

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND	)	
ELECTRIC COMPANY TO MODIFY ITS	)	CASE NO.
CERTIFICATE OF PUBLIC CONVENIENCE	)	2012-00469
AND NECESSITY AS TO THE MILL CREEK	)	
UNIT 3 FLUE-GAS DESULFURIZATION UNIT	)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
TO LOUISVILLE GAS AND ELECTRIC COMPANY

Louisville Gas and Electric Company ("LG&E"), pursuant to 807 KAR 5:001, is to file with the Commission the original and one copy of the following information, with a copy to all parties of record. The information requested herein is due on or before November 30, 2012. 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.

LG&E shall make timely amendment to any prior response if it obtains 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 LG&E fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the Application to Amend the Certificate of Public Convenience and Necessity ("CPCN"), dated October 25, 2012 ("October 25 Application"), page 3. LG&E maintains that either the rehabilitation of the Mill Creek Unit 4 wet flue-gas desulfurization ("WFGD") for Unit 3 or the new construction of a Unit 3 WFGD is required to comply with National Ambient Air Quality Standard ("NAAQS") 1-hour SO<sub>2</sub> emission requirements as a part of the State Implementation Plan for the non-attainment in Jefferson County. The NAAQS 1-hour SO<sub>2</sub> emission requirement is also referred to in the John N. Voyles, Jr. Testimony ("Voyles' Testimony") at page 6, lines 9-13. However, the Lonnie E. Bellar's Testimony ("Bellar's Testimony"), dated October 25, 2012, page 4, line 2-4, states that the new of WFGD for Mill Creek Unit 3 is required to meet the Mercury and Toxic Air Standards Rule.

a. Clarify which air quality standard applies to the WFGD project at Mill Creek Unit 3 and which air quality standard will have a direct impact on the project schedule.

b. What is the deadline for compliance with the NAAQS 1-hour SO<sub>2</sub> requirement and the State Implementation Plan?

2. Refer to Mr. Voyles Testimony, Exhibit JNV-1, page 5 of the Babcock Power Feasibility Assessment of the Mill Creek Unit 3 Gas Being Diverted to the Unit 4 WFGD System Upgrades, dated December 2, 2011. Please explain the Case 1 cost estimate of \$32.5M and the Case 2 cost estimate of \$35.2M and how they relate to the ECR estimate of \$74M.

3. Refer to Voyles Testimony, Exhibit JNV-2, Zachry New WFGD Estimate for Mill Creek Unit 3. Explain how the \$132M estimate for the new Unit 3 WFGD was derived.

4. Refer to Voyles Testimony at page 9, line 5. Provide the basis for the statement that the \$132M estimate for a new WFGD at Mill Creek Unit 3 is “consistent with the cost of the other two WFGDs which Zachry is contracted for at Mill Creek”.

5. Refer to Voyles Testimony at page 9, line 8.

a. Explain what is meant by Level I engineering accuracy. What percent accuracy does this imply? What level of contingency is included for this level estimate?

b. Did the \$74M estimate for refurbishing the WFGD at Mill Creek Unit 4 have a Level 1 engineering accuracy? If not, what was the level of accuracy of that estimated cost which has now been increased by more than 50 percent?

c. At a Level 1 engineering accuracy, how accurate is the estimated cost of \$132M to build a new WFGD for Unit 3?

6. Refer to Voyles Testimony at page 10, lines 14–16.

a. Provide a detailed explanation of the importance of LG&E receiving approval to modify the Mill Creek Unit 3 Certificate by January 18, 2013. Is there a specific contractual activity that drives this date?

b. The Company's analysis evaluated the consequences associated with a 6-month delay. What are the consequences if the Commission approval is not provided until one month later? Or three months later?

c. Can construction be expedited if a decision is delayed for a short period of time?

7. Refer to Voyles Testimony at page 11, footnote 3. Explain in detail the reasons why it is not clear that LG&E will be able to obtain a second year extension. Explain the process involved in obtaining a second year extension.

8. Refer to Exhibit JNV-3 at page 2, Table 1.

a. Provide support for the \$161M estimate from the Babcock 2012 Update for the WFGD. Indicate specific references in the Babcock report that support the revised estimate.

b. Provide detailed support for the reduced baghouse capital cost estimate of \$113M.

9. Refer to Exhibit JNV-3 at page 3, Table 2. Provide detailed support for the \$132M estimate from the Zachry 2012 Update for a new WFGD at Mill Creek Unit 3. Indicate specific references in the Zachry report that supports the estimate.

10. Refer to Exhibit JNV-3 at page 3, Table 3. Provide detailed support for the reduced variable and fixed O&M expenses for the baghouses.

11. Refer to Exhibit JNV-3 at page 4, Table 6. Provide all support including electronic files that support the Net Present Value of Revenue Requirements ("NPVRR") values presented in the columns titled "Retrofit Mill Creek 3."

12. Refer to Amended Application, Exhibit 1. Provide an update to the two page Exhibit using current estimates of both capital, operation, and maintenance costs assuming a new WFGD is constructed at Mill Creek Unit 3.

13. Refer to the October 25 Application, page 4, which states that, "LG&E is also proposing to demolish the existing WFGD at Unit 4 to provide space for the new WFGD."

a. Explain how the cost to demolish the existing WFGD at Unit 4 is considered in the cost estimate.

b. Explain whether LG&E is seeking Commission approval for this demolition cost.

14. Refer to the Direct Testimony of Lonnie E. Bellar ("Bellar Testimony"), page 3, lines 8-12. It states the following:

LG&E has obtained further engineering studies and cost estimates showing that rehabilitating the existing Mill Creek Unit 4 WFGD to serve Mill Creek Unit 3 will be significantly more expensive than initially estimated: \$161 million in estimated capital cost rather than \$74 million. Building a new WFGD for Mill Creek Unit 3 will have an estimated capital cost of \$132 million.

Provide a detailed comparison and explanation of the initial \$74M estimate for rehabilitating Unit 4 versus the current \$161M estimate.

15. Refer to the Supplemental Voyles Testimony, page 4 where it states that:

Because of the importance of having the assurance of ECR recovery to LG&E's ability to spend over \$31 million next year just for Mill Creek Unit 3, and to commit to \$136 million in financial obligations to build the proposed new WFGD for Unit 3, LG&E asks the Commission to issue a Final Order in this proceeding by January 18, 2013.

Explain the difference between the \$132M estimated capital costs for Unit 3 WFGD and the \$136M in financial obligations to build the proposed new WFGD for Unit 3.

16. Refer to the Voyles Testimony, page 5, which states, "[i]n addition, LMAPCD monitors and measures throughout Jefferson County the concentration of pollutants under the NAAQS, including ozone (O<sub>3</sub>), carbon monoxide (CO), sulfur dioxide (SO<sub>2</sub>), nitrogen dioxide (NO<sub>2</sub>) and nitric oxide (NO), inhalable particulates (PM<sub>10</sub>), fine particulates (PM<sub>2.5</sub>) and lead (Pb)." Provide a comparison of the estimated change in emissions for the pollutants listed above for Units 3 and 4 as a result of the proposed changes in the environmental compliance plan from the 2011 Environmental Compliance Plan<sup>1</sup> to the current proposed plan.


17. Refer to the Voyles Testimony, pages 7-9.

a. Provide a detailed comparison and explanation of Babcock's \$161M estimate for rehabilitating Unit 4 to serve Unit 3 versus Zachry's \$132M estimate to build a new WFGD at Unit 3.

b. Identify and explain the effect(s) on the net auxiliary power from the original plan to the proposed amended plan and how any changes were factored into the NPVRR savings.

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<sup>1</sup> Case No. 2011-00162, *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* (Ky. PSC Dec. 15, 2011).



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DATED NOV 20 2012

cc: Parties of Record

Case No. 2012-00469

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