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OCT 14 2011

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October 14, 2011

RE: *The Application of Kentucky Utilities Company for Certificates of Public Convenience and Necessity and Approval of Its 2011 Compliance Plan for Recovery by Environmental Surcharge*
Case No. 2011-00161

Dear Mr. DeRouen:

Enclosed please find an original and fifteen (15) copies of Kentucky Utilities Company's (KU) second supplemental response to Question No. 20(b) of the Commission Staff's First Information Request dated July 12, 2011, in the above-referenced matter.

Also enclosed are an original and fifteen (15) copies of a Petition for Confidential Protection regarding certain information contained in response to Question No. 20(b).

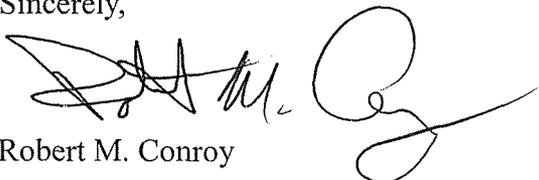
Due to the unavailability of Charles R. Schram, a signed verification page will be provided no later than Wednesday, October 19th.

In addition, enclosed is an original and fifteen (15) copies of the Joint Response of KU and Louisville Gas and Electric Company to the Joint Motion by Drew Foley, Janet Overman, Gregg Wagner, Rick Clewett, Raymond Barry, Sierra Club, and Natural Resources Defense Council to Compel Disclosure of Natural Gas Forecasts.

Mr. Jeff DeRouen
October 14, 2011

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "R. M. Conroy". The signature is fluid and cursive, with a large loop at the end.

Robert M. Conroy

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--|---|----------------------------|
| THE APPLICATION OF KENTUCKY UTILITIES |) | |
| COMPANY FOR CERTIFICATES OF PUBLIC |) | |
| CONVENIENCE AND NECESSITY AND |) | |
| APPROVAL OF ITS 2011 COMPLIANCE PLAN |) | CASE NO. 2011-00161 |
| FOR RECOVERY BY ENVIRONMENTAL |) | |
| SURCHARGE |) | |

KENTUCKY UTILITIES COMPANY
SECOND SUPPLEMENTAL RESPONSE TO THE COMMISSION
STAFF'S FIRST INFORMATION REQUEST

DATED JULY 12, 2011

FILED: OCTOBER 14, 2011

KENTUCKY UTILITIES COMPANY

Response to the Commission Staff's First Information Request Dated July 12, 2011

Second Supplemental Response filed October 14, 2011

Case No. 2011-00161

Question No. 20

Witness: Charles R. Schram

Q-20. Refer to Schram Testimony at pages 3-4. The testimony references two related analyses which were performed by KU's Project Engineering department, along with Black & Veatch.

- a. Provide the reports and all supporting workpapers for the suite of environmental compliance facilities for each coal unit in the generation fleet to determine whether all of the proposed facilities would be necessary to meet the applicable environmental regulations.
- b. Provide the reports and all supporting workpapers for the determination for each generating unit if it would be more cost effective to install the facilities or to retire the unit and buy replacement power or generation.
- c. If not included in parts a. and b. above, explain how the analyses considered the purchase of power (renewable or otherwise) and provide the workpapers and assumptions for each specific power purchase scenario.
- d. As the costs of environmental compliance are realized, the relative price of smaller decentralized power generation becomes more attractive. Other utilities and companies in Kentucky are exploring the development of potential sources of generation including landfill methane, bio-digesters, biomass, and small natural gas wellheads. Explain whether the analyses considered the development of these or other potential distributed generation sources and provide the workpapers and assumptions for each scenario.
- e. As the costs of environmental compliance are realized, the relative price of Demand Side Management and energy efficiency programs becomes more attractive. If not included in parts a. and b. above, explain whether and how the development of new and the expansion of existing programs is considered in the analyses.

A-20. **Original Response:**

- a. The report and documentation is included in Exhibit JNV-2.

- b. Exhibit CRS-1 contains the material supporting the determination for building controls or retiring the unit and constructing replacement generation.
- c. The analyses do not consider power purchases, renewable or otherwise. Ultimately, market availability of suitable replacement capacity and energy is determined through the RFP process when replacing generation.
- d. The Companies' 2011 Integrated Resource Plan evaluated multiple technologies, including renewable technologies, in the supply side screening process. The Companies have not seen information which supports the cost-effectiveness of decentralized power generation at the scale required to replace the generation assumed to be retired in the 2011 Compliance filing. Replacement generation for the units recommended for retirement will need to be dispatchable to meet the customers' energy needs and be of sufficient scale to replace the retired units' capacity. The RFP for new capacity and energy issued in December 2010 resulted in multiple responses from parties marketing renewable generation resources. The Companies have, and continue to, explore these options as well.
- e. The analyses include the impact of programs in the 2011 DSM filing, but do not consider further energy efficiency programs. The need for replacement generation due to retirements of units assumed in the 2011 Compliance plan is unlike any plan to use incrementally increasing energy efficiency programs to meet incremental growth in load requirements. The scale of the retirements and their timing, all by the end of 2015, create an immediate need for capacity and energy at that time.

Supplemental Response filed September 14, 2011:

- a. [No change or supplement.]
- b. Please see the attached Supplemental Analysis to the 2011 Air Compliance Plan contained in Exhibit CRS-1. The Supplemental Analysis was performed based on the updated fuel cost information (provided in response to KPSC-2 Question No. 32) contained in the resource assessment analysis for the Companies' Certificate of Public Convenience and Necessity ("CPCN") filing and revised cost estimates for controls at Cane Run. In the development of the CPCN filing, the Companies updated the analysis for building controls or retiring generating capacity. The Companies' determinations for building controls or retiring capacity as filed in the 2011 Compliance Plan did not change as a result of the attached update.
- c. [No change or supplement.]
- d. [No change or supplement.]
- e. [No change or supplement.]

Second Supplemental Response filed October 14, 2011:

- a. [No change or supplement.]
- b. The originally-filed redacted information is being provided pursuant to a Petition for Confidential Protection.
- c. [No change or supplement.]
- d. [No change or supplement.]
- e. [No change or supplement.]

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR CERTIFICATES OF)
PUBLIC CONVENIENCE AND NECESSITY) CASE NO. 2011-00161
AND APPROVAL OF ITS 2011 COMPLIANCE)
PLAN FOR RECOVERY BY)
ENVIRONMENTAL SURCHARGE)

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COMMISSION

PETITION OF KENTUCKY UTILITIES COMPANY
FOR CONFIDENTIAL PROTECTION

Kentucky Utilities Company (“KU”) hereby petitions the Kentucky Public Service Commission (“Commission”) pursuant to 807 KAR 5:001 § 7 and KRS 61.878(1)(c) to grant confidential protection for the item described herein, which KU seeks to provide as a second supplemental response to Commission Staff’s First Information Request to KU No. 20(b). In support of this Petition, KU states as follows:

1. Under the Kentucky Open Records Act, the Commission is entitled to withhold from public disclosure commercially sensitive to the extent that open disclosure would permit an unfair commercial advantage to competitors of the entity disclosing the information to the Commission. See KRS 61.878(1)(c). Public disclosure of the information identified herein would, in fact, prompt such a result for the reasons set forth below.

2. The confidential information contained in the attachment to the cited supplemental response includes projected coal and gas base fuel costs KU and its sister utility, Louisville Gas and Electric Company (“LG&E”), have purchased from reputable vendors to enable KU and LG&E to make prudent business decisions of several kinds, including fuel contracting decisions and environmental-compliance-strategic decisions. If the Commission grants public access to this information, the vendors from whom KU and LG&E have purchased

the fuel forecast information at issue could refuse to do business with the utilities in the future, which would do serious harm to KU and LG&E's ability to make prudent fuel contract, environmental compliance, and other decisions. All such commercial harms would ultimately harm KU's customers. Moreover, publicly disclosing such information would do immediate and costly harm to the firms from which KU and LG&E purchased the fuel forecast information at issue, which firms derive significant revenues from developing and selling such forecasts to customers under strict license agreement obligations not to disclose, and thereby render commercially worthless, such forecasts.

3. KU has obtained consent from the fuel forecast vendors to disclose on a limited basis the confidential information described herein, pursuant to an acceptable protective agreement, to intervenors with legitimate interests in reviewing the same for the purpose of participating in this case.

4. The Commission has historically given confidential treatment to projected fuel cost information.¹

5. If the Commission disagrees with this request for confidential protection, it must hold an evidentiary hearing (a) to protect KU's due process rights and (b) to supply the Commission with a complete record to enable it to reach a decision with regard to this matter.

Utility Regulatory Commission v. Kentucky Water Service Company, Inc., Ky. App., 642 S.W.2d 591, 592-94 (1982).

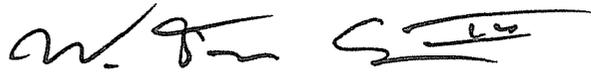
¹ For example, see the Commission's letter to KU and LG&E (collectively, "Companies") dated May 1, 2008, concerning the Companies' 2008 IRP case (Case No. 2008-00148); the Commission's letter to the Companies dated April 28, 2005, concerning the Companies' 2005 IRP case (Case No. 2005-00162); the Commission's letter to the Companies dated October 24, 2002, concerning the Companies' 2002 IRP case (Case No. 2002-00367); and the Commission's letter to the Companies dated March 6, 2000, concerning the Companies' 1999 IRP case (Case No. 99-430).

6. In accordance with the provisions of 807 KAR 5:001 § 7, KU is filing with the Commission one copy of the Confidential Information highlighted and fifteen (15) copies without the Confidential Information.

WHEREFORE, Kentucky Utilities Company respectfully requests that the Commission grant confidential protection for the information at issue, or in the alternative, schedule and evidentiary hearing on all factual issues while maintaining the confidentiality of the information pending the outcome of the hearing.

Dated: October 14, 2011

Respectfully submitted,



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Counsel for Kentucky Utilities Company

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Petition for Confidential Protection was served via U.S. mail, first-class, postage prepaid, this 14th day of October 2011, upon the following persons:

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Counsel for Kentucky Utilities Company

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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR CERTIFICATES OF)
PUBLIC CONVENIENCE AND NECESSITY)
AND APPROVAL OF ITS 2011 COMPLIANCE)
PLAN FOR RECOVERY BY)
ENVIRONMENTAL SURCHARGE)

CASE NO. 2011-00161

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR CERTIFICATES)
OF PUBLIC CONVENIENCE AND NECESSITY)
AND APPROVAL OF ITS 2011 COMPLIANCE)
PLAN FOR RECOVERY BY)
ENVIRONMENTAL SURCHARGE)

CASE NO. 2011-00162

**JOINT RESPONSE OF KENTUCKY UTILITIES COMPANY
AND LOUISVILLE GAS AND ELECTRIC COMPANY
TO THE JOINT MOTION BY DREW FOLEY, JANET OVERMAN,
GREGG WAGNER, RICK CLEWETT, RAYMOND BARRY,
SIERRA CLUB, AND NATURAL RESOURCES DEFENSE COUNCIL
TO COMPEL DISCLOSURE OF NATURAL GAS FORECASTS**

Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (collectively, the “Companies”) respectfully request that the Commission deny the Joint Motion by Drew Foley, Janet Overman, Gregg Wagner, Rick Clewett, Raymond Barry, Sierra Club, and Natural Resources Defense Council (“Environmental Interveners”) to Compel Disclosure of Natural Gas Forecasts. The Environmental Interveners’ motion is untimely, coming almost a month after the Companies filed the supplemental responses at issue, and more than two weeks after the Environmental Interveners filed supplemental testimony to address the same supplemental responses. Also, there is not a compelling reason to grant the Environmental Interveners’ motion; they are already in possession of, and have used in their analyses, the fuel

forecasts the Companies used to craft their 2011 Environmental Cost Recovery (“ECR”) Plans. Moreover, the Environmental Interveners’ claims that the Companies have not provided a reason for redacting the information the Environmental Interveners seek and that the confidentiality agreement between the Companies and the Environmental Interveners provides sufficient protection for the information to compel its production are both false; the Companies clearly stated why they could not provide the information in the response at issue, and they simply did not have the legal right to disclose the information the Environmental Interveners sought, the confidentiality agreement notwithstanding. Finally, the Companies ask the Commission to dismiss the motion as moot because the Companies have persuaded the owners of the information at issue to permit the Companies to produce it, which the Companies are doing herewith, subject to petitions for confidential protection. For these reasons, the Companies respectfully ask the Commission to deny the Environmental Interveners’ motion.

The Environmental Interveners complain that certain fuel price forecast information was redacted from the confidential versions of analyses the Companies filed as supplemental responses to data requests on September 14, 2011 (marked as received by the Commission on September 15, 2011). The Environmental Interveners noted that they had received the supplemental responses in the testimony filed by their witnesses Fisher, Steinhurst, and Wilson in these proceedings on September 19. Indeed, the witnesses said they would file supplemental testimony to address the Companies’ responses, which they did on September 23. It is therefore incomprehensible why the Environmental Interveners would wait until October 10—nearly a full month after receiving the Companies’ supplemental responses—to file a motion to compel production of the redacted information. This is especially so given that the Environmental Interveners received this information in the first round of discovery, and thus have known since

August 5, 2011, that KU and LG&E could not produce the requested fuel forecasts due to the Companies' license agreements with IHS CERA ("CERA") and PIRA Energy Group ("PIRA").¹

The redactions did not prevent the Environmental Interveners from filing their testimony concerning the Companies' supplemental responses two and a half weeks before filing their present motion. In proceedings with a six-month statutory timeframe, and in which the Commission has prescribed that motions relating to discovery must be filed upon four business days' notice, a month-long delay in pleading is inexcusable, and the Commission should deny the Environmental Interveners' motion as untimely.²

More importantly, the Environmental Interveners' motion seeks to compel the production of information they do not need. The Environmental Interveners have the fuel price data upon which the Companies relied in crafting their 2011 ECR Plans.³ As the Environmental Interveners have demonstrated in their testimony, they already have numerous fuel price forecasts from a variety of sources, and are attacking the Companies' forecast on that basis. Moreover, the Companies provided the impacts of the redacted CERA and PIRA forecasts on the retire-versus-retrofit analysis the Companies conducted, which showed that lower gas price

¹ KU Response to Environmental Interveners First Request for Production of Documents Question No. 10 (August 5, 2011); LG&E Response to Environmental Interveners First Request for Production of Documents No. 10. (August 5, 2011)(each stating: "The Companies monitor reports from a variety of sources, including subscription services from IHA [should be "IHS"] CERA ("CERA") and PIRA Energy Group ("PIRA"), to stay informed on natural gas price and supply developments. Please see the attachments on CD in the folder titled Question 10, which are being provided pursuant to a Petition for Confidential Protection. The CERA and PIRA reports are not included. The Companies requested from CERA and PIRA authorization to disclose the information provided to Companies under the subscription service; however, neither CERA nor PIRA consented to the request.")

² Orders in Case Nos. 2011-00161 and 2011-00161 (June 28, 2011) ("Any ... motions relating to discovery ... shall be filed upon four business days' notice or the filing party shall explain, in writing, why such notice was not possible.").

³ See Environmental Interveners' Joint Motion to Compel at 3 ("Moreover, the Companies had released the fuel forecasts that it used in its initial analysis to the Environmental Interveners via a confidential response to a discovery request.").

forecasts tend to be more favorable to retirement decisions.⁴ So it is not clear what would be gained, if anything, from producing the requested information.

Finally, the Environmental Interveners have premised their motion to compel on falsehoods. On page 2 of their motion, the Environmental Interveners assert, “The Companies did not proffer any reason why this information was redacted from the confidential version.” But that is patently untrue. The very first instance of the redactions in the document at issue contains a footnote giving the reason for the redaction: “The Companies obtained the redacted information from CERA and PIRA under subscription services. The Companies requested from CERA and PIRA authorization to disclose the redacted information, but neither CERA nor PIRA consented to the request.”⁵ The Companies provided the same reason for redacting the same information in their September 1 responses to Commission Staff’s Second Information Request dated August 18, 2011, Question Nos. 32(c) and 32(e) (KU) and Question Nos. 23(c) and 23(e) (LG&E), as well as in their August 5 responses to Request No. 10 the Environmental Group’s First Set of Requests for the Production of Documents. In sum, the Environmental Interveners have been aware of the reason why the Companies could not provide this kind of information for over two months, and of why they could not provide the specific information at issue in their motion for nearly a month. To assert now that the Companies have not given a reason for redacting this information is egregious.

The second falsehood upon which the Environmental Interveners premise their motion is that the confidentiality agreement provides all the protection the Companies need to disclose the

⁴ KU Supplemental Response to Question No. 20(b) of the Commission Staff’s First Information Request dated July 12, 2011, Case No. 2011-00161, 2011 Air Compliance Plan Supplemental Analyses at 7 (Sept. 15, 2011); LG&E Supplemental Response to Question No. 18(b) of the Commission Staff’s First Information Request dated July 12, 2011, Case No. 2011-00162, 2011 Air Compliance Plan Supplemental Analyses at 7 (Sept. 15, 2011).

⁵ KU Supplemental Response to Question No. 20(b) of the Commission Staff’s First Information Request dated July 12, 2011, Case No. 2011-00161, 2011 Air Compliance Plan Supplemental Analyses at 5 n.6 (Sept. 15, 2011); LG&E Supplemental Response to Question No. 18(b) of the Commission Staff’s First Information Request dated July 12, 2011, Case No. 2011-00162, 2011 Air Compliance Plan Supplemental Analyses at 5 n.6 (Sept. 15, 2011).

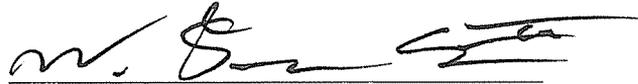
information the Environmental Interveners seek. The lie is given to that assertion by understanding the first falsehood: the Companies did not have the right to reveal the information. CERA and PIRA provided the information to the Companies under a license agreement for specific, limited uses. The Companies requested permission from CERA and PIRA to produce the information in these proceedings, which CERA and PIRA denied. No confidentiality agreement between the Companies and the Environmental Interveners, no matter how strongly worded, could override CERA's or PIRA's intellectual property rights or somehow supersede CERA's or PIRA's license agreements with LG&E and KU. So it is plainly false to assert that the Companies could have provided the requested information pursuant to the confidentiality agreement between the Companies and the Environmental Interveners.

But in an effort to provide the greatest possible level of transparency, and to ensure the Commission has the most complete record possible, the Companies asked CERA and PIRA to reconsider their positions concerning disclosure of their fuel price forecasts. CERA and PIRA have generously agreed to permit the Companies to produce the information at issue in the Environmental Interveners' motion under petitions for confidential protection, which accompany this response. The Environmental Interveners' motion is therefore moot.

The Companies therefore respectfully ask the Commission to deny the Environmental Interveners' motion to compel on any or all of the grounds that the motion is untimely, unnecessary, based on falsehoods, and moot.

Dated: October 14, 2011

Respectfully submitted,



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and Louisville Gas and Electric Company*

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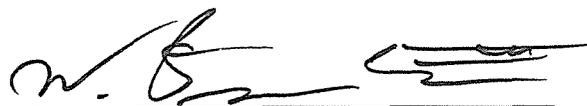
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