

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)	CASE NO.
OF PUBLIC CONVENIENCE AND NECESSITY)	2002-00029
FOR THE ACQUISITION OF TWO)	
COMBUSTION TURBINES)	

FIRST DATA REQUEST OF COMMISSION STAFF
TO LOUISVILLE GAS AND ELECTRIC COMPANY
AND KENTUCKY UTILITIES COMPANY

Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU) are requested, pursuant to 807 KAR 5:001, to file an original and 7 copies of the following information with the Commission with a copy to all parties of record. The information requested herein is due no later than March 1, 2002. 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 person 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, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. This application differs from the two previous Combustion Turbine (CTs) certificate applications,¹ in that Trimble County LLC (TCLC), rather than LG&E Capital Corp., is the non-regulated affiliate involved in the transaction.

a. Explain the reason for the change. Why is TCLC involved in this transaction rather than LG&E Capital Corp.?

b. Explain the reasons for TCLC entering into a synthetic lease arrangement with General Electric (GE) to secure the CTs. Why is this arrangement more favorable than TCLC having purchased the CTs outright?

2. Refer to page 5 of the Application, which shows Budgeted Construction Costs of \$124 million including \$11.455 million in Capitalized Interest.

a. Generally, LG&E and KU have not accrued allowance for funds used during construction or capitalized interest incurred during construction of generating units. Describe the nature of the capitalized interest and explain in detail the reasons for its presence in this instance.

b. Was capitalized interest included in the installed costs of the CTs approved in Cases No. 1999-056 and 2000-294?

c. Explain in detail whether the inclusion of capitalized interest means that LG&E and KU will acquire the CTs for \$11.455 million greater than if they had acquired the CTs directly without TCLC, or another affiliate, involved in the transaction.

¹ Case No. 1999-00056, Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Acquisition of Two 164 Megawatt Combustion Turbines; and Case No. 2000-00294, Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Acquisition of Two Combustion Turbines.

3. Refer to page 6 of the Application, Item 10, Cost of Operating.
 - a. Provide workpapers, with all necessary narrative explanations, which show the derivation of the estimated operating cost of the CTs in 2002 and 2003.
 - b. Provide workpapers, with all necessary narrative explanations, which show the derivation of the estimated annual maintenance costs of the CTs.
 - c. Provide workpapers, and all necessary narrative explanations, which show the derivation of the estimated fuel cost for operation of the CTs.

4. Refer to the Application, page 7, wherein it states that, [I]f the Commission denies this Application, TCLC or another non-utility subsidiary of LG&E Energy Corp. will control the two combustion turbines and use these resources for its own business plans as an Exempt Wholesale Generator [EWG] pursuant to the Federal Power Act.
 - a. Provide TCLC s application for EWG status.
 - b. Based on the experience of other LG&E Energy Corp. subsidiaries requests for EWG status, when does TCLC expect a ruling on its EWG request?
 - c. What is the estimated cost to secure EWG status for TCLC?
Provide a breakdown of the components and related costs to secure EWG status.

5. Refer to the Application, page 8. The ownership of the CTs will be based on the following ratio: KU - 71 percent; LG&E - 29 percent. Explain in detail how the ownership ratio was determined.

6. Explain in detail how revenues and expenses incurred while the CTs are being tested will be accounted for and how this will impact the amount LG&E and KU pay for them if they are still owned by TCLC during the testing period?

7. Provide the 2002 installation schedule for nitrogen oxide (No_x) emission control equipment on existing LG&E and KU units. Specify the estimated time each unit will be out of service for each installation during 2002. Describe the potential impact of each scheduled outage on LG&E s and KU s ability to serve native load.

8. Refer to the Testimony of John Wolfram, page 11. Mr. Wolfram states that pursuant to LG&E Energy Corp.s Corporate Policies and Guidelines for Intercompany Transactions (Guidelines), sales of property from a utility to an affiliate are to be at the greater of cost or fair market value.

a. Explain in detail why it was necessary for LG&E to sell the land to TCLC as part of the proposed transaction.

b. How much land was sold to TCLC? What were the original cost and the selling price?

c. Prior to this land sale to TCLC, how much land did LG&E own at the Trimble County site? What was the original cost of the land owned by LG&E at the Trimble County site?

d. Did the sale of property include any facilities existing at the time of the sale? If yes, identify type of facility, the fair market value at the time of the sale, and how the fair market value was determined.

e. What will be the selling price of the land when sold from TCLC to LG&E?

f. Identify and summarize all Federal Energy Regulatory Commission and Securities and Exchange Commission regulations governing sales of property from a utility to an affiliate and from an affiliate to a utility.

g. What do the Guidelines require with respect to reporting the sale of the property from TCLC to LG&E?

9. Refer to the testimony of John Wolfram at pages 12 through 13 regarding the impacts of the Governor's Executive Orders on this application.

a. Provide LG&E's and KU's interpretation of Executive Order 2002-50 which prohibits the Commission from issuing certificates of convenience and necessity for construction of generation facilities except upon a finding that an application concerns electric generation required to serve Kentucky's electric customers during the summer of 2002.

b. Explain in detail how this certificate case satisfies the exception set forth in Executive Order 2002-050.

10. Identify and describe any alternatives LG&E and KU have planned for in the event the Commission determines the two CTs are not needed to meet 2002 summer peak demand.

11. Refer to the testimony of H. Bruce Sauer, at pages 4 and 5, which discusses the 2000 and 2001 load forecasts and states that, in the 2001 forecast, the effects of the economic recession reduce demand in the short term but by 2005 demand is expected to recover to the levels in the 2000 forecast. Identify and describe the factors that are responsible for the demand recovering in such fashion between 2002 and 2005.

12. Refer to the testimony of Carol M. Pfeiffer, at page 6, which refers to the GE 7F A turbines as being the only CTs on the market capable of attaining a No_x

emissions rate of 9 ppm without additional expensive post-combustion No_x control equipment.

a. What CTs currently on the market would be considered to be direct competitors with the GE 7F A machines?

b. What would be the costs of those CTs, both with and without the additional post-combustion No_x control equipment referenced in the testimony?

13. Refer to the testimony of Lonnie E. Bellar, at pages 10 and 11, which addresses the issue of constructing the CTs without dual fuel capability. The testimony appears to indicate that the decision not to construct the units with dual fuel capabilities was primarily a judgmental, qualitative decision.

a. Were any cost/benefit analyses performed in conjunction with this decision? If yes, provide the results of the cost/benefit analyses. If no, explain why no cost/benefit analyses were performed.

b. CTs operating at KU s E.W. Brown site have dual fuel capability. Since those units became operational, how many hours have they been operated on oil? How many instances have been experienced when natural gas was not available from the pipeline, or when equipment malfunctions at the site prevented gas from being used?

c. What would the cost be to retrofit each proposed CT so it can operate on fuel oil in addition to natural gas?

14. Refer to the testimony of Lonnie E. Bellar at page 11, which refers to securing firm transportation service from Texas Gas Pipeline (Texas Gas) in order to ensure natural gas is available at the site when needed. Have any formal agreements

been executed with Texas Gas? If yes, provide the agreements. If no, when are such agreements expected to be executed?

15. Refer to Exhibit LEB-1, the June 2001 Resource Assessment, at page 9. The second bullet under the heading RFP for CTs indicates that LG&E and KU became aware of the GE opportunity through the unregulated affiliate and not through the turbine supplier. Identify the unregulated affiliate and provide a description of the circumstances under which the two 152 MW CTs became available for acquisition by LG&E and KU.

16. Refer to Exhibit LEM-2, which shows a range of reserve margins, both with and without the proposed CTs, for the years 2002 through 2008. Given that the addition of both proposed CTs results in a reserve margin greater than 17 percent for 2002 compared to the targeted range of 11 to 14 percent, what consideration was given to acquiring one CT for service in 2002 and acquiring the second CT for service in 2003? Identify and discuss all factors that would influence consideration of such action.



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cc: All Parties