

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

November 16, 2009

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 fourth and final 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 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 June 9, 2006. BPC mobilized on the site the week of July 3, 2006. Since the last annual report, significant progress has been made in all areas of TC2 construction. Overall, the project is approximately 80 percent complete. Installation of the boiler pressure parts is complete and the boiler has been hydrostatically tested. The steam turbine/generator centerline components have been installed and final alignment is ongoing. Erection of the major structures for the air quality control equipment is complete. Installation of the high energy piping systems has been completed and hydrostatic testing is underway. The 345 kV line from the main step up transformer to the Trimble County substation has been installed, as has the Ghent, KY to Speed, IN 345 kV transmission line river crossing (Oct. 2009). The project is in the early phases of commissioning and startup; several electrical systems have been energized, the condensate and feedwater systems have been flushed and chemically cleaned, preparations for the boiler

chemical clean are being made, and the Distributed Control System (DCS) system is being commissioned. The flue gas path target completion date is early December 2009. Oil firing of the boiler system for steam blows will follow in January, which will be preceded by air blows in December, with the first firing of coal in late February. These activities support the contract guaranteed Commercial Operation date of June 15, 2010. We will continue to closely monitor Bechtel's progress towards the contract guaranteed date.

Per the November 16, 2005 Order of the Board, the Joint Applicants, with the cooperation of the Companies will invite the Board, its staff and consultants for a site visit within six months after the completion of construction. The Joint Applicants also plan to submit the "as-built" plans as noted in the mentioned Order.

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 Securitas Security LLC, continue 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. Working with the Trimble County Sheriff's Office, occasional changes have been made to facilitate safe access to the site which is both efficient and minimally disruptive to the community. Otherwise no changes have been made since the last annual report. 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. The BPC workforce has been at its peak of approximately 2,300 craft workers for this entire reporting period. Approximately 44 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 28 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 August 2009

DESCRIPTION	MBE BID	MBE AWARD	WBE BID	WBE AWARD	LOCAL BID	LOCAL AWARD	TOTAL BID	TOTAL AWARD
TOTAL PURCHASE ORDERS - CUMULATIVE	195	80	160	88	5,362	3,421	5,717	3,589
PURCHASES CUMULATIVE VALUE		\$10,969,251		\$ 376,559		\$15,124,351		\$ 26,470,161
SUB TOTAL: SUBCONTRACTS	19	5	18	5	140	57	177	67
TOTAL VALUE: SUBCONTRACTS		\$ 3,557,723		\$2,371,692		\$76,570,765		\$ 82,500,180

(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

In January 2009, the Greater Louisville Building and Construction Trades Council and the Heat and Frost Insulators Local 51 submitted letters to the Kentucky Public Service Commission ("KPSC") with concerns about the hiring practices of the Companies related to the TC2 project. In addition, on January 30, 2009, IBEW Local 2100 and Greater Louisville Building and Construction Trades Council filed a motion with the Kentucky State Board on Electric Generation and Transmission Siting ("Siting Board") to reopen Case No. 2005-00152 for the purpose of requiring accountability of the Joint Applicants regarding the hiring practices and reporting requirements imposed in the November 16, 2005 Siting Board Order. In February 2009, the Companies responded to the original letters submitted in January as instructed by the KPSC. The Companies responded to the concerns raised and stated they were fully complying with their commitment to hire construction and operator workers from the local population and to utilize local materials and MBEs and WBEs whenever practical and possible. On February 6, 2009, the Joint Applicants and the Companies filed a response with the Siting Board stating they have complied fully with all commitments and requirements of the order of November 16, 2005, in the above referenced case and the Unions' motion should be denied. On February 20, 2009, the Executive Director of the KPSC issued a letter which stated that no party to the proceeding brought any action for review of the Board's Order within 30 days, pursuant to KRS 278.714(5). Therefore, Case No. 2005-00152 has reached finality, and, as such, the Siting Board cannot reopen the case. The Siting Board recognized the importance of the issue and requested a meeting with the Unions, Joint Applicants, and the Companies, which occurred on March 17, 2009 at the offices of the KPSC. All parties were represented at the meeting to discuss the issues. As agreed upon the Companies held meetings with the Union organizations and provided BPC's contact information. There have been no additional concerns raised by the Unions.

Neither the Joint Applicants nor the Companies have received any additional 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 (Judge

Stevens) 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 progress 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 continue to be related to poor driving habits exhibited by some workers traveling to and from the job site. The plant manager, project manager, and BPC continue to work with state and local law enforcement for increased patrols in the area. They also reminded workers of the need to comply with traffic laws and have had the Kentucky State Police conduct driver awareness seminars on the job site.

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.

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.

Silencers will be installed to dampen noise as a result of the air and steam blows mentioned above. The Companies and BPC are working together 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.

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. Given the project has peaked in workforce, the traffic concerns are expected to reduce as the project moves toward completion. The Trimble County Sheriff'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 fourth annual report, please let us know.

Sincerely,



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