SINCE 1908
OGDEN NEWELL & WELCH PLLC
ATTORNEYS FOR BUSINESS

1700 PNC PLAZA
500 WEST JEFFERSON STREET
LOUISVILLE, KENTUCKY 40202-2874
(502) 582-1601
FAX (502) 581-9564
www.ogdenlaw.com

KENDRICK R. RIGGS

DIRECT DIAL 502-560-4222
DIRECT FAX 502-627-8722

kriggs@ogdenlaw.com

September 13, 2005

VIA E-FILING AND REGULAR MAIL

Elizabeth O'Donnell
Executive Director
Kentucky State Board on Electric
Generation and Transmission Siting
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

RE: ***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 Addition to the Existing Trimble County Generating Facility in Trimble County, Kentucky***
Siting Board Case No. 2005-00152

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and ten (10) copies of the Direct Testimony of John N. Voyles on behalf of Louisville Gas and Electric Company and Kentucky Utilities Company in the above-referenced case. An electronic copy of this filing has been posted to the Commission's Electronic Filing Center.

The attached electronically filed documents are a true representation of the original documents that have been filed with the Commission.

Very truly yours,

Kendrick R. Riggs

KRR/ec
Attachments
cc: Parties of Record (w/ enclosure)

336229.1

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 ADDITION TO THE EXISTING TRIMBLE COUNTY GENERATING STATION IN TRIMBLE COUNTY, KENTUCKY	))))))))	**CASE NO: 2005-00152**

DIRECT TESTIMONY OF JOHN N. VOYLES VICE PRESIDENT, REGULATED GENERATION LG&E ENERGY LLC

Filed: September 13, 2005

Q. Please state your name, position and business address.

A. My name is John N. Voyles. I am Vice President of Regulated Generation for LG&E Energy Services Inc. on behalf of Louisville Gas & Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively the "Companies"). My business address is 220 West Main Street, Louisville, Kentucky 40202. My background and work experience are set forth in Appendix A.

Q. Have you previously testified before this Board?

A. No. However, I have testified before the Kentucky Public Service Commission in the Environmental Compliance Plan filing for LG&E in Case No. 94-332, and in *Re: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity, and a Site Compatibility Certificate, for the Expansion of the Trimble County Generating Station*, Case No. 2004-00507.

Q. Please describe the Companies' interest in this proceeding.

A. The Companies have a collective 75% ownership interest in the new 750 MW nominal net unit ("TC2") proposed to be constructed at the Trimble County Generating Station ("Trimble Station"). The Companies are seeking a Certificate of Public Convenience and Necessity for their interest in TC2 in Case No. 2004-00507, a pending matter before the Kentucky Public Service Commission. KU and LG&E intervened in this proceeding because of their ownership interest in TC2.

Q. Please describe the relationship between the Companies and the Applicants.

A. The Illinois Municipal Electric Agency ("IMEA") and the Indiana Municipal Power Agency ("IMPA") presently own a collective 25% share of LG&E's existing generating unit at the Trimble Station ("TC1"). IMEA purchased 12.12% of TC1 by agreement

dated September 24, 1990, and IMPA purchased 12.88% of TC1 by agreement dated February 1, 1993. KU, LG&E, IMEA and IMPA are also parties to a Participation Agreement ("PA") entered into on February 9, 2004, which provides for IMEA and IMPA to own 12.12% and 12.88%, respectively, of TC2, and to share in the costs of development and construction of TC2, subject to all applicable approvals. The Companies have had a good working relationship with IMEA and IMPA to date, and fully expect that relationship to continue with the joint development and ownership of TC2.

Q. Please describe the technology proposed for TC2.

A. TC2 is proposed as a super-critical pulverized coal unit, and will be designed with substantial fuel flexibility to allow for better management of coal costs for today's needs and beyond. In addition, the super-critical pulverized coal technology has a higher thermal efficiency as compared to other thermal power cycles, such as sub-critical pulverized coal and circulating fluidized bed units, reducing fuel costs by decreasing the amount of coal burned in relation to the amount of electricity produced. There are also environmental benefits from that efficiency, because as less coal is combusted to produce the energy, fewer pollutants are emitted as a by-product of that combustion. TC2 will also employ state of the art air pollution control equipment to ensure environmental compliance. It is anticipated that this equipment will consist of a Selective Catalytic Reduction system, Baghouse, Wet Flue Gas Desulphurization system, and Wet-Electrostatic Precipitator, with provisions for the addition of future environmental controls should air regulations change in the future. Indeed, TC2 will employ the most modern air pollution control equipment available, resulting in lower SO_2 and NO_x

emissions, on a lb/mmBtu basis, than any other recently-submitted permit application for pulverized coal and circulating fluidized bed units in Kentucky and two coal-fueled IGCC systems in the U.S. TC2 will also be designed and constructed to meet mercury emission limits which are more stringent than those required by the most recent federal legislation. The result of these planned technologies, when coupled with environmental technology upgrades on TC1, is that TC2 will have only a minimal impact on air quality levels. Indeed, the TC2 Prevention of Significant Deterioration ("PSD") Construction Permit Application and Title V Operating Permit Application are based on a net increase of less than 40 tons per year in emissions of NO_x and SO_2 at the Trimble Station.

Q. Who will be in charge of constructing TC2?

A. Under the terms of the PA, the Companies are responsible for the construction of TC2, including managing, controlling, and supervising the design, procurement and construction phases of the project. The Companies believe it is beneficial to utilize contractors in discharging their responsibilities in that regard, and construction will be primarily performed through a single Engineering, Procurement and Construction ("EPC") contract that will primarily include the boiler, air pollution control equipment, and turbine generator systems. The contracting process of utilizing a single EPC contract is very common in today's marketplace for owners that want to manage schedule risks, performance risks and price risks. The EPC contract will have significant penalties associated with these areas of risk to protect the Companies, the Applicants and their respective ratepayers. Some relatively minor portions of the project may be constructed by the Companies, independent of the EPC contractor. The Companies will employ an Owner's Engineer to assist in certain functions of the project, such as preparing the EPC

bid package, assisting in the management of communication during the bid clarification period, and providing support during the contract award process, for conceptual and detailed engineering reviews, and support for site construction management.

Q. What is the status of the EPC bidding process?

A. The bidding process for the EPC contract is underway using a functional technical specification with a typical set of turn-key, lump sum fixed price terms and conditions for a project of this scale. Proposals were solicited from a set of pre-qualified entities, including EPC contractors, major equipment providers, and engineering firms, and the Companies have now "short-listed" two bidders, Fluor and Bechtel. The bid details remain under confidential evaluation, and the Companies anticipate a successful conclusion to the bidding process by the end of September, at which point they will begin an approximately six-month open-book negotiation with the final bidder.

Q. The IBEW and Trades Council have intervened in this matter, claiming an interest in seeing Kentucky workers utilized on the TC2 construction project. Do the Companies oppose the utilization of Kentucky workers?

A. Absolutely not. The Companies fully support the utilization of Kentucky workers, and have no preference on whether the workers are union or non-union. The Companies' position has been and remains one of local jobs for all local workers. The TC2 project will require a large number of heavy industrial construction-skilled crafts that must be filled with drug free, qualified workers. Consistent with that need, the Companies' request for proposal ("RFP") to the EPC contractors specifically notes that the Companies wish, wherever practical and appropriate, to promote the use of local services and employment of local labor during the construction process. The RFP also provides

that the successful bidder will "maximize the use of local labor" without specifying whether such labor must be union or non-union.

Q. What steps will the Companies take to encourage the use of Kentucky laborers to the extent practicable?

A. Once the project receives all necessary government approvals, the Companies will, in cooperation with the successful EPC bidder, go forward with a construction job recruitment process that insures all qualified local workers will be fairly considered for available construction jobs. The process will include several outreach programs that will actively seek qualified local workers. The efforts will include activities such as on-site recruitment and training offices, advertising in the local media, utilization of the Kentucky Department of Employment Services and the like.

Q. Would the use of a Project Labor Agreement ("PLA") help to fully utilize Kentucky workers on the TC2 project?

A. No. The use of a PLA in and of itself will not help fully utilize Kentucky workers. A PLA would only assist in the utilization of union workers in Kentucky and as a result, it would discriminate unfairly against the large contingent of local workers that are non-union and the local contractors in the region that employ merit shop labor. In addition, a PLA includes work rules that would significantly increase the labor costs and, consequently, the construction costs of the project.

Despite these reservations, however, the Companies will not object to the use of a PLA for the labor on the project, should the successful EPC bidder wish to do so. As outlined in the RFP, the final contract with the successful EPC bidder will contain penalty provisions for the failure to perform as required on the TC2 project. The

Companies do not believe that it is in their ratepayers' best interests for the Companies to enter into a PLA at this stage because doing so would allow the successful EPC bidder to pass cost and schedule risks back to the Companies and, ultimately, their ratepayers.

Q. The IBEW and Trades Council have claimed that the use of Kentucky workers will ensure that the full benefit of TC2 is felt in the Commonwealth. Are there other benefits to Kentucky from the construction of TC2?

A. Yes. Of course, providing equal opportunity for all qualified workers to work on the TC2 project will provide the maximum benefit to Kentucky in many ways. The use of the employment service agencies created by Kentucky capitalizes on the infrastructure the citizens have established just for such purpose. The use of Kentucky workers minimizes the addition of travel pay to the labor costs, keeping the total project costs for all ratepayers at an optimum. And, of course, the construction of TC2 will benefit Kentucky by creating approximately 30 to 40 permanent jobs. Kentucky workers live and spend their wages at home in all manner of ways. Furthermore, TC2 will benefit the Commonwealth by continuing to ensure the availability of low-cost power into the future.

Q. The Board held a local public hearing in this matter, and several local landowners appeared and made comments. What have the Companies done in response to those comments?

A. Representatives of the Companies were present at the local public hearing, and the comments made there by the public have been, or are being, addressed by the Companies. The public comments and the Companies' responses thereto are summarized below:

- Concerns were stated about the condition of properties surrounding the Trimble Station and owned by LG&E. The Companies have taken steps to address the

concerns raised. Vacant houses at 627 and 1317 Ogden Ridge Road (Bedford, KY) have been sampled for asbestos containing material (the material sample from the house at 627 contained asbestos and the house at 1317 did not). Work has been awarded to a contractor for demolishing and disposing of both residences as well as several small structures. Also included in this work is general clean up of LG&E Energy property on both Ogden Ridge Road and Wentworth Road.

- Comments were also made about noise levels when TC2 comes on line. Representatives of the Companies met with the concerned property owners immediately after the local public hearing and explained TC2 commissioning activities which necessitate short duration steam blowing (several minutes per blow) of the newly installed boiler tubing can be planned during daylight hours and will be communicated to surrounding property owners well in advance of them taking place. Property owners were also informed that the noise they occasionally hear coming from the plant is usually the result of activation of high pressure steam safety valves which open when Unit 1 has an unexpected malfunction. "Lifting" of the safety valves is necessary to release pent up steam energy thereby preventing catastrophic equipment failure and potential personnel injury. Unexpected events such as this are short duration (less than several minutes) and occur infrequently (TC1 had four such events in 2004 and one event thus far in 2005).
- Comments were made about the emissions from the plant. Representatives of the Companies met with concerned property owners immediately after the local

public hearing and explained that, as set forth above, TC2 will utilize state of the art pollution control equipment which, together with environmental technology upgrades on TC1, will result in TC2 having only a minimal impact on air quality levels. The Companies' representatives also explained that the "plume" coming from the cooling tower at the Trimble Station is merely condensation resulting from the cooling of the process water used in producing electricity at the Station. Discussion of the TC1 flue gas plume was also conducted with property owners. In particular, the "bluish" plume occasionally seen coming from the TC1 chimney was mentioned. This phenomenon is caused by the presence of sulfuric acid mist ($S0_3$) in the flue gas. Sulfuric acid is present in most coal combustion flue gases because a small amount of SO_2 produced (0.5 to 1.5%) is further oxidized to SO_3, which combines with flue gas moisture to form vapor phase sulfuric acid. The addition of Selective Catalytic Reduction ("SCR") for NO_x control on TC1 exacerbates the effects as the SCR catalyst further oxidizes a portion of the flue gas to SO_2 to SO_3. The Company is currently studying different technology options which might be used to reduce the level of SO_3 in the flue gas. These options include injection of reagents (i.e. limestone, calcium, magnesium) at various points of the combustion process as well as burning lower sulfur coals. SO_3 mitigation should not be an issue on TC2 due to the previously mentioned pollution control equipment (i.e. wet ESP) being installed.

- Comments were also made about the use of ammonia at the plant and whether there was a plan in place in the event of a leak or accident involving ammonia. The Companies explained that Trimble County Generating Station personnel

work with the Trimble County Local Emergency Planning Commission to develop a local written emergency operations plan required by the State (Tab Q-7). Trimble County Station has a Contingency Plan to call the 24-hour Local Emergency Planning Commission number (LEPC-911) immediately in the event of a reportable ammonia spill. Trimble County Local Emergency Planning has visited the plant and has conducted a mock disaster scenario with Plant personnel. The Plant also has Process Safety Management (OSHA) and Risk Management (EPA) plans in place to help ensure the safe handling of ammonia.

- Finally, comments were made in support of TC2 and the Companies' competitive bidding process. No response was required by the Companies on those comments.

Q. Do you have a recommendation for the Board?

A. Yes. It is my recommendation that the Board grant the Applicants a construction certificate, as requested in their Joint Application and, in doing so, support the Companies' commitment to monitor the successful EPC bidder's recruitment and hiring practices to insure all qualified local workers from Kentucky get a fair opportunity to work on the TC2 project.

Q. Does this conclude your testimony?

A. Yes, it does.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **John N. Voyles**, being duly sworn, deposes and says he is Vice President of Regulated Generation for LG&E Energy LLC, and that he has personal knowledge of the matters set forth in the foregoing testimony, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

JOHN N. VOYLES

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12th day of September 2005.

Notary Public

My Commission Expires:

Sept. 20, 2006

APPENDIX A

John N. Voyles, Jr.

Vice President, Regulated Generation
LG&E Energy LLC
220 West Main Street
P. O. Box 32010
Louisville, Kentucky 40202
Telephone: (502) 627-4762

Education

Rose-Hulman Institute of Technology, B.S. in Mechanical Engineering - 1976
Emory Business School, Management Development Program - 1992
University of Louisville
- The Effective Executive - 1993
- Center for Creative Leadership - 1996

Leadership Louisville - 2004-2005

Previous Positions

LG&E Energy LLC, Louisville, Kentucky
- 2003 (Feb - May) - Director, Generation Services

Louisville Gas and Electric Company, Louisville, Kentucky
- 1998 - 2002 - General Manager, Cane Run, Ohio Ralls & Combustion Turbines
- 1996 - 1998 - General Manager, Jefferson County Operations
- 1991 - 1995 - Director, Environmental Excellence
- 1989 - 1991 - Division Manager, Power Production, Mill Creek
- 1984 - 1989 - Assistant Plant Manager, Mill Creek
- 1982 - 1984 - Technical and Administrative Manager, Mill Creek
- 1976 - 1982 - Mechanical Engineer

Other Professional Associations

Research Advisory Committee, Electric Power Research Institute (EPRI)
Board of Directors, Electric Energy, Inc.
Board of Directors, Ohio Valley Electric Corp. (OVEC)