



Steven L. Beshear  
Governor

Leonard K. Peters  
Secretary  
Energy and Environment Cabinet

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

April 25, 2012

## PARTIES OF RECORD

Re: Case No. 2012-00031

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of memorandum concerning the April 19, 2012 Informal Conference, please do so within five days of receipt of this letter. If you have any questions, please contact Faith Burns of the Commission staff at 502/564-3940, Extension 235.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen  
Executive Director

Attachments

cc: Parties of record

**INTRA-AGENCY MEMORANDUM**  
**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** Case File – Case No. 2012-00031  
**FROM:** Faith B. Burns, Staff Attorney  
**DATE:** April 25, 2012 *F.B.B. 4-25-12*  
**RE:** Informal Conference of April 19, 2012

Pursuant to a Notice of Informal Conference issued April 13, 2012, an Informal Conference was conducted at the Commission's offices in Frankfort, Kentucky on April 19, 2012 at approximately 11:00 a.m. A list of attendees is attached.

Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively, the "Companies") presented an overview of their selection of TranServ as the most cost effective bidder with the best attributes with regards to the Companies' Request for Proposals ("RFP"). A copy of the Companies' presentation is attached.

The Companies indicated that TranServ has extensive experience in performing tariff administration services, its staff has a good working knowledge of the Companies' current Independent Transmission Operator ("ITO") relationship, and TranServ has provided a well laid out document regarding the roles and responsibilities of the respective parties for the proposed arrangement. Commission staff had questions to which responses were provided by the Companies.

There being no additional matters to discuss, the conference was adjourned.

Attachments

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

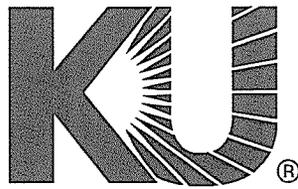
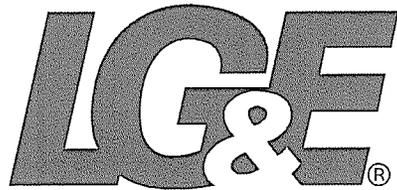
In the Matter of:

APPLICATION OF KENTUCKY UTILITIES )  
COMPANY AND LOUISVILLE GAS AND ) CASE NO.  
ELECTRIC COMPANY TO TRANSFER ) 2012-00031  
CONTROL OF CERTAIN TRANSMISSION )  
FUNCTIONS )

April 19, 2012

Please sign in:

NAME	REPRESENTING
<u>Justin P. Powell</u>	<u>PSC - Legal</u>
<u>Fereydoon Gorjian</u>	<u>PSC - Electric Branch/PSC</u>
<u>Rick Lovekamp</u>	<u>LGE/KU</u>
<u>Chris Balmer</u>	<u>LGE/KU</u>
<u>Duncan Crosby</u>	<u>SKO for LGE/KU</u>
<u>Lonnie Bellare</u>	<u>LGE/KU</u>
<u>Jennifer Keisting</u>	<u>LGE/KU</u>
<u>Derek Rahn</u>	<u>LGE/KU</u>
<u>Ed Stator</u>	<u>LGE/KU</u>
<u>Bob Russell</u>	<u>PSC</u>
<u>Tim Livers</u>	<u>//</u>
_____	_____
_____	_____
_____	_____

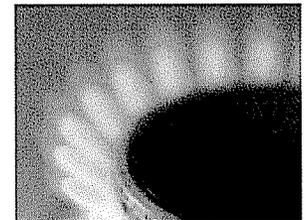
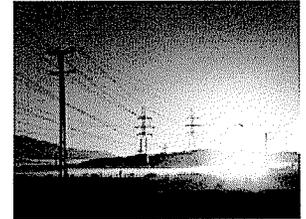
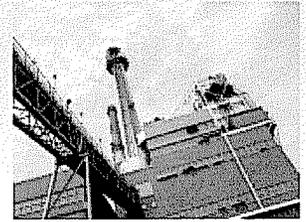


PPL companies

***Application of Kentucky Utilities Company  
and Louisville Gas and Electric Company to  
Transfer Control of Certain Transmission  
Functions - Case No. 2012-00031***

***Informal Conference***

April 19, 2012



# TranServ

- **TranServ was identified as the most cost effective bidder with the best attributes**
- **FERC Approval was received March 28, 2012**

## *Bidder Ability*

- *Has extensive experience in performing Tariff administration services*
- *Their staff also has good working knowledge of the LKE OATT and current ITO relationship*
- *They assisted LKE in completing an initial Transition Plan of the ITO role for the end of the ITO agreement on September 2010 and are located at the OATI main offices in Minnesota. TranServ also developed an ITO transition document for LG&E-KU and provided other compliance related documentation.*
- *TranServ has provided a well laid out document regarding roles and responsibilities*
- *LKE presently uses OATI products for OASIS TSR processing and electronic scheduling*

## *Cost*

*~\$2.5M Annual Cost*

*(discounted \$225k to reflect study costs to be recovered from OATT customers)*

*~\$730K Transition Costs (billed on actual cost and not to exceed)*

*Annual increase or decreases will be tied to a CPI and head count requirements*

# Background

- *In 2006, the Kentucky Public Service Commission (KPSC) and the Federal Energy Regulatory Commission (FERC) approved the transfer of certain transmission control functions, specifically the ITO functions, from LG&E and KU to SPP.*
- *The original contract under which SPP had been providing its ITO services expired under its terms on August 31, 2010.*
- *In July 2010 LG&E and KU entered into a new agreement with SPP to provide ITO services until August 31, 2012.*
- *Under the terms of the current Agreement, LG&E/KU must file no later than September 1, 2011 a FERC filing to effectuate a 8/31/12 termination date and to obtain regulatory approvals of proposed replacement arrangements.*

# ITO Selection Process

*1/18/11:*

- *Made presentation to the Stakeholders on the ITO selection process and requested feedback, comments, suggestions, and/or other potential bidders from Stakeholders by the 25<sup>th</sup>*

*2/7/11:*

- *Sent out the RFI taking into account the comments of the Stakeholders, to the bidder list established*
- *Sent out RFI to 19 Potential Providers*
- *Requested an RFI response by 3/7/11*

*By 3/11/11: RFI Responses Received*

- *6 responses of interest*
- *9 responses of no interest*
- *4 no response received*

*3/12/11 – 3/21/11: Prepared RFP*

# ITO Selection Process(cont.)

**3/21/11:**

- *Sent out an RFP to interested potential providers and requested a response by date of 4/25 (later extended to 5/2)*
- *Sent out RFP to 10 potential providers (9 external, 1 internal)*

**3/21 /11 – 4/24/11:**

- *Developed Evaluation Criteria*
- *Held scoping meeting with all interested potential bidders*

**5/2/11:**

- *Received 4 potential provider proposals (3 external, 1 internal)*
- *Began evaluation process using Evaluation Criteria*

**5/5/11 - 5/6/11:**

- *Held first round of individual meetings with bidders to obtain further clarity on the bidders' responses*

# ITO Selection Process(cont.)

- *6/17/11: Progress report and discussion with Stakeholders of evaluation criteria*
- *6/30/11: Scoring was completed and TranServ was determined (based on Evaluation Criteria discussed with Stakeholders) as the best option for performing the ITO Services post 8/31/12*
- *7/26/11 : Internal approval requested*
- *8/31/11: Execution of new ITO Contract and filing at FERC*
- *3/28/12: FERC Approval received*

# List of Potential Providers/Bidders

## RFI sent to:

- *HDR Engineering, Inc.*
- **Mid-Continent Area Power Pool (MAPP)**
- **TranServ International, Inc.** - joint w/ MAPP
- **MidWest ISO (MISO)**
- *Electric Reliability Council of Texas (ERCOT)*
- *ISO New England*
- *Trans – Electric Development Co*
- **South West Power Pool (SPP)**
- *New York ISO*
- **American Transmission Company (ATC)**
- *ICF International*
- **Black & Veatch Corp. (B&V)**
- *Mesa Associates, Inc*
- *PJM Interconnection*
- *Schweitzer Engineering*
- *ACES Power Marketing*
- *American Municipal Power (AMP)*
- *Tennessee Valley Authority (TVA)*
- *PowerSouth Energy Cooperative*

## RFP sent to:

- **Mid-Continent Area Power Pool (MAPP)**
- **TranServ International, Inc.** - joint w/ MAPP
- *MidWest ISO (MISO)*
- *ISO New England*
- *Trans – Electric Development Co*
- **South West Power Pool (SPP)**
- **Black & Veatch Corp. (B&V)**
- *Mesa Associates, Inc*
- *Tennessee Valley Authority (TVA)*
- **LG&E / KU**

*\*\*Bidders that responded are bolded in text*

# RFP Key Notes

- *Annual cost range from ~ \$2.5M to ~\$10M. One-time implementation plan costs varied from \$0 to \$1.5M*
- *Evaluation of bids was evenly split by cost and performance ability*
- *LKE's own bid was administered from an independent perspective and overseen by a 3<sup>rd</sup> party (KEMA) to maintain independence in the bid*

*Questions?*

April 19, 2012

9

