LG&E/KU further stated that it did not believe that the extra work necessitated by FERC’s Order No. 890 required an increase to SPP’s fees but was willing to negotiate with SPP.

On May 18, 2009, an Administrative Law Judge, Karen V. Johnson, was appointed to act as the settlement judge and settlement proceedings were convened on June 4, 2009. From June 4 until October 19, SPP and LG&E/KU worked toward a settlement of the fee dispute related to the ITO Agreement. The settlement, which was filed at FERC on October 19, included resolution of the claims regarding additional services provided in connection with Order No. 890 including issues related to administrative, legal, regulatory and software costs incurred by SPP and to address SPP’s assistance with LG&E/KU’s compliance with the North American Electric Reliability Corporation’s Mandatory Reliability Standards, as currently in existence and as such standards may change from time-to-time, including participating in (i) North American Energy Standards Board standards development and implementation activities; and (ii) SERC Reliability Corporation activities.

Pursuant to the settlement, LG&E/KU made a one-time payment of \$2,270,114.62 to SPP for the performance of duties related to the increased requirements of Order No. 890. In addition, the settlement added language to the ITO Agreement in order to address future changes in the regulatory environment.



**KENTUCKY UTILITIES COMPANY  
AND  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Data Request  
Dated December 3, 2009**

**Case No. 2009-00427**

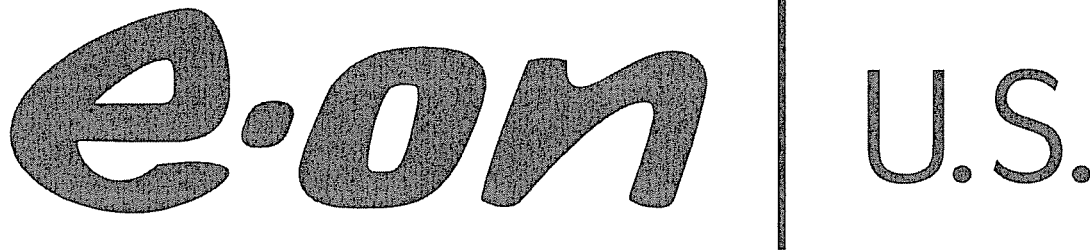
**Question No. 2**

**Witness: Edwin R. "Ed" Staton, Director, Transmission**

- Q-2. Refer to page 5 of the joint application, paragraph No. 11. Provide the Request for Information that Joint Applicants sent to ten potential providers of Independent Transmission Operator ("ITO") services.
- A-2. Please see the attached copy of the Request for Information, issued May 22, 2009, along with documents that define the scope of work for which the Request for Information was issued.



**Information Response Deadline**



**Request for Information  
No. 522**

**CONFIDENTIAL INFORMATION**

This document, including any exhibits or attachments, is solely for use by employees of E.ON U.S. Services Inc. and affiliates and those employees or agents of suppliers invited to submit Information with a need to know. Not to be disclosed to or used by any other person without the express written consent of E.ON U.S. Services Inc.

**Issued By:**

**E.ON U.S. Services Inc.  
820 West Broadway  
Louisville, Kentucky 40202**

**Issue Date:  
May 22, 2009**

**Response Due Date:  
June 12, 2009**

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## 1.0 Introduction

### 1.1 Corporate Overview

E.ON U.S. LLC is a diversified energy services company and is a subsidiary of E.ON AG, headquartered in Düsseldorf, Germany. E.ON U.S. LLC, headquartered in Louisville, Kentucky, operates in domestic and international markets with businesses in power generation; project development; retail gas and electric utility services; and asset-based energy marketing. E.ON U.S. LLC, through its subsidiaries, Louisville Gas and Electric (LG&E), and Kentucky Utilities (KU), provides electric and gas service throughout the state of Kentucky and in five counties in Virginia and is one of the US's lowest-cost energy providers and an industry innovator. E.ON U.S. Services Inc., another subsidiary of E.ON U.S. LLC provides support functions for LG&E and KU. (E.ON U.S. LLC and its affiliates collectively referred to as "E.ON U.S.").

### 1.2 RFI Goals and Project Overview

E.ON U.S. Services, Inc. is soliciting experienced Contractors to perform certain transmission operations and planning functions. This Contractor will be responsible for administration of, and certain responsibilities under, the LG&E/KU Open Access Transmission Tariff (OATT).to provide transmission services to customers of LG&E/KU. The goal of this RFI is to determine qualified and interested candidates capable of performing one or both of the services described in Schedules A & B. LG&E/KU receives about 9000 transmission service requests per year, 8500 schedules and performs about 25 system impact studies per year. E.ON U.S. plans to subsequently issue a Request for Proposal (RFP) to those Contractors that can best meet or exceed the requirements of E.ON U.S. This RFI is issued solely for information and planning purposes only and does not constitute a solicitation. The LG&E/KU transmission system consist of approximately 5200 pole miles of transmission lines, 150 substations, 125 transformers, 1100 breakers and 325 RTU's.

Participating suppliers are expected to respond to this RFI in the format described in Section 1.7. Should a supplier choose to provide additional information not specified in this RFI, this information must be provided for separately from the rest of the information.

The successful supplier shall be required to provide the services described in Section 2.

### 1.3 Timetable

The following events are tentatively scheduled:

May 22, 2009	RFI Issued
June 12, 2009	RFI Returned
July 10, 2009	RFP Issued

**E.ON U.S. RESERVES THE RIGHT TO CHANGE THE ABOVE SCHEDULE AT ANY TIME WITHOUT NOTICE.**

### 1.4 Confidentiality

This RFI is confidential and for the sole use of each Contractor's preparation of a response. By Contractor's acceptance hereof, Contractor agrees:

- Not to disclose, copy or distribute this RFI in whole or in part to persons other than Contractor's employees and agents who are authorized by nature of their duties to receive such information.
- To return any E.ON U.S. confidential or proprietary materials upon E.ON U.S.'s request.
- Not to use any information in this RFI or any other materials related to the business affairs or procedures of E.ON U.S. and of its affiliates for supplier's advantage, other than in performance of this RFI.
- Contractors who intend to use subcontractors will be required to have such subcontractors execute non-disclosure agreements prior to work being done by subcontractor.

- Contractors who seek to negotiate possible sub-contract arrangements with E.ON U.S.'s existing Contractors will be held accountable for any breach of the non-disclosure agreements that they have signed with E.ON U.S.

### 1.5 Disclaimer

This RFI is not an offer to enter into a contract but is merely a request for the Contractor to submit information. Expenses incurred in responding to this request are the responsibility of the Contractor. All materials submitted become the property of E.ON U.S. E.ON U.S. reserves the right to modify, reject or use without limitation any or all of the ideas from submitted information. E.ON U.S. reserves the right to discontinue the RFI/RFP process at any time for any reason whatsoever. The Contractor's response to this RFI may become part of the final purchase order if awarded. Wherever there is a conflict between Contractor's responses to this RFI and the terms and conditions contained in any purchase order subsequently entered into by the parties, the terms and conditions of the purchase order shall prevail. E.ON U.S. has no obligation to disclose the results of the RFI process or to disclose why particular supplier(s) were selected to participate in the RFP process.

### 1.6 Duration of Information

Information provided must be valid for a minimum of 180 days following the submission of this RFI.

### 1.7 Response Instructions

All responses must contain a table of contents delineating to each section. Responses must be organized to include all information and attachments as outlined in Section 3. Each section of your response must contain all items in the sequence identified. An authorized official must sign the response. The Response must also provide the names, titles, phone numbers, and email addresses of those individuals with whom questions and clarifications should be submitted. Please provide:

1. Notify Larry Kopple via phone or email immediately if you feel RFI contents are incomplete.
2. All responses to this RFI must correspond with the sequence outlined in section 3, which includes attachments.
3. A total of two (2) hard copies and one (1) electronic copy (in a format that can be edited, on CD-ROM, and in MS Office (Word/Excel/PowerPoint) applications) of the response in the sequence outlined shall be submitted. With the exception of insurance certificates, .PDF files are not acceptable. Please keep the number of files on the electronic copy to a minimum, preferably only one (1) for ease of distribution to the evaluation committee. You may also submit supplemental hardcopy material such as brochures, etc. (2 copies of each).
4. You may submit additional information in a separate document, which you feel, may help E.ON U.S. evaluate your response; however, it is understood that such information is not a replacement for any component of this RFI.
5. Fax responses will not be accepted.

No advance notification of who will receive the RFP will be given.

Responses to the RFI must be received no later than June 12,, 2009 by 12:00 PM Eastern Daylight Time to be considered. Two (2) hard copies and one (1) electronic copy on CD-rom shall be sent to:

Larry Kopple  
Supply Chain Manager  
E.ON U.S. Services Inc.  
820 West Broadway  
Louisville, Kentucky 40202  
502-627-2878  
[Larry.kopple@eon-us.com](mailto:Larry.kopple@eon-us.com)

If your response is hand carried, it must be delivered to the first floor (8<sup>th</sup> Street) mailroom, Broadway Office Complex at 820 West Broadway, Louisville, Kentucky 40202. Your response must be returned in a sealed envelope or container. The attached red and white label must be used for returning your response to E.ON U.S.

### 1.8 Disqualification

Under no circumstances (except those noted above) are respondents to contact any E.ON U.S. employee with regards to this RFI or any of the information contained herein. Respondents are strictly forbidden from visiting E.ON U.S. locations for any information specific to the account. Violations of this provision will subject the respondent to immediate disqualification.

An evaluation committee will perform the evaluation of responses. During this time, E.ON U.S. may initiate discussions with Contractor for the purpose of clarifying aspects of the responses. .

### 1.9 Inquiries

Please direct all RFI, technical, and business questions to Larry Monday at [larry.monday@eon-us.com](mailto:larry.monday@eon-us.com). Specific details on E.ON U.S.'s strategies will not be disclosed.

## 2.0 Information Questions

Thoroughly review and answer the questions below. The purpose of these questions is to help us determine both the interest and capability of your company to provide meter reading and related services to E.ON U.S.

### 2.1 SAFETY

- 2.1.1 Please provide your OSHA Incident Rate for each of the last five years.
- 2.1.2 Please provide the number of workers compensation claims for each of the last five years.
- 2.1.3 Please provide the number of vehicle accidents (fault and no fault) for each of the last five years.
- 2.1.4 What type of safety training are your employees provided and how often is each provided? Please include a copy of your safety manual.
- 2.1.5 As part of this RFI and response, please complete the **E.ON U.S. Contractor/Subcontractor Safety and Health Questionnaire and Checklist** which is attached hereto and incorporated herein by reference.

### 2.2 Scope of Work

- 2.2.1 Independent Transmission Planner—Schedule A (Attached)
- 2.2.2 Transmission Service Coordinator-Schedule B (Attached)

### 2.3 Items to be included in the RFI- The items stated in 2.3 must be addressed as detailed as possible.

- 2.3.1 Location of proposed work site
- 2.3.2 Plans to outsource ITO/ITC or will the work be performed by company personnel
- 2.3.3 Briefly state in your response to the RFI how you plan to Staff the various functions to include number of FTE's , job titles, need to hire or plan to fill with present employees. Please be as thorough as possible in that this will be utilized by the team to determine who will receive the RFP.
- 2.3.4 Proposed method of compensation
  - 2.3.4.1 Cost Plus
  - 2.3.4.2 Hourly Billing Rates

2.3.4.3 Fixed Monthly Billing

Others

An example billing by units (per case study, per SIS report, etc.)

Fixed monthly billing with % mark up for outside services (variable)

2.3.5 Experience

2.3.6 References

2.3.7 Company Profile

**3.0 Company Information-**

**3.1 Affirmation Statement**

Please attach an affirmative statement expressing the desire of your company to participate in the formal bid process to multifunctional devices and related services to E.ON U.S.

**3.2 Information Response**

Provide a detailed response to each question as described in Section 2

In Attachment A, please provide contact information of the authorized person making this Response and any alternate person with like such authority whom E.ON U.S. should contact in the event of questions or clarification

**3.3 Company Profile**

Complete information concerning your company on the Attachment B.

**3.4 Business Classification**

In Attachment C, please indicate which business classification your company falls into. A description of each business classification is provided. If your firm intends to use minority sub-contractors or suppliers in the performance of this work, please indicate so in the space provided labeled Tier 2 MBE/WBE.

**3.5 Confidentiality Agreement**

As part of this RFI and response, all E.ON U.S prospective suppliers are required to read, agree to, sign, and return the Confidentiality Agreement, which is enclosed as part of this RFI.

**3.6 Additional Services**

Please provide detail on any additional or unique services provided by your organization. Generic information without detail will be excluded from the analysis.

**Enclosure:** Red Address Label.

**IMPORTANT NOTICE TO SUPPLIER**

It is imperative that this label be posted on the envelope or box submitting your response.

CONFIDENTIAL  
SEALED BID  
DO NOT OPEN

**RFI: 3208**

**Closing Date:** June 2, 2009 12:00 PM E.D.T.

**From:** \_\_\_\_\_

Bidder's Company Name

**TO:**  
**Larry Kopple**  
**Manager Supply Chain**  
**E.ON U.S. SERVICES, INC.**  
**820 WEST BROADWAY**  
**LOUISVILLE KY 40202**

**Attachment A**

**SUPPLIER INFORMATION**

- A. COMPANY NAME \_\_\_\_\_
- B. MAILING ADDRESS \_\_\_\_\_  
\_\_\_\_\_
- C. PHYSICAL ADDRESS(if different from above) \_\_\_\_\_  
\_\_\_\_\_
- D. PRIMARY CONTACT NAME \_\_\_\_\_
- E. TELEPHONE NUMBER \_\_\_\_\_
- F. ALTERNATE PHONE NUMBER \_\_\_\_\_
- G. FAX NUMBER \_\_\_\_\_
- H. EMAIL ADDRESS \_\_\_\_\_
- I. RFI # 522

**Alternate Contact Information**  
(if applicable)

- A. COMPANY NAME \_\_\_\_\_
- B. MAILING ADDRESS \_\_\_\_\_  
\_\_\_\_\_
- D. PHYSICAL ADDRESS(if different from above) \_\_\_\_\_  
\_\_\_\_\_
- D. PRIMARY CONTACT NAME \_\_\_\_\_
- E. TELEPHONE NUMBER \_\_\_\_\_
- F. ALTERNATE PHONE NUMBER \_\_\_\_\_
- G. FAX NUMBER \_\_\_\_\_
- H. EMAIL ADDRESS \_\_\_\_\_
- I. RFI # 522



**Attachment B**  
**COMPANY PROFILE**

In five (5) pages or less, provide the following general information about your company.

- C-1 Name of company.
- C-2 Address of company (primary place of business).
- C-3 Telephone number.
- C-4 Dun & Bradstreet number.
- C-5 Tax identification number.
- C-6 Age of company.
- C-7 Size of company, including the number of employees.
- C-8 Year and state of incorporation, if relevant.
- C-10 Recent or pending mergers, acquisitions or IPO's.
- C-12 Concise description of any business partners that may be providing support services as part of this RFI. This information should include the same information requested in Attachment B. Please clearly define the nature of the relationship (i.e. reseller, subcontractor, subsidiary, parent, unrelated joint bidder, etc.).
- C-13 How does your company measure their ability to satisfy customer needs?
- C-14 What differentiates your company and services from other Contractors?

**Note: An Attachment B must also be provided for each subcontractor included in your Response.**

### Attachment C -Business Classification

Identify which category(s) your company falls into (see below for classification definitions). Attach any certificates verifying your company as a Small Business, Small Disadvantaged Business, Minority Business Enterprise (MBE), Woman-Owned Business Enterprise (WBE), Disabled-Owned Business, or Veteran-Owned Business.

- \_\_\_\_\_ Large Business – Over 500 people or dominant in field
- \_\_\_\_\_ Small Business – Less than 500 people and not dominant in field
- \_\_\_\_\_ Small Disadvantaged Business – Less than 500 people, not dominant in field and meeting criteria below.
- \_\_\_\_\_ Minority Business Enterprise
- \_\_\_\_\_ Woman-Owned Business Enterprise
- \_\_\_\_\_ Disabled Owned Business
- \_\_\_\_\_ Veteran Owned Business

#### Tier 2 (Suppliers and Subcontractor) Use of MBE/MBE Firms

Company Name	Percentage or Value of Response
_____	_____
_____	_____
_____	_____

#### BUSINESS CLASSIFICATION DESCRIPTIONS

- A) Small Business- Defined as a concern, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on government contracts, and qualified as a small business under the criteria and size standards in 13 CFR Part 121 (see 19.102). Such a concern is "not dominant in its field of operation" when it does not exercise a controlling or major influence on a national basis in a kind of business activity in which a number of business concerns are primarily engaged. In determining whether dominance exists, consideration shall be given to all appropriate factors, including volume of business, number of employees, financial resources, competitive status or position, ownership or control of materials, processes, patents, license agreements, facilities, sales territory, and nature of business activity.
- B) Small Disadvantaged Business-Defined as a small business concern that is at least 51 percent unconditionally owned by one or more individuals who are both socially and economically disadvantaged, or a publicly owned business that has at least 51 percent of its stock unconditionally owned by one or more socially and economically disadvantaged individuals and that has its management and daily business controlled by one or more such individuals, This term also means small business concern that is at least 51 percent unconditionally owned by an economically disadvantaged Indian tribe or Native Hawaiian Organization, or a publicly owned by one of these entities, that has its management and daily business controlled by members of an economically disadvantaged Indian tribe or Native Hawaiian Organization, and that meets the requirements of 13 CFR 124.
- C) Minority Business Enterprise-Defined as a for profit enterprise, regardless of size, physically located in the United States or its trust territories, which is owned, operated and controlled by minority group members. "Minority group members:" are U.S. citizens who are African-American, Hispanic American, Native American, Asian-Pacific American, and Asian-Indian American. "Ownership" by minority individuals means business is at least 51% owned by such individuals or, in the case of a publicly owned business, at least 51% of the stock is owned by one or more such individuals. Further, the management and daily business operations are controlled by those minority group members.
- D) Woman-Owned Business- Defined as a business that is at least 51% owned by a woman or women who also control and operate it. "Control" in this context means being actively involved in the day-to-day management.
- E) Large Business- Defined as more than 500 employees

**RECIPROCAL CONFIDENTIALITY AGREEMENT**

This **Reciprocal Confidentiality Agreement** (this "Agreement") is entered this 6th day of August, 2008 by and among \_\_\_\_\_, and **E.ON U.S. Services, Inc.**, (individually, each shall be referred to herein as a "Party" and, collectively, as the "Parties") in connection with the Parties' consideration of a business alliance (the "Opportunity"). As a condition to showing, furnishing, or making available information in respect of the Opportunity to each other, the Parties, respectively, require and agree, as set forth below, to treat confidential such information, and all other information that each of the other Parties or any of its employees, officers, directors, shareholders, or legal or financial advisors (collectively, "Representatives") show, furnish or make available (collectively, the "Confidential Information").

**For purposes hereof, "Confidential Information" shall also include, (i) the fact of and existence of the Parties consideration of the Opportunity, (ii) the fact of and the substance of the Parties' discussions concerning the Opportunity, and (iii) all studies, analyses, and projections of the Parties concerning the Opportunity; irrespective of whether any of the above are shown, furnished, or made available to either of the other Parties.**

The Parties acknowledge that the Confidential Information is being furnished solely in connection with their consideration of the Opportunity. The Parties agree that the Confidential Information shall be treated as "secret" and "confidential," and used solely for the purpose of considering the Opportunity throughout the period commencing August 6, 2008 (the "Confidentiality Period").

During the Confidentiality Period, no portion of the Confidential Information shall be disclosed by a Party to any person or entity other than: (i) such of its affiliates, directors, officers, employees, agents, representatives, and legal and financial advisors whose knowledge and evaluation of the Confidential Information shall be reasonably necessary for a thorough investigation by such Party of the Opportunity; or (ii) to the extent a Party or such other persons or entities shall be legally compelled to make such disclosure by any court or other governmental agency or instrumentality having jurisdiction over them (in which event the Party shall provide the other Party with reasonable prior notice of such compelled disclosure so that such latter Party may, in its discretion, seek a protective order with respect to such disclosure, or waive compliance with the provisions hereof); or (iii) to such affiliates as may be directly involved in some aspect of the Opportunity; or (iv) another Party to this Agreement.

The Parties shall inform all of their affiliates, directors, officers, employees, agents, representatives, and legal and financial advisors (collectively, the "Party Representatives") of the confidentiality covenants set forth herein when showing, furnishing, or making available Confidential Information to Party Representatives. Each Party shall be responsible for the use or disclosure of any Confidential Information by any of its Party Representatives during the Confidentiality Period.

The Confidential Information shall not include any information which is in the public domain as of the date of its disclosure to a Party hereunder. For purposes of this Confidentiality Agreement, information which is in the public domain shall include, without limitation: (a) any information which is or becomes generally available to the public other than by reason of a disclosure by the applicable Party or any Party Representative in violation of this Confidentiality Agreement; (b) any information which is or was made available to a Party by a source other than one of the other Parties, provided the former Party had no reason to believe the source of such information was under a

contractual obligation to such latter Party or any of its affiliates not to make such disclosure; (c) information which was known to a Party prior to disclosure by one of the other Parties, as reasonably documented in the former Party's corporate records, or (d) any information which is or was independently acquired or developed by a Party without violating any of its covenants set forth in this Agreement.

All Confidential Information in a Party's or its Party Representatives' possession (including without limitation, all copies thereof) which is not then in the public domain shall be promptly returned or destroyed by such Party should it have no interest in the Opportunity, or should the other Party request its return in writing at any time, in which case, the Party required to return Confidential Information may destroy the same in lieu of its return.

During the Confidentiality Period, a Party shall not entice, solicit, or induce, directly or indirectly, any of another Party's officers or employees who have been involved in consideration of the Opportunity, to leave their employment in order to accept employment with such other Party hereto.

The Parties understand that none of them is hereby making any representations or warranties as to the completeness or accuracy of any Confidential Information, and that any such representations and warranties shall be made by a Party solely in one or more signed definitive agreements with respect to the Opportunity, and then subject to the provisions thereof.

The Parties agree that they, respectively, may not have an adequate remedy at law by reason of any breach by a Party or its Party Representatives of the covenants set forth in this Agreement, and that, in addition to all other remedies available at law or in equity, a Party shall be entitled to injunctive relief from any such breach. This Agreement shall be governed by the laws of the Commonwealth of Kentucky, exclusive of the conflicts of law rules of that state.

It is understood and agreed that this Agreement creates no obligation to enter into any Opportunity or any agreement relating to an Opportunity, and that no contract or agreement providing for any Opportunity shall be deemed to exist unless and until a final definitive agreement has been executed and delivered.

**WITNESS** the signatures of the authorized representatives of each of the undersigned as of the date first written above.

**E.ON U.S. Services Inc.**

By: \_\_\_\_\_  
Name (Print): \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
**Entity Name**  
By: \_\_\_\_\_  
Name (Print): \_\_\_\_\_  
Title: \_\_\_\_\_

**Scope of Work For  
Independent Transmission Planner (ITP)  
Long-Term Planning and Study Functions**

The ITP will administer various OATT-related functions with respect to the transmission service provided over the Louisville Gas & Electric and Kentucky Utilities Companies transmission system in the manner approved by the Federal Energy Regulatory Commission and the Kentucky Public Service Commission.

**Transmission Service and Studies to be performed**

1. Administration of functions assigned to ITP under the LG&E/KU Open Access Transmission Tariff (OATT) as may be changed from time to time. Including the operation and administration of the LG&E/KU Open Access Same-Time Information System (OASIS)
2. Evaluation and approval of transmission service requests not approved by the TSC administrator
  - a. Receive applications for Firm Point-To-Point and Network Transmission Service and Generation Interconnections
  - b. Maintain Transmission Service and Generation Interconnection Queues
  - c. Perform Clustered System Impact Studies as requested
  - d. Determine whether System Impact Studies is necessary to accommodate a request
  - e. Render a System Impact Study (SIS) Agreement to customer in timeframe required by the Tariff
  - f. Use due diligence to complete SIS within 60 days using the Transmission Owner's planning criteria
  - g. Complete SIS report and post on OASIS
  - h. If needed, render a Facility Study Agreement (FSA) to customer in timeframe required by the Tariff
  - i. Bill customer for SIS/FSA/FAS studies as required by the Tariff and reimburse Transmission Owner for any study costs performed
3. Independent review, approval and posting of ATC calculated by TVA

### **Transmission Planning Functions to be performed**

1. Review and Approve the development of a long-term (generally one year and beyond) plan for the reliability (adequacy) of the interconnected bulk electric transmission systems within a portion of the Planning Authority Area
2. Review and Approve transmission system models (steady-state, dynamics, and short circuit).
3. Notify impacted transmission entities of any planned transmission changes that may impact their facilities.
4. Participate in Attachment K process as observer and ultimately approve the final product.
5. Develop and file Semi-Annual reports to FERC

### **Facilitate Stakeholder Meetings**

1. Prepare meeting materials
2. Facilitate meeting
3. Prepare post-meeting minutes and post on OASIS

**Scope of Work For  
Transmission Service Coordinator (TSC)  
Real-time Transmission Service and Scheduling Functions**

1. Evaluates Point-To-Point transmission service requests for the posted ATC horizon.
  - a. Approves Transmission Service Request (TSR) where posted ATC is sufficient for the requested transaction
  - b. Deny short-term (monthly service or less) TSRs where insufficient ATC exist
  - c. Set long-term TSRs and request for Designated Network Service (DNR) to study mode and notify Transmission Planning Coordinator
  
2. Evaluation, approval and monitoring of all interchange schedules into and out of the LGEE balancing area
  - a. Process electronic schedules in accordance with NERC Standards INT-003, INT-004, INT-005, INT-006 and INT-007
  - b. Check that schedule has a confirmed TSR on LG&E/KU system
  - c. Approve schedule for the TO and the BA functions while being aware of and respecting ramp capabilities.
  - d. Curtail and reinstate electronic schedules as requested by the Reliability Coordinator (RC) or E.ON BA or TOP functions while being aware of and respecting ramping capabilities
  - e. Monitor loads or generators located in the LGEE BA for unbalanced schedules and adjust electronic schedules to re-balance within 10 minutes.
  - f. CRSG schedules must be implemented immediately and net NSI value sent to E.ON modified and resent.
  
3. Calculate a single Net Scheduled Interchange value for each minute for the next 20 minutes for ICCP and next 120 minute in csv files sent by ftp; using redundant communication paths to both primary and backup Transmission Control Centers.
  
4. Check out Scheduled Interchange with neighboring BAs
  
5. Maintain records as required by DOE, FERC, NERC or SERC Compliance Standards, Kentucky Public Service Commission or OATT
  
6. Develops reports as required by FERC Order 890
  
7. Develop and maintain written procedures that show compliance with NERC INT and TSP functions performed
  
8. Requires 24 hours by 365 day coverage by a NERC Certified System Operator





**KENTUCKY UTILITIES COMPANY  
AND  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Data Request  
Dated December 3, 2009**

**Case No. 2009-00427**

**Question No. 3**

**Witness: Edwin R. "Ed" Staton, Director, Transmission**

- Q-3. Refer to page 6 of the joint application, paragraph No. 13. A number of items are identified as being required by the Federal Energy Regulatory Commission's Order 890 to be posted on the Joint Applicants' Open-Access Same-time Information System ("OASIS"). One of the items is "transmission studies that are late." Describe a transmission study that is late, identify what distinguishes it from a study that is not late, and explain why only the late studies must be posted on the OASIS.
- A-3. Pursuant to FERC Order No. 890, a transmission provider can incur operational penalties when it routinely fails to meet the 60-day due diligence deadlines prescribed in sections 19.3 (System Impact Studies Procedures), 19.5 (Facilities Study Procedures), 32.3 (System Impact Study Procedures), and 32.4 (Facilities Study Procedures) of the provider's open access transmission tariff ("OATT"). A study under these provisions is considered late if it is not performed within the 60-day time frame set out in the OATT. The transmission provider is, therefore, required to track the timeframes for all studies performed pursuant to these OATT sections.

Order No. 890 further requires transmission providers to file a notice with FERC if the transmission provider processes more than 20 percent of its non-affiliates' studies outside of the 60-day due diligence deadlines for two consecutive quarters.<sup>2</sup> The transmission provider is then subject to an operational penalty if the transmission provider continues to be out of compliance with the deadlines prescribed in the OATT for each of the two quarters following its notification filing.

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<sup>2</sup> *Id.* at 1319.

FERC will consider the transmission provider out of compliance if it completes 10 percent or more of its non-affiliates' studies outside of the OATT deadlines.<sup>3</sup>

For any study completed during the quarter following the notification that is completed more than 60 days after the study agreement was executed, FERC will assess a \$500 penalty for each day the transmission provider takes to complete the study beyond 60 days.<sup>4</sup>

FERC regulations require a transmission provider to maintain and post on its OASIS a list of all completed “[s]ystem planning studies, facilities studies, and specific network impact studies performed for customers or the Transmission Provider’s own network resources.”<sup>5</sup> Transmission providers are also required to track and post certain performance metrics, detailing the amount of time required to process system impact and facilities studies.<sup>6</sup> The performance metrics are posted on OASIS on a quarterly basis.<sup>7</sup> Transmission providers are not required to post the actual system impact studies on OASIS; however, such studies need to be publicly available on request.<sup>8</sup>

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<sup>3</sup> *Id.* at 1340.

<sup>4</sup> *Id.*

<sup>5</sup> 18 C.F.R. § 37.6(b)(2)(iii).

<sup>6</sup> 18 C.F.R. § 37.6(h).

<sup>7</sup> *Id.*

<sup>8</sup> § 37.6(b)(2)(iii).



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**Question No. 4**

**Witness: Edwin R. "Ed" Staton, Director, Transmission**

- Q-4. Refer to page 8 of the joint application, paragraph No. 17.
- a. Provide a narrative description and numerical breakdown of the projected annual cost of \$3 to \$4 million for the Joint Applicants to self-provide ITO services. This should reflect all categories of cost; i.e. labor, IT, etc.
  - b. Provide a narrative description and numerical breakdown of the projected \$2 million in start-up costs related to Joint Applicants commencing to self-provide ITO services. This should reflect all categories of cost; i.e. labor, IT, etc.
- A-4.
- a. The costs associated with transferring the OATT functions to LG&E/KU are estimated based on activities and IT processes to successfully replicate those functions currently performed by the ITO. Those functions primarily include granting and denying transmission service requests, performing system impact studies, maintaining and posting transmission information on the OASIS, and performing large and small generation interconnect studies.

Estimated annual costs (in millions):

O&M

Labor	\$1.62
Software Support	\$0.15
Administrative Support	\$0.25
Technical Consulting	\$0.50
Market Monitor	<u>\$0.50</u>
Annual Operating Costs	\$3.02

Capital

IT (Software/hardware)                    \$0.10  
 Annual Ongoing Capital Cost    \$0.10

The labor component is the largest of the annual estimated costs. The labor estimate comprises the costs to hire additional staff as follows:

- Two planning engineers to perform the system impact studies, facilities studies, interconnection studies, and process all transmission service requests;
- Six total coordinators, analysts, and managers to man a 24 hour desk to monitor, approve, and manage the interchange schedules and to administer the OASIS; and
- One administrative assistant to support the various functions

The remaining categories of costs (software support, administrative support, technical consulting, as well as capital costs related to IT) are non-labor, external costs to support LG&E/KU's administration of the OASIS, including the development of automated systems for transaction evaluations, review of Available Transfer Capacity ("ATC") development and posting processes/procedures, development of procedures for all other posting requirements of the tariff, management of OASIS historical data, and the cost for a vendor to host OASIS and electronic tagging systems.

Costs associated with the Market Monitor function is included in anticipation of a potential requirement that an independent Market Monitor be in place in order to obtain FERC's conditional approval to transfer the function to LG&E/KU.

The total annual costs were estimated to escalate at the normal rate of inflation.

- b. The estimated start up costs associated with the transition of the current ITO functions are as follows (in millions):

	<u>2009</u>	<u>2010</u>
Transaction Costs:		
FERC	\$0.30	\$0.70
KPSC	\$0.25	\$0.25

	<u>2009</u>	<u>2010</u>
Capital		
I.T. – Software		\$0.25
I.T. - Hardware		<u>\$0.25</u>
Total Start Up Costs:	\$0.55	\$1.45

The transaction costs include estimates of legal and regulatory support to effectuate the transfer of the functions to LG&E/KU.

The capital costs are associated with initial investments for software and associated hardware to operate the OASIS in-house, including license agreement fees for the OATI (Open Access Technology International Inc.) system for OASIS operation, server purchases, and other costs of initial implementation.



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**Question No. 5**

**Witness: Edwin R. "Ed" Staton, Director, Transmission**

- Q-5. Refer to the first full sentence on page 10 of the joint application.
- a. Provide the projected number of staff Joint Applicants expect to hire in conjunction with self-providing ITO services.
  - b. Provide a general description of the training to which the sentence refers, including whether it will be conducted in-house or externally.
  - c. Describe, generally, the changes required of the Tennessee Valley Authority ("TVA"), the companies' reliability coordinator, in conjunction with their self-providing ITO services. Include in the response an estimate of any additional payments to TVA that will be required of Joint Applicants in conjunction with the transfer of the ITO services function from SPP to the companies.
- A-5.
- a. Please see our response to Question No. 4(a) above.
  - b. In connection with the transfer of the function to LG&E/KU, training will be needed by new staff as well as some existing employees. Transmission employees will need training, or in some cases retraining, to perform the functions being transferred, including maintaining the commercial interface (i.e., OASIS) for receiving and confirming Transmission Service Requests (TSRs), evaluating and acting on TSRs (i.e., studying, then approving, or rejecting them), maintaining the TSR queue for generation and transmission requests, performing System Impact Studies and Generator Interconnection Studies, and approving interchange transactions and hourly checkout of interchange schedules.

Training is anticipated to be accomplished by both internal and external resources. In some cases the training will be done by software vendors such as OATI for their particular software, and in other cases a technical consultant is expected to be needed to assist in training. In addition, the Companies anticipate



they will send some staff to Little Rock, Arkansas to watch and train with SPP staff prior to the transfer of functions.

- c. TVA, the Companies' reliability coordinator, will continue to provide the same set of services it currently provides, and no changes will be made in connection with the transfer of the function to LG&E/KU. As such, LG&E/KU does not anticipate any additional payments to TVA in connection with the transfer of functions. Independently of the transfer, though, it is possible that the compensation to TVA to provide the same RC Agreement services may increase as TVA and LG&E/KU negotiate compensation for the Subsequent Term following the Initial Term of the RC Agreement (four years).



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**Question No. 6**

**Witness: Edwin R. "Ed" Staton, Director, Transmission**

- Q-6. Explain whether SPP's termination of its role as ITO services provider could be detrimental in any way to Joint Applicants' ability to make off-system power sales.
- A-6. LG&E/KU does not believe that SPP's termination of its role as ITO services provider will have any effect, positive or negative, on the companies' ability to make off-system power sales. From a transmission perspective, the ability to make off-system power sales is a result of an evaluation of the availability of transmission service to accommodate the power sales. This evaluation is performed in accordance with LG&E/KU's OATT, which is and must be administered in an open and non-discriminatory manner. SPP currently performs the evaluations in accordance with LG&E/KU's OATT, and when the functions are transferred to LG&E/KU, the evaluations will be performed by LG&E/KU, likewise in accordance with the tariff. As such, the changing the entity performing the evaluations should not affect, either positively or negatively, the results of such evaluations.