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COMMISSION

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March 14, 2012

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

RE: ***Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Construction of a Combined Cycle Combustion Turbine at the Cane Run Generating Station and the Purchase of Existing Simple Cycle Combustion Turbine Facilities from Bluegrass Generation Company, LLC in LaGrange, Kentucky***
Case No. 2011-00375

Dear Mr. DeRouen:

Enclosed please find and accept for filing the original and ten copies of Kentucky Utilities Company and Louisville Gas and Electric Company's Supplemental and Corrected Responses to the Commission Staff's First Information Request Dated October 26, 2011 in the above-referenced matter. The executed original verification page of Paul W. Thompson will be filed under separate cover.

Also enclosed for filing are the original and ten copies of a Petition for Approval to Deviate from Rule concerning the publication of notice for the upcoming hearing in this case.

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.

Thank you.

Yours very truly,

W. Duncan Crosby III

WDC:ec
Enclosures
cc: Parties of Record

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AND SITE COMPATIBILITY CERTIFICATE FOR THE CONSTRUCTION OF A COMBINED CYCLE COMBUSTION TURBINE AT THE CANE RUN GENERATING STATION AND THE PURCHASE OF EXISTING SIMPLE CYCLE COMBUSTION TURBINE FACILITIES FROM BLUEGRASS GENERATION COMPANY, LLC IN BUCKNER, KENTUCKY	)	CASE NO. 2011-00375

KENTUCKY UTILITIES COMPANY AND
LOUISVILLE GAS AND ELECTRIC COMPANY

SUPPLEMENTAL AND CORRECTED RESPONSES TO THE
COMMISSION STAFF'S FIRST INFORMATION REQUEST
DATED OCTOBER 26, 2011

FILED: MARCH 14, 2012

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **David S. Sinclair**, being duly sworn, deposes and says that he is Vice President, Energy Marketing for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

David S. Sinclair

David S. Sinclair

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 14th day of March 2012.

(SEAL)

Notary Public

My Commission Expires:

July 21, 2015

LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY

Supplemental Response to the Commission Staff's First Information Request
Dated October 26, 2011

Case No. 2011-00375

Question No. 3

Witness: Paul W. Thompson

Q-3. Refer to page 7 of the Direct Testimony of Paul W. Thompson where Mr. Thompson discusses future employee staffing at the Cane Run, Green River, Tyrone, and LaGrange facilities.

a. Will there be a cumulative gain or loss of permanent full-time employees at the conclusion of the facility work contained in this filing?

b. Explain whether the Bluegrass Station will be operated by relocated, permanent LG&E/KU employees.

c. What is the Bluegrass Station's anticipated staffing level and how does it compare to the current levels within the plant?

d. Describe permanent, full-time staffing for a peaking unit and how it compares to an intermediate or base-load plant.

A-3.

Original Response:

a. Based on the difference between coal fired units and NGCC units, there will be a cumulative reduction of permanent full-time employees at the Cane Run facility. Current staffing at Cane Run is approximately 125, and the estimated staffing level for the new NGCC is projected to range between 30 and 40 full time employees.

b. The staffing model for the Bluegrass plant is still under development, though we would anticipate offering some of the current employees operating the Bluegrass Generating units employment, bringing their experience at the station to the Companies.

c. See response to b. above.

d. Staffing for a peaking unit will vary based on its proximity to other company facilities and its projected run times. A unit near other facilities that runs infrequently would likely not be staffed with regular full-time employees, but operated by employees temporarily assigned from another location. For example, today LG&E operates the Paddy's Run peaking units from the staff at Cane Run. An isolated unit, or one that is projected to run frequently, may have a small full-time staff that is augmented as needed by other Company employees.

Supplemental Response:

a. Based on the difference between coal fired units and NGCC units, there will be a cumulative reduction of permanent full-time employees at the Cane Run facility. Current staffing at Cane Run is approximately 125, and the estimated staffing level for the new NGCC is projected to range between 30 and 40 full time employees.

   The Companies have entered into a Letter of Understanding regarding International Brotherhood of Electrical Workers ("IBEW") members at Cane Run, which is attached hereto. The letter states that there will be no layoffs as a direct result of retiring the coal units at Cane Run, and provides terms for workers to remain at Cane Run, be reassigned to other units, or to be offered severance packages. Also, similar informal commitments have been made to the non-union employees at Cane Run.

   A similar agreement to that with the IBEW was entered into with the United Steelworkers ("USW") regarding their members at Green River, which is also attached hereto. Again, similar informal commitments have been made to the non-union employees at Green River.

b. Regarding the Bluegrass units, interviews are currently underway and the Companies anticipate offering employment to all (six) of the current employees. Depending on the projected operating hours of those units, the Companies will supplement that group with current Cane Run employees. That combined group would also operate the Paddy's Run CTs and Zorn.

c. [No change to previous response.]

d. [No change to previous response.]

LETTER OF UNDERSTANDING
Regarding Cane Run Station

This will confirm the understanding reached during the 2011 negotiations between Local 2100, IBEW and Louisville Gas and Electric Company concerning the Cane Run Station.

If, in the Company's opinion, it becomes necessary to reduce the workforce at the Cane Run Station because of the retirement of the Cane Run Station's coal fired units or part thereof, or the startup of a new generating plant or part thereof at the Cane Run generating station, the following procedure shall be followed:

1. The Company shall not lay off any Cane Run employees as a direct result of the retirement of the Cane Run generating station's coal fired units.

2. In the case of the initial staffing of a new plant or part thereof at the Cane Run Station, the Company shall assign, at its discretion, employees to fill all openings within each classification at the new plant. The Company shall fill all initial openings for a new plant or part thereof at the Cane Run Station with current Cane Run employees.

3. The Company shall provide a list of open positions to be filled at Mill Creek, Trimble County, and/or Ohio Falls to any employee at the Cane Run Station coal fired units not assigned to a new position at the new plant or part thereof at the Cane Run Station. The employees provided with this list shall be allowed to state their preference for the available openings at Mill Creek, Trimble County, and Ohio Falls. With consideration being given to the list of employee preference, the available openings shall be filled on a senior may, junior must basis utilizing Company seniority. An employee placed into a comparable classification pursuant to this paragraph shall have his classification seniority dovetailed with that of the employees in the classification at the location to which the employee is placed. For example, if a Cane Run operator was placed in an operator position at Mill Creek, his classification seniority shall be dovetailed. An employee placed into a different classification (i.e., a Cane Run operator is placed in a material handling position at Mill Creek) shall receive a new classification seniority date and their pay shall be red-circled and the pension multiplier will not be reduced as provided in the pension plan.

4. Employees at the Cane Run coal fired generating station who are permanently assigned to a position at Trimble County pursuant to paragraph 3 of this Letter of Understanding shall receive a one-time lump sum payment in the amount of $3,400.00, subject to applicable withholdings, per eligible employee, provided the employee relocates from a point outside the 15-mile radius of the Trimble County Courthouse in Bedford, Kentucky, to a point inside such 15-mile radius and remains an employee of the Company for one year after the lump sum payment is made. Employees receiving the lump sum payment described in this paragraph shall not be eligible for any of the benefits set forth in the letter agreement regarding Trimble County Assignments, including, but not limited to the travel allowance and the reimbursement of moving expenses.

5. Within 36 months from the date of transfer, employees must pass the Minimum Qualifications for entry into their assigned classification. If the employee does not pass the minimum qualifications for entry, they will be subject to demotion within the established line of progression until such time they pass in accordance with the Employee Performance Review System for Bargaining Unit Employees.

6. All filling of vacancies for positions at the new Cane Run plant, Mill Creek, Trimble County, or Ohio Falls facilities pursuant to paragraphs 2 or 3 of this Letter of Understanding shall count as an internal posting for purposes of Section 10.09 of the Agreement.

7. All vacancies for positions at the Cane Run coal-fired generating units which occur prior to the retirement of these units and which the Company, at its discretion, decides to fill shall be first posted internally. The Company, at its discretion, shall determine the classification at the appropriate pay grade and qualifications required for each position posted pursuant to this paragraph. The Company shall be the sole judge of an employee's qualifications for such positions.

8. An employee of the Cane Run coal fired generating station shall have the right to elect severance benefits provided he remains employed at Cane Run until the Company releases him following the retirement of the coal fired generating units and completion of all related work. Employees assigned to fill openings at the new plant at the Cane Run Station or placed in positions at Mill Creek, Trimble County or Ohio Falls pursuant to paragraph 3 above, will have the option of either electing severance benefits or accepting assignment to a new position. Cane Run's coal fired generating station employees shall be entitled to a severance benefit equal to two week's pay for each full year of service, with a maximum benefit of fifty-two weeks. Additionally, the Company will pay the employees' group medical and dental premiums for up to three months of the period covered by COBRA. Receipt of these benefits is conditioned upon the individual employee signing and not revoking a full waiver and release of any actual or potential employment related claims against the Company, including waiver of contractual recall rights.

9. It is understood that this agreement will not be construed as the Company's position of either previous or equivalent experience for any of the classifications or lines of progression involved in the transfers of the Cane Run coal fired generation employees. Furthermore, the individual qualifications of such employees shall not serve as a precedent for any future applications of their classification.

10. With respect to coal fired generation Cane Run employees, the provisions in this Letter of Understanding shall supersede the provisions set forth in Article 10 of the Agreement, the Letter of Understanding Regarding Power Generation (excluding Maintenance Lines of Progression), and the Letter of Understanding Regarding Power Generation Maintenance Lines of Progression.

11. The Company shall determine staffing requirements and in the timing and the procedure for completing the selection and/or assignment subject to the provisions set forth herein.

LETTER OF UNDERSTANDING
Green River Generating Station

This will confirm the understanding reached during the 2012 negotiations between The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW) and Kentucky Utilities Company (Company) concerning the Green River Generating Station.

If, in the Company's opinion, it becomes necessary to reduce the workforce at the Green River Generating Station because of the retirement of the Green River Generating Station's coal fired units or part thereof, the following procedure shall be followed:

1. The Company shall not lay off any Green River Generating Station employees as a result of the retirement of the Green River Generating Station's coal fired units.

2. Green River Generating Station employees shall have the right to elect severance benefits. Employees assigned to fill openings elsewhere in the Company will have the option of either electing severance benefits or accepting assignment to a new position. Green River Generating Station employees shall be entitled to a severance benefit payment equal to two weeks of pay for each full year of service, with a maximum benefit of fifty-two weeks. Additionally, the Company will pay an employee's group medical and dental premiums, provided an employee elects COBRA or retiree medical coverage, for a period equal to one month of coverage for each two full years of service, without proration, up to a maximum of twelve months. Receipt of these benefits is conditioned upon the individual employee signing and not revoking a full waiver and release of any actual or potential employment related claims against the Company, including waiver of contractual recall rights.

3. Green River Generating Station employees who do not elect severance benefits will be provided a list of available positions within the Company will be made available to the union. The available positions may be with any LG&E and KU Energy LLC subsidiary. The employees provided with this list shall be allowed to state their preference for the available openings. With consideration being given to the list of employee preference, the available openings shall be filled based on Union seniority. In the event an employee refuses an available position pursuant to this provision, the employee will not be offered or entitled to any other position, but may elect to receive severance benefits in accordance with Paragraph 2 above. Employees placed into positions within the Earlington Operations, Areas 1 (Parkway) and 2 (Green River) pursuant to this paragraph shall be reclassified to the new position and their pay shall be red-circled at the rate of pay which results from reducing the employees' former rate of pay by fifty percent (50%) of the difference between his former rate of pay and the rate of pay for his new classification. Employees placed into a position in the same classification at a Kentucky Utilities facility outside of the Earlington Operations, Areas 1 (Parkway) and 2 (Green River) shall be paid at the then current rates of pay applicable to that facility and consistent with the employees' step rate at the time of the placement. Employees placed into a position in a different classification at a Kentucky Utilities facility outside of the Earlington Operations, Areas 1 (Parkway) and 2 (Green River) shall receive the top rate of pay for the classification in which they are placed. Employees placed into positions at any other facilities will be paid in accordance with the then current pay practices and rates applicable to that facility. The company reserves the right to determine the appropriate classification and level for which the employee being placed is qualified.

4. The Company will make available Meter Reader positions equal to the number of Meter Reader positions filled by contractors in the Earlington Operations area at the time of the retirement of the Green River Generating Station. Meter Reader positions filled by employees pursuant to Paragraph 3 above shall have

their pay red-circled at the rate of pay which results from reducing the employees' former rate of pay by fifty percent (50%) of the difference between their former rate of pay and the rate of pay for a COT after two years in classification and shall not be required to relocate. The Company retains the right, at its discretion, to contract out any Meter Reader positions filled by employees pursuant to Paragraph 3 above, in the event such employees subsequently leave the respective Meter Reader positions in which they are placed.

5. Employees placed into positions pursuant to Paragraph 3 must, in the Company's sole discretion, meet all requirements for the position, including, but not limited to satisfying the qualifications for the position, the education requirements for the position, and the residency requirements for the position. With respect to meeting the residency requirement, employees will have up to twelve (12) months to relocate.

6. It is understood that this agreement will not be construed as the Company's position of either previous or equivalent experience for any of the classifications or lines of progression involved in the transfers of the Green River Generating Station employees. Furthermore, the individual qualifications of such employees shall not serve as a precedent for any future applications of their classification.

7. With respect to Green River Generating Station employees, the provisions in this Letter of Understanding shall supersede the provisions set forth in Article 10 of the Collective Bargaining Agreement.

8. In the event the Company begins staffing a new generating facility on or before 12-31-2020 in the Earlington Operations, Areas 1 (Parkway) or 2 (Green River), the Company will endeavor to make available fifty percent (50%) of any union positions at such a new plant to former Green River Generating Station employees who were displaced as a result of the retirement of the Green River Generating Station's coal fired units and who remain employed by the Company at the time their service is needed at the new generating facility. Former Green River Generating Station employees who seek such positions must satisfy all requirements for the new positions including successful completion of all test required for such positions. Employees who satisfy all requirements will fill any such positions based on union seniority.

9. In the event the company requires employees to complete proper plant shutdown work, at least one of the Unit Officials, (Unit President, Unit Secretary, Unit Grievers), will be provided the opportunity to perform the proper plant shut down work for a period up to a maximum of 8 weeks, provided the Unit Official is qualified to perform the plant shut down work. The number of available positions to conduct proper plant shut down and the qualifications required for this work will be determined solely by the Company.

10. With respect to operations work at the Green River Generating Station, in order to satisfy labor requirements in the period leading up to the retirement of the facility, it is understood and agreed that the Company may contract out operations work pursuant to Article 2.3 of Collective Bargaining Agreement. Such operations contractors brought in pursuant to Article 2.3 will begin training in preparation to cover employee absences and other labor shortages. There will be no reduction in the normal work schedule as result of the utilization of contractors in operations. The normal work schedule is as defined in Article 5.1 of the contract. The overtime procedure outlined in the Memorandum of Agreement on 12 hour shifts will be used to fill any overtime vacancy. Once the overtime list is exhausted, then contract operators that are qualified to fill the vacancy will be offered the overtime opportunity. If no contractor accepts the overtime, the tagged operator ("required employee") will be required to fill the overtime opportunity. At no time will there be more contractors assigned to a shift than the number necessary to ensure that the total number of qualified personnel on a shift is four (4) inclusive of contractors. Contractors may, however, be assigned to any shift for training and other assigned duties on that shift. In the event that the number of employees on a shift drops to three (3), a qualified contractor may be assigned to that shift in order to maintain a staffing

level of (4) inclusive of contractors. As long as there are four (4) employees per shift, if both units are running, contractors, once qualified, will not be offered call in or planned overtime unless that overtime is first offered to employees. In the event that only one (1) unit is running, should a vacancy occur, no overtime will be assigned on a shift staffed by three (3) qualified personnel inclusive of contractors unless management deems it necessary in order to meet operational needs. No employee will be displaced as result of the assignment of a contractor to a shift.

11. The Company shall determine staffing requirements and the timing and procedures for completing the selection and/or assignment subject to the provisions set forth herein.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representative to become effective February 1, 2012.

Kentucky Utilities Company	The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW)
______________________________	______________________________
Angie Gosman, Manager, Labor Relations	Joe Villines

LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY

Corrected Response to the Commission Staff's First Information Request
Dated October 26, 2011

Case No. 2011-00375

Question No. 5

Witness: David S. Sinclair

Q-5. Refer to the table on page 4 of the application and the Sinclair Testimony, page 5, lines 14-16.

a. Confirm that LG&E's and KU's forecasts show that their weather normalized peak load, after peak reductions, is projected to increase by a compound growth rate of 0.72 percent over the five-year period of 2012-2016.

b. Explain why the weather-normalized compound growth rate for the 2012-2016 forecast period exceeds the 0.4 growth rate for the five years from 2006-2010. Provide all calculations and workpapers to support the explanation.

c. Explain whether the potential de-rating of any units due to environmental remediation was considered in calculating the reserve margins. If not reflected in the reserve margins, provide the potential effects that de-rating units may have on the reserve margins.

A-5.

Original Response:

a. Referring to the table on page 4, the peak forecast after reductions for 2012 and 2016 are 6,821 and 7,070, respectively. The compound annual growth rate is 0.90 percent for the four-year period from 2012 to 2016. The base year for this calculation is 2012.

b. The 0.4 percent growth rate refers to the growth in peak demand before the reductions associated with interruptible demands and DSM programs. While weather is a significant factor in the actual peak numbers, economic conditions had an impact on the peak demand during the 2006-2010 period, particularly in 2008 and 2009. The load forecast assumes the resumption of modest economic growth in the 2012-2016 period. The table below shows the progression of weather-normalized peak load before the impacts of interruptible demands and DSM programs from 2006 to 2010 and the forecasted peak load from 2011 to 2016. The annual growth rate from 2006 to 2007 was 2.2%. Peak demand growth fell in 2008 and 2009 during the recession and began recovery in 2010. Note that the 2016 peak is only 135 MW greater than the weather normalized peak of 2010 which is only a 0.3% compound average growth rate over that time period.

Year*	Actual/Forecast	Combined Company Weather-Normalized Peak	% Growth in Peak Demand
2006	Actual	6,929	
2007	Actual	7,014	1.2%
2008	Actual	6,467	-7.8%
2009	Actual	6,296	-2.6%
2010	Actual	6,945	10.3%
2011	Forecast	7,091	2.1%
2012	Forecast	7,210	1.7%
2013	Forecast	7,356	2.0%
2014	Forecast	7,477	1.6%
2015	Forecast	7,603	1.7%
2016	Forecast	7,654	0.7%

c. Unit de-ratings from proposed environmental controls were included in calculating the reserve margins.

Corrected Response:

a. [No change to previous response.]

b. The 0.4 percent growth rate refers to the growth in peak demand before the reductions associated with interruptible demands and DSM programs. While weather is a significant factor in the actual peak numbers, economic conditions had an impact on the peak demand during the 2006-2010 period, particularly in 2008 and 2009. The load forecast assumes the resumption of modest economic growth in the 2012-2016 period. The table below shows the progression of weather-normalized peak load after the impacts of interruptible demands and DSM programs from 2006 to 2010 and the forecasted peak load from 2011 to 2016. The annual growth rate from 2006 to 2007 was 1.9%. Peak demand growth fell in 2008 and 2009 during the recession and began recovery in 2010. Note that the 2016 peak is only 161 MW greater than the weather normalized peak of 2010 which is only a 0.4% compound average growth rate over that time period.

Year*	**Actual/Forecast**	**Combined Company Weather-Normalized Peak After DSM and CSR**	**% Growth in Peak Demand**
2006	Actual	6,745	
2007	Actual	6,876	1.9%
2008	Actual	6,467	-6.0%
2009	Actual	6,296	-2.6%
2010	Actual	6,909	9.7%
2011	Forecast	6,757	-2.2%
2012	Forecast	6,821	1.0%
2013	Forecast	6,915	1.4%
2014	Forecast	6,976	0.9%
2015	Forecast	7,059	1.2%
2016	Forecast	7,070	0.2%

* All peaks, actual and forecast, are summer peaks except 2008 and 2009

c. [No change to previous response.]