

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION INTO THE MEMBERSHIP OF)	
LOUISVILLE GAS AND ELECTRIC COMPANY)	CASE NO.
KENTUCKY UTILITIES COMPANY IN THE)	2003-00266
MIDWEST INDEPENDENT TRANSMISSION)	
SYSTEM OPERATOR, INC.)	

DATA REQUEST OF COMMISSION STAFF TO THE
MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.

The Midwest Independent Transmission System Operator, Inc. ("MISO"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due January 26, 2004. Each copy of the data 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 person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to pages 2 through 5 of the Direct Testimony of James P. Torgeson concerning the history and growth of MISO.
 - a. Provide the following information for each year since 1996.

(1) MISO's capital and operating budgets, as approved by its board of directors, as well as any interim amendments made to those budgets.

(2) The allocation of MISO's annual budgets to Day One and Day Two (energy markets) activities.

(3) The total amount of the budget allocated to salaries and benefits and the number of employees included in the budget.

b. Provide the following information for each of the past 3 years beginning in January 2001.

(1) The salary for each officer at the level of vice president and above, and each director, and any bonus awarded.

(2) The level of compensation paid to members of the MISO board of directors.

c. Provide any salary or compensation study or analysis performed by or for MISO. If none exists, explain in detail how MISO establishes the compensation levels for its officers and directors.

2. Refer to Exhibit RCH-1 of the Direct Testimony of Roger C. Harzy. Explain whether Mr. Harzy attributed the increase number of Transmission Load Relief procedures at level 4 ("TLR-4s") since MISO took over control of the Louisville Gas and Electric Company and Kentucky Utilities Company ("LG&E/KU") system to the fact that TLR-4 type reconfigurations and redispatch did not previously occur, or to the fact that such actions were not previously identified and reported as TLR-4s.

3. Refet to page 12 of the Direct Testimony of Jonathan Falk (“Falk Testimony”) concerning the NERC Disturbance Analysis Working Group (“DAWG”) reports used in his analysis of expected lost kilowatt-hours (“kWh”).

a. Explain how Mr. Falk determined that all DAWG reports since 1990 were the appropriate reports to review for his analysis.

b. Explain in detail why all DAWG reports since 1990 are representative of lost kWh for LG&E/KU.

2. Refer to page 14 of the Falk Testimony concerning surveys related to the value of lost load (“VOLL”).

a. Provide the applicable sections of the Caves, Herriges, and Windle and the Pupp and Woo surveys referenced by Mr. Falk which support the VOLL amounts discussed by Mr. Falk.

b. The first sentence on line 7 states that there have been many studies of VOLL, although Mr. Falk only references the two studies cited in part (a) of this request. Identify all the other studies with which Mr. Falk is familiar and provide the VOLL estimates from each of these additional studies.

3. Refer to pages 15 and 16 of the Falk Testimony concerning the aggregate value of increased reliability.

a. Provide a detailed description of the “sample from the distribution of lost kilowatt-hours [used] to simulate kilowatt-hours lost in the outage.”

b. Provide the VOLL amount(s) used in Mr. Falk’s analysis.

c. Provide the loss amount for each percentile from 86 to 89 and from 91 to 95.

4. Refer to page 17 of the Falk Testimony concerning the possibility of LG&E/KU withdrawing from MISO.

a. Explain whether MISO performs reliability coordinator function for non-MISO members. If yes, describe the terms of such arrangements and provide any formal documentation of such terms, if it exists.

b. Provide a cost estimate for MISO to assume reliability coordination functions for LG&E/KU assuming they are not members of MISO. Explain if this estimate is reasonable to compare to the \$2.7 million identified in the Falk Testimony as the reliability benefits provided to LG&E/KU through membership in MISO. If a comparison is not reasonable, explain why.

5. Refer to pages 3 through 5 of the Direct Testimony of Michael P. Holstein (“Holstein Testimony”) concerning the merger of LG&E/KU.

a. Identify the specific evidence which Mr. Holstein relies upon to conclude that the merger of LG&E/KU would not have occurred absent their commitment to join MISO.

b. Explain whether Mr. Holstein has knowledge of whether the Federal Energy Regulatory Commission (“FERC”) would have withheld its approval of the merger if LG&E/KU had committed to join a Regional Transmission Organization (“RTO”) as opposed to committing to join MISO.

6. Refer to pages 11 through 15 of the Holstein Testimony concerning the estimated benefits to LG&E/KU through 2010 of continued membership in MISO.

a. Explain whether the starting year for the period “through 2010” is 2004. If yes, explain why 2004 was used rather than 2005 as was used in the Direct Testimony of Dr. Ronald R. McNamara (“McNamara Testimony”).

b. Provide the derivation of the Net Energy Market Benefits of \$197.8 million shown on page 14.

c. Provide the derivation of the \$95 million in net present value of benefits shown on page 11, which are referenced to the McNamara Testimony.

7. Refer to lines 5-7 of page 3 of the McNamara Testimony. Explain what is meant by "physical re-dispatch procedures" to the extent that the term "physical" implies "non-physical" redispatch procedures.

8. Refer to pages 4 through 6 of the McNamara Testimony concerning the estimated benefits of LG&E/KU's continued membership in MISO. Provide the calculations, supporting workpapers, etc. showing the derivation of all the savings amounts identified on these pages.

9. Refer line 14 of page 5 of the McNamara Testimony. Explain the term “volume.” Does this mean an increase in actual energy produced and capable of being transferred or the dollars realized from the sales?

10. Refer line 9 of page 6 of the McNamara Testimony. Explain what is meant by “likely improvement in investment decisions” as referred to in this sentence.

11. Refer lines 15-16 of page 14 of the McNamara Testimony. If there is economic value to a transaction, explain why the transacting entity does not request, and pay for, firm transmission service to avoid having service curtailed.

12. Refer to lines 23-25 of page 20 of the McNamara Testimony. Explain what is meant by "point-to-point charges are essential to avoid cross-subsidizing transmission users seeking a 'free ride' on transmission investments made by others."

13. Refer to page 21 of the McNamara Testimony concerning KRS 278.214 and how MISO energy markets address the requirement contained therein. Affirm or deny that under the MISO tariffs LG&E/KU will be able to comply with the requirement to interrupt retail loads, only after interrupting all other customers whose interruption may eliminate the transmission emergency.

14. Refer to Exhibit RRM-1 to the McNamara Testimony. Does the analysis contained in the exhibit reflect the potential impacts of other MISO projects currently under consideration, such as, but not limited to:

- a. The costs of implementing, operating, and complying with MISO's resource adequacy proposal; and
- b. Potential subsidies for "Reliability Must Run" units that would not be economical to operate without subsidy, etc.



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DATED January 12, 2004

cc: All Parties