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NEWS RELEASE

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PSC Approves LG&E and KU Plan for Gas-fired Power Plants

New plant to be built in Jefferson County; Oldham County plant purchase OK'd

FRANKFORT, Ky. (May 3, 2012) – The Kentucky Public Service Commission (PSC) today approved a proposal by Kentucky Utilities Co. (KU) and Louisville Gas & Electric Co. (LG&E) to construct a natural gas-fired generating facility at LG&E's Cane Run plant in Jefferson County and to purchase an existing natural gas-fired plant in Oldham County.

KU and LG&E plan to construct a 640-megawatt combined cycle generating plant at Cane Run. Combined cycle plants are designed to operate most of the time. The companies also will purchase the 495-megawatt Bluegrass Generation simple cycle power plant in LaGrange. It is designed to run only at times of peak demand.

In their application, KU and LG&E said that the additional generating capacity is needed to replace coal-fired units at Cane Run and at KU's Green River plant in Muhlenberg County and Tyrone plant in Woodford County and to meet projected increases in demand for electricity by 2016. Those facilities are being retired by the end of 2015 as part of a broader plan to comply with new and stricter federal air quality regulations.

In an order issued today, the PSC agreed, saying that the companies had proven the need for the replacement generating capacity and demonstrated that the proposed gas-fired plants were the least-cost, reasonable option for providing the needed power.

Construction of the new plant at Cane Run will cost about \$583 million, the companies said in their application. That figure includes a new natural gas pipeline to the site. The purchase price of the Bluegrass Generation plant is \$110 million.

A public meeting in the case was held in Jefferson County on March 8, with the formal evidentiary hearing in Frankfort following on March 20. Other parties to the case included the Kentucky Office of Attorney General; the Kentucky Industrial Utility Customers, Inc., representing large industrial customers; and the Sierra Club and Natural Resources Defense Council, representing environmental interests.

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The PSC disagreed with the environmental groups that KU and LG&E could economically meet its power needs through a combination of wind power and more aggressive efforts to reduce the demand for electricity. However, the PSC agreed that the utilities should more aggressively pursue cost-effective demand-side management program, particularly those targeting commercial customers.

Both LG&E and KU are subsidiaries of PPL Corp. Kentucky Utilities has about 506,000 electric customers in 77 counties across Kentucky. Louisville Gas & Electric has about 401,000 electric customers in nine counties in the Louisville area. LG&E's 312,000 natural gas customers are not affected by this case.

Based on the need for replacement power, a majority of the cost and ownership of the new Cane Run plant would be allocated to KU. Most of the Oldham County plant would be allocated to LG&E.

The companies say they do not expect the project to affect rates for LG&E customers, while KU customers would see rates rise by about 4 percent once the new plant is in operation.

The KU-LG&E application, related documents and videos of the public meeting and hearing are available on the PSC website, psc.ky.gov. The case number is 2011-00375.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 90 employees.