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COMMISSION**

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November 18, 2011

**VIA HAND DELIVERY**

Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

**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 and accept for filing an original and fifteen copies of Kentucky Utilities Company's Motion to Conform Application to the Terms of the Settlement Agreement in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me via our office courier.

Should you have any questions please contact me at your convenience.

Yours very truly,

Kendrick R. Riggs

KRR:ec  
Enclosures  
cc: Parties of Record

400001.139563/772679.1

**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 )**

**KENTUCKY UTILITIES COMPANY’S MOTION TO  
CONFORM APPLICATION TO THE TERMS OF THE SETTLEMENT AGREEMENT**

Kentucky Utilities Company (“KU”), by counsel, for its *Motion to Conform Application to the Terms of the Settlement Agreement* states as follows.

On June 1, 2011, KU filed its Application with the Commission in this proceeding.<sup>1</sup> The Application requested the Commission grant certificates of public convenience and necessity for the construction of seven Particulate Matter Control Systems at the E.W. Brown Generating Station (“Brown”) and the Ghent Generating Station (“Ghent”). Additionally, the Application also requested approval for purposes of recovery by environmental surcharge the costs of KU’s 2011 Environmental Compliance Plan (“2011 Plan”). The 2011 Plan is attached to KU’s Application as Exhibit No. 1.<sup>2</sup>

Project 34 in the 2011 Plan includes building Particulate Matter Control Systems for all units at Brown and adding a separate sulfuric acid mist (“SAM”) mitigation system to Units 1 and 2. The estimated projected capital cost for the Particulate Matter Control System and SAM mitigation system for Brown Unit 1 and Unit 2 is \$109.22 million and \$117.65 million,

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<sup>1</sup> On June 14, 2011, the Commission issued a deficiency letter to KU concerning its application, which deficiencies KU subsequently cured, and the Commission, by Order dated June 21, 2011, accepted the application as filed on June 16, 2011.

<sup>2</sup> KU’s 2011 Plan is also shown in Exhibit JNV-1 in the direct testimony of Mr. John N. Voyles, Jr.

respectively. An amended version of Exhibit No. 1, reflecting the proposed changes to Project No. 34 in the 2011 Plan is attached to this Motion.

On November 10, 2011, KU filed a *Settlement Agreement, Stipulation and Recommendation* (“Settlement Agreement”) with the Commission in this proceeding, along with a companion case involving KU’s sister utility, Louisville Gas and Electric Company.<sup>3</sup> This proceeding now stands submitted for decision. As part of the Settlement Agreement, in exchange for the consideration set forth therein, KU agreed to withdraw from its Application the portion of Project 34 in the 2011 Plan concerning the proposed Particulate Matter Control Systems to serve Unit 1 and Unit 2 at Brown.<sup>4</sup> In addition to withdrawing this portion of Project 34, KU likewise agreed in the Settlement Agreement to withdraw its request for certificates of public convenience and necessity associated with the Particulate Matter Control Systems to serve Unit 1 and Unit 2 at Brown.<sup>5</sup> Subject to the proposed modifications in the Settlement Agreement, Project 34 still includes the SAM mitigation equipment consisting of sorbent injection systems on Brown Units 1 and Unit 2 that are independent of the lime injection systems associated with the Particulate Matter Control Systems for Brown Units 1 and 2, and the Particulate Matter Control System for Brown Unit 3.<sup>6</sup>

The Settlement Agreement is now submitted to the Commission for approval and disposition of all the issues in KU’s Application. By this Motion, and subject to the Commission’s approval of the Settlement Agreement, KU requests that the Commission conform KU’s Application to the terms of the Settlement Agreement by removing so much of Project 34

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<sup>3</sup> *In the Matter of: Application of Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Approval of Its 2011 Environmental Compliance for Recovery by Environmental Surcharge* (Case No. 2011-00162).

<sup>4</sup> Settlement Agreement Section 2.01

<sup>5</sup> Settlement Agreement Section 2.02

<sup>6</sup> Settlement Agreement Section 2.01; Application Exhibit No. 1

in the 2011 Plan as it relates to the Particulate Matter Control Systems proposed for Unit 1 and Unit 2 at Brown and the associated request for a certificate of public and convenience and necessity to construct these systems. If the Commission does not approve the Settlement Agreement in its as-filed form, KU withdraws this Motion.<sup>7</sup>

Wherefore, should the Commission enter an order approving the Settlement Agreement thus resolving the issues associated with KU's Application in this case, KU respectfully requests that the Commission, in the same order, conform KU's Application in this proceeding to the terms of the Settlement Agreement with regard to Project 34.

Dated: November 18, 2011

Respectfully submitted,



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*Counsel for Kentucky Utilities Company*

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<sup>7</sup> The agreed-upon modifications to Project 34 were the result of negotiations with intervenors to this proceeding and part of the exchange of consideration given in order to reach a unanimous agreement. This form of consideration should not be construed as an admission by KU that Project 34 in its as-filed form was not a reasonable and cost-effective means of complying with the applicable environmental requirements for purposes of KRS 278.183.

**CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the foregoing Motion to Amend was served via U.S. mail, first-class, postage prepaid, this 18th day of November 2011 upon the following persons:

Dennis G. Howard II  
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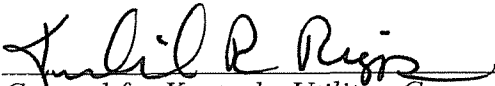
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*Counsel for Kentucky Utilities Company*

**KENTUCKY UTILITIES COMPANY**  
 2011 ENVIRONMENTAL COMPLIANCE PLAN - Conforming to Settlement Agreement

Project	Air Pollutant or Waste/By-Product To Be Controlled	Control Facility	Generating Station	Environmental Regulation / Regulatory Requirement*	Environmental Permit*	Actual or Scheduled Completion	Actual (A) or Estimated (E) Projected Capital Cost (\$Million)
29 Amended	Fly & Bottom Ash, Gypsum	Coal Combustion Residual Storage Landfill (conversion from wet to dry storage)	Brown Station	EPA CCR Regulations	Division of Waste Mgmt - Landfill Permit	2014	\$58.67 (E)
34	NO <sub>x</sub> , SO <sub>3</sub> , Hg and Particulate	Baghouse with Powdered Activated Carbon Injection (Unit 3); Sulfuric Acid Mist Mitigation (Units 1 and 2)	Brown Unit 1	Clean Air Act (1990), PSD Rules, EPA Consent Decree, and HAPS	Title V Permit	2014	\$4.56 (E)
			Brown Unit 2			2014	\$4.56 (E)
			Brown Unit 3			2015	\$116.92 (E)
35	NO <sub>x</sub> , SO <sub>3</sub> , Hg and Particulate	Baghouse with Powdered Activated Carbon Injection (All Units), SCR Turn-Down (Unit 1, 3, 4), Sulfuric Acid Mist Mitigation (All Units)	Ghent Unit 1	Clean Air Act (1990), HAPS, CATR, KRS Chapter 224, PSD Rules	Title V Permit	2014	\$164.21 (E)
			Ghent Unit 2			2012-2014	\$164.55 (E)
			Ghent Unit 3			2013-2015	\$198.01 (E)
			Ghent Unit 4			2014-2015	\$184.76 (E)
							<u>\$896.25</u>

\* Sponsored by Witness Revlett

**KENTUCKY UTILITIES COMPANY**  
2011 ENVIRONMENTAL COMPLIANCE PLAN - Conforming to Settlement Agreement

Project	Air Pollutant or Waste/By-Product To Be Controlled	Control Facility	Generating Station	Estimated Annual Operations and Maintenance Costs (Through 2020)								
				2012	2013	2014	2015	2016	2017	2018	2019	2020
29 Amended	Fly & Bottom Ash, Gypsum	Coal Combustion Residual Storage Landfill (conversion from wet to dry storage)	Brown Station	\$ -	\$ -	\$ 2,813,772	\$ 2,898,185	\$ 2,985,131	\$ 3,074,685	\$ 3,166,925	\$ 3,261,933	\$ 3,359,791
34	NO <sub>x</sub> , SO <sub>2</sub> , Hg and Particulate	Baghouse with Powdered Activated Carbon Injection (Unit 3); Sulfuric Acid Mist Mitigation (Units 1 and 2)	Brown Unit 1	\$ -	\$ -	\$ 923,835	\$ 2,423,086	\$ 2,471,548	\$ 2,520,979	\$ 2,571,398	\$ 2,622,826	\$ 2,675,283
			Brown Unit 2	\$ -	\$ -	\$ 1,781,681	\$ 2,423,086	\$ 2,471,548	\$ 2,520,979	\$ 2,571,398	\$ 2,622,826	\$ 2,675,283
			Brown Unit 3	\$ -	\$ -	\$ -	\$ 4,687,119	\$ 7,171,292	\$ 7,314,718	\$ 7,461,012	\$ 7,610,232	\$ 7,762,437
35	NO <sub>x</sub> , SO <sub>2</sub> , Hg and Particulate	Baghouse with Powdered Activated Carbon Injection (All Units), SCR Turn-Down (Unit 1, 3, 4), Sulfuric Acid Mist Mitigation (All Units)	Ghent Unit 1	\$ -	\$ 2,730,914	\$ 12,899,794	\$ 17,179,567	\$ 17,523,158	\$ 17,873,621	\$ 18,231,093	\$ 18,595,715	\$ 18,967,630
			Ghent Unit 2	\$ 8,692	\$ 1,276,696	\$ 2,183,254	\$ 12,112,005	\$ 12,354,245	\$ 12,601,330	\$ 12,853,356	\$ 13,110,424	\$ 13,372,632
			Ghent Unit 3	\$ -	\$ 642,953	\$ 4,721,847	\$ 6,363,418	\$ 17,537,222	\$ 17,887,966	\$ 18,245,725	\$ 18,610,640	\$ 18,982,853
			Ghent Unit 4	\$ -	\$ 3,578,918	\$ 5,256,715	\$ 5,848,876	\$ 17,391,503	\$ 17,739,333	\$ 18,094,120	\$ 18,456,002	\$ 18,825,122