

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY UTILITIES)	
COMPANY FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY TO)	2004-00426
CONSTRUCT FLUE GAS DESULFURIZATION)	
SYSTEMS AND APPROVAL OF ITS 2004)	
COMPLIANCE PLAN FOR RECOVERY BY)	
ENVIRONMENTAL SURCHARGE)	

FIRST DATA REQUEST OF COMMISSION STAFF
TO KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company ("KU") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due on February 9, 2005. 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. Refer to the Testimony of Kent W. Blake ("Blake Testimony"), page 4. Mr. Blake states that KU is requesting that the Commission issue a Certificate of Public Convenience and Necessity ("CPCN") by June 1, 2005. However, on page 8 of the application, KU requests the CPCN before June 20, 2005. Is KU requesting that a

separate Order approving the CPCN be issued prior to the issuance of the Order ruling on the proposed amendments to the environmental compliance plan ("2004 Plan") and surcharge mechanism? Explain the response.

2. Refer to the Blake Testimony, page 5. Provide a list of the costs associated with the 2004 Plan that would qualify for tax-exempt funding.

3. Refer to the Blake Testimony, page 9, where Mr. Blake estimates the impact on a residential customer using 1,000 kilowatt-hours per month. Provide the calculations showing the determination of the estimated impacts for the 2004 Environmental Compliance Plan ("2004 Plan") of \$0.81 and the estimated maximum impact upon completion of all projects in 2009 of \$7.05. Include all workpapers, assumptions, and other supporting documentation.

4. Refer to the Direct Testimony of Sharon L. Dodson ("Dodson Testimony"), page 7. Provide the status of the request to modify Air Quality Permit No. V-97-025 and Operating Permit No. O-86-068.

5. Refer to the Dodson Testimony, page 8.

a. Explain why the Kentucky Environmental and Public Protection Cabinet, Division for Air Quality, has not issued the requested Title V permit for the Brown generating station.

b. As shown in Exhibit SLD-5, the Phase II Acid Rain Permit No. A-98-019 expired on December 31, 2004. Describe the current status of this permit.

6. Refer to the Dodson Testimony, pages 9 through 12.

a. Provide copies of the Clean Air Interstate Rule (“CAIR”) and the Utility Hazardous Air Pollutant Rule as soon as the rules are issued by the Environmental Protection Agency (“EPA”).

b. On page 11 is the statement that EPA’s own analysis indicates that CAIR along with the nitrogen oxide State Implementation Plan Call will achieve attainment of the particulate matter National Ambient Air Quality Standard in some states. Is Kentucky one of those states? Explain the response

7. Refer to the Dodson Testimony, Exhibits SLD-1 through SLD-4. For each permit, provide a timeline schedule indicating when KU intends to file any necessary applications for permit modification or amendment and when the completion of the process is expected.

8. Concerning the various environmental requirements discussed in the Dodson Testimony, explain what actions KU is contemplating undertaking at the Green River and Tyrone generating stations.

9. Refer to the Direct Testimony of John P. Malloy (“Malloy Testimony”), page 3. Mr. Malloy states that KU’s 2004 SO₂ Compliance Strategy (“2004 Strategy”) analyzed numerous strategies utilizing wet and dry flue gas desulfurization processes (“scrubbers”), fuel switching, and SO₂ emission allowance purchases.

a. Are there any other alternatives available to address compliance with SO₂ emission limits? Explain the response.

b. If other compliance alternatives are available, describe each alternative and explain why the alternative was not considered in the 2004 Strategy.

10. Refer to the Malloy Testimony, page 5. Provide a schedule, by generating unit, that shows the various costs associated with converting Ghent Units 2, 3, and 4 and Brown Units 1, 2, and 3 to enable them to burn high sulfur coal. These costs are exclusive of the costs proposed to be recovered through the environmental surcharge.

11. In Case No. 1993-00465,¹ KU stated that it planned to install a scrubber at Ghent Unit 2 by 1998.

a. Explain why KU did not proceed with the construction of the scrubber at Ghent Unit 2.

b. Exhibit JPM-1 shows that the scrubber proposed for Ghent Unit 3 will be constructed before the scrubber proposed for Ghent Unit 2. Explain why the Ghent Unit 3 scrubber is being constructed before the Ghent Unit 2 scrubber.

12. Refer to the Malloy Testimony, pages 10 through 13.

a. Are there any other viable alternatives that could be employed to deal with the ash handling at Ghent? Explain the response.

b. If other viable compliance alternatives are available for the ash handling at Ghent, describe each alternative and explain why the alternative was not considered.

c. Are there any other viable alternatives that could be employed to deal with the ash treatment at Brown, except those already identified in Mr. Malloy's testimony? Explain the response.

¹ Case No. 1993-00465, The Application of Kentucky Utilities Company to Assess a Surcharge Under KRS 278.183 to Recover Costs of Compliance with Environmental Requirements for Coal Combustion Wastes and By-Products.

d. If other viable compliance alternatives are available for the ash treatment at Brown, describe each alternative and explain why the alternative was not considered.

13. KU states in its application that in order to maintain compliance with current SO₂ emission limits, it must reduce its emissions by approximately 55,000 tons per year.

a. Describe the current SO₂ emission limits to which KU refers.

b. For each of the scrubbers proposed for the Ghent and Brown generating stations, provide the estimated annual reduction in SO₂ emissions.

c. With the addition of the scrubbers at Ghent and Brown, will KU be within the current total SO₂ emission limits for its entire system? Explain the response.

14. Refer to the Malloy Testimony, pages 13 and 14 and Exhibit JPM-4.

a. Mr. Malloy states that KU may transfer to or acquire SO₂ emission allowances from Louisville Gas and Electric Company ("LG&E") at the market price for those allowances. Is the pricing of allowance transfers between KU and LG&E at market required by the cost allocation methodologies of the Securities and Exchange Commission or the Federal Energy Regulatory Commission? Explain the response.

b. Did KU consider seeking a deviation, pursuant to KRS 278.2207(2), to price allowance transfers with LG&E at weighted average cost instead of market prices? Explain the response.

c. Provide an SO₂ emission allowance schedule for each KU generating unit showing the following information for each calendar year from 1995 through and including 2004:

(1) The balance of allowances at the beginning of the year.

(2) The EPA Allocation.

(3) Total allowances received from other sources. Include a discussion of why KU received these additional allowances.

(4) The total SO₂ emissions for the calendar year.

(5) The number of allowances sold or transferred during the year. Include a discussion of why KU sold or transferred allowances.

(6) The balance of allowances at the end of the year.

d. When determining the total SO₂ emissions and the number of allowances that must be surrendered, does EPA make its determination for KU as a stand alone company or a combined company with LG&E? Explain the response.

e. Provide a revised version of Exhibit JPM-4 showing the SO₂ allowance bank projections for the period 2004 through 2016. Do not update the assumed allowance price per ton as shown for the period 2004 through 2010, but use the same methodology to present the prices for 2011 through 2016.

15. Refer to the Malloy Testimony, Exhibit JPM-2, the 2004 Strategy.

a. Appendix 3, page 32 of 91, shows the fixed and variable operation and maintenance expense and derate estimates. Describe all assumptions used to determine these estimates and provide the basis for each assumption.

b. Appendix 6, pages 38 and 39 of 91, shows the general assumptions used in the study. Provide the basis for each assumption listed.

16. Refer to the Malloy Testimony, Exhibit JPM-3, the FMSM Study for Brown Ash Pond. On page 12 of Mr. Malloy's testimony he states that the two most

economical alternatives for ash treatment at the Brown generating station are to place the by-products in the existing ash treatment basin or dispose of the by-products off-site. The analysis contained in Exhibit JPM-3 does not appear to include the costs and expenses associated with the off-site disposal alternative.

a. Explain in detail why an analysis of the off-site disposal alternative is not included in Exhibit JPM-3. If KU has included such an analysis in its application, provide the appropriate references.

b. If KU has not provided an analysis of the costs and expenses associated with the off-site disposal alternative, provide that analysis. Include all supporting workpapers, calculations, and assumptions.

c. If KU has not performed an analysis of the costs and expenses associated with the off-site disposal alternative, explain in detail how KU concluded that its proposed expansion of the existing ash treatment basin is the most reasonable.

17. Refer to the Direct Testimony of Caryl M. Pfeiffer, pages 7 through 10.

a. After the completion of the new scrubbers at Ghent, does KU anticipate there will be any savings from no longer needing to maintain two separate coal piles at Ghent? Explain the response and, if savings are anticipated, provide the savings.

b. On pages 7 and 8, Ms. Pfeiffer states the projected fuel cost reductions for Brown and Ghent for a 20-year study period. If possible, restate these projected cost reductions as the impact on a residential customer's monthly bill, assuming monthly usage of 1,000 kwh.

c. Using the most current 12-month fuel consumption information and public coal prices, calculate an estimate of the reduction in total fuel cost for KU assuming the scrubbers at Ghent and Brown had been in service. In addition, determine the impact such a reduction would have had on an average residential customer's bill, assuming monthly usage of 1,000 kwh.

18. Refer to the Direct Testimony of Valerie L. Scott ("Scott Testimony"), page 4. Does KU intend to include in Account No. 509, Allowances, the estimated cost of any SO₂ allowances it intends to purchase for a given period or will KU only record actual purchases? Explain the response.

19. Refer to the Scott Testimony, page 5. Explain in detail the 30 percent and 50 percent "bonus" depreciation that may be available to KU. Include copies of the applicable sections of the U. S. Tax Code.



Beth O'Donnell
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DATED January 26, 2005

cc: All Parties