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Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

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PUBLIC SERVICE
COMMISSION

November 2, 2006

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RE: *In the Matter Of: An Investigation of the Construction by Kentucky Utilities Company of a Scrubber at Ghent Unit No. 1*
Case No. 2006-00449

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and five (5) copies of Kentucky Utilities Company's revised response to Question Nos. 13 and 14 of the Commission's Order dated October 19, 2006 in the above-referenced matter.

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

Sincerely,

Kent W. Blake

cc: Hon. Elizabeth E. Blackford
Hon. Dennis Howard
Hon. Lawrence W. Cook
Hon. Michael L. Kurtz

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

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PUBLIC SERVICE
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In the Matter of:

AN INVESTIGATION OF THE)
CONSTRUCTION BY KENTUCKY) CASE NO.
UTILITIES COMPANY OF A) 2006-00449
SCRUBBER AT GHENT UNIT NO. 1)

**REVISED RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
COMMISSION'S ORDER DATED OCTOBER 19, 2006**

FILED: NOVEMBER 2, 2006

KENTUCKY UTILITIES COMPANY

Revised Response to Commission's Order dated October 19, 2006

Case No. 2006-00449

Question No. 13

Witness: Kent W. Blake

- Q-13. The Blake testimony was filed in Case No. 2004-00426 on December 20, 2004. Was Mr. Blake aware on that date that the existing scrubber at Ghent Unit No. 1 was to be connected to Ghent Unit No. 2, that KU did not intend to construct a new scrubber at Ghent Unit No. 2, and that the request to construct a scrubber at Ghent Unit No. 2 was really a request to construct a new scrubber at Ghent Unit No. 1?
- a. If yes, explain in detail why his testimony contains no discussion of these facts and why his Exhibit KWB-1 shows a scrubber to be constructed at Ghent Unit No. 2 rather than at Ghent Unit No. 1.
 - b. If no, when and how did Mr. Blake first become aware that KU did not intend to construct a new scrubber at Ghent Unit No. 2?
- A-13. a. At the time the application in Case No. 2004-00426 was filed on December 20, 2004, I was aware of the proposed ductwork design.

The evaluation of KU's SO₂ Compliance plan spanned a two-year period prior to the filing of the application and the final engineering decision to route the ductwork as explained, was made in late 2004. I was made aware of this ductwork design plan just prior to the submission of the Application and Amended Plan.

However, I also learned that this ductwork design had already been incorporated into the cost estimate used for the construction of three scrubbers at the Ghent facility (Project No. 21) and that it was the "least cost" method of compliance. I was also aware that this decision by Project Engineering did not impact the "need" to scrub the entire Ghent facility. I continued to believe that the application was to construct three new scrubbers at the Ghent facility so that Ghent Unit Nos. 2, 3 and 4, which had no scrubbers at that time, could be scrubbed. The ductwork design did not change the fact that KU was building three new scrubbers at the Ghent site so that Ghent Unit Nos. 2, 3 and 4 could be scrubbed. The fact that Project Engineering had determined that it would provide cost and operational benefits to configure the ductwork in this manner was not deemed a material change to the project.

As a result, no edits were made to the application or testimony. This ductwork design did not adversely impact SO₂ emission reductions or capital costs and was considered to be an engineering detail that was not central to the scope of the application.

However, in hindsight, I can see that a reference to or footnote in the application that explained the ductwork configuration could have provided clarity regarding Project No. 21. I regret the confusion caused by this omission. There was certainly no intent by me or the Company to mislead the Commission or intervenors in the case. There was certainly nothing to be gained by the Company from this omission. The ductwork design only provided lower costs to the Company's customers. This was simply the result of a difference of opinion on what should be considered a material fact in such an application. In the event the Commission does not approve this ductwork design, however, the Company can continue to move forward with connecting one of the newly constructed scrubbers to Ghent Unit No. 2 and will maintain the connection between the existing scrubber and Ghent Unit No. 1.

- b. Not applicable.

KENTUCKY UTILITIES COMPANY

Revised Response to Commission's Order dated October 19, 2006

Case No. 2006-00449

Question No. 14

Witness: John P. Malloy

- Q-14. The Malloy Testimony was filed in Case No. 2004-00426 on December 20, 2004. Was Mr. Malloy aware on that date that the existing scrubber at Ghent Unit No. 1 was to be connected to Ghent Unit No. 2, that KU did not intend to construct a new scrubber at Ghent Unit No. 2, and that the request to construct a scrubber at Ghent Unit No. 2 was really a request to construct a new scrubber at Ghent Unit No. 1?
- a. If yes, explain in detail why his testimony contains no discussion of these facts, why at page 13, line 6, of his testimony he refers to the 2004 plan for a scrubber "constructed for Ghent Unit [] 2. . . , and why his Exhibit JPM-1 shows a scrubber to be constructed at Ghent Unit No. 2 rather than at Ghent Unit No. 1.
 - b. If no, when and how did Mr. Malloy first become aware that KU did not intend to construct a new scrubber at Ghent Unit No. 2?
- A-14. a. I was aware in late September 2004 that Project Engineering had successfully determined a lower cost and more operationally efficient method to facilitate the SO₂ reductions at Ghent Station. This change in flue gas duct work to take advantage of existing infrastructure and limited real estate did not change the need for four scrubbers at Ghent and the need to construct three new scrubbers at Ghent.

Discussions occurred with Project Engineering and Generation Planning to determine the overall impact to KU's environmental compliance plan. From a Ghent Station perspective, SO₂ removal rates remained the same, capital cost would be lower, operational and maintenance costs remained unchanged, and auxiliary power consumption to operate the flue gas fans would be lower for both Ghent Units 1 and 2. In summary, all aspects of this construction decision led to a lower (better) net present value revenue requirement for our customers than other construction alternatives. The focus of the analysis was to determine the least cost plan to comply with environmental requirements relating to removal of SO₂ emissions and I believed the duct work connection was not a material aspect of that analysis to scrub all four generating units at the Ghent Station. We moved forward with filing the case in December of 2004, consistent with my belief that we had optimized KU's environmental

compliance plans which required the “scrubbing” of the remaining unscrubbed units, Ghent 2, 3 and 4.

In retrospect, my testimony could have been clearer on this duct work change. I believed then, and reaffirm my belief this construction alternative has no negative impact on our customers and is in the best interests of our customers. However, the Company can still maintain the connection between the existing scrubber and Ghent Unit No. 1 and connect one of the newly constructed scrubbers to Ghent Unit No. 2 if the Commission does not approve this ductwork design. I apologize for any misunderstanding this omission has caused.

- b. Not applicable.