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**Via Overnight Mail**

June 21, 2010

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JUN 22 2010

PUBLIC SERVICE  
COMMISSION

Mr. Jeff Derouen, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

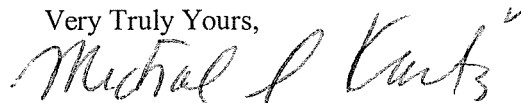
**Re: Case No. 2010-00043**

Dear Mr. Derouen:

Please find enclosed the original and twelve (12) copies each of KIUC's RESPONSES to: 1) BIG RIVERS JUNE 9 FIRST DATA REQUEST 2) MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR'S JUNE 10 FIRST DATA REQUEST; and 3) COMMISSION STAFF'S JUNE 10 DATA REQUEST filed in the above-referenced matter. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.

**BOEHM, KURTZ & LOWRY**

MLKkew  
Attachment

cc: Richard Raff, Esq.  
Certificate of Service

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing was served by electronic mail (when available) and by mailing a true and correct copy by regular ordinary U.S. mail, unless other noted, this 21<sup>st</sup> day of June, 2010 the following:

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\_\_\_\_\_  
Michael L. Kurtz, Esq.

**KIUC's RESPONSE TO  
BIG RIVERS' JUNE 9 FIRST DATA REQUEST  
PSC CASE NO. 2010-00043  
June 21, 2010**

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**Item BR KIUC 1-1**

*Referring to the Resume of Dr. Mathew J. Morey attached to his Direct Testimony and Exhibits, please provide the following documents listed therein:*

Response:

The following documents have been provided in electronic form as requested with the exception as noted.

Publications

- a. Provided an electronic copy of: "Managing Transmission Risk in Wholesale Power Markets," with Laurence D. Kirsch, *The Electricity Journal*, Volume 22, Issue 9, October 2009, pp. 26-37.
- b. Provided an electronic copy of: "Efficient Allocation of Reserve Costs in RTO Markets," with Laurence D. Kirsch, *The Electricity Journal*, Volume 19, Issue 8, October 2006, pp. 43-51.
- c. Provided an electronic copy of: "RTOs and Electricity Restructuring: the Chasm Between Promise and Practice," with B. Kelly Eakin and Laurence D. Kirsch, *The Electricity Journal*, Volume 18, Number 1, January/February 2005, pp. 1-21.
- d. Provided an electronic copy of: "The Role of the Independent Transmission Company in Wholesale Electricity Markets," with Eric Hirst, *The Electricity Journal*, Volume 16, Number 4, May 2003, pp. 31-45.

Professional Papers

- e. A copy of this paper cannot be provided because it is held as a confidential document by EKPC. "Economic Impacts of Alternative Resources: East Kentucky Power Cooperative," with Robert Camfield, Bruce Chapman, Jeremy Morton, and Michael Welsh, February 1, 2010.
- f. Provided an electronic copy of: "The Regional Transmission Organization Report Card: Wholesale Electricity Markets and RTO Performance Evaluation," 3<sup>rd</sup> Edition, prepared for the National Rural Electric Cooperative Association, with Laurence D. Kirsch, Brad Wagner, Bruce Chapman, February, 2009.
- g. Provided an electronic copy of: "Managing Transmission Risk Through Forecasts of Transmission Loading Relief Calls," with Laurence Kirsch, Brad Wagner, and Dave Armstrong, Electric Power Institute, EPRI Report ID #1015871, November, 2008.
- h. Provided an electronic copy of: "The Regional Transmission Organization Report Card: Wholesale Electricity Markets and RTO Performance Evaluation," 2<sup>nd</sup> Edition, prepared for the National Rural Electric Cooperative

Association, with Laurence D. Kirsch, Brad Wagner, Bruce Chapman, Emilie McHugh, August, 2007.

- i. Provided an electronic copy of: "Hedging Long-term Transmission Price Risks Associated With Generation Investments," with Laurence D. Kirsch, prepared for the Electric Power Research Institute, December, 2005.
- j. Provided an electronic copy of: "Transmission Price Risk Management," with L.D. Kirsch, Electric Power Research Institute, Product ID #1012475, October, 2005.

Presentations

- k. Provided an electronic copy of: "The Costs and Benefits of Regional Transmission Organizations," Large Public Power Council Rates Committee Seminar, San Antonio, Texas, October 2, 2005.

Prepared Testimony, Expert Testimony

1. Provided an electronic copy of: Before the Kentucky Public Service Commission, on behalf of LGE Energy Corporation, Additional Supplemental Rebuttal Testimony in the matter of "Investigation into the Membership of Louisville Gas and Electric Company and Kentucky Utilities Company in the Midwest Independent Transmission System Operator, Inc.," Case No. 2003-00266, filed April 1, 2005.

Witness: Mathew J. Morey

**Item BR KIUC 1-2**

*To the extent not provided in your response to Request No. 1, please provide a copy of all publicly available documents and/or studies prepared by Dr. Morey in connection with the following items listed in the "Major Projects" section of the Resume of Dr. Mathew J. Morey attached to his Direct Testimony and Exhibits:*

- a. *"Assisted a national trade association with the analysis of RTO and regional LMP-based market performance."*
- b. *"Assisted an investor-owned electric utility with evaluation of feasible options to membership in a Regional Transmission Organization."*

Response:

- a. These documents are provided in response to Request No. 1.
- b. One of these documents is provided in response to Request No. 1. I also provide electronic copies of the following documents prepared in connection with Case No. 2003-00266 that were not already provided in response to Request No. 1.
  1. "Direct Testimony of Mathew J. Morey on Behalf of Louisville Gas and Electric Company and Kentucky Utilities Company," Filed September 22, 2003.
  2. "A Cost-Benefit Analysis of RTO Options for LGE Energy Corporation," prepared for LGE Energy Corporation, Christensen Associates Energy Consulting, Filed September 22, 2003.
  3. "Rebuttal Testimony of Mathew J. Morey on Behalf of Louisville Gas and Electric Company and Kentucky Utilities Company," Filed February 9, 2004.
  4. "Supplemental Testimony of Mathew J. Morey on Behalf of Louisville Gas and Electric Company and Kentucky Utilities Company," Filed September 29, 2004.

**Item BR KIUC 1-3**

*Referring to the Direct Testimony of Dr. Morey at p. 2, lines 3-10, has Dr. Morey ever prepared an analysis and/or testified in any regulatory proceeding in support of a utility's decision to join a regional transmission organization (RTO) or independent system operator (ISO), or advocating that a utility join an RTO or ISO? If so, please provide a copy of any such analysis or testimony.*

Response:

I have not prepared an analysis and/or testified in any regulatory proceeding in support of a utility's decision to join a regional transmission organization (RTO) or independent system operator (ISO), or advocating that a utility join an RTO or ISO.

**Item BR KIUC 1-4:**

*Referring to the Direct Testimony of Dr. Morey at p. 5, lines 5-9, has Dr. Morey performed any analyses of the likelihood that any or all of the individual projects encompassed in the "investment of more than \$22 billion in an extra high voltage transmission overlay" will be built? If so, please provide copies of those analyses.*

Response:

I have not prepared any independent analysis of the likelihood that any or all of the individual projects encompassed in the “investment of more than \$22 billion in an extra high voltage transmission overlay” will be built.

**Item BR KIUC 1-5**

*Referring to the Direct Testimony of Dr. Morey at p. 6, lines 14-15, please provide the basis for the statement that “there is a significant possibility that [Big Rivers] would join [the Midwest ISO] for a much longer period [than five years].”*

Response:

The basis for the statement is the historical evidence in all of the extant RTOs that, with very few exceptions, utilities that become RTO/ISO members generally remain members for more than five years. Joining an RTO is a serious step for any utility. As I witnessed in the case of Louisville Gas & Electric Company and Kentucky Utilities Company exiting the Midwest ISO, unwinding that relationship is a very costly step. Once a utility has joined an RTO and invested in the physical and human capital necessary to operate in that regional market context, exiting to any other configuration is very costly.

**Item BR KIUC 1-6**

*Referring to the Direct Testimony of Dr. Morey at p. 8, lines 20-22, please provide the basis for Dr. Morey’s calculation of a 1.78% load ratio share for Big Rivers.*

Response:

The 1.78% load ratio share for Big Rivers comes directly from Charles River Associates, “Preliminary Economic Assessment of Big Rivers Contingency Reserve Options,” December 17, 2009, p. 9. That document has been entered into the record of this proceeding as a response of Mr. Luciani to KIUC Item 1-1.

**Item BR KIUC 1-7**

*Referring to the Direct Testimony of Dr. Morey at p. 8, line 22-p. 9, line 1, please provide the basis for Dr. Morey’s calculation of a 1.14% allocation to Big Rivers.*

Response:

The 1.14% allocation to Big Rivers is the product of 1.78% load ratio share multiplied by 0.64 ( $1.14\% = 1.78\% \text{ times } 0.64$ ), where 0.64 is the portion of Big Rivers’ load attributable to the Smelters as indicated in Charles River Associates, “Preliminary Economic Assessment of Big Rivers Contingency Reserve Options,” December 17, 2009, p. 9, in the boxed note that states: “Of BREC 2010 native load, 36% is for members (incl. HMP&L), and 64% is for smelters.”

**Item BR KIUC 1-8**

*Referring to the Direct Testimony of Dr. Morey at p. 8, line 3-p. 9, line 18, has Dr. Morey performed any analyses of possible revenues that may accrue to Big Rivers as a result of participation in the Midwest ISO? If so, please provide copies of those analyses.*

Response:

I have not performed any independent analyses of possible revenues that may accrue to Big Rivers as a result of participation in the Midwest ISO.

**Item BR KIUC 1-9**

*Referring to the Direct Testimony of Dr. Morey at p. 11, lines 11-13, and Exhibit 1, the annual increase in the "Decreased Cost to BR Load" in Exhibit 1 from 2016 to 2025 does not appear to be an annual increase of 7.70%. Please confirm your calculation.*

Response:

There is an error in my formulas that affected the values for "Decreased Cost to BR Load" for the years 2018 through 2025. The original values and the corrected values are as follows:

	2018	2019	2020	2021	2022	2023	2024	2025	PV
Original	3.7	4.0	4.0	4.3	4.3	4.7	4.7	5.0	34.1
Corrected	4.0	4.3	4.7	5.0	5.4	5.8	6.3	6.8	37.7
Change	0.3	0.3	0.6	0.7	1.1	1.2	1.6	1.7	3.6

This correction also changes the bottom-line results (as in the Subtotal row of my Exhibit 1) by the amounts indicated in the Change row above. All references to numerical results in my testimony should be interpreted to reflect the above correction. Note that this correction does not significantly affect the results of my analysis, nor does it affect my conclusions.

**Item BR KIUC 1-10**

*Referring to the Direct Testimony of Dr. Morey at p. 17, line 21-p. 18, line 1, does Dr. Morey agree that at the time when Mr. Luciani filed his testimony, the Smelters had not yet offered to provide "up to 320 MW of interruptible power" to Big Rivers?*

Response:

Yes.

**Item BR KIUC 1-11**

*Referring to the Direct Testimony of Dr. Morey at p. 17, lines 19-20, Dr. Morey states that he is advised that Big Rivers and the Smelters have not even begun pricing negotiations on the cost of interruptible power that the Smelters could provide Big Rivers as part of a plan to satisfy Big Rivers' Contingency Reserve requirement. To Dr. Morey's knowledge, have Big Rivers and the Smelters begun negotiations on any of the following elements of a solution to Big Rivers' Contingency Reserve requirement that includes reliance on an interruptible power arrangement with the Smelters? If the answer to any of these items is "Yes," please explain in detail your understanding of the state of those negotiations.*

- a. *Interruption of the Smelter load for more than 90 minutes;*

- b. Allocation of risk in the event of inability to obtain replacement power when and as needed;*
- c. Length of commitment of each Smelter to interruptible service arrangements;*
- d. How Big Rivers would meet its Contingency Reserve requirement if one or both Smelters ceases operations; and*
- e. Changes to the interruptible arrangements that would occur if a Smelter closes.*

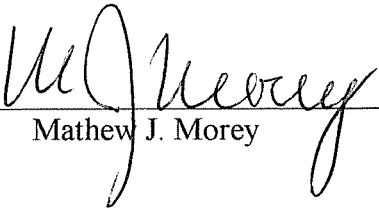
**Response:**

I have been advised by counsel that the Smelters and Big Rivers have begun discussions regarding an interruptible power arrangement, but I do not know any details about the content of these discussions.



VERIFICATION

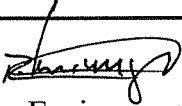
I, Mathew J. Morey, verify, state and affirm that I prepared or supervised the preparation of the data request responses filed with the Verification for which I am listed as a witness, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after reasonable inquiry.

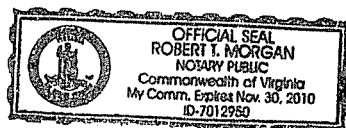
  
Mathew J. Morey

COMMONWEALTH OF VIRGINIA     )  
ALEXANDRIA CITY                    )

SUBSCRIBED AND SWORN TO before me by Mathew J. Morey on this \_\_\_\_\_  
day of June 2010.

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Notary Public   
My Commission Expires Nov 30th 2010



**KIUC's RESPONSE TO  
MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR'S  
JUNE 10 FIRST DATA REQUEST  
PSC CASE NO. 2010-00043  
June 21, 2010**

**RECEIVED**

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**Item MISO KIUC 1-1**

Q.1-1 Please reference the bottom of page 2, line 17 of Your direct testimony. Please explain the scope of Your engagement by KIUC including the specific contractual language that describes the work You are to provide to KIUC.

Response:

The scope of my engagement by KIUC was to: (1) review the testimony of the BREC and MISO witnesses in the case, to identify any other costs that could be associated with BREC's membership in MISO over the period from 2011 to 2025. The contract language is as follows:

“CA Energy will perform the following tasks:

1. Review the analysis conducted by Charles River Associates (CRA) for Big Rivers of the costs and benefits of Big Rivers joining MISO and identify the shortcomings, if any, in that study.
2. Review the testimony of MISO witness Moeller and identify problems, if any, with the claims made therein about the benefits to Big Rivers of joining MISO.
3. Gather additional information and data regarding costs and benefits of Big Rivers joining MISO that have not been addressed in the CRA study or Moeller testimony.”

**Item MISO KIUC 1-2**

Q.1-2 Please reference the bottom of page 2, line 19 of Your direct testimony. Please fully explain what is meant by the term “find” as it is used in Your answer, including a discussion of any and all studies, analyses or other information You relied upon in reaching the conclusion presented in Your answer.

Response:

I use the term “find” in accordance with the dictionary definition, “to ascertain by study or calculation.” In the context of my answer, this means that I identified costs that BREC might incur as a member of MISO over the period 2011 to 2025.

### Item MISO KIUC 1-3

Q.1-3 Please reference lines 3 – 6 of page 3 of Your direct testimony. Please explain:

- a. the basis of the phrase contained on line 3 that claims that there are "...hundreds of millions of dollars that it will likely incur...", including identifying any documents relied upon, studies or analyses done by You or others;
- b. which "MISO Transmission Expansion Plan (MTEP)" were You relying upon as support for this statement; and
- c. please identify, in the MTEP identified in subpart Q.1-3(b) above, the specific page or pages that provide the source of the hundreds of millions dollar amounts referenced in this response as well as the page or pages from which You draw the inference that the appropriate corresponding timeframe represented in the phrase "...over the next decade or so...".

Response:

- a. I relied upon Mr. Moeller's response to Data Request Item PSC 1-2, in which he indicates that MTEP Schedule 26 costs for Big Rivers in 2014 was estimated to be \$8.8 million (2009 \$) in the "0% GFA Case" and \$3.8 million (2009 \$) in the "36% GFA Case." I also relied upon his response to Data Request Item KIUC 2-7, in which he indicates that MTEP Schedule 26 costs for Big Rivers in 2024 was estimated to be \$50.5 million (2009 \$) in the "0% GFA Case" and \$27.6 million (2009 \$) in the "36% GFA Case." As indicated in my testimony, when Big Rivers' estimated share of Schedule 26 costs is considered over the period from 2011 to 2025,, the present discounted value is \$126.8 million, as indicated in my "36% GFA Case" and \$241.5 million in the "0% GFA Case."
- b. I was not relying on a specific MISO Transmission Expansion Plan (MTEP). The reference to the MTEP in the context of this statement was to the MTEP process by which transmission expansion projects are approved and become subject to the cost allocation rules applied under Schedule 26.
- c. See my response to Q.1-3.b.

**Item MISO KIUC 1-4**

Q.1-4 Please reference line 4 of page 4 of Your direct testimony where the term “status quo” is used in Your answer. Please explain and identify what this term means in this context and explain what You believe to be the status quo after September 2010. Have You, Your staff, or anyone affiliated with KIUC performed any analyses or conducted any studies which attempt to identify the “status quo”, as that term is used on line 4, page 4? If the answer is Yes, please provide the analyses, Documents and/or studies, including workpapers that support Your position of the status quo.

Response:

The term “status quo” refers to the state of BREC’s position in 2010 as it is involved in an interim agreement with MISO to provide reserve sharing. For my analysis of the costs and benefits of Big Rivers MISO membership option, the “status quo” was relative to the pre-interim agreement arrangement.

Neither I, my staff, nor anyone affiliated with KIUC has, to my knowledge, performed any analyses to identify the status quo.

**Item MISO KIUC 1-5**

Q.1-5 Please reference line 5 of page 5 of Your direct testimony. Please provide the basis, including any source document or study, for the figure of \$22 billion noted in the answer. If this figure was used as the starting point to estimate annual MISO Schedule 26 charges, please also include any discount or inflation rates used as part of any such calculations.

Response:

The source documents for the figure of \$22 billion noted in the answer are: (1) RECB Task Force, *Proposed Midwest ISO Cost Allocation Design Draft*, March 22, 2010, pages 7 and 8, and (2) RECB Task Force, *Modeling Results of Midwest ISO Straw Proposal*, April 8-9, 2010, page 3. The \$22 billion figure was not used as the starting point to estimate annual MISO Schedule 26 charges.

**Item MISO KIUC 1-6**

Q.1-6 Refer to lines 5 through 9 of page 5 of Your direct testimony. Please identify whether You, Your staff, or anyone affiliated with KIUC has performed any analyses or conducted any studies which attempt to identify and quantify necessary high voltage overlay needs for the upper Midwest. If the answer is Yes, please provide any such analyses and/or studies, including workpapers and material assumptions made.

Response:

Neither I or my staff have performed any analyses or conducted any studies which attempt to identify and quantify necessary high voltage overlay needs for the upper Midwest. I am not aware of anyone affiliated with KIUC who has performed any such analyses. I have relied entirely on the analyses performed by the Midwest ISO.

**Item MISO KIUC 1-7**

Q1-7. Please reference line 7 of page 5 of Your direct testimony. Please identify the amount and provide the basis for Dr. Morey's understanding of BREC's "share" of transmission projects as that term is used in this answer.

Response:

My understanding is that BREC's "share" of transmission project costs is set according to rules of the Midwest ISO's Schedule 26 and any revisions to such changes that might be obtained following MISO's compliance filing at FERC in July 2010, which would assign to BREC its load ratio share of Schedule 26 costs. The amount of that share would be 1.78% in the "0% GFA Case," which value was taken from Charles River Associates, "Preliminary Economic Assessment of Big Rivers Contingency Reserve Options," December 17, 2009, p. 9. That document has been entered into the record of this proceeding in response to Data Request Item KIUC 1-1. The 1.14% share for the "36% GFA Case" is derived from the 1.78% share value by multiplying by 0.64, which is the Smelter proportion of Big Rivers' load. The 0.64 value was also obtained from the aforementioned Charles River Associates document.

**Item MISO KIUC 1-8**

Q1-8. Please reference lines 12-15 of page 5 of Your direct testimony where You reference a response to discovery provided by Mr. Moeller of MISO. Please specifically identify each and every discovery question and response Dr. Morey relies upon as support for this answer. Please state whether Dr. Morey did any independent analysis or study that

estimated BREC's load ratio share potential in 2024. If the answer to the immediately preceding question is Yes, please provide any such analyses and/or studies, including workpapers.

Response:

I believe that my reliance upon Mr. Moeller's discovery responses was limited to Data Request Items PSC 1-2 and KIUC 2-7. I did not conduct "any independent analysis of study that estimated BREC's load ratio share potential in 2024," but instead relied upon load ratio share information provided by Charles River Associates as explained in my response to Q.1-7.

**Item MISO KIUC 1-9**

Q1-9. Refer to page 7, lines 7-8 of Your direct testimony. In Your response You indicate that the MTEP costs for projects "...could be in the billions of dollars by the end of 2014." Please explain the basis of this statement and identify any independent analysis or study that Dr. Morey performed that identified and/or quantified the potential MTEP costs in 2014. If Dr. Morey preformed any such analysis or studies, please provide copies, including workpapers and a list of any material assumptions used in his analysis.

Response:

The basis of this statement is the MISO document prepared by the RECB Task Force, *Proposed Midwest ISO Cost Allocation Design Draft*, March 22, 2010, pages 7 and 8.

**Item MISO KIUC 1-10**

Q1-10. Refer to page 8, lines 19 – 23 of Your direct testimony. Please provide the basis for the statement: "The MISO RNU over the period 2007 to 2009 averaged \$96.8 million per year." Additionally, is Dr. Morey aware of whether this \$96.8 million figure included any amounts of revenue sufficiency guaranty, or RSG, over the same time period? If yes, please identify what amounts represent RNU versus RSG.

Response:

The basis for the statement is the MISO spreadsheet 20100101\_\_ms\_rnu.xlsx which I found on the MISO web site. A copy of that spreadsheet accompanies this response as Exhibit MJM-\*\*\*. I am not aware of whether the \$96.8 million figure includes any amounts of revenue sufficiency guaranty over the same period.

**Item MISO KIUC 1-11**

Q1-11. Referring to page 8, lines 20-22, of Your testimony, Dr. Morey “assumes” a 1.78% load ratio share, presumably for Big Rivers. Please provide an explanation of and the basis for this load ratio share figure, along with any source documentation and workpapers for the derivation of the figure.

Response:

The 1.78% load ratio share for Big Rivers comes directly from Charles River Associates, “Preliminary Economic Assessment of Big Rivers Contingency Reserve Options,” December 17, 2009, p. 9. That document has been entered into the record of this proceeding in response to Data Request Item KIUC 1-1.

**Item MISO KIUC 1-12**

Q1-12. Referring to page 8, line 23, of Your testimony, Dr. Morey identifies BREC’s allocation may be about 1.14%. Please confirm that this estimation by Dr. Morey is likewise a load ratio share computation for Big Rivers. If Yes, please provide an explanation of and the basis for this load ratio share figure, along with any source documentation and workpapers for the derivation of the figure.

Response:

The 1.14% figure is likewise a load ratio share computation for Big Rivers. The 1.14% allocation to Big Rivers is the product of 1.78% load ratio share multiplied by 0.64 ( $1.14\% = 1.78\% \times 0.64$ ), where 0.64 is the portion of Big Rivers’ load attributable to the Smelters as indicated in Charles River Associates, “Preliminary Economic Assessment of Big Rivers Contingency Reserve Options,” December 17, 2009, p. 9, in the boxed note that states: “Of BREC 2010 native load, 36% is for members (incl. HMP&L), and 64% is for smelters.”

**Item MISO KIUC 1-13**

Q1-13. Refer to page 9, lines 17-18 of Your direct testimony. Please provide an explanation of the derivation of the estimated \$0.1 million of annual legal expenses along with any source documentation for the \$0.1 million figure shown on line 18, as well as the source documentation for \$0.8 to \$1.0 million per year figures shown on line 17, including any workpapers created for the calculation of any of the estimates.

Response:

When Louisville Gas & Electric Company and Kentucky Utilities Company were members of MISO, they incurred such legal costs at the rate of \$0.8 to \$1.0 million per year. The source documentation for the \$0.8 to \$1.0 million per year figure was my analysis for LGE/KU in Case No. 2003-00266. See my expert testimony in Before the Kentucky Public Service Commission, on behalf of LGE Energy Corporation, Additional Supplemental Rebuttal Testimony in the matter of “Investigation into the Membership of Louisville Gas and Electric Company and Kentucky Utilities Company in the Midwest Independent Transmission System Operator, Inc.,” Case No. 2003-00266, filed April 1, 2005.

Because of BREC’s smaller size, I scaled the \$0.8 to \$1.0 million per year figure down to \$0.1 million for BREC. There was no specific calculation associated with this scaling.

**Item MISO KIUC 1-14**

Q1-14. Refer to page 10, lines 4-6 of Your direct testimony. Please provide a copy of the “complete cost-benefit study of MISO membership compared to the status quo today” including workpapers and any material assumptions not otherwise listed on page 10, lines 8-13 of Dr. Morey’s testimony.

Response:

An electronic copy of the spreadsheet for the “cost-benefit study of MISO membership compared to the status quo today” is provided on the accompanying disc.

**Item MISO KIUC 1-15**

Q1-15. Please refer to line 8 of page 11 of Your direct testimony. Please provide a complete explanation and definition of the term “extrapolate” as that term is used therein. Please also indicate whether Dr. Morey performed any independent analysis or study to support his extrapolation of Mr. Luciani’s single cost saving values. If the answer to the immediately preceding question is Yes, please provide any such analyses and/or studies, including workpapers.

Response:

The term “extrapolate” generally refers to estimating the unknown values of a variable outside of a range from its known values within another range, or the unknown values of one variable from the known values of another variable. In the cited passage of my testimony, “extrapolate” refers to my estimating the value of one variable (production cost savings for 2011) from the values of that variable in another period (2012-2015) and the values of another variable (production costs to serve native load during 2011-2015). I did not perform any independent analysis of study to support the derivation of Mr. Luciani’s production cost saving values.



**Item MISO KIUC 1-16**

Q1-16. Referring to page 11, line 12, of Your testimony, Dr. Morey “assumes” a production cost saving increase figure of 7.70% per year for Big Rivers. Please provide an explanation of and the basis for this figure, along with any source documentation and workpapers for the derivation of the figure.

Response:

As I explained in my testimony on page 11, at lines 12 through 14, “7.70% per year... is the average annual rate of growth in production savings for the period 2011 to 2015” as estimated by Mr. Luciani. Refer to my response Q.1-14 for the spreadsheet containing my calculations.

**Item MISO KIUC 1-17**

Q1-17. Refer to page 13, lines 2 through 3 of Your direct testimony. Were the two (2) identified MISO data request responses the only information relied upon by Dr. Morey before he interpolated and extrapolated other annual figures projected out over the fifteen year future discussed on pages 13 and 14 of Dr. Morey’s direct testimony? If no, please identify and provide copies of any other documents and sources of information relied upon.

Response:

The two (2) identified MISO data request responses were the only information I relied upon to interpolate and extrapolate Schedule 26 charges for BREC over the fifteen year future.

**Item MISO KIUC 1-18**

Q1-18. Refer to page 14, lines 11 through 15 of Your direct testimony. Please explain how the present value calculations were made and what discount rate was used to calculate the quantified figures presented along with any source documentation and workpapers for the derivation of the figures.

Response:

The calculations of present value can be seen in the spreadsheet provided in response to Q.1-14. The discount rate applied was the same 5.83% that Mr. Luciani used in his testimony’s calculations of present value for the MISO Case versus the Stand-alone Case.

**Item MISO KIUC 1-19**

Q1-19. Refer to page 15, Tables 1 and 2 of Your direct testimony. Please explain how each of the figures presented in each identified category were derived, including how the present value calculations were made and what discount rate was used to calculate the quantified figures presented along with any source documentation and workpapers for the derivation of the figures.

Response:

Refer to my responses to Q.1-14 and Q.1-18.

**Item MISO KIUC 1-20**

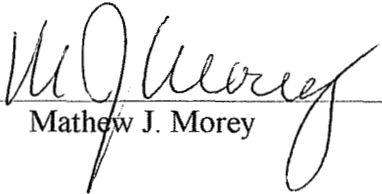
Q1-20. Please refer to page 19, lines 3 through 5 of Your testimony. Did You consider and identify all the benefits of MISO membership including the items discussed by Witness Moeller under the broader heading Value Proposition beginning on page 19 and continuing through page 33 of his prefiled direct testimony? If Yes, did You incorporate any of the quantified values summarized and presented on pages 27 through 31, of Mr. Moeller's prefiled direct testimony?

Response:

I read Mr. Moeller's testimony wherein he discusses MISO's Value Proposition. I did consider all the benefits of MISO membership that I believe are plausible and that I myself could quantify. I regard Mr. Moeller's estimates of benefits for Big Rivers based on the Value Proposition as speculative and unsupported, and therefore not useful as a foundation for benefit-cost analysis.

**VERIFICATION**

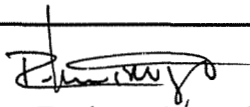
I, Mathew J. Morey, verify, state and affirm that I prepared or supervised the preparation of the data request responses filed with the Verification for which I am listed as a witness, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after reasonable inquiry.

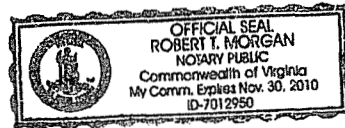
  
Mathew J. Morey

COMMONWEALTH OF VIRGINIA     )  
ALEXANDRIA CITY                     )

SUBSCRIBED AND SWORN TO before me by Mathew J. Morey on this \_\_\_\_\_  
day of June 2010.

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Notary Public   
My Commission Expires Nov 30th 2010



**KIUC's  
RESPONSE TO COMMISSION STAFF'S  
JUNE 10 DATA REQUEST  
PSC CASE NO. 2010-00043  
June 21, 2010**

**RECEIVED**

JUN 22 2010

PUBLIC SERVICE  
COMMISSION

**Item Staff KIUC 1-1**

*Refer to the Direct Testimony of Dr. Mathew J. Morey ("Morey Testimony") on page 4, line 10.*

- a. What additional alternatives regarding the NERC reserve sharing requirements has Big Rivers continued to explore that have not been presented to the Commission?*
- b. How did the respondent become aware of such alternatives?*

Response:

- a. I am not aware of any additional alternatives beyond the possibility that the Smelters could offer up to 320 MW of load curtailment rather than the 200 MW of curtailment considered as part of Mr. Luciani's cost-benefit analysis.
- b. I have been advised by counsel that discussions regarding 320 MW of Smelter interruptible power have taken place, but I do not know any details about the content of these discussions.

**Item Staff KIUC 1-2**

*Refer to page 11 , line 15 of the Morey Testimony.*

- a. Has the answer to this question changed since the May 28, 2010 response? If yes, please explain the changes.*
- b. What has been the impact of the changes upon Big Rivers' cost of MIS0 membership?*

Response:

- a. The answer to this question has not changed since the May 28, 2010 response.
- b. See my answer to part a.

**Item Staff KIUC 1-3**

*Refer to page 17, line 21, continuing on to page 18, line 2 of the Morey Testimony. Dr. Morey's reference to the smelters' possibly providing up to 320 MW of interruptible power is the first such reference in this proceeding. Provide a detailed description of how, in light of the physical issues related to the closure and reopening of a pot line, the smelters might provide this level of interruptible power.*

Response:

My limited understanding is this. Power to the Smelters can be instantaneously shut off for a short period of time (1-2 hours) with no significant loss of production because the

metal being produced retains enough heat to resume production. Power cannot remain off for a long period of time, however, because the metal in the potlines will eventually freeze, thereby causing costly damage to the Smelters' facilities.

**Item Staff KIUC 1-4**

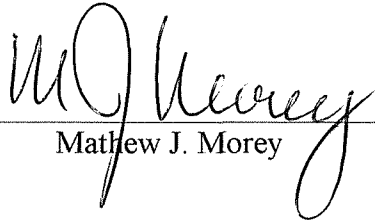
*Refer to page 19, lines 13 - 17, of the Morey Testimony. Explain how Mr. Morey considered the cost of non-compliance penalties levied against Big Rivers while searching for less expensive alternatives to MISO membership.*

Response:

I did not consider the cost of non-compliance penalties levied against Big Rivers while searching for less expensive alternatives to MISO membership. My assumption is that if a lower cost alternative to MISO can be developed, then that alternative will be NERC-compliant.

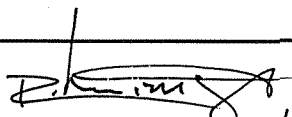
VERIFICATION

I, Mathew J. Morey, verify, state and affirm that I prepared or supervised the preparation of the data request responses filed with the Verification for which I am listed as a witness, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after reasonable inquiry.

  
Mathew J. Morey

COMMONWEALTH OF VIRGINIA     )  
ALEXANDRIA CITY                    )

SUBSCRIBED AND SWORN TO before me by Mathew J. Morey on this 17<sup>th</sup>  
day of June 2010.

\_\_\_\_\_  
Notary Public   
My Commission Expires Nov 30th 2010

