

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

STATE-WIDE PLANNING FOR THE	)	
EFFICIENT PROVISION OF	)	CASE NO.
ELECTRIC GENERATION AND	)	8666
TRANSMISSION FACILITIES	)	

O R D E R

In its June 3, 1982, Order in Case No. 8400, East Kentucky Power Cooperative, Inc., the Commission stated:

Uncertain growth in demand for electricity, loss of firm power sales, the extremely high cost of additions to generating capacity, the impact on consumers' bills of additions to capacity, and the current outlook for reserve margins at least through the 1980s in the Commonwealth and the region are some of the considerations which cause the need for additional generating capacity to be a matter of ongoing concern to the Commission and to others. Although that issue found expression in this proceeding, the Commission's concern extends beyond East Kentucky to all of the electric generating utilities within its jurisdiction. Therefore, the Commission finds that a thorough, independent study of such issues as state-wide planning for generation and transmission should be undertaken, and should encompass all of the electric generating utilities within the Commission's jurisdiction. The Commission will address such an undertaking in a separate generic proceeding.

On its own motion, the Commission now initiates this proceeding to study and implement a state-wide plan for the efficient provision of electric generation and transmission facilities.

The Commission has prepared a request for proposals (Appendix A) on which it will receive written comments and hold a public hearing.

The Commission proposes to allocate the cost of development and implementation of the state-wide plan among the electric utilities under its jurisdiction.

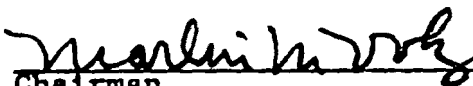
IT IS THEREFORE ORDERED that the Office of the Attorney General, Division of Consumer Protection, Kentucky Utilities Company, Louisville Gas and Electric Company, Union Light, Heat and Power Company, Big Rivers Electric Corporation, East Kentucky Power Cooperative, Inc., and Kentucky Power Company shall be parties to this proceeding.

IT IS FURTHER ORDERED that written comments on the request for proposals (Appendix A) shall be submitted by October 15, 1982.

IT IS FURTHER ORDERED that a public hearing shall be held on October 25, 1982, at 10:00 a.m., Eastern Daylight Time, in the Commission's offices in Frankfort, Kentucky.

Done at Frankfort, Kentucky, this 28th day of September, 1982.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

ATTEST:

  
Commissioner

\_\_\_\_\_  
Secretary

APPENDIX A  
REQUEST FOR PROPOSALS

The Kentucky Public Service Commission ("Commission") seeks to retain an independent consultant or contractor ("Consultant") to aid the Commission in its efforts to develop and implement a state-wide plan for the efficient provision of electric generation and transmission facilities.

The Commission's ultimate objective in this undertaking is a plan which, with revisions as necessary, will serve as the basis for the affected utilities' capital investments in generating facilities, major transmission lines, and interconnections for the remainder of the century. The Commission seeks to assure that, following completion of the plan, major capital investments will have as their principal goal lowest practicable cost for electrical service to the electric consumer.

The Commission regards this as a major undertaking and a significant departure from current practice in which the Commission has had a modest role in the electric utilities' major investment decisions. Accordingly, the Commission intends to exert the utmost care in selecting a Consultant for this very important project. In this regard the Commission will be especially interested in similar projects completed and delivered by prospective consultants, and in the names of relevant references which the consultants must provide the Commission.

It is likely the Commission will invite some prospective consultants for interviews and discussion, which will be at the consultants' expense.

The Commission reserves the right to retain more than one Consultant for the project and to sub-divide the tasks as it deems appropriate. Therefore each major task should be accompanied by its own budget.

The Commission believes the project entails the following tasks:

1. Application of a state-of-the-art electricity forecasting model for forecasting annual growth in aggregate energy and peak demand for electricity in the state of Kentucky and for each major electric utility in Kentucky to the year 2000. The major electric utilities are Kentucky Utilities Co., Kentucky Power Co., Louisville Gas & Electric Co., East Kentucky Power Cooperative, Big Rivers Electric Cooperative, and Union Light, Heat and Power Co. The model chosen must be flexible enough to permit a "scenario analysis" reflecting a range of forecasting assumptions.

2. Thorough review of and recommendations concerning the use of existing generation and transmission facilities and planned new generating facilities and interconnections, in order to assure that these facilities are or become a reasonably integrated state-wide electric system which results in the lowest practicable cost to the electric consumer. This review and analysis should include a detailed discussion of the extent to which the economic advantages of power pooling have been practiced and are being planned to be carried out either within Kentucky or between electric utilities in Kentucky and those in neighboring states. This review would include an economic and financial analysis of all new generation and transmission facilities currently proposed by electric

utilities regulated by the Commission to assure that wasteful duplication is avoided and that only those proposed facilities are built whose completion and operation result in a reasonably well integrated state-wide electric system which entails the lowest practicable cost of electricity services to the consumer.

3. Towards this end a detailed end-use analysis should be carried out specific to each utility listed in Task #1 above, and for the state as a whole, as to the cost-effective level of investments in conservation technologies that would be justified. The consultant should proceed to design levels of conservation appropriate for electric utilities within Kentucky to initiate and carry out over the next 10 years, including a "rough cut" at how the program might be extended to the year 2000. The impact of this joint consumer/utility conservation investment program on annual energy and peak demand within Kentucky and its costs to ratepayers should be quantified, again for the state and each major utility.

4. In order to gain the benefits of conservation, the Consultant should proceed to design a detailed utility and consumer conservation investment program for Kentucky. Given the analysis in Task #3 above, the Consultant should discuss the extent to which it would be reasonable for both consumers and the utilities to invest in conservation depending on the technologies involved and realistic financing mechanisms available. The Consultant should work with the Commission Staff to develop a timetable for actions the utilities, consumers, legislature, and the Commission can take to begin to implement this program. Any key institutional barriers to the adoption and implementation of such a conservation program

should be identified and discussed. General approaches to eliminating or minimizing the effects of these barriers should be presented.

5. Recommendations concerning any additional considerations or policies which, in the opinion of the Consultant, are essential to the creation and operation of an integrated state-wide electric system which entails the lowest reasonable cost to the electric consumer.

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Interested independent consultants or contractors who have completed similar projects are invited to send \_\_\_ copies of the following:

-A written response to the Request for Proposals, to include maximum cost and a timetable for each task and delivery date of the final report.

-The final reports for two similar projects.

-The names, addresses, and telephone numbers of three references who have been clients of the Consultant in similar projects.

These materials should be sent to:

Richard D. Heman, Jr.  
Secretary  
Public Service Commission  
P. O. Box 615  
Frankfort, KY 40602

and must be postmarked prior to \_\_\_\_\_.

Written questions concerning this Request for Proposals should be sent to Mr. Heman.

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