

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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|---------------------------------|---|---------------------|
| APPLICATION OF EAST KENTUCKY |) | |
| POWER COOPERATIVE, INC. FOR |) | |
| APPROVAL OF THE TRANSFER OF |) | |
| OPERATIONAL CONTROL OF |) | CASE NO. 2002-00327 |
| CERTAIN TRANSMISSION FACILITIES |) | |
| TO THE MIDWEST INDEPENDENT |) | |
| SYSTEM OPERATOR |) | |

COMMISSION STAFF S SECOND DATA REQUEST
TO EAST KENTUCKY POWER COOPERATIVE, INC.

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that East Kentucky Power Cooperative, Inc. (East Kentucky) file the original and 5 copies of the following information with the Commission on or before November 8, 2002, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the Application, Exhibit 4, page 8 of 35. This analysis indicates that East Kentucky's exit from the Midwest Independent System Operator (MISO) would cost approximately \$2,300,000. Provide the workpapers showing the determination of the estimated exit cost. Include citations to MISO documents and the assumptions used in the determination. Also, indicate when this estimate was actually calculated.

2. Refer to the responses to the Commission Staff's First Data Request dated October 2, 2002, Items 7, 8, 9, and 21. In all of these responses East Kentucky notes that it could withdraw from MISO under the provisions of Article VII of the MISO tariff.

a. Provide a narrative discussing East Kentucky's understanding of the provisions of Article VII.

b. Identify all the articles contained in the MISO tariff addressing the subject of withdrawal or termination of membership. Provide a narrative summary of the requirements of each article.

3. A review of the MISO tariff indicates that there could be several penalties and/or exit fees applicable if East Kentucky joined and then terminated its membership with MISO. For purposes of the following questions, assume East Kentucky has joined MISO.

a. Provide a schedule showing all penalties and/or exit fees East Kentucky would be subject to if it were to terminate its membership with MISO under the current MISO tariff. The schedule should include citations to all applicable tariff provisions and the assumptions used to calculate the amounts. Ideally, East Kentucky

should request that MISO provide this information to East Kentucky. However, if MISO will not provide this information, East Kentucky should prepare the schedule and include a discussion of why MISO would not provide the information.

b. Provide the same information requested in part (a), but also assume that Schedules 16 and 17 have been approved as proposed.

c. Would the estimates of the withdrawal penalties and/or exit fees be different if after joining MISO the Commission does not approve East Kentucky's application to join MISO, rather than East Kentucky terminating its membership on its own? Explain the response.

4. Refer to the Application, Exhibit 6.

a. Provide a revised economic justification analysis and net present value calculation of MISO membership using a 20-year period. This analysis should be modeled on the same assumptions as were used to prepare Exhibit 6.

b. Provide an updated economic justification analysis and net present value calculation of MISO membership using a 20-year period and reflecting the potential impacts of Schedules 16 and 17. Any assumption used in the original Exhibit 6 not impacted by Schedules 16 and 17 should be retained.

c. Indicate whether East Kentucky included the annual costs for the following items when it prepared the original economic justification analysis. If the cost was not included, explain why East Kentucky did not include the item.

(1) Participation on MISO committees.

(2) Involvement of East Kentucky personnel with MISO activities.

(3) Travel costs associated with MISO participation.

(4) The recovery of certain Federal Energy Regulatory Commission (FERC) administrative costs, also known as the FERC tax, from MISO participants.

5. Assume for purposes of this question that East Kentucky is a member of MISO. Further assume that East Kentucky has purchased 200 MW of power for its native load needs. However, at the time East Kentucky needs delivery of its purchase, there are transmission constraints within MISO preventing the delivery of the purchase.

a. Explain what actions would be taken by MISO to allow for the delivery of this power purchase to East Kentucky.

b. Would East Kentucky be given any preference over other users of the MISO network due to the fact the purchase is for native load customers? Explain the response.

c. Assume that after MISO had done all it could to relieve the problem, the transmission constraint still prevented East Kentucky from receiving the entire 200 MW purchase. Explain what actions would be taken by East Kentucky to deal with the shortage of power for its native load.

6. Refer to the responses to the Commission Staff's First Data Request dated October 2, 2002, Item 1.

a. Since at this time East Kentucky will have some interconnections with PJM companies, provide the additional transmission cost that will be incurred through these interconnections considering that East Kentucky will not be a member of PJM under the proposal to join MISO.

b. Provide any information available regarding congestion on East Kentucky lines created by its interconnection with AEP and the potential cost of transactions through AEP where congestion occurs under PJM's proposed transmission tariffs that would apply to AEP.

7. Explain the statement contained in the response to the Commission Staff's First Data Request dated October 2, 2002, Item 2, that East Kentucky's cost associated with improvements in the transmission system will only relate to the load share ratio of the costs. Include a reference to the provisions of the tariff that explain how the determination of who receives the benefit will be made.

8. East Kentucky states in the response to the Commission Staff's First Data Request dated October 2, 2002, Item 3 that it will realize significant savings through avoidance of the transmission drive-out rate as reflected in East Kentucky Exhibit 6. One of the assumptions in East Kentucky's Exhibit 6 is that all purchases will be made from MISO companies. Explain why this is a valid assumption.

9. Refer to the responses to the Commission Staff's First Data Request dated October 2, 2002, Item 6. The response states in sub-item 3 that TVA provides security coordination for East Kentucky. How does East Kentucky compensate TVA for this service and what is the annual cost of these services?

10. Refer to the responses to the Commission Staff's First Data Request dated October 2, 2002, Item 7. Provide a summary of the issues that East Kentucky has identified in the FERC Standard Market Design Notice of Proposed Rulemaking (NOPR) and explain any cost implications of the issues. Include specific discussion on the cost shifting aspects of the NOPR.

11. Refer to the responses to the Commission Staff's First Data Request dated October 2, 2002, Item 15. Cite the provisions of the MISO agreement that provide for reimbursement for operating off-economic dispatch. Explain how the amount of reimbursement is determined and whether the reimbursement is fully compensatory to East Kentucky.

12. East Kentucky's response to Commission Staff's First Data Request dated October 2, 2002 states that operational control of certain assets will be transferred to MISO. Explain how the capital costs associated with these assets will be recovered from East Kentucky's members after joining MISO, and provide detailed cost estimates of any annual savings or costs that will result from the change in operational control of these assets.

13. Refer to the responses to the Commission Staff's First Data Request dated October 2, 2002, Item 22. Explain which MISO committees East Kentucky will participate in and what staff member will be assigned to which committee. Include in the discussion the current status with regard to East Kentucky's involvement in the MISO committee structure.

14. Refer to the responses to the Commission Staff's First Data Request dated October 2, 2002, Item 23. Explain how the transmission revenues and expenses are accounted for by MISO and explain why there are no apparent entries on the income statement or balance sheet of MISO that reflect these transactions.

15. Refer to the responses to the Commission Staff's First Data Request dated October 2, 2002, Item 27. Provide East Kentucky's current annual cost to operate its own OASIS. Explain the impact of joining MISO on this cost.

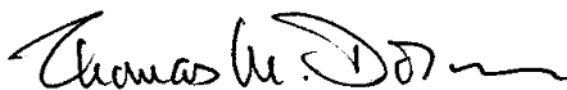
16. Refer to the responses to the Commission Staff's First Data Request dated October 2, 2002, Item 29.

a. Explain the reference to transmission revenues going to zero as reflected in the response to Item 28.

b. Explain why East Kentucky was no longer entitled to transmission revenues after MISO became operational in February of this year.

c. Do East Kentucky's transmission facilities continue to be used for the same sales that generated the transmission revenues prior to February of this year? Explain.

17. In a letter to the Commission dated October 25, 2002, East Kentucky stated its intentions to conduct additional analysis on the decision to join MISO in light of certain tariffs that were not previously considered. In addition to these tariffs, describe how East Kentucky will take into consideration the increased cost referred to in the response to Item 34 of the Commission Staff's First Data Request and other potential costs that are the subject of this and the previous data request.



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DATED: October 31, 2002

cc: All Parties