

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 ROBERT W. CHILDERS

1 Q.1 STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. Robert W. Childers, 919 South Spring Street, Springfield, Illinois 62704.

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

4 A. I am employed by the Illinois Municipal Electric Agency (IMEA) as Director of
5 Finance & Business. I am responsible for planning, implementing and administering
6 IMEA's financial operations including accurately accounting and reporting the results of
7 all IMEA transactions and assets of IMEA in accordance with generally accepted
8 accounting principles, developing and continually improving the accounting records of
9 IMEA, maintaining adequate control over cash flows and expenditures, providing
10 services and performing work outside of accounting such as finance, investing, new
11 business analysis and long-term contract development.

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

13 A. I graduated from Olney Central College with an Associates Degree in Business in
14 1985 and I graduated from Eastern Illinois University with a Bachelors Degree in
15 Accounting in 1987. I am licensed as a Certified Public Accountant by the State of

16 Illinois. I am a member of the Illinois CPA Society and American Institute of Certified
17 Public Accountants. I have been employed by IMEA from 1990 to the present after
18 previously serving as a Staff Accountant for Deloitte & Touche from 1987 to 1990.

19 Q.4 WILL YOU BRIEFLY EXPLAIN WHAT IMEA IS?

20 A. IMEA is a municipal power agency established and existing pursuant to Illinois
21 statute. IMEA is a body politic and corporate, municipal corporation and unit of local
22 government of the State of Illinois. IMEA's primary function is to provide wholesale
23 power to its members, all of which own and operate their own municipal electric
24 distribution systems. IMEA currently consists of 40 members, 29 of which have
25 executed long-term power supply agreements to purchase their full-requirements power
26 supply from IMEA. In addition to power supply, IMEA provides among other services,
27 engineering, lobbying, load retention and economic development services to its members.
28 It is governed by a Board of Directors, with one director representing each member.

29 Q.5 WHAT IS IMEA'S INTEREST IN THIS CASE?

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

37 As a result of their respective ownership interests, IMEA and IMPA will share in
38 the development, construction and operations costs of the proposed facility and will have

39 a right to a proportionate share of the generating capacity, all according to the terms of
40 the Participation Agreement with LG&E and KU.

41 Because IMEA and IMPA will sell their share of the Trimble Co. 2 output to
42 wholesale customers in Illinois and Indiana, their 25% ownership interest in the facility
43 qualifies as a merchant plant under KRS 278.700 et seq. As such, IMEA needs Kentucky
44 Siting Board approval for the construction of the facility. Obviously, because LG&E and
45 KU are the majority owners and are required to obtain a certificate of convenience and
46 necessity from the Public Service Commission for the construction of the facility, that
47 Commission's decision in Case 2004-00507 "Joint Application of Louisville Gas and
48 Electric Company and Kentucky Utilities Company for a Certificate of Convenience and
49 Necessity and a Site Compatibility Certificate for the Expansion of the Trimble County
50 Generating Station", will have a significant impact on the outcome of this proceeding.

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

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

57 Q.7 DOES THAT DIFFER FROM THE RELATIONSHIP THAT EXISTS AMONG
58 IMPA, IMEA AND LG&E UNDER THE PARTICIPATION AGREEMENT
59 INVOLVING TRIMBLE CO. UNIT 1?

60 A. IMEA has been operating under the terms of a Participation Agreement with LG&E
61 since IMEA's original purchase of its share of Trimble County Unit 1. IMEA acquired

62 its undivided 12.12% interest in Trimble Co. 1 pursuant to a separate Participation
63 Agreement dated September 24, 1990 with LG&E. IMPA acquired its undivided 12.88%
64 interest as a tenant-in-common of Trimble Co. 1 from LG&E on February 1, 1993
65 pursuant to a Participation Agreement with LG&E. Pursuant to their exercise of rights of
66 first refusal set forth in their respective Participation Agreements governing Trimble Co.
67 1, IMEA and IMPA have the same ownership interests in the proposed Trimble County
68 generating facility as they have in the existing Trimble Co. 1 facility. The terms of the
69 Participating Agreement for Trimble Co. 2 are comparable to those of the Participation
70 Agreements for Trimble Co. 1.

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

73 A. The proposed plant will be constructed on the site of the existing LG&E Trimble
74 County plant on Highway 1838 between Conners Ridge Rd. and Highway 754 near
75 Bedford, KY. The project is currently designed to include selective catalytic reduction,
76 bag house, wet limestone scrubber, and a wet electrostatic precipitator for air quality
77 control. The maximum height of the proposed project structures will be approximately
78 285 feet, which is less than the existing height of the structures on the site.

79 More specific details of the project are included in the testimony filed by
80 Louisville Gas and Electric Company in Public Service Commission Case 2004-00507,
81 "Joint Application of Louisville Gas and Electric Company and Kentucky Utilities
82 Company for a Certificate of Convenience and Necessity and a Site Compatibility
83 Certificate for the Expansion of the Trimble County Generating Station", which
84 testimony is incorporated by reference.

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

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

88 Q.10 HOW WILL THE COST ASSOCIATED WITH THE CONSTRUCTION BE
89 ALLOCATED AMONG THE PARTIES?

90 A. The cost of construction will be allocated according to the ownership interests of the
91 parties.

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

94 A. All permits required for the construction and operation of the facility are to be
95 obtained by LG&E and KU pursuant to the terms of the Participation Agreement. .

96 There are no permits required to be obtained by IMEA.

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

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

106 Q.13 HOW WILL IMEA USE THE POWER FROM TRIMBLE CO. 2?

107 A. The power and energy will be used to supply a portion of the baseload capacity and
108 energy requirements of IMEA's members.

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

110 A. No.

111 Q.15 IS THIS POWER ESSENTIAL TO FULFILL THE ENERGY FORECASTS OF
112 IMEA?

113 A. Yes. IMEA's capacity and energy requirements have increased considerably over the
114 past 15 years and are projected to continue to increase each year for the foreseeable
115 future. In order to economically serve such increases, additional sources of long-term
116 baseload capacity and energy will be required. IMEA and its consultants have
117 continuously investigated numerous alternatives available within the region to supply the
118 baseload energy requirements of IMEA's membership for the next thirty years or more.
119 Based on these detailed investigations, IMEA has concluded that an ownership interest in
120 Trimble Co. 2 is the most cost-effective means of meeting a portion of its long-term
121 baseload capacity and energy requirements. Without this additional resource, IMEA will
122 not have sufficient baseload capacity or energy to serve the total obligations of its current
123 full requirements members with the most economical resources.

124 Q.16 HAVE ANY STUDIES BEEN PERFORMED TO DETERMINE THE
125 ADEQUACY OF THE EXISTING TRANSMISSION FACILITIES FOR TRIMBLE
126 CO. 2?

127 A. Yes. The Midwest Independent System Operator (MISO) has performed several
128 studies regarding the adequacy of existing transmission facilities. MISO performed a
129 Generation Interconnection Evaluation and Facilities Study (MISO Project G218) to

130 determine any facility upgrades or expansions necessary to interconnect Trimble Co. 2 to
131 the existing transmission system. Several upgrades and expansions were identified.
132 Pursuant to the Participation Agreement, the cost of the required interconnection facilities
133 will be borne by the joint owners of Trimble Co. 2 in proportion to their ownership
134 interests.

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

143 All of these studies have been filed as Exhibit K to the application.

144 Q.17 ARE THERE ANY OTHER FACILITIES REQUIRED TO BE CONSTRUCTED
145 OR UPGRADED IN KENTUCKY AS A RESULT OF IMEA'S OWNERSHIP OF
146 TRIMBLE CO. 2?

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

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

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

154 Q.19 HAS IMEA PERFORMED ANY STUDIES TO DETERMINE THE ECONOMIC
155 IMEACT THIS FACILITY WILL HAVE ON THE SURROUNDING AREA?

156 A. Yes. That study was prepared by Paul Coomes, Ph.D. for IMEA and IMPA. It is filed
157 as Exhibit L and includes Dr. Coomes testimony in this case.

158 Q.20 DOES THIS PROJECT MEET THE CRITERIA LISTED IN KRS 278.710 FOR
159 APPROVAL OF A MERCHANT GENERATING PLANT?

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

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

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

176 A. Yes.

177 Q.22 DOES THAT CONCLUDE YOUR TESTIMONY?

178 A. Yes.

179

Robert W. Childers

Robert W. Childers

180

181

182 Sworn and subscribe before me, a notary public, this the _____ day of May, 2005.

183

184

Tammy R. Kesterson
Notary Public

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My commission expires:

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9-18-2006

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