

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	)	CASE NO.
COMPLIANCE PLAN FOR RECOVERY BY	)	2011-00161
ENVIRONMENTAL SURCHARGE	)	

APPLICATION OF LOUISVILLE GAS AND ELECTRIC	)	
COMPANY FOR CERTIFICATES OF PUBLIC	)	
CONVENIENCE AND NECESSITY AND APPROVAL	)	CASE NO.
OF ITS 2011 COMPLIANCE PLAN FOR RECOVERY	)	2011-00162
BY ENVIRONMENTAL SURCHARGE	)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO  
INTERVENORS RICK CLEWETT, RAYMOND BARRY, SIERRA CLUB  
AND NATURAL RESOURCES DEFENSE COUNCIL

Rick Clewett, Raymond Barry, Sierra Club, and National Resources Defense Council (collectively "Environmental Intervenors"), pursuant to 807 KAR 5:001, are to file with the Commission, **in each of the above styled cases**, the original and 15 copies of the following information, with a copy to all parties of record. The information requested herein shall be filed no later than October 13, 2011. Responses to requests for information 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 Environmental Intervenors 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 Environmental Intervenors 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.

1. Refer to page 3 of the Direct Testimony of William Steinhurst, Ph.D. at line 16, where Mr. Steinhurst states that, “[t]he Commission should examine these same issues in its ongoing proceeding regarding the Companies’ IRP” and at lines 23-24 where he states that, “[t]he Commission may wish to require that filing be made in its proceeding on the Companies’ IRP.”

a. Explain whether Mr. Steinhurst is aware that, pursuant to 807 KAR 5:058, the administrative regulation governing the filing of integrated resource plans (“IRPs”) by Kentucky’s regulated electric generating utilities, the review of the IRPs is an informal process resulting in a report by the Commission Staff critiquing the IRP, not a Commission Order which makes a formal ruling on the utility’s IRP.

b. Mr. Steinhurst states that, at lines 19-23, “[t]he Commission should direct the Companies to develop resource alternatives that address the concerns identified in the prefiled testimony of witness Fisher and to file it by a single date certain

along with supporting workpapers and documentation sufficient for the Commission and intervenors to fully evaluate the analytical basis for the alternatives.” Given the time constraints and potential lead times related to potential alternatives, by what date does Mr. Steinhurst believe such a filing should be required of Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”)?

2. Refer to page 10, lines 7-11, of the Direct Testimony of Jeremy Fisher, Ph.D. (“Fisher Testimony”) where Mr. Fisher states that, “we did not evaluate anticipated NO<sub>x</sub> and SO<sub>2</sub> prices, the impact of including appropriately-sized capacity expansion options, the effect of including electricity purchases and sales outside of the LG&E/KU system as an option, or a more optimal retirement order.”

a. Based on this statement, explain whether it is accurate to characterize Mr. Fisher’s position as one which recommends denial of the KU/LG&E request for Certificates of Public Convenience and Necessity (“CPCN”), but offers nothing for the Commission to consider as alternatives to the KU/LG&E proposals.

b. Explain whether Mr. Fisher’s direction from the Environmental Intervenors was limited to reviewing and critiquing the KU/LG&E proposals.

3. Refer to page 11, lines 20-22, and page 42, lines 16-26, of the Fisher Testimony.

a. On page 11, Mr. Fisher recommends that the Commission deny the KU/LG&E request for CPCNs for Brown Units 1 and 2 and “require the Companies to further analyze the financial risks posed in retrofitting Mill Creek 1 & 2 prior to granting CPCNs on these units.” On page 42, lines 16-22, Mr. Fisher says the Commission should deny CPCNs for Brown Units 1 and 2 and Mill Creek Units 1 and 2. On lines 23-

26, he then says the Commission should deny CPCNs “for any upgrades to the Companies’ coal units at this time.” Explain why Mr. Fisher’s recommendation appears to have changed between when he prepared page 11 of his testimony and when he completed his testimony.

b. Describe in detail the further analysis of the financial risks of retrofitting Mill Creek Units 1 and 2, which Fisher recommends on page 11, lines 20-22, that the Commission require of KU and LG&E.

4. Refer to page 18, line 10, of the Fisher Testimony. Confirm that the exhibit reference in this line should be Exhibit JIF-2 rather than Exhibit JIF-1.

5. Refer to page 19, lines 23-26, of the Fisher Testimony, which refers to the drop in natural gas prices in recent years “with the discovery of new plays . . .” and the “continued uncertainty about the future of natural gas prices . . . .”

a. Explain whether “the discovery of new plays” refers to shale gas discoveries that have been credited with increasing U.S. domestic gas supplies.

b. Various published reports have dealt with environmental concerns related to the issue of “fracking” – the method used to recover much of the shale gas. Describe Mr. Fisher’s view of how the science and the politics related to the fracking issue are likely to impact access to U.S. domestic shale gas supplies.

6. Refer to page 20 of the Fisher Testimony, footnotes 8 through 15, which identify several publicly available forecasts of Henry Hub natural gas prices, and Exhibit JIF-3. The footnotes indicate that some of the forecasts were prepared in 2010 and some were prepared in 2011. On page 1 of the exhibit, the prices from the various

forecasts have been plotted on a graph along with the prices from the KU/LG&E forecast. For each forecast identified in the footnotes, provide the following:

a. The forecasted gas prices that are plotted on the graph listed in numeric form for each year covered by each individual forecast; and

b. Its Henry Hub forecasted natural gas prices plotted on a graph as in Exhibit JIF-3 and listed in numeric form for the same entity's forecast prepared in the year prior to the year identified in the footnote.

7. Refer to page 21 of the Fisher Testimony.

a. Explain how Mr. Fisher made the decision to use the forecast of Henry Hub gas prices prepared by the Avoided Energy Supply Component Study Group in 2011 in his analysis, rather than one of the other publicly available forecasts.

b. Explain whether *Strategist* modeling runs were performed using the prices contained in any of the other gas price forecasts.

8. At page 23, lines 3-5, and page 28, lines 15-22, of the Fisher Testimony, Mr. Fisher states (1) the Brown Units 1 and 2 should be retired based on his re-analysis using a different gas price forecast and (2) that KU/LG&E should reconsider the decision to retrofit Brown Units 1 and 2 based on his re-analysis of the need to install Selective Catalytic Reduction devices ("SCR") on the coal units that have not previously been retrofitted with SCRs.

a. In reaching his conclusions as to the possible retirement of Brown Units 1 and 2, describe the consideration Mr. Fisher gave to the configuration of the Brown Generating Station, specifically, that all three generating units at the site share a single Flue Gas Desulfurization ("FGD") system.

b. If no consideration was given to the three Brown units sharing a single FGD system, either because Mr. Fisher was not aware of it, or for any other reason, explain whether now having the knowledge of this arrangement has any impact on his conclusions.

9. Refer to page 26, lines 5-7, and page 27, lines 18-20, where Mr. Fisher states his belief that stronger National Ambient Air Quality Standards for ozone will require adding SCRs to the KU/LG&E coal plants that do not already have SCRs.


a. Describe in more specific terms the basis for Mr. Fisher's belief.

b. For purposes of this question, assume the following: based on Mr. Fisher's analysis of the cost of adding SCRs, the Commission denied the CPCN requests for Brown Units 1 and 2, Ghent Unit 2, and Mill Creek 1 and 2, and this ultimately leads to the retirement of these five units. Explain how Mr. Fisher would recommend the Commission respond if, at a later date, it was shown that his analysis was wrong and that the units should have been granted CPCNs and retrofitted as KU/LG&E propose.

10. Refer to page 30, lines 10-15, of the Fisher Testimony, where Mr. Fisher refers to the increasingly contentious politics associated with regulating CO<sub>2</sub> and other greenhouses gases and states, "if the weight of evidence does eventually prevail, it is my opinion that there will be no choice but to find mechanisms to reduce CO<sub>2</sub> emissions . . . ." Describe the extent to which Mr. Fisher, as a geological scientist, would typically rely on a single opinion in making a recommendation or decision that would likely have long-term implications.

11. Refer to page 31, lines 1-3, of the Fisher Testimony. Explain how Mr. Fisher selected 2018 as the year to include a starting price for CO<sub>2</sub> emissions.

12. Refer to page 39, lines 5-7, of the Fisher Testimony. Confirm that a word, or words, should be inserted in the sentence either before or after the word "quickly" and provide the corrected sentence.



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Jeff Detouren  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602

DATED SEP 30 2011

cc: Parties of Record

Case No. 2011-00161  
Case No. 2011-00162

Lonnie Bellar  
Vice President, State Regulation & Rates  
Kentucky Utilities Company  
220 W. Main Street  
P. O. Box 32010  
Louisville, KY 40232-2010

Honorable Kendrick R Riggs  
Attorney at Law  
Stoll Keenon Ogden, PLLC  
2000 PNC Plaza  
500 W Jefferson Street  
Louisville, KENTUCKY 40202-2828

Honorable Leslye M Bowman  
Director of Litigation  
Lexington-Fayette Urban County Government  
Department Of Law  
200 East Main Street  
Lexington, KENTUCKY 40507

Honorable Iris G Skidmore  
415 W. Main Street  
Suite 2  
Frankfort, KENTUCKY 40601

David Brown  
Slites & Harbison, PLLC  
1800 Providian Center  
400 West Market Street  
Louisville, KENTUCKY 40202

Allyson K Sturgeon  
Senior Corporate Attorney  
LG&E and KU Services Company  
220 West Main Street  
Louisville, KENTUCKY 40202

Robert M Conroy  
Director, Rates  
Kentucky Utilities Company  
220 W. Main Street  
P. O. Box 32010  
Louisville, KY 40202

Edward George Zuger, III  
Zuger Law Office PLLC  
P.O. Box 728  
Corbin, KENTUCKY 40702

Kristin Henry  
Staff Attorney  
Sierra Club  
85 Second Street  
San Francisco, CALIFORNIA 94105

Honorable Dennis G Howard II  
Assistant Attorney General  
Office of the Attorney General Utility & Rate  
1024 Capital Center Drive  
Suite 200  
Frankfort, KENTUCKY 40601-8204

Honorable Michael L Kurtz  
Attorney at Law  
Boehm, Kurtz & Lowry  
36 East Seventh Street  
Suite 1510  
Cincinnati, OHIO 45202