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PUBLIC SERVICE
COMMISSION

Mr. Mark David Goss
Chairman
Kentucky State Board on Electric Generation and
Transmission Siting
211 Sower Boulevard
Frankfort, KY 40602

November 16, 2007

Re: Joint Application of the Illinois Municipal Electric Agency and the Indiana Municipal Power Agency for Approval to be a 25% Partner in the Construction of a 750 Megawatt Addition to the Existing Trimble County Generating Facility in Trimble County, Kentucky
Siting Board Case No. 2005-00152

Dear Chairman Goss:

We are writing to provide the second annual report by the Illinois Municipal Electric Agency and the Indiana Municipal Power Agency (collectively "Joint Applicants") regarding the construction of the Trimble County 2 ("TC2") generating unit. This report is made in compliance with the November 16, 2005 Order of the Kentucky State Board on Electric Generation and Transmission Siting (the "Board") in the above-referenced proceeding. Please accept this original and ten (10) copies for filing with the Board. An electronic copy of this report has been posted to the Commission's Electronic Filing Center and is a true representation of the original document that has been filed with the Board. This filing is made with the assistance and involvement of Intervenors Louisville Gas and Electric Company and Kentucky Utilities Company (together, the "Companies"), who hold a 75 percent ownership share of the TC2 generating facility.

Overview

The Companies selected Bechtel Power Corporation ("BPC") as the Engineering, Procurement and Construction contractor for TC2 in August 2005 and reached an agreement on all outstanding contract issues on June 9, 2006. BPC mobilized on the site the week of July 3, 2006. Since the last annual report, work has continued on the construction of the new cooling tower with the tie-in to Trimble County 1 ("TC1") currently being performed during the TC1 planned Fall 2007 outage. Significant progress has been made on the foundations with the boiler foundation being essentially completed along with the supporting foundation for the steam turbine generator. The foundations of the air quality control system and erection of the boiler structural steel is progressing to plan. Major procurement activities associated with the major equipment has been completed through the award/design stage and a significant amount of equipment has begun to be delivered to the site. Overall, the project is tracking to plan and is approximately 20 percent complete.

Implementation of Site Development Plan

The Companies' project management team along with the Trimble County Generating Station management team, BPC, the Companies' security department and Moore Security LLC, continues to utilize the access control plan. The specific gate access information, BPC's expected workforce hiring plan, and access plans relative to hauling, deliveries and road usage were provided to the Trimble County Sheriff's Office and no changes have been made since the last annual report. Communication with the Sheriff's Office is considered routine and will remain so throughout the duration of the project. In addition, updates are provided to the Trimble County Emergency Response staff to inform them of the project and to coordinate communication protocols.

To date there have been no substantive changes to the proposed buildings, transmission lines or other structures, or to the access ways or other access to the site, from that set forth in the original plan submitted to the Board.

Local Hiring and Procurement

The contract executed with BPC is consistent with the commitments made by the Joint Applicants and the Companies regarding efforts to utilize local workers and vendors, including MBEs and WBEs. BPC has established a local hiring office at the site and in Carrollton, Kentucky, has been in communication with local vocational schools and labor departments of the Commonwealth of Kentucky, and has held meetings with officials of Trimble County, Carroll County and Henry County. There have been nearly 300 craft workers hired. Approximately 50 percent of these workers are local with residence in the Commonwealth of Kentucky and the three Metropolitan Statistical Areas of Louisville, Kentucky; Cincinnati, Ohio; Evansville, Indiana. Approximately 30 percent of the craft workers reside in the immediate local region (e.g. 50-mile radius of the plant site). In addition, these efforts have resulted in a significant portion of the subcontracts let to date being awarded to local contractors, including union, MBE and WBE vendors, as shown in the table below. The opportunities to obtain contracts or purchase orders for these businesses have been significant.

MBE/WBE/Local/Union Participation - Project Inception to Date through October 2007

	MBE BID	MBE AWARD	WBE BID	WBE AWARD	LOCAL BID*	LOCAL AWARD*	UNION BID	UNION AWARD
PURCHASE ORDERS	70	23	86	48	1,748	930	52	30
PURCHASES CUMULATIVE VALUE		\$10,748,288		\$ 55,538		\$ 4,682,857		\$ 29,855,060
SUB CONTRACTS	9	3	8	2	58	27	42	20
VALUE: SUB CONTRACTS		\$ 353,956		\$ 44,074		\$ 5,590,628		\$ 8,374,644

(Some Bids/Awards are represented in multiple categories)

* Local includes the Commonwealth of Kentucky, MSAs of Louisville, Kentucky; Cincinnati, Ohio; Evansville, Indiana

Public Comments and Responses

Neither the Joint Applicants nor the Companies have received any material comments or complaints from members of the general public since the date of the hearing in this matter. The plant manager meets often with the Trimble County Judge-Executive and periodically sees the Trimble County Sheriff and other community leaders. In fact, many positive comments have been made about the project, how it is being managed and the positive impact it is having on the local area. The only negative comments about the TC2 project have pertained to poor driving habits exhibited by some workers traveling to and from the job site. The plant manager and BPC contacted state and local law enforcement and requested that patrols be increased in the area. They also reminded workers of the need to comply with traffic laws.

The Companies are routinely contacted by local subcontractors, suppliers and service providers, both open shop and union, relative to opportunities to participate in the project. All of these communications are cordial with most inquirers being referred to the BPC Site Manager. Since construction has begun, there have been no complaints received by the project management team relative to opportunities to participate on this project.

Specific Mitigation Conditions

The Joint Applicants and the Companies continue to work to ensure compliance with each of the specific mitigation conditions imposed by the Board. As set forth above, an access control plan is in place and coordination and information-sharing continues with the local Sheriff's office. Per the original plan, the Companies and Joint Applicants will use the existing stack shell for exhaust of both the existing TC1 unit and TC2, and will utilize colors and lighting consistent with the existing features of TC1.

It remains the plan to utilize silencers to dampen noise as a result of steam blows. A telephone notification plan to warn nearby residents, in addition to other notification methods, will be evaluated and, if feasible, utilized. However, steam blows are not scheduled to occur until the latter half of 2009.

In an effort to minimize the impact on the local community, BPC and subcontractors continue to direct construction traffic to Highway 754 and attempt to avoid commuting peaks and minimize additional traffic during school bus transit periods. And, as noted above, efforts to hire local workers, who are more familiar with local roads, continue.

The Companies continue to monitor construction related traffic and have regular discussions with BPC relative to the timing and plans related to material deliveries, subcontractor traffic, compliance with local traffic laws and construction equipment deliveries. BPC has contractual obligations to not interfere with local traffic, including avoiding times of school traffic. As craft counts rise, the Companies will continue to monitor construction related traffic. To date, communication with the local officials has been good.

The Companies continue to notify local officials regarding the timing and routes for ammonia truck deliveries and to ensure all necessary safety precautions in that regard continue to be followed.

If you have any questions about this second annual report, please let us know.

Sincerely,



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cc: Parties of Record in Case No. 2005-00152