

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

November 15, 2006

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 Goss:

We are writing to provide the first 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 Intervenor Louisville Gas and Electric Company and Kentucky Utilities Company (together, the “Companies”), who hold a 75% 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. The Companies and BPC reached an agreement on all outstanding contract issues on June 9, 2006. BPC began mobilization on the site the week of July 3, 2006. Work to date has been primarily focused on mobilization efforts, construction of the new cooling tower and associated circulating water piping. Excavation and civil work for the boiler and turbine buildings has begun as well. Listed below are the project’s other major procurement milestones to date:

- Boiler – awarded to Mitsui Babcock
- Steam Turbine/Generator – awarded to Hitachi America
- Air Quality Control Systems – awarded to Wheelabrator
- Cooling Tower – awarded to International Cooling Tower Inc.
- Feedwater Heaters – awarded to Holtec

In addition to these milestones, BPC has ordered the majority of the structural steel, critical steam piping, and condenser components, as well as other plant components. The project continues to progress according to plan.

Implementation of Site Development Plan

The Companies' project management team has conducted a site security assessment with the Trimble County Generating Station management team, BPC, the Companies' security department and Moore Security LLC, and has developed and implemented an access control plan. The specific gate access information, BPC's expected workforce hiring plan, and access plans relative to hauling, deliveries and road usage have been shared with the Trimble County Sheriff's Office. Communication with the Sheriff's Office is considered routine and will remain so throughout the duration of the project. In addition, meetings have been held with 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, 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 41 craft workers hired as of October 27, 2006. Twenty-three (approximately 56%) of these workers reside in the 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 union, MBE and WBE vendors, as shown in the table below.

Project Inception to Date through October 2006

	MBE BID	MBE AWARD	WBE BID	WBE AWARD	LOCAL BID	LOCAL AWARD	UNION BID	UNION AWARD
TOTAL PURCHASE ORDERS	24	16	23	13	145	91	19	3
PURCHASES CUMULATIVE VALUE		\$8,183,567		\$ 36,630		\$ 219,354		\$7,356,060
TOTAL SUB CONTRACTS	2	2	2	1	12	8	5	2
TOTAL VALUE: SUB CONTRACTS		\$ 275,000		\$ 25,000		\$1,411,383		\$ 469,544

(Some Bids/Awards are represented in multiple categories)

Public Comments and Responses

Neither the Joint Applicants nor the Companies have received any comments or complaints from members of the general public since the date of the hearing in this matter. The plant manager meets regularly with the Trimble County Judge-Executive and periodically sees the Trimble County Sheriff and other community leaders and none have relayed any negative comments about the TC2 project.

In addition, the Companies continue to communicate with the Greater Louisville Building & Trades Group regarding the utilization of union labor. Communications take place routinely by phone and have occurred in scheduled meetings several times. In addition to these communications, the Companies are routinely being contacted by local subcontractors, suppliers and service providers relative to opportunities to participate in the project. All of these communications are cordial with most inquirers being referred to the BPC Site Manager.

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, a security assessment has been completed and coordination and information-sharing continues to take place 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 Trimble County 1 ("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. A telephone notification plan to warn nearby residents, in addition to other notification methods, will be evaluated and, if feasible, utilized. However, steam blows are not scheduled to occur until the latter half of 2009.

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.

While construction has begun, the number of craft workers has been relatively small, consistent with the plan. However, 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. As craft counts rise, the Companies will continue to monitor construction related traffic. To date, communication with the local officials has been good and no traffic issues have arisen.

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 first annual report, please let us know.

Sincerely,



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