

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

IT IS ORDERED that Louisville Gas and Electric Company ( LG&E ) and Kentucky Utilities Company ( KU ) shall file the original and 6 copies of the following information with the Commission, with a copy to all parties of record no later than April 19, 1999. 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. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. Refer to the response to the Commission s March 16 and 19, 1999 Orders, Item 4.

a. Is it correct that there are no memorandum of understanding or other written documents concerning the construction by LG&E Capital Corp. of two combustion turbines ( CTs ) on property owned by KU? If no, provide copies of the documentation.

b. Is KU following good business practices by allowing LG&E Capital Corp. to construct an asset on KU's property without some governing document or agreement? Explain the response.

c. Since the construction site for the CTs has not been transferred, deeded, or leased to LG&E Capital Corp., explain in detail how this arrangement does not constitute a subsidization of LG&E Capital Corp. operations by KU.

2. Refer to the response to the Commission's March 16 and 19, 1999 Orders, Item 15.

a. KU and LG&E were requested to provide the expected levels of emissions and the expected levels of effluent discharges for the two 164 megawatt CTs, for the units alone and for the entire site at the Brown station upon the new CTs becoming operational. The response did not quantify the expected levels of emissions or effluent discharges. The request was seeking a quantification of these levels. With this clarification, provide the information originally requested.

b. When did KU begin its discussions with the Kentucky Division of Water concerning its Kentucky Pollutant Discharge Elimination System ( KPDES ) permit? Did these discussions begin prior to the start of the CT construction?

c. Provide copies of the application and all supporting documentation submitted to the Kentucky Division of Water concerning the modification of the existing

KPDES permit. Any documents filed in conjunction with this modification after the response date to this Order, as well as the Kentucky Division of Water's ruling on the request to modify, should be filed in the record of this proceeding as a supplemental response to this data request item.

d. Is KU bearing the full cost of seeking this permit modification? Depending on the Commission's decision, will either LG&E or LG&E Capital Corp. reimburse KU for this expense?

3. Refer to the response to the Commission's March 16 and 19, 1999 Orders, Item 16. When did the construction actually begin on the two CTs?

4. Refer to the response to the Commission's March 16 and 19, 1999 Orders, Item 16(b). Included in the response is the statement, "The two new CTs represent Phases IV (April 1998) and V (April 1999) and thus construction must commence by October 1999 and October 2000, respectively."

a. Given this statement, explain in detail how the 18-month requirement contained in the air quality permit is applicable when construction of the Phase V CT appears to have begun prior to April 1999.

b. Provide copies of any interpretations by the Kentucky Division of Air Quality which support the position that the actual construction of the Phase V CT could commence prior to the date listed in the phased construction schedule of the air quality permit.

c. Based on the information provided in this proceeding by LG&E and KU, explain why KU is not in violation of the phased construction schedule contained in its air quality permit for the Brown station.

5. Refer to the response to the Commission's March 16 and 19, 1999 Orders, Item 18(d). Explain in detail how the decision to not allocate any of the incurred work order costs to date to LG&E Capital Corp. does not constitute the subsidization of LG&E Capital Corp. operations by KU.

6. Refer to the response to the Commission's March 16 and 19, 1999 Orders, Item 19. The response includes the statement, "The cost of the CTs at the time of the transfer will be less than the fair market value."

a. Has KU or LG&E determined the fair market value of the CTs? If yes, provide the fair market value and explain in detail how the amount was determined.

b. If the fair market value of the CTs has not been determined, explain in detail how KU and LG&E have reached the conclusion that the cost of the CTs at the time of transfer will be less than fair market value.

7. Refer to the response to the Commission's March 16 and 19, 1999 Orders, Item 20(b). KU was requested to provide a listing of the expenses it would incur to operate and maintain the CTs and explain how it would allocate those expenses to LG&E. While the allocation approach was provided, no listing of the operating and maintenance expenses was provided. Provide the originally requested information.

8. Refer to the Amended Application filed on April 1, 1999, Exhibit A, the Description of the Proposed Facility - Combustion Turbine Specifications. For each of the specifications listed below, provide the actual specifications of the CTs installed at the Brown station.

a. Each CT will have a nominal output rating of 75 to 100 megawatts.

b. The heat input to each CT for these nominal ratings will be in the range of 900 to 1200 million BTU per hour.

c. Number two distillate fuel oil will be the primary fuel.

d. Number two distillate fuel oil will be stored at the site in sufficient quantities to assure an adequate supply to fuel the CTs.

e. At least two of the CTs will have fast start capability.

f. The exhaust gas generated by each CT will be in excess of 1 million cubic feet per minute and at a temperature of approximately 950 degrees Fahrenheit.

g. The commercial operating date of the first CT is scheduled to be the summer of 1994, with three more units in the summer of 1995.

h. KU's load forecast predicts the addition of three more CTs, one unit each in the summers of 1996, 1997, and 1998.

9. Refer to the response to the Commission's March 16 and 19, 1999 Orders, Item 23(c), page 2 of 6. You indicated that one of the reasons for rejecting all of the proposals to sell power was that each proposal was more costly than the actively traded market.

a. Provide a present worth analysis of each proposal received.

b. Provide a present worth analysis of the two proposed combustion turbines.

c. Explain how the CTs were the least cost. Provide all supporting calculations.

10. Refer to the page entitled Request for Proposals filed on April 1, 1999.

a. Will your need for power be limited to the months of June, July, and August for the years 1999 through 2002?

b. How many hours are each of the CTs projected to operate in each year from 1999 through 2002?

c. Will your need for the proposed CTs be limited to June, July, and August for the years 1999 through 2002?

d. The RFP stated that the desired energy strike price is \$150/MWH. Explain how this number was derived.

Done at Frankfort, Kentucky, this 9<sup>th</sup> day of April, 1999.

By the Commission

ATTEST:

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Executive Director