

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE KENTUCKY STATE BOARD ON**  
**ELECTRIC GENERATION AND TRANSMISSION SITING**

**In the Matter of:**

**JOINT APPLICATION OF THE ILLINOIS )**  
**MUNICIPAL ELECTRIC AGENCY AND THE )**  
**INDIANA MUNICIPAL POWER AGENCY FOR )**  
**APPROVAL TO BE A 25% PARTNER IN THE )**  
**CONSTRUCTION OF A 750 MEGAWATT )**      **CASE NO: 2005-00152**  
**ADDITION TO THE EXISTING TRIMBLE )**  
**COUNTY GENERATING STATION IN )**  
**TRIMBLE COUNTY, KENTUCKY )**

**RESPONSE OF LOUISVILLE GAS AND ELECTRIC COMPANY**  
**AND KENTUCKY UTILITIES COMPANY TO MOTION OF**  
**IBEW/TRADES COUNCIL FOR INFORMAL CONFERENCE**

Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively "Companies") hereby respond and object to the motion for informal conference filed by Intervenors International Brotherhood of Electrical Workers, Local 2100 and Greater Louisville Building and Construction Trades Council (collectively "the Unions").

As grounds for their motion, the Unions claim that the "announced decisions" of the Companies and Bechtel Power Corporation ("Bechtel"), the engineering, procurement and construction contractor for the Trimble County Unit No. 2 ("TC2") project, "will have the result of denying bona fide employment opportunities to the majority of skilled trade craft workers in Kentucky." As an initial matter, it is important to recognize that this claim is the same argument previously made to, and rejected by, this Board in the testimony and other evidence in this proceeding. Specifically, the Board noted in its November 16, 2005 final order (which was not appealed by the Unions):

At issue in this proceeding is IBEW/Trades Council's fear that construction of the project might be performed by itinerate out-of-

state workers, effectively exporting the major economic benefit of the project.... IBEW/Trades Council advocate the use of a project labor agreement by the Joint Applicants that would require the TC2 contractor to use local union crafts for the construction of the facility or, in the alternative, that the Joint Applicants utilize and exhaust labor resources from the local geographic area in the construction of the facility.<sup>1</sup>

Having lost on those arguments previously, the Unions now seek to repackage the arguments by claiming that the Companies' and Bechtel will engage in hiring activities that will "contravene both the letter and spirit of conditions imposed by the Siting Board in its Order of November 16, 2005." That argument is simply without any merit whatsoever.

This matter was resolved by final order in November 2005. In that order, the Board directed the hiring of "construction and operation workers from the local population and [the utilization of] local materials and MBEs and WBEs whenever practical and possible."<sup>2</sup> The Companies are fully complying with that directive, and have every intention to continue doing so. The contractual provisions relating to the utilization of local workers referred to in the evidence in this matter are part of the Engineering, Procurement and Construction Agreement (the "EPC Agreement") between the Companies and Bechtel, and the local recruitment efforts addressed in the testimony of John Voyles will be undertaken once actual hiring efforts begin.<sup>3</sup> The Companies have no intention of preventing either union or non-union local workers from working on the TC2 project. Indeed, the only reason that qualified local union workers might be excluded from work on the TC2 project is if the Unions themselves prohibit their members from working on TC2 because a project labor agreement was not executed.

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<sup>1</sup> Board's Order of November 16, 2005, p. 11. (Internal citations omitted.)

<sup>2</sup> *Id.* at 14.

<sup>3</sup> *Id.* at 12-13 and fn. nos. 52 - 55. Those efforts will be detailed as required in the annual report to be filed on or before November 16, 2006. Board's Order of November 16, 2005, p. 14.

The Companies also note that their negotiations with Bechtel are at a critical stage. The Companies have accepted Bechtel's offer to engineer, procure and construct TC2 on the terms set forth in the EPC Agreement between the Companies and Bechtel. Bechtel has indicated its disagreement about certain terms and timing issues under the EPC Agreement. Therefore, on April 4, 2006, the Companies filed a Declaratory Judgment Complaint against Bechtel, seeking a judgment that the EPC Agreement is a valid and binding contract.<sup>4</sup> Given that pending litigation, as well as confidentiality commitments, it would be improper for the Companies to engage in any specific discussions with the Unions regarding their negotiations or agreements with Bechtel or that might compromise the Companies' strategies in the litigation. In addition, even absent that dispute and the confidentiality commitments, the Unions, as potential vendors to Bechtel under the EPC Agreement, should be treated the same as all other potential vendors and should not be given any different or additional information that would not otherwise be available to other vendors. Protection of commercially sensitive information is critical if the Companies are to manage this project prudently and in the best interests of their customers.

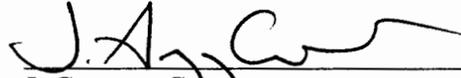
For all of these reasons, the Companies respectfully submit that it would be improper to hold an informal conference in this matter as requested by the Unions. Accordingly, the Companies request that the Board deny the Unions' motion for an informal conference.

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<sup>4</sup> A copy of that Complaint is attached, for informational purposes only. The exhibits to the Complaint, which are the subject of a motion to seal in the federal court action, are not attached hereto because of confidentiality issues.

Dated: April 7, 2006

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing Response was served on the following persons on the 7th day of April 2006, U.S. mail, postage prepaid:

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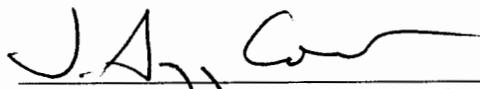
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