

Mr. David L. Armstrong
Chairman
Kentucky State Board on Electric Generation and
Transmission Siting
211 Sower Boulevard
Frankfort, KY 40602

November 14, 2008

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 Chairman Armstrong:

We are writing to provide the third annual report by the Illinois Municipal Electric Agency and the Indiana Municipal Power Agency (collectively “Joint Applicants”) regarding the construction of the Trimble County 2 (“TC2”) generating unit. This report is made in compliance with the November 16, 2005 Order of the Kentucky State Board on Electric Generation and Transmission Siting (the “Board”) in the above-referenced proceeding. Please accept this original and ten (10) copies for filing with the Board. An electronic copy of this report has been posted to the Commission’s Electronic Filing Center and is a true representation of the original document that has been filed with the Board. This filing is made with the assistance and involvement of Intervenors Louisville Gas and Electric Company and Kentucky Utilities Company (together, the “Companies”), who hold a 75 percent ownership share of the TC2 generating facility.

Overview

The Companies selected Bechtel Power Corporation (“BPC”) as the Engineering, Procurement and Construction contractor for TC2 in August 2005 and reached an agreement on all outstanding contract issues on June 9, 2006. BPC mobilized on the site the week of July 3, 2006. Since the last annual report, the new cooling tower has been tied-in to Trimble County 1 (“TC1”) and been made operational. Significant progress has been made in all areas of TC2 construction; the main foundations are complete, the turbine and boiler structural steel erection is essentially complete, installation of the boiler pressure parts and air pollution control equipment is ongoing, and the turbine generator components have been received at the site. Installation of the high energy piping systems has commenced, the coal pulverizers have been erected, and the main step up transformer, the main auxiliary transformers, and the reserve auxiliary transformers have been installed. Bechtel reports being approximately six-weeks behind their target early completion date of March 15, 2010 due to poor productivity on the boiler erection. We are closely monitoring Bechtel’s progress towards the contract guaranteed completion date of June

15, 2010, which remains secure at the present time. Overall, the project is approximately 38 percent complete compared to a planned (based on Bechtel's early target completion date) 44 percent. Unfortunately, Bechtel recorded a fatality on the project in September 2008, when an ironworker was killed while erecting a section of structural steel.

Implementation of Site Development Plan

The Companies' project management team along with the Trimble County Generating Station management team, BPC, the Companies' security department and Moore Security LLC, continues to utilize the access control plan. The specific gate access information, BPC's expected workforce hiring plan, and access plans relative to hauling, deliveries and road usage were provided to the Trimble County Sheriff's Office and no changes have been made since the last annual report with the exception that Bechtel's peak craft number has increased by approximately 300 personnel due to the schedule issue stated above. Communication with the Sheriff's Office is considered routine and will remain so throughout the duration of the project. In addition, updates are provided to the Trimble County Emergency Response staff to inform them of the project and to coordinate communication protocols.

To date there have been no substantive changes to the proposed buildings, transmission lines or other structures, or to the access ways or other access to the site, from that set forth in the original plan submitted to the Board.

Local Hiring and Procurement

The contract executed with BPC is consistent with the commitments made by the Joint Applicants and the Companies regarding efforts to utilize local workers and vendors, including MBEs and WBEs. BPC has established a local hiring office at the site (the Carrollton office has been closed), has been in communication with local vocational schools and labor departments of the Commonwealth of Kentucky, and has held meetings with officials of Trimble County, Carroll County and Henry County. There have been approximately 1,050 craft workers hired through September. Approximately 50 percent of these workers are local with residence in the Commonwealth of Kentucky and the three Metropolitan Statistical Areas of Louisville, Kentucky; Cincinnati, Ohio; Evansville, Indiana. Approximately 30 percent of the craft workers reside in the immediate local region (e.g. 50-mile radius of the plant site). In addition, these efforts have resulted in a significant portion of the subcontracts let to date being awarded to local contractors, including both union and open shop. The table below shows the performance for MBE and WBE vendors and subcontractors. The opportunities to obtain contracts or purchase orders for these businesses have been significant.

MBE/WBE/Local Participation - Project Inception to Date through September 2008

DESCRIPTION	MBE BID	MBE AWARD	WBE BID	WBE AWARD	LOCAL BID	LOCAL AWARD	TOTAL BID	TOTAL AWARD
TOTAL PURCHASE ORDERS - CUMULATIVE	97	31	110	61	2,901	1,568	3,108	1,660
PURCHASES CUMULATIVE VALUE		\$10,877,991		\$ 67,677		\$ 9,471,744		\$ 20,417,412
SUB TOTAL: SUBCONTRACTS	16	4	12	2	109	44	137	50
TOTAL VALUE: SUBCONTRACTS		\$ 2,609,628		\$ 31,674		\$33,154,919		\$ 35,796,221

(Some Bids/Awards are represented in multiple categories)

** Local includes the Commonwealth of Kentucky, MSAs of Louisville, Kentucky; Cincinnati, Ohio; Evansville, Indiana*

Public Comments and Responses

Neither the Joint Applicants nor the Companies have received any material comments or complaints from members of the general public since the date of the hearing in this matter. The plant manager meets often with the Trimble County Judge-Executive and periodically sees the Trimble County Sheriff and other community leaders. In addition, Judge Stevens has been in attendance at some of the BPC monthly update meetings. In fact, many positive comments have been made about the project, how it is being managed and the positive impact it is having on the local area. The only negative comments about the TC2 project have pertained to poor driving habits exhibited by some workers traveling to and from the job site. The plant manager, project manager, and BPC contacted state and local law enforcement and requested that patrols be increased in the area. They also reminded workers of the need to comply with traffic laws.

The Companies are routinely contacted by local subcontractors, suppliers and service providers, both open shop and union, relative to opportunities to participate in the project. All of these communications are cordial with most inquirers being referred to the BPC Site Manager. Since construction has begun, there have been no complaints received by the project management team relative to opportunities to participate on this project.

Specific Mitigation Conditions

The Joint Applicants and the Companies continue to work to ensure compliance with each of the specific mitigation conditions imposed by the Board. As set forth above, an access control plan is in place and coordination and information-sharing continues with the local Sheriff’s office. Per the original plan, the Companies and Joint Applicants will use the existing stack shell for exhaust of both the existing TC1 unit and TC2, and will utilize colors and lighting consistent with the existing features of TC1.

It remains the plan to utilize silencers to dampen noise as a result of steam blows that are scheduled for the latter half of 2009. Initially the Companies plan to place notifications in the

local newspapers and provide flyers to nearby residents about this activity. These communications will be provided in a timely fashion to provide advanced notification.

In an effort to minimize the impact on the local community, BPC and subcontractors continue to direct construction traffic to Highway 754 and attempt to avoid commuting peaks and minimize additional traffic during school bus transit periods. And, as noted above, efforts to hire local workers, who are more familiar with local roads, continue.

The Companies continue to monitor construction related traffic and have regular discussions with BPC relative to the timing and plans related to material deliveries, subcontractor traffic, compliance with local traffic laws and construction equipment deliveries. BPC has contractual obligations to not interfere with local traffic, including avoiding times of school traffic. The Companies will continue to monitor construction related traffic. The Trimble County Sherriff's office provides traffic control into and out of Bechtel's gate for the day shift. To date, communication and cooperation with the local officials has been good.

The Companies continue to notify local officials regarding the timing and routes for ammonia truck deliveries and to ensure all necessary safety precautions in that regard continue to be followed.

If you have any questions about this third annual report, please let us know.

Sincerely,



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cc: Parties of Record in Case No. 2005-00152