

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

In the Matter of:

The Application of the Illinois)	
Municipal Electric Agency and the)	
Indiana Municipal Power Agency)	Case No. 2005-00152
For a Merchant Electric Generating)	
Plant Certificate to Construct)	

TESTIMONY OF L. GAYLE MAYO

1 Q.1 STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. L. Gayle Mayo, 11610 North College Ave., Carmel, Indiana 46032.

3 Q.2 WHERE ARE YOU EMPLOYED AND IN WHAT CAPACITY?

4 A. I am employed by the Indiana Municipal Power Agency (IMPA) as Executive Vice
5 President and Chief Operating Officer. I am responsible for IMPA's operations, including
6 rates, billing of members, power supply and transmission planning, including the
7 preparation and filing of an Integrated Resource Plan with the Indiana Utility Regulatory
8 Commission (IURC), the operations of its power supply resources and interconnection
9 and coordination with other utilities.

10 Q.3 WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?

11 A. A summary of my educational and business experience is attached as LGM Exhibit 1.

12 Q.4 WILL YOU BRIEFLY EXPLAIN WHAT IMPA IS?

13 A. IMPA is a joint agency created by contract among its member municipalities under
14 Indiana Code (IC) 8-1-2.2-8. IMPA is not a "public utility" under IC 8-1-2-1, but is

15 defined as a "public utility" for purposes of the Utility Powerplant Construction Act, IC
16 8-1-8.5. IMPA was formed under IC 8-1-2.2-8 by 11 of its members in
17 June 1980 and presently has 40 cities and towns as members. All of IMPA's members
18 have entered into power supply agreements with IMPA, under which
19 IMPA provides all of the members' electric power and energy requirements for their
20 respective municipally-owned electric utilities. Any Indiana city or town that owned an
21 electric utility on January 1, 1980 is eligible to become a member of and to purchase its
22 requirements for electric power and energy from IMPA.

23 Q.5 WHAT IS IMPA'S INTEREST IN THIS CASE?

24 A. IMPA along with the Illinois Municipal Electric Agency (IMEA) has exercised its
25 right to own a portion of the Trimble County generating facility being proposed by
26 Louisville Gas & Electric Company (LG&E) and Kentucky Utilities Company (KU).
27 IMEA and IMPA have entered into a Participation Agreement with LG&E and KU to
28 participate as tenants-in-common in the ownership of the proposed Trimble County
29 Generating Station, referred to as Trimble Co. 2. IMEA will own an undivided 12.12%
30 interest and IMPA will own an undivided 12.88% interest in Trimble Co. 2.

31 As a result of their respective ownership interests, IMEA and IMPA will share in
32 the development, construction and operations costs of the proposed facility and will have
33 a right to a proportionate share of the generating capacity, all according to the terms of
34 the Participation Agreement with LG&E and KU.

35 Because IMPA and IMEA will sell their share of the Trimble Co. 2 output to
36 wholesale customers in Indiana and Illinois, their 25% ownership interest in the facility
37 qualifies as a merchant plant under KRS 278.700 et seq. As such, IMPA and IMEA need

38 Kentucky Siting Board approval for the construction of the facility. Obviously, because
39 LG&E and KU are the majority owners and are required to obtain a certificate of
40 convenience and necessity from the Public Service Commission for the construction of
41 the facility, that Commission's decision in Case 2004-00507, "Joint Application of
42 Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate
43 of Convenience and Necessity and a Site Compatibility Certificate for the Expansion of
44 the Trimble County Generating Station," will have a significant impact on the outcome of
45 this proceeding.

46 Q.6 WHAT IS IMPA'S BUSINESS RELATIONSHIP TO LG&E AND KU?

47 A. As mentioned above, IMPA has entered into a Participation Agreement dated
48 February 9, 2004 with IMEA, LG&E and KU for the ownership of a portion of Trimble
49 Co. 2. This Agreement sets forth the terms and conditions for the ownership, operation
50 and obligations of the parties. A copy of the Agreement was filed with the Application as
51 Exhibit A.

52 Q.7 DOES THAT DIFFER FROM THE RELATIONSHIP THAT EXISTS AMONG
53 IMPA, IMEA AND LG&E INVOLVING TRIMBLE CO. UNIT 1?

54 A. IMPA has been operating under the terms of a Participation Agreement with LG&E
55 since IMPA's original purchase of its share of Trimble County Unit 1. IMPA acquired its
56 undivided 12.88% interest as a tenant-in-common of Trimble Co. 1 from LG&E on
57 February 1, 1993 pursuant to a Participation Agreement with LG&E. IMEA acquired its
58 undivided 12.12% interest in Trimble Co. 1 on September 24, 1990 pursuant to a separate
59 Participation Agreement with LG&E. Pursuant to their exercise of rights of first refusal
60 set forth in their respective Participation Agreements governing Trimble Co. 1, IMPA

61 and IMEA have the same ownership interests in the proposed Trimble County generating
62 facility as they have in the existing Trimble Co. 1 facility. The terms of the Participating
63 Agreement for Trimble Co. 2 are comparable to those of the Participation Agreements for
64 Trimble Co. 1.

65 Q.8 DESCRIBE THE FACILITY THAT IS PROPOSED TO BE CONSTRUCTED AS
66 TRIMBLE CO. 2.

67 A. The proposed plant will be constructed on the site of the existing LG&E Trimble
68 County plant on Highway 1838 between Conners Ridge Rd. and Highway 754 near
69 Bedford, KY. The project is currently designed to include selective catalytic reduction,
70 bag house, wet limestone scrubber, and a wet electrostatic precipitator for air quality
71 control. The maximum height of the proposed project structures will be approximately
72 285 feet, which is less than the existing height of the structures on the site.

73 More specific details of the project are included in the testimony filed by
74 Louisville Gas and Electric Company in PSC Case 2004-00507, "Joint Application of
75 Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate
76 of Convenience and Necessity and a Site Compatibility Certificate for the Expansion of
77 the Trimble County Generating Station," which testimony is incorporated by reference.

78 Q.9 WHO WILL OWN TRIMBLE CO.2?

79 A. As explained above, LG&E and KU will collectively own 75% of the facility and
80 IMPA and IMEA will collectively own the remaining 25%.

81 Q.10 HOW WILL THE COST ASSOCIATED WITH THE CONSTRUCTION BE
82 ALLOCATED AMONG THE PARTIES?

83 A. The cost of construction will be allocated according to the ownership interests of the
84 parties.

85 Q.11 ARE THERE ANY PERMITS OR OTHER APPROVALS NECESSARY FOR
86 THE CONSTRUCTION OF THIS FACILITY?

87 A. All permits required for the construction and operation of the facility are to be
88 obtained by LG&E and KU pursuant to the terms of the Participation Agreement. IMPA
89 has obtained all necessary approvals from the Indiana Utility Regulatory Commission
90 (“IURC”). Specifically, on August 11, 2004, the IURC entered an Order in Cause No.
91 42455 issuing to IMPA a Certificate of Public Convenience and Necessity with respect to
92 Trimble Co. 2, authorizing IMPA to participate in the Trimble Co. 2 project and acquire a
93 12.88% undivided ownership interest therein, and authorizing IMPA to issue debt to
94 finance its participation and ownership in the Trimble Co. 2 project, all pursuant to
95 applicable Indiana statutes.

96 Q.12 HOW WILL POWER BE ALLOCATED BETWEEN LG&E, KU, IMPA AND
97 IMEA?

98 A. Power will be allocated according to the ownership interests of the parties. The
99 companies’ ownership is based on the respective needs of each as set out in the Resource
100 Assessment, filed as part of Mr. Malloy’s testimony in PSC Case 2004-00507, “Joint
101 Application of Louisville Gas and Electric Company and Kentucky Utilities Company for
102 a Certificate of Convenience and Necessity and a Site Compatibility Certificate for the
103 Expansion of the Trimble County Generating Station.”

104 Q.13 HOW WILL IMPA USE THE POWER FROM TRIMBLE CO. 2?

105 A. The power will be used to serve the needs of IMPA's members.

106 Q.14 WILL ANY OF THAT POWER BE SOLD TO KENTUCKY CUSTOMERS?

107 A. No.

108 Q.15 IS THIS POWER ESSENTIAL TO FULFILL THE ENERGY FORECASTS OF
109 IMPA?

110 A. Yes. IMPA has made detailed investigations into the long-term energy requirements
111 of its members. To meet those demands, additional sources of energy are required. Based
112 on IMPA's analysis, the most effective means of meeting those needs includes
113 participation in Trimble Co. 2. Without this additional source of energy supply, IMPA
114 will not have the most economical resources available to serve its members. Under
115 Indiana law, IMPA is required to demonstrate its need for power in order to obtain a
116 Certificate of Public Convenience and Necessity for any power plant project. As noted
117 previously, on August 11, 2004 the IURC entered an Order in Cause No. 42455 issuing to
118 IMPA a Certificate of Public Convenience and Necessity with respect to Trimble Co. 2,
119 authorizing IMPA to participate in the Trimble Co. 2 project and acquire a 12.88%
120 undivided ownership interest therein.

121 Q.16 HAVE ANY STUDIES BEEN PERFORMED TO DETERMINE THE
122 ADEQUACY OF THE EXISTING TRANSMISSION FACILITIES FOR TRIMBLE
123 CO. 2?

124 A. Yes. The Midwest Independent System Operator (MISO) has performed several
125 studies regarding the adequacy of existing transmission facilities. MISO performed a
126 Generation Interconnection Evaluation and Facilities Study (MISO Project G218) to
127 determine any facility upgrades or expansions necessary to interconnect Trimble Co. 2 to
128 the existing transmission system. Several upgrades and expansions were identified.
129 Pursuant to the Participation Agreement, the cost of the required interconnection facilities
130 will be borne by the joint owners of Trimble Co. 2 in proportion to their ownership
131 interests.

132 MISO also performed separate System Impact Studies and, if appropriate, Facility
133 Studies for LG&E, IMPA and IMEA, respectively, to determine any facility upgrades or
134 expansions required to deliver each joint owner's output from Trimble Co. 2 to that joint
135 owner's loads. Those studies are identified by their MISO OASIS Request Number:
136 75052130 for LG&E, 75293633 for IMPA and 75230122 for IMEA. The studies for
137 LG&E identified required facility upgrades and expansions on the LG&E transmission
138 system. The studies for IMPA identified one required facility upgrade in Indiana. The
139 study for IMEA did not identify any required facility upgrades or expansions.
140 All of these studies have been filed as Exhibit K to the application.

141 Q.17 ARE THERE ANY OTHER FACILITIES REQUIRED TO BE CONSTRUCTED
142 OR UPGRADED IN KENTUCKY AS A RESULT OF IMPA'S OWNERSHIP
143 INTEREST IN TRIMBLE CO. 2?

144 A. No, there are no facilities beyond those discussed above, there are no other facilities
145 required to be constructed or upgraded in Kentucky as a result of IMPA's ownership
146 interest in Trimble Co. 2.

147 Q.18 WHO WILL BE RESPONSIBLE FOR THE OPERATIONS OF TRIMBLE CO. 2
148 AFTER COMPLETION OF CONSTRUCTION?

149 A. According to the terms of the Participation Agreement, LG&E and KU will be
150 responsible for the operations of Trimble Co. 2.

151 Q.19 HAS IMPA PERFORMED ANY STUDIES TO DETERMINE THE ECONOMIC
152 IMPACT THIS FACILITY WILL HAVE ON THE SURROUNDING AREA?

153 A. Yes. That study was prepared by Paul Coomes, Ph.D. for IMPA and IMEA. It is filed
154 with the Application as Exhibit L, along with Dr. Coomes' testimony.

155 Q.20 DOES THIS PROJECT MEET THE CRITERIA LISTED IN KRS 278.710 FOR
156 APROVAL OF A MERCHANT GENERATING PLANT?

157 A. Yes. The Site Assessment Report deals with the criteria (a) and (b) - there is no
158 negative impact on the property surrounding the facility; (c) the economic impact of the
159 facility will be positive as described in the testimony of Dr. Coomes; (d) the facility is to
160 be located on the site of an existing generating facility of greater than 10MW; (e) there
161 are no local planning and zoning restrictions that must be meet; (f) the additional load on
162 transmission facilities will not adversely affect the service to regulated customers; (g)
163 there is no additional exhaust stack to be constructed; and (h) the efficacy of mitigation
164 efforts are adequately addressed by the methods included in the Site Assessment Report
165 and by the fact that the site currently contains a generating facility.

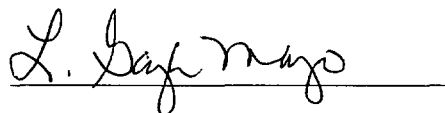
166 Additionally, the Public Service Commission's consultant in Case 2004-00507,
167 BBC Research & Consulting, has prepared a report, which has been filed into the record
168 of this case. That report supports the conclusions of LG&E's Site Assessment Report and
169 recommends that the Public Service Commission approve LG&E and KU's application to
170 construct Trimble Co. 2.

171 Q.21 BASED ON YOUR TESTIMONY DO YOU BELIEVE THAT THE PROPOSED
172 PROJECT MEETS THE REQUIREMENTS OF THE BOARD FOR APPROVAL?

173 A. Yes.

174 Q.22 DOES THAT CONCLUDE YOUR TESTIMONY?

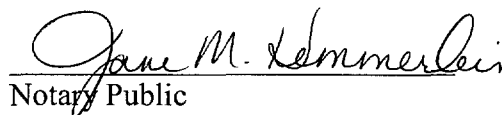
175 A. Yes.



L. Gayle Mayo

Sworn and subscribe before me, a notary public, this 4th day of May, 2005.

Jane M. Hemmerlein


Notary Public

Resident of Hancock County, Indiana

My commission expires:

8/7/2006

**Educational and Professional Resume of
L. Gayle Mayo**

EDUCATIONAL BACKGROUND

Bachelor of Science in Mathematics, 1972
University of Washington, Seattle, Washington

Batchelor of Science in Electrical Engineering, 1977
University of Missouri, Columbia, Missouri

Master of Business Administration, 1981
University of Missouri, Kansas City, Missouri

EXPERIENCE

- 2003-Present Executive Vice President & Chief Operating Officer of Indiana Municipal Power Agency. Responsible for IMPA's ongoing operations.
- 1999-2003 Vice President of Planning, Engineering & Operations of Indiana Municipal Power Agency. Responsible for IMPA's rates and billing to its members, its power supply and transmission planning, the construction and operation of its power supply resources, and interconnection and coordination with other utilities
- 1993-1999 Vice President of Planning & Engineering of Indiana Municipal Power Agency. Responsible for IMPA's rates and billing to its members, its power supply and transmission planning and interconnection and coordination with other utilities.
- 1987-1993 Director of Engineering of Indiana Municipal Power Agency. Responsible for IMPA's rates and billing to its members, its power supply and transmission planning, oversight of jointly-owned generation and transmission, and coordination with other utilities.
- 1976 – 1987 Employed by Burns & McDonnell Engineering Company of Kansas City, Missouri in various positions, beginning as Engineering Technician and progressing to Chief of Power Supply Planning and Load Forecasting. Responsible for a variety of studies and reports on load forecasting, power supply and transmission planning and advanced power generation technologies for electric utilities, the Electric Power Research Institute, the Jet Propulsion Laboratory and the U.S. Department of Energy.