



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

James W. Gardner
Chairman

Daniel E. Logsdon Jr.
Vice Chairman
Commissioner

NEWS RELEASE

Contact:
Andrew Melnykovych
502-782-2564 or 502-564-3940
502-330-5981 (cell)
Andrew.Melnykovych@ky.gov

PSC OKs East Kentucky Power Purchase of Generating Plant *Cooperative will acquire Bluegrass Generating Station in Oldham County*

FRANKFORT, Ky. (Dec. 1, 2015) – The Kentucky Public Service Commission (PSC) has approved the purchase by East Kentucky Power Cooperative, Inc. (EKPC) of the gas-fired Bluegrass Generating Station in Oldham County.

The purchase price was not disclosed pending a PSC ruling on EKPC's request that the information remain confidential.

Bluegrass Generating Station, located in LaGrange, includes three combustion turbines, each with a maximum output of 198 megawatts. The units are simple cycle, which means that they are directly connected to an electric generator, with no conversion of waste heat to steam to drive a secondary electric generator.

Because they can be started and stopped very quickly, simple cycle combustion turbines are typically used intermittently, when the demand for power is highest. They usually do not supply base load power, which in Kentucky comes mostly from coal-fired power plants.

One of the three Bluegrass Generating Station units is committed to provide power to Louisville Gas & Electric Co. (LG&E) and Kentucky Utilities Co. (KU) through April 2019. If LG&E and KU agree, that agreement will remain in effect following the sale.

In its application to purchase Bluegrass Generating Station, EKPC stated that it has insufficient generating capacity to meet its needs, particularly during times of peak demand in the winter. The shortfall would be worsened by the retirement in 2016 of the 199-megawatt Dale Generating station in Clark County, which is not economically feasible to upgrade to meet stricter federal environmental standards, EKPC said.

In recent years, EKPC has had to purchase costly power on the open market in order to serve its customers. Without additional generating capacity, those purchases would increase, the utility said.

-more-

EKPC submitted an independent analysis that concluded that purchase of the Bluegrass Generating Station would be the most cost-effective way to meet the need for more power. . The analysis evaluated responses received by EKPC in 2014 from selected bidders who responded to a request for proposals for additional electric generation issued by EKPC in 2012.

LS Power, which owns Bluegrass Generating Station, was among the respondents to the EKPC request.

A second independent review conducted for EKPC concluded that purchasing the Oldham County plant would put EKPC in a favorable position in regional energy markets, potentially creating opportunities to profitably sell power into the markets.

EKPC said the acquisition will have no immediate impact on its base rates.

The Bluegrass Generating Station units were built by Dynegy and went into operation in 2002, selling power into the open market. For a number of reasons, the units were never profitable and operated at low capacity.

In an order issued today, the PSC found that EKPC had met the legal requirements for the acquisition, demonstrating both a need for additional generating capacity and that the purchase of Bluegrass Generating Station is the best option for meeting that need.

The PSC conducted a formal evidentiary hearing in the case on Nov. 4, 2015. Other parties to the case included the Kentucky Office of Attorney General, Nucor Steel Gallatin and LG&E and KU.

Today's order, a video of the hearing and other records in the case are available on the PSC website, psc.ky.gov. The case number is 2015-00267.

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 85 employees.