



Ernie Fletcher
Governor

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Environmental and Public
Protection Cabinet

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Commissioner
Department of Public Protection

Commonwealth of Kentucky
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Mark David Goss
Chairman

Teresa J. Hill
Vice Chairman

Gregory Coker
Commissioner

April 4, 2006

PARTIES OF RECORD

Re: Case No. 2004-00507
Louisville Gas and Electric Company and Kentucky Utilities Company

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you would like to make comments regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact A. W. Turner, Jr. at (502)564-3940, Extension 256.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over a large, stylized circular flourish.

Beth O'Donnell
Executive Director

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2004-00507
FROM: A. W. Turner, Jr.
DATE: April 4, 2006
RE: Informal Conference of March 24, 2006

At the request of Louisville Gas and Electric Company and Kentucky Utilities Company (LG&E/KU), an informal conference in this case was set for March 24, 2006, in the Commission's offices in Frankfort, Kentucky. Present were the persons listed on the attached attendance list.

LG&E/KU requested this informal conference to update the Commission and the parties on the progress of the Trimble County 2 generating plant, including upcoming activities and expenditures. LG&E/KU distributed a handout, a copy of which is attached.

cc w/o handout: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE)
GAS AND ELECTRIC COMPANY AND)
KENTUCKY UTILITIES COMPANY)
FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY, AND)
A SITE COMPATIBILITY CERTIFICATE,)
FOR THE EXPANSION OF THE TRIMBLE)
COUNTY GENERATING STATION)

CASE NO. 2004-00507

=====
March 24, 2006 Informal Conference
=====

Please sign in:

NAME

REPRESENTING

AW Turner, Jr

PSC - Legal

Kent Blake

HGE/KU

Mike Kurtz

KIUC

Don Meade

Trades Council

Bob Amato

PSC

ELIE RUSSELL

PSC

Betsy Bennett

Graddy & Assoc./Sierra Club

JEFF SHAW

PSC - FIN. ANALYSIS

Joan Shaw

PSC - Financial Analysis

Jim Welch

PSC - Engineering

JOHN SHUPP

PSC - ENGINEERING

SCOTT PULLIAM

GLBCTC

Joseph B Wise III

GLBCTC

TONY HERBERT

GLBCTC

COMMONWEALTH OF KENTUCKY
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JOINT APPLICATION OF LOUISVILLE)
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A SITE COMPATIBILITY CERTIFICATE,)
FOR THE EXPANSION OF THE TRIMBLE)
COUNTY GENERATING STATION)

CASE NO. 2004-00507

=====
March 24, 2006 Informal Conference
=====

Please sign in:
NAME

REPRESENTING

STEVE KINGSOLVER

PSC.

BETH COCANOUGHTER

LG&E / KU

DOUG SCHETZEL

LG&E / KU

*Louisville Gas and Electric Company
and*

Kentucky Utilities Company

Informal Conference for

Trimble County 2 Case Nos. 2004-00507

March 24, 2006

Trimble County 2 ("TC2") Project Summary

- *Capacity* *750 MW (nominal)*
- *Technology* *Super critical pulverized coal*
- *Ownership*
 - LG&E* *14.25%* *107 MW*
 - KU* *60.75%* *455 MW*
 - IMPA* *12.88%* *97 MW*
 - IMEA* *12.12%* *91 MW*
- *Construction Cost* *\$1.1 Billion (Excludes Transmission)*
- *Constructor* *Bechtel Power Corp. (BPC)*

TC2 Key Dates

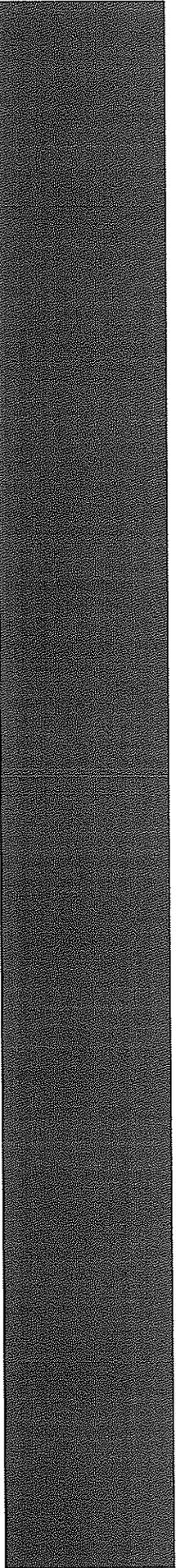
- *CPCN Order No. 2004-00507* November 1, 2005
- *Air Permit Issued by DAQ* November 17, 2005
- *Third Party Challenge to Air Permit* December 16, 2005
- *Design Development Agreement* December 22, 2005
- *EPPC Procedural Conference on Air Permit* February 8, 2006
- *Limited Notice to Proceed (LNTP)* April 3, 2006
- *Notice to Proceed (NTP)* July 3, 2006
- *EPPC Hearing on Air Permit Begins* September 12, 2006
- *Mechanical Completion* Third Quarter 2009
- *Commercial Operation* Second Quarter 2010

TC2 Key Activities and Expenditures

- *Design Development Phase* *Less than \$1 million per month*
 - *Bid and Evaluate Key Equipment*
 - ◆ *Steam Turbine*
 - ◆ *Steam Generator*
 - ◆ *Air Quality Control System*
- *Limited Notice to Proceed Phase* *\$10 to \$20 million per month*
 - *Award Key Equipment P.O.'s*
 - ◆ *Release for Engineering*
 - ◆ *Long Lead Procurement*
 - ◆ *Limited Cancellation Charges*
 - *Detailed Design of Balance of Plant*
 - ◆ *Long Lead Procurement*
- *Notice to Proceed* *Average over \$300 million per year for 3 years*
 - *Site Mobilization and Construction*

TC2 Construction Status

- *BPC selected to provide Engineering Procurement and Construction Services*
- *BPC working under Design Development Agreement*
- *EPC Agreement Negotiated*
 - *Will be conformed to Key Equipment Selection before execution*
 - *Consistent with Cost and Performance Estimates in CPCN Filing*
 - *Fixed Price Lump Sum Turn Key with Liquidated Damages*
 - ◆ *Performance*
 - ◆ *Schedule*
- *Failure to meet LNTF and NTF dates will significantly increase cost*
 - *Post Katrina Inflation*
 - ◆ *Commodities (copper, steel)*
 - *World-wide Demand for Power Equipment*
 - ◆ *7% to 9% per year*
 - *Observed Plant Cost Inflation*
 - ◆ *7% to 9% per year*
 - *Schedule impacts greater than day for day*



The Utilities' Capacity and Energy Needs Have Increased

- *2010 capacity need to maintain 13% to 15% RM with 2004 Load Forecast (EPCN Application) 90 to 235 MW*
- *2005 Actual Demand and Energy Sales are consistent with 2004 Forecast*
- *The loss of EEI Capacity on 12/31/05 increased need by 200 MW*

TC2 Air Permit Litigation

- *Third Parties have challenged DAQ's issuance of the TC2 Air Permit:*
- *EPPC Hearing to begin September 12, 2006*
 - *ALJ Decision possible in 2006*
 - *Resolution of all appeals could take several years*
- *Prudent Decision is to proceed with construction*
 - *Small chance of significant change to TC2 Construction Plans*
 - *Large and certain impact to customers from construction delay*
 - ◆ *Increased construction costs*
 - ◆ *Greater than day for day delay*
 - ◆ *Exposure to purchased power costs*