



a PPL company

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

RECEIVED

NOV 02 2011

PUBLIC SERVICE
COMMISSION

**Louisville Gas and Electric
Company**
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.lge-ku.com

November 2, 2011

Rick E. Lovekamp
Manager Regulatory Affairs
T 502-627-3780
F 502-627-3213
rick.lovekamp@lge-ku.com

**RE: *Application of Louisville Gas and Electric Company for Approval of
Land Exchange with Louisville/Jefferson County Metro Government***
Case No. 2011-00__

Dear Mr. DeRouen:

Enclosed please find and accept for filing an original and ten copies of a Verified Application by Louisville Gas and Electric Company 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 copy and return it to me in the enclosed self-addressed stamped envelope

Should you have any questions regarding the enclosed, please do not hesitate to contact me.

Sincerely,

Rick E. Lovekamp

Enclosures

cc: Hon. Dennis G. Howard II, Office of Attorney General
Hon. Michael L. Kurtz, Boehm Kurtz & Lowry

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS)
AND ELECTRIC COMPANY FOR)
APPROVAL OF LAND EXCHANGE WITH) CASE NO. 2011-00 ____
LOUISVILLE/JEFFERSON COUNTY)
METRO GOVERNMENT)

VERIFIED APPLICATION

Louisville Gas and Electric Company (“LG&E”) hereby respectfully petitions the Kentucky Public Service Commission (“Commission”) by verified application pursuant to KRS 278.040, the Commission’s Order dated June 11, 2002 in Case No. 2002-00029,¹ 807 KAR 5:001 § 8, and any and all other applicable orders, statutes and regulations to issue an order approving the transactions set out in the Real Estate Purchase and Sale Agreement, dated October 12, 2011, (“Agreement”) between LG&E and the Louisville/Jefferson County Metro Government (“Louisville Metro”), a copy of which is attached hereto as Exhibit A. The Agreement provides that Louisville Metro and LG&E will exchange properties owned by each party. Specifically, LG&E will exchange three of its parcels, consisting of 1.36 acres, 4.68 acres, and 0.9 acres, located at 5252 Cane Run Road, Louisville, Kentucky (the “LG&E Property”) for one parcel owned by Louisville Metro consisting of 17.198 acres at Woodland Avenue, Louisville, Kentucky (the “Louisville Metro Property”). All the LG&E Property is located at LG&E’s Cane Run Generating Station (“Cane Run”), and Louisville Metro’s parcel abuts Cane Run. The current fair market value of the LG&E Property parcels to be exchanged is approximately \$38,200, while the current fair market value of the Louisville Metro Property to

¹ *Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Acquisition of Two Combustion Turbines.* See *id.* at 6 (“Because of the finite

be exchanged is approximately \$94,600. The proposed transaction will be in the public interest because the purpose of the land exchange is to facilitate Louisville Metro's construction of the Ohio River Levee Trail and will provide an additional buffer area between LG&E's operations at Cane Run and neighboring property. In addition, there will be no adverse impact on LG&E's operations at Cane Run.

To expedite Louisville Metro's work on the trail, LG&E respectfully asks the Commission to issue the requested order by January 31, 2012.

In support of this Application, LG&E states as follows:

1. Addresses: Applicant LG&E's full name and post office address is: Louisville Gas and Electric Company, 220 West Main Street, Post Office Box 32010, Louisville, Kentucky 40202.

2. Articles of Incorporation: A certified copy of LG&E's Articles of Incorporation is on file with the Commission in Case No. 2010-00204, *In the Matter of: The Joint Application of PPL Corporation, E.ON AG, E.ON U.S. Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities* and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).

3. LG&E is a public utility, as defined in KRS 278.010(3)(a), engaged in the electric and gas business. LG&E generates and purchases electricity, and distributes and sells electricity at retail in Jefferson County and portions of Bullitt, Hardin, Henry, Meade, Oldham, Shelby, and Trimble Counties. LG&E also purchases, stores and transports natural gas and distributes and sells natural gas at retail in Jefferson County and portions of Barren, Bullitt, Green, Hardin, Hart,

nature and value of these [existing generation] sites, we find that LG&E and KU should seek Commission approval prior to entering into the sale or lease of any land located on an existing generation site.”).

Henry, Larue, Marion, Meade, Metcalfe, Nelson, Oldham, Shelby, Spencer, Trimble, and Washington Counties.

4. Cane Run is a three-unit, 563 MW (summer capacity) coal-fired generating station that sits on approximately 518 acres in southwestern Jefferson County along the Ohio River. The book value (and original cost) of the largest parcel (4.68 Acres at Lot 0019, Block 1017), at Cane Run is \$991.42. The book value (and original cost) of the two smaller parcels at Cane Run (1.36 acres at Lot 0029, Block 1017 and 0.9 acres at Lot 0003, Block 1017) is less than one dollar and \$236.77, respectively. LG&E does not believe that the land exchange contemplated in the Agreement will affect in any way its foreseeable operations at Cane Run.

5. Louisville Metro is working to build an ambitious 100-mile paved walking and biking trail around Louisville called the “Louisville Loop.” To date, Louisville Metro has completed approximately 25 miles of the trail, of which the Ohio River Levee Trail is a part.²

6. Part of the path of the Ohio River Levee Trail lies on portions of LG&E’s Cane Run property. (An aerial photo of Cane Run with the affected portions of the station property highlighted in yellow is attached hereto as Exhibit B.) To allow Louisville Metro to acquire necessary property rights for the portions of the trail crossing LG&E’s property, Louisville Metro and LG&E have agreed to exchange the above-referenced parcels of land.

7. More specifically, as shown on the plat attached as Exhibit C, Louisville Metro currently owns a tract of land (Tract A) that abuts LG&E’s Cane Run property. Per the Agreement, Louisville Metro will convey to LG&E unencumbered, fee simple title to Tract A in exchange for receiving from LG&E \$56,400.00 and unencumbered, fee simple title to three different tracts of land (Tracts B, C, and D).

² See http://www.louisvilleky.gov/metroparks/cityofparks/metro_loop_trail.htm.

8. Currently, all of Tracts B, C, and D are subject to a lien under the Indenture from Louisville Gas and Electric Company to Bank of New York Mellon, Trustee, dated October 1, 2010, as amended by supplemental indentures (the “Indenture Lien”). The acquisition by LG&E of Tract A will make it subject to the Indenture Lien as well. After receiving the Commission’s approval to complete the transaction set out in the Agreement, LG&E will convey Tracts B, C, and D to Louisville Metro and will cause the Indenture Lien to be released with respect to those tracts within 90 days following the conveyance.

9. LG&E is seeking the Commission’s approval for the transaction set out in the Agreement because lands being conveyed are part of a generating station’s property. In its June 11, 2002 Order in Case No. 2002-00029, the Commission stated, “Because of the finite nature and value of these [existing generation] sites, we find that LG&E and KU should seek Commission approval prior to entering into the sale or lease of any land located on an existing generation site.”³

10. The Commission should approve the proposed land exchange as being in the public interest. Louisville Metro is building the Ohio River Levee Trail for the recreational benefit of the public, and the same is true for the overall Louisville Loop project. As noted above, LG&E does not foresee that the land exchange will have any adverse impact, negative or otherwise, on its operations at Cane Run and in fact the acquisition of the land will allow compliance with setback requirements for the new construction, so the public will not be harmed in any way by the proposed transaction.⁴

11. LG&E is not seeking Commission approval under KRS 278.218 for the Agreement or the transactions contemplated therein because the original book value of the land

³ *Id.*

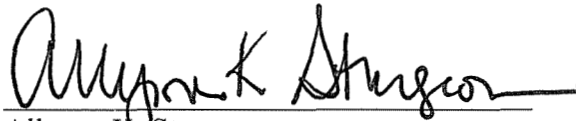
LG&E will convey to Louisville Metro is significantly less than the \$1 million threshold set out in KRS 278.218(1).

12. In order to allow Louisville Metro timely access to the property to work on this trail, LG&E respectfully requests an order from the Commission by January 31, 2012.

WHEREFORE, Louisville Gas and Electric Company respectfully asks the Commission to issue an Order by January 31, 2012, approving the transactions set out in the Real Estate Purchase and Sale Agreement between LG&E and the Louisville Metro Government, dated October 12, 2011 because the transactions will be in the public interest.

Dated: November 2, 2011

Respectfully submitted,



Allyson K. Sturgeon
Senior Corporate Attorney
LG&E and KU Energy LLC
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-2088
allyson.sturgeon@lge-ku.com

Counsel for Louisville Gas and Electric Company

⁴ The Commission approved a similar transaction earlier this year relating to land at Mill Creek Generating Station. *In the Matter of: Application of Louisville Gas and Electric Company for Approval of Land Swap with and Lease of Land to Louisville Metro Government*, Case No. 2011-00014, Order of March 4, 2011.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Verified Application was served on the following persons on the 2nd day of November, 2011, U.S. mail, postage prepaid:

Dennis G. Howard II
Lawrence W. Cook
Assistant Attorneys General
Office of the Attorney General
Office of Rate Intervention
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204

Michael L. Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202

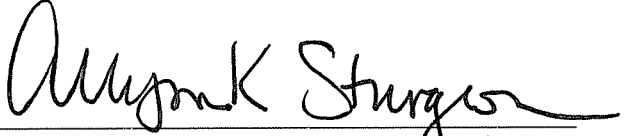

Counsel for Louisville Gas and Electric Company

Exhibit A – Purchase and Sale Agreement

REAL ESTATE PURCHASE AND SALE AGREEMENT

THIS REAL ESTATE SALE AND PURCHASE AGREEMENT (the "Agreement") is made and entered into as of this 12th day of OCTOBER, 2011, by and between Louisville Gas and Electric Company, with an address of 820 W. BROADWAY, Louisville, KY 40232, ("LGE") *ATTN: REAL ESTATE AGREEMENT*

and

Louisville/Jefferson County Metro Government, 444 S. Fifth St., Suite 400, Louisville, Kentucky 40202, ("Metro").

WITNESSETH:

WHEREAS, LGE is the fee simple owner of certain real property located at 5252 Cane Run Road, Louisville, Kentucky, which property is more particularly described in the attached Exhibit A (the "LGE Property"); these parcels are the property identified as:

- a) 1.36 Acres of Lot 0029, Block 1017
- b) 4.68 Acres of Lot 0019, Block 1017
- c) .9 Acres of Lot 0003, Block 1017

And,

WHEREAS, Metro is the fee simple owner of certain real property located at Woodland Avenue, Louisville, Kentucky, which property is more particularly described in the attached Exhibit B (the "Metro Property"); this parcel is the property identified as:

- a) 17.198 Acres of Lot 7000, Block 1018

And,

WHEREAS, LGE desires to sell and Metro desires to purchase the LGE Property, subject to the terms and conditions more particularly set forth herein;

WHEREAS, Metro desires to sell and LGE desires to purchase the Metro Property, subject to the terms and conditions more particularly set forth herein;

NOW THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, LGE and Metro do hereby agree as follows:

1. **AGREEMENT TO PURCHASE AND SELL.** LGE and Metro agree to exchange the properties owned by each party as described in this Agreement. LGE agrees to sell and Metro agrees to purchase the LGE Property for the agreed upon total fair market value of \$38,200, and

in exchange, Metro agrees to sell and LGE agrees to purchase the Metro Property for the agreed upon total fair market value of **\$94,600**. Both parties acknowledge that it is their intent to close on this exchange of Property as soon as possible. LGE agrees that Metro will not be paying funds to LGE; rather, LGE will receive a credit on its purchase price for the fair market value of the LGE Property (\$38,200) conveyed to Metro. Therefore, at the closing, LGE shall pay Metro the sum of **\$56,400.00**, as adjusted for closing costs, plus convey to Metro the LGE Property in consideration for Metro conveying the Metro Property to LGE.

2. **DUE DILIGENCE.** In order for LGE to conduct investigations of the Metro property to be purchased by LGE, as long as this Agreement is in effect, LGE and its agents shall have the right to enter upon the Metro Property for the purpose of conducting any environmental studies and tests that LGE may deem necessary. LGE agrees to restore the Property to reasonably similar conditions to those existing before such testing occurred. Further, LGE agrees to indemnify and hold Metro harmless from any damages to persons or property arising out of the actions of LGE as a result of completing such studies.

In order for Metro to conduct investigations of the LGE property to be purchased by Metro, as long as this Agreement is in effect, Metro and its agents shall have the right to enter upon the LGE Property for the purpose of conducting any environmental studies and tests that Metro may deem necessary; provided that any such activity within fenced areas of the LGE property shall be coordinated with LGE in advance. Metro agrees to restore the Property to reasonably similar conditions to those existing before such testing occurred. Further, Metro agrees to indemnify and hold LGE harmless from any damages to persons or property arising out of the actions of Metro as a result of completing such studies.

3. **CONTINGENCIES.** LGE's obligations hereunder are contingent upon the following conditions:

- a) Completion of all environmental assessments determined to be necessary at LGE's discretion. Metro warrants and represents to LGE that Metro is not aware of any hazardous waste upon the property. Metro agrees that the LGE may, at LGE's expense, perform any and all tests or inspections necessary to confirm this warranty and representation. In the event that the LGE discovers that hazardous wastes have been dumped or placed upon the Property, then Metro shall remediate such hazardous waste condition or if Metro is not willing to remediate such condition, LGE may at LGE's option declare this Agreement to be null and void. The warranties and representations made in this clause shall survive the closing of this transaction.
- b) Completion of any other inspections to the satisfaction of LGE. If such inspections reveal any conditions that LGE deems unacceptable, then Metro shall repair such conditions at its cost, or if Metro is not willing to repair such conditions, then LGE may declare this Agreement null and void.

- c) Completion of a Survey satisfactory to LGE at LGE's expense. If LGE is not satisfied with the property to be conveyed as shown by the survey, then LGE may declare this Agreement to be null and void.
- d) Approval of the sale of the LGE Property by the Kentucky Public Service Commission (the "KPSC"). If the KPSC does not approve of such sale, then LGE may declare this Agreement null and void.

Metro's obligations hereunder are contingent upon the following conditions:

- a) Completion of all environmental assessments determined to be necessary at Metro's discretion. LGE warrants and represents to Metro that LGE is not aware of any hazardous waste upon the property. LGE agrees that the Metro may, at Metro's expense, perform any and all tests or inspections necessary to confirm this warranty and representation. In the event that the Metro discovers that hazardous wastes have been dumped or placed upon the Property, then LGE shall remediate such hazardous waste condition or if LGE is not willing to remediate such condition, Metro may at Metro's option declare this Agreement to be null and void. The warranties and representations made in this clause shall survive the closing of this transaction.
- b) Completion of any other inspections to the satisfaction of Metro. If such inspections reveal any conditions that Metro deems unacceptable, then LGE shall repair such conditions at its cost, or if LGE is not willing to repair such conditions, then Metro may declare this Agreement null and void.
- c) Completion of a Survey satisfactory to Metro at Metro's expense. If Metro is not satisfied with the property to be conveyed as shown by the survey, then Metro may declare this Agreement to be null and void.
- d) Approval of Metro Council, if necessary. If Metro Council does not approve of this exchange, then Metro may declare this Agreement null and void.

4. **CLOSING.** Closing shall be within 30 days of completion of each party's contingencies to the satisfaction of that party. However, if a party has not satisfied its contingencies within one year of the date of this Agreement, then the other party may declare this Agreement null and void. Each party shall be entitled to sole possession of the property purchased by that party immediately upon Closing.

5. **ASSIGNMENT OF CONTRACT OF PURCHASE AND SALE.** Either party may assign this Agreement upon written notice to the other party.

6. **CLOSING COSTS.** At the Closing, each party shall pay its own closing costs, in accordance with Kentucky legal practice. All real estate taxes and other assessments relating to

the properties due and payable in calendar year of Closing (if any) shall be prorated between the parties from January 1 of that year to date of Closing.

7. **TITLE.** An unencumbered, good, and marketable fee simple title to the LGE Property shall be conveyed to Metro, or its successor or assign, by GENERAL WARRANTY DEED which any title company will insure. LGE shall also execute and deliver a title insurance affidavit and indemnity at the Closing, as required by Metro's title insurance company. If title to the LGE property proves defective, Metro may declare this Agreement null and void and shall have no obligation to pay liquidated damages, or Metro in its discretion shall have the right to accept title with its faults.

An unencumbered, good, and marketable fee simple title to the Metro Property shall be conveyed to LGE, or its successor or assign, by GENERAL WARRANTY DEED which any title company will insure. Metro shall also execute and deliver a title insurance affidavit and indemnity at the Closing, as required by LGE's title insurance company. If title to the Metro Property proves defective, LGE may declare this Agreement null and void and shall have no obligation to pay liquidated damages, or LGE in its discretion shall have the right to accept title with its faults.

8. **CONDITION OF PROPERTY.** Until possession of the property is delivered, each party agrees to keep the grounds of the property that it is selling in the same condition as on the date of this Agreement, reasonable wear and tear excepted.

9. **BROKERS.** Each of the parties warrants that it has not been represented in this transaction by any agent, broker, or any other party and further represents and warrants that no fees or commissions are due or will be paid to any such agent, broker, or third party by virtue of this transaction. Each party will indemnify and hold the other party harmless for any claims made by any party for a fee or commission in connection with this transaction.

10. **TIME OF ESSENCE.** Time shall be of the essence in the performance by the parties of all of their respective obligations under this Agreement.

11. **ENTIRE AGREEMENT.** The parties have read the entire contents of this Agreement and acknowledge receipt of an executed copy hereof. It is agreed that all terms and conditions pertinent hereto are included in this Agreement, and no verbal agreements or understandings of any kind shall be binding upon a party. All modifications to this Agreement must be in writing signed by all parties.


12. **SURVIVAL.** The parties agree that all of the terms and provisions of this Agreement shall survive the closing of the sales of the LGE Property and Metro Property.

13. **GOVERNING LAW.** This Agreement shall be governed by the law of the Commonwealth of Kentucky. The parties hereto agree that venue for all disputes shall be in the courts of Jefferson County, Kentucky.

14. **SEVERABILITY.** If any provision of this Agreement shall be declared invalid or not enforceable, the remainder of the Agreement shall continue in full force and effect.

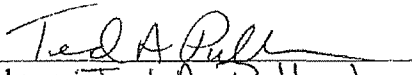
IN TESTIMONY WHEREOF, witness the signatures of the parties as of the date set forth next to their respective signatures below.

Louisville Gas and Electric Company

BY 
Printed name KATHLEEN A. SLAY JD
Title DIRECTOR OPERATING SERVICES
Date 10/12/11

Louisville/Jefferson County Metro Government

Approved as to Form:

BY 
Printed name Ted A. Pullen
Title Director Public Works & Assets
Date 10-7-11

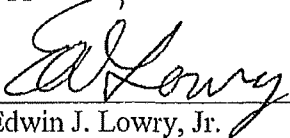

Edwin J. Lowry, Jr.
Assistant Jefferson County Attorney

Exhibit A

5252 Cane Run Road,

- a) 1.36 Acres of Lot 0029, Block 1017;
- b) 4.68 Acres of Lot 0019, Block 1017;
- c) .9 Acres of Lot 0003, Block 1017

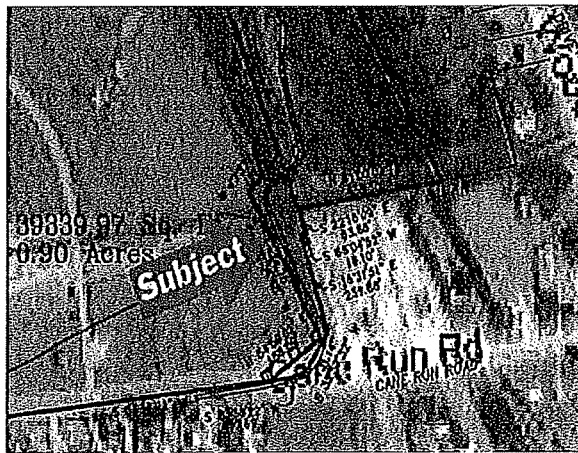
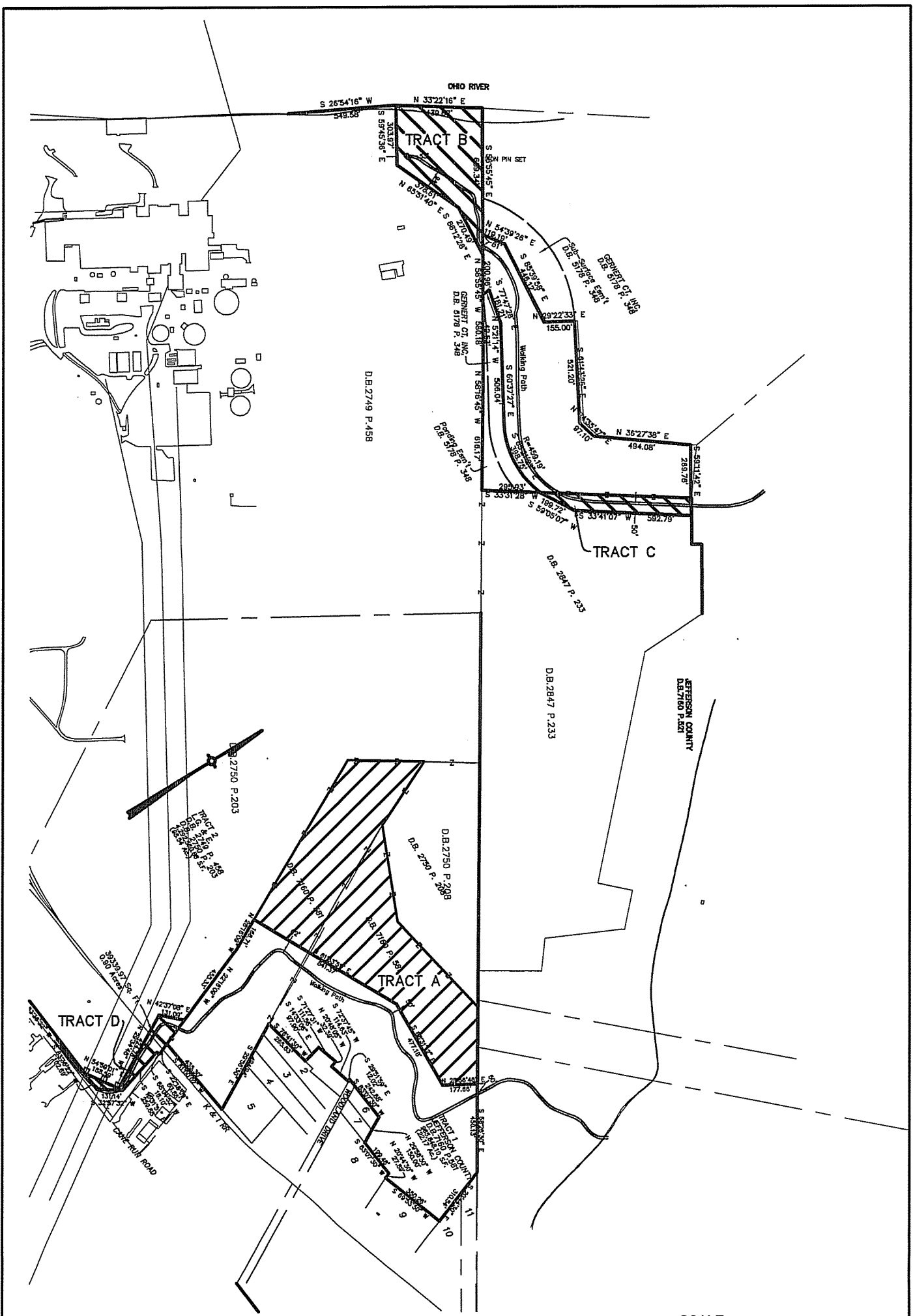


Exhibit B – Aerial Photo of Cane Run Plant



Exhibit C – Plat Map



SCALE
 0' 300' 600' 1" = 600