

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS AND ELECTRIC)	
COMPANY AND KENTUCKY UTILITIES COMPANY)	CASE NO.
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)	99-056
AND NECESSITY FOR THE ACQUISITION OF TWO)	
164 MEGAWATT COMBUSTION TURBINES)	

O R D E R

IT IS ORDERED that the Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU) shall file an original and 10 copies of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The questions below were inadvertently omitted from the March 16, 1999 Order. The information requested herein is due no later than April 1, 1999.

11. Refer to the Application at Page 2. LG&E and KU indicate that the two combustion turbines (CTs) will be the fifth and sixth units at KU's E. W. Brown

Generating Station (Brown). What is the total megawatt capacity of the CTs currently in place at Brown?

12. Refer to Exhibits 1 and 2 of the Application. These exhibits contain copies of various environmental approvals and permits KU secured in the early 1990s for the planned CTs at Brown.

a. Have any of the approvals or permits been modified, amended, or updated since the authorization date?

b. If yes, provide copies of the modification, amendment, or update, along with an explanation of the nature of the change. Also explain in detail why this information was not included in the Application.

13. Provide the following information concerning the installation of CTs at Brown, as was envisioned when KU originally sought the environmental approvals and permits.

a. The megawatts to be generated by the CTs.

b. The various emissions limitations.

c. The various effluent discharge limitations.

14. Provide the following information concerning the CTs currently operating at Brown.

a. The various levels of emissions, as of the end of 1998 or the most recent information available.

b. The various levels of effluent discharges, as of the end of 1998 or the most recent information available.

15. Provide the following information concerning the two new 164 megawatt CTs under construction at Brown, for both the units alone and for the entire site upon the new CTs becoming operational.

- a. The levels of emissions expected.
- b. The levels of effluent discharges expected.

16. Refer to Exhibit 2, Page 4 of 4, of the Application, General Conditions No. 17.

a. For the four CTs already operational at Brown, was the phased construction schedule listed in General Conditions No. 17 complied with? If not, what were the ramifications of not being in compliance with the construction schedule?

b. It would appear that the construction of the two new 164 megawatt CTs is not in compliance with the permit construction schedule. Describe the impacts non-compliance with the construction schedule has on the overall air quality permit.

17. Refer to Exhibit 3a of the Application, the General Conditions of Sale between ABB Power Generation, Inc. and LG&E Capital Corp.

- a. When was this agreement executed?
- b. Provide a copy of the October 2, 1998 letter from C. A. Markel to Chris Broemmelsick, which is referenced in the General section of the agreement.
- c. Explain in detail why only a portion of this document was included in the application.
- d. Provide copies of the entire General Conditions of Sale document.

18. Provide the following information concerning the site of the new CTs at Brown:

a. The original book cost to KU for the land and all associated facilities and services that will be utilized during the construction of the CTs.

b. The fair market values of all the assets listed in the response to part (a) above, as of November 1998. Include a detailed explanation as to how KU determined the fair market values.

c. All accounting entries made to KU s books reflecting the transfer of the new CTs site and associated facilities and services from KU to LG&E Capital Corp. If no accounting entries were recorded, explain in detail why.

d. All accounting entries made to KU s books that reflect expenses associated with the construction of the new CTs that KU is charging to LG&E Capital Corp. For each entry, explain in detail how the expense is determined and how it is allocated.

19. Refer to the testimony of Ronald L. Willhite, Page 9. LG&E Energy Corp. s Corporate Policies and Guidelines for InterCompany Transactions (Transaction Guidelines) clearly state that, Transfers or sales of assets will be priced at the greater of cost or fair market value for transfers or sales from LG&E or KU to LG&E Energy or other subsidiaries and at the lower of cost or fair market value for transfers or sales made to LG&E or KU from LG&E Energy or any of LG&E Energy s non-utility subsidiaries. Explain why Mr. Willhite states on Page 9 of his testimony that, if the Commission grants the certificate requested by LG&E and KU, LG&E Capital Corp. will transfer title of ownership of the two new CTs to LG&E and KU at cost.

20. Assume for the purposes of this question that the Commission approves the request to transfer the two new CTs to LG&E and KU.

a. Provide the accounting entries that will be made on LG&E s and KU s books to reflect the respective shares of the new CTs.

b. Provide a listing of the expenses KU will incur to operate and maintain the new units. Explain in detail how KU will allocate to LG&E its portion of these expenses. A response that the Transaction Guidelines will be followed will be deemed an insufficient response.

21. Assume for purposes of this question that the Commission does not approve the request by LG&E and KU.

a. Whose personnel will be actually operating and maintaining the CTs, LG&E Capital Corp. s or KU s?

b. If KU s, describe the expenses that will be allocated between the two entities, and explain in detail how allocations will be made. A response that the Transaction Guidelines will be followed will be deemed an insufficient response.

c. Explain in detail how the gas supply and other fuel-related expenses would be allocated between KU and LG&E Capital Corp. A response that the Transaction Guidelines will be followed will be deemed an insufficient response.

d. What would the estimated revenues from the transmission of the CTs generation be to KU on an annual basis? Explain how the estimate was determined.

22. Refer to Exhibits HBS-2 and HBS-3 of the Application. Describe the extent to which the energy and demand forecast methodologies presented in these exhibits are different from the methodologies employed in LG&E s and KU s last integrated resource plans filed with the Commission.

23. Mr. Ronald L. Wilhite in his testimony stated, In fact, the companies have issued request for purchased power for the summers of 1999-2002.

a. Provide a copy of the request for purchased power RFPP which was sent out.

b. Provide a list of the recipients of the RFPP.

c. Provide a copy of each response to the RFPP and a summary of all responses that ranks the proposals and explains why each was accepted or rejected.

d. Since the CTs will be used for a period longer than 1999-2002, explain why your RFPP was limited to the 1999-2002 period instead of a longer period.

24. Has this ABB 164MW CT proposed in your application been tested and in operation in the USA? If yes, provide the following information.

a. How long has this CT been in operation?

b. How many of these CTs have been installed?

c. Has any problem been encountered with this model?

d. What kinds of fuel will this CT require?

e. If natural gas is the primary fuel to be used, will additional pipeline need to be constructed? Explain.

Done at Frankfort, Kentucky, this 19th day of March, 1999.

By the Commission

ATTEST:

Executive Director