

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S FIRST INFORMATION REQUEST TO KENTUCKY  
UTILITIES COMPANY AND LOUISVILLE GAS AND ELECTRIC COMPANY

Kentucky Utilities Company and Louisville Gas and Electric Company ("the Companies") are to file with the Commission their responses to the requests herein with a copy to all parties of record in accordance with the Commission's Order of January 30, 2012 concerning the use of electronic filing procedures. The information requested herein is due no later than March 7, 2012. The original and paper copy filed with the Commission shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

The Companies shall make timely amendment to any prior response if they obtain information which indicates that the response was incorrect when made or,

though correct when made, is now incorrect in any material respect. For any request to which the Companies fail or refuse to furnish all or part of the requested information, they shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. 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 Verified Joint Application (“Application”), page 5, item 10. Concerning the Companies’ Independent Transmission Operator (“ITO”) payments to the Southwest Power Pool (“SPP”), it states, “[f]or these services, the Companies paid SPP \$3.4 million per year under their original contract, as well as an additional \$2.27 million one-time payment under a settlement agreement with SPP. Allocating the settlement amount across the 42 months of ITO services to which it was meant to apply, the Companies paid approximately \$4 million per year for SPP’s ITO services.”

a. Explain when the \$2.27 million was paid, when the first month of the 42-month allocation of the one-time payment was booked, and how this was reflected in base rates.

b. Explain whether the \$2.27 million one-time payment was shared equally between the Companies.

c. Explain whether the Companies may have future payments to the SPP after SPP’s role as the Companies’ ITO. If yes, provide a list of types of expenses, amounts of expenses, and when the Companies expect the expenses will be paid.

2. Refer to the Application, page 7, item 17. It states, “[t]he Companies began their replacement ITO search and selection process in February 2011 by issuing a Request for Information (“RFI”) to 19 potential ITO candidates. The RFI provided a general outline of the ITO’s responsibilities and asked interested parties to respond no later than March 7, 2011, to receive a copy of the Request for Proposals (“RFP”). Out of the 19 potential ITO candidates, six candidates asked to receive the RFP.”

- a. Provide a copy of the referenced RFI and RFP.
- b. Provide a list of the 19 potential ITO candidates.
- c. Identify the six candidates that asked to receive the RFP.
- d. Identify and explain the qualitative and quantitative criteria utilized in evaluating the RFP.
- e. Explain how and why the TranServ International, Inc. (“TranServ”) proposal was selected over the competing proposals.

3. Refer to the Application, pages 9-11, items 23-27. The Application states that TranServ and MAPPCOR have an extensive history of working together. TranServ was incorporated in 2005 and MAPPCOR was incorporated in 1990 as a not-for-profit organization.

- a. Explain how TranServ and MAPPCOR can have an extensive history of working together since TranServ was incorporated in 2005.
- b. Explain how a not-for-profit organization that does long-range transmission planning and works in facilitating related stakeholder meetings is qualified as a subcontractor of an ITO.
- c. Provide a list for each company showing each client and the services provided for the last five years.

d. Regarding ITO services provided by TranServ, provide a list of all companies TranServ has provided services for that are similar in size to the combined LG&E and KU companies.

e. Provide a list of client(s) that are no longer with TranServ and MAPPCOR and explain why those clients discontinued use of their services.

f. Provide a list, an explanation, and copies of any legal proceedings, statutory and regulatory violations, or other issues arising from problems or alleged problems with services that TranServ and MAPPCOR have experienced over the past five years.

4. Refer to the Application, page 11, item 28. It states, “[c]ompensation for TranServ will be \$2,495,938 for the first year of service. This amount will increase 2.5% for each contract year. The Companies will also reimburse TranServ for certain out-of-pocket costs (such as legal support and travel and lodging related to performance of the ITO services). Finally, the Companies may also pay to TranServ an additional amount related to certain transmission study revenue. If TranServ does not receive at least \$225,000 in transmission study revenue during a contract year pursuant to the Companies’ OATT, subject to certain conditions the Companies will pay to TranServ the difference between \$225,000 and the amount it received.”

a. Explain how the \$2,495,938 was determined.

b. Explain how the 2.5 percent increase for each contract year was determined.

c. Explain whether the 2.5 percent increase per contract year will ever be escalated if the rate of inflation exceeds 2.5 percent on an annual basis.

- d. Explain transmission study revenue and the \$225,000 threshold.
- e. Explain the variance and factors that cause such a difference in the \$8 million annual total compensation ITO cost of SPP, referenced on page 7, item 16, and the TranServ amount of \$2,495,938.
- f. Explain whether TranServ and MAPPCOR can provide the same level of service as SPP at the lower annual cost.

5. Refer to the Application, pages 12-13, item 32. It states, “[u]nder the TranServ ITO Agreement, if approved, the only way in which TranServ’s ITO responsibilities will differ from SPP’s current ITO responsibilities is that the Companies will assume all Balancing Authority functions. As the NERC-approved Balancing Authority for their Balancing Authority Area, the Companies currently perform almost all of the Balancing Authority functions, but some items are delegated to SPP as the ITO. When TranServ assumes the role of the ITO, the Companies will assume responsibility for evaluating, approving, and monitoring all interchange schedules in and out of the Balancing Authority Area for purposes of ensuring reliability. This includes the responsibility to curtail interchange schedules if necessary to comply with Transmission Loading Relief (“TLR”) procedures. The Companies do not anticipate requiring any additional staffing to perform these services, and any additional software costs that might be incurred should be minimal.” Explain whether there is any lack of independence resulting from the Companies assuming all Balancing Authority functions.

6. Refer to the Application, page 15, item 36. It states, “[n]othing about the proposed transfer will diminish or impair TVA’s ability to perform its role as the Companies’ RC; rather, the proposed transfer and the Companies’ performance of all

Balancing Authority functions should ensure that possible reliability concerns will continue to be efficiently resolved.”

a. Explain whether TVA, TranServ, and MAPPCOR have ever worked together. If so, provide an explanation of the working relationship(s).

b. Explain what steps the Companies, TVA, TranServ, and MAPPCOR are taking to ensure a smooth transition in the transfer of ITO responsibilities.

7. Refer to the Application, pages 15-16, item 37. It states, “[i]n addition to creating savings and preserving reliability, the Companies do not anticipate that the proposed transfer will in any way compromise or impair the Companies’ ability to make off-system sales. The FERC order conditionally approving TranServ as the Companies’ new ITO confirms that the transfer of the ITO role will not affect the Companies’ market-based rate authority.”

a. Explain the opportunities for enhancing off-system sales as a result of having TranServ as the Companies’ ITO.

b. In addition to the annual cost savings, explain the opportunities to the ratepayers as a result of having TranServ as the Companies’ ITO.

8. Describe the impacts, if any, of the move from the SPP to TranServ and its subcontractor MAPPCOR on other Kentucky transmission owners.

9. Provide documentation to show approval of the North American Electric Reliability Corporation and Federal Energy Regulatory Commission that TranServ is a legitimate and registered ITO.

10. Explain what impacts and the Companies' proposed transfer of the ITO function from SPP to TranServ will have on federal and state regulatory decision-making processes.



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cc: Parties of Record

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