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RALPH H LOGAN
1910 - 1999
CHARLES R ISENBERG
1921 - 2002

August 26, 2005

RECEIVED
KENTUCKY STATE BOARD ON
AUG 29 2005
ELECTRIC GENERATION AND
TRANSMISSION SITING

Siting Board
P. O. Box 615
211 Sower Blvd.
Frankfort, KY 40602-0615

Re: Case No. 2005-00152

Dear Siting Board:

Enclosed find an original and ten copies of a Motion to Admit Relevant Portions of PSC Record.

Respectfully,

Don Meade/ss
Don Meade

DM/sks
Enclosures

800 REPUBLIC BUILDING • 429 WEST MUHAMMAD ALI • LOUISVILLE, KY 40202 • P: 502.587.8600 • TOLL FREE: 800.288.3592 • F: 502.569.2744
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COMMONWEALTH OF KENTUCKY

BEFORE THE KENTUCKY STATE BOARD ON
ELECTRIC GENERATION AND TRANSMISSION SITING

In the Matter of:

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))))))))

CASE NO.: 2005-00152

MOTION TO ADMIT RELEVANT
PORTIONS OF PSC RECORD

Come the Intervenors, International Brotherhood of Electrical Workers, Local 2100 (IBEW) and the Greater Louisville Building and Construction Trades Council (Trades Council), and move the Siting Board to admit certain relevant portions of the record developed before the PSC in Case No. 2004-00507, *Joint Application of LG&E and KU for Certificate of Public Convenience and Necessity*. As grounds for the Motion, Intervenors state that they participated in the PSC case for the purpose of insuring that the economic benefit of the Trimble County construction would be enjoyed by Kentucky citizens and LG&E/KU rate payers. Intervenors sought an order from the PSC which conditioned approval of the project on certain guarantees that construction work would be performed by Kentucky workers. To that end, Intervenors advocated that without PSC supervision, LG&E would engage in contracting practices that would utilize out of state migrant labor which deprived the Commonwealth of millions of dollars of revenue, taxes, spending and economic benefit flowing from the project.

The Trades Council and IBEW urged this position through several procedural phases of the case, including submitting and responding to data requests and presenting expert testimony. The PSC ultimately determined that it was without jurisdiction to consider the issue of economic impact of LG&E's application, at least under the statute governing convenience and public necessity. The PSC further concluded that the issue of economic impact/economic benefit was properly within the jurisdiction of the Siting Board, and directed the Intervenors to this forum.

The motions, objections, data requests, data responses and Commission orders in PSC Case 2004-00507 are essential to a proper understanding of the Commission's view of separation of jurisdictional matters, and the proper development of evidence and argument relative to economic impact with regard to the Trimble County 2 project. Incorporation of these pleadings, documents and other exhibits will promote judicial economy and expedite the Siting Board proceedings. The following documents are submitted for inclusion into the Siting Board record:

1. Motion to Intervene by IBEW and Trades Council. (Ex. 1)
2. LG&E Objection to economic benefit evidence. (Ex. 2)
3. IBEW reply to objection relating to economic impact evidence. (Ex. 3)
4. PSC Order of March 4, 2005 granting intervention to IBEW/Trades Council, but limiting issues regarding cost of labor. (Ex. 4)
5. LG&E response and objections to IBEW/Trades Council data requests. (Ex. 5)
6. IBEW/Trades Council motion for reconsideration of jurisdictional issue of economic impact, and motion to compel data responses. (Ex. 6)
7. Attorney General's motion in support of IBEW/Trades Council reconsideration. (Ex. 7)
8. Response of LG&E to IBEW/Trades Council motion for reconsideration and discovery responses. (Ex. 8)
9. PSC Order of April 8, 2005 denying motion to reconsider and motion to compel. (Ex. 9)
10. Direct testimony of IBEW/Trades Council expert witness, Larry L. Roberts. (Ex. 10)
11. LG&E motion to strike direct testimony of Roberts. (Ex. 11)

12. PSC Order of May 12, 2005 admitting Roberts' testimony and noting the parallel proceeding before the Siting Board, which had jurisdiction over "the economic impact of the facility upon the affected region and the State." (Ex. 12)

13. IBEW/Trades Council responses to LG&E data request. (Ex. 13)

The PSC Order of May 12, 2005 stated:

> ...[T]he Kentucky State Board of Electric Generation and Transmission Siting (Siting Board) will soon have before it a parallel application from the Illinois Municipal Electric Agency and the Indiana Municipal Power Agency... for this same generating plant. The Siting Board has different standards and jurisdiction than does the Commission, and we believe that it is important that orders from the two sister agencies not be in direct conflict. One of the factors that the statutes require the Siting Board to consider in reaching a decision is "the economic impact of the facility upon the affected region and the state.".. In prior cases, to meet that criterion, the Siting Board has imposed conditions in its final orders such as the following from the Application of Estill County Energy Partners: ECEP shall make reasonable efforts to hire workers, vendors and contractors from the local area. (Citation omitted) In the present case, the Commission has contracted with EBC Research & Consulting to provide a review and evaluation of the site assessment reports of both the applicants in this case and the municipal agencies in the Siting Board case. That report includes the following recommendation: "LG&E should encourage its contractors to consider hiring locally qualified construction workers, where possible." (Order, p. 2, 3, Ex. 12)

To insure that orders of the PSC and the Siting Board "not be in direct conflict," the Siting Board should grant Intervenors' motion to admit evidence showing the evolution of issues in the PSC case.

Respectfully submitted,

PRIDDY, ISENBERG, MILLER & MEADE, PLLC

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Trades Council

CERTIFICATE OF SERVICE

It is hereby certified that on the 26 day of August, 2005, an original and 10 copies of the foregoing motion was mailed to the Siting Board, P. O. Box 615, 211 Sower Blvd., Frankfort, KY 40602-0615, and a true copy thereof was mailed to the attached service list.

Don Meade

COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

RECEIVED
KENTUCKY STATE BOARD ON
AUG 29 2005
ELECTRIC GENERATION AND
TRANSMISSION SITING

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY, AND A SITE COMPATIBILITY CERTIFICATE, FOR THE EXPANSION OF THE TRIMBLE COUNTY GENERATING STATION	)	CASE NO.: 2004-00507

MOTION TO INTERVENE
BY IBEW, LOCAL 2100 AND
GREATER LOUISVILLE BUILDING
AND CONSTRUCTION TRADES COUNCIL

MOTION FOR LEAVE TO FILE DATA REQUESTS

Come the parties, International Brotherhood of Electrical Workers, Local 2100 (IBEW) and the Greater Louisville Building and Construction Trades Council (Trades Council), and move for full intervenor status in this action pursuant to 807 KAR 5:001(8). The IBEW represents employees of Louisville Gas & Electric that do the maintenance and power production activities for the Company, currently representing approximately 750 employees. The Trades Council is a 501(c)(5) organization made up of affiliated building and construction trades unions.

The parties seek full intervenor status as the employees represented by IBEW, and the workers represented by the Trades Council, share a common interest with the public and other parties in the quality of service, economy and safety of all projects involving LG&E. The IBEW brings to the proceedings particular expertise arising from actual involvement in all operational aspects of the utility, and can make a valuable contribution to the understanding, clarification and development of issues that fall within the Commission's regulatory authority.

The IBEW has historically been granted full intervenor status in significant PSC cases involving LG&E, and has participated in the discovery and hearing processes of those cases. In particular, the IBEW participated in all phases of LG&E's Joint Application of LG&E and KU for Approval of Merger, Case 97-300; the subsequent consolidated rate cases 98-426 and 98-474, and

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subsequent proceedings regarding the sale of LG&E to PowerGen, and the acquisition of PowerGen and LG&E by German owned E.on (Case No. 2001-104).

The Trades Council represents various building and construction trade affiliates that include the following: Boilermakers; Bricklayers; Carpenters; Electrical Workers; Elevator Constructors; Glaziers; Insulators; Asbestos Workers; Iron Workers; Laborers; Operating Engineers; Pipefitters; Plumbers; Plasterers and Cement Masons; Sprinkler Fitters; Roofers; Sheet Metal Workers and Teamsters.

The Trades Council collectively represents approximately 10,000 Kentucky workers. It is this group of workers that is the repository of collective skill, trade and technical knowledge that is utilized for major construction projects. The Trades Council has historically performed the major utility construction work in the area under the auspices of project labor agreements with Cinergy, Eastern Kentucky Power, TVA and utilities in Western Kentucky. The Trades Council affiliates are currently involved in the installation of a scrubber at Clifty Creek in Indiana, and have been involved in the construction of Spurlock Station for Eastern Kentucky Power, TVA work at Kentucky Dam, the Cash Creek Project in Henderson and numerous other capital construction projects.

The IBEW and Trades Council will concentrate on the issue of insuring that the economic benefits of the construction project are enjoyed by LG&E rate payers, and their local communities, by the utilization of a workforce drawn exclusively from the Kentuckiana region. The publicity surrounding the announcement of the Trimble County Project, as well as the testimony of LG&E witnesses, tout the positive economic impact that the project will have. A construction project of this magnitude, stretching over several years, will pump millions of dollars of payroll, taxes and spending power into the economy. Yet all this presumes that the construction and related work will be done by contractors and vendors that utilize employees drawn from the local area. Unfortunately, the experience of the Trades Council is that general contractors will secure the job bid through labor costs that are premised on the importation of out of state workers. By securing the cheapest labor possible, and capitalizing on difficult economic circumstances in surrounding states, Kentucky workers can be robbed of the opportunity to earn the wages and benefits of the Trimble County Project, while itinerant out of state workers perform the work and export the major economic benefit out of state.

It is the intention of the IBEW and Trades Council to develop this point through expert testimony and to seek the Commission's Order that any construction contract secure the construction and related work to the economic benefit of the local area. If LG&E rate payers are expected to underwrite the construction project through CWIP, and to ultimately indemnify LG&E for the Plant through rate adjustments, the economic benefit of the project must inure to the enrichment of the communities and citizens whom LG&E is statutorily pledged to serve.

Full intervention status should be granted both parties.

MOTION FOR LEAVE
TO FILE DATA REQUESTS

The IBEW and Trades Council move for leave to file appropriate data requests to LG&E/KU on its application and direct testimony. The original filing date was February 10. The IBEW and Trades Council request leave to file data requests no later than seven days from the date the Commission's Order granting intervention is served upon them.

Respectfully submitted,

PRIDDY, ISENBERG, MILLER & MEADE, PLLC

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CERTIFICATE OF SERVICE

It is hereby certified that on the 18th day of February, 2005, an original and 10 copies of the foregoing motion was mailed to the Public Service Commission, P. O. Box 615, 211 Sower Blvd., Frankfort, KY 40602-0615, and a true copy thereof was mailed to the attached service list.

Don Meade

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY, AND A SITE COMPATIBILITY CERTIFICATE, FOR THE EXPANSION OF THE TRIMBLE COUNTY GENERATING STATION	)	**CASE NO: 2004-00507**

RESPONSE OF KENTUCKY UTILITIES COMPANY AND LOUISVILLE GAS AND ELECTRIC COMPANY TO IBEW, LOCAL 2100 AND GREATER LOUISVILLE BUILDING AND CONSTRUCTION TRADES COUNCIL'S MOTIONS TO INTERVENE AND FOR LEAVE TO FILE DATA REQUESTS

Kentucky Utilities Company and Louisville Gas and Electric Company (collectively, the "Companies") hereby respond to the Motion to Intervene and for Leave to File Data Requests filed by the International Brotherhood of Electrical Workers, Local 2100 ("IBEW") and the Greater Louisville Building and Construction Trade Council ("Trade Council") on February 18, 2005. Although the Companies do not object to the IBEW's and Trade Council's intervention in this case, the Companies do object to the requested alteration to the existing procedural schedule, and to the proposed introduction of expert testimony or other evidence seeking relief in the form of an order directing the Companies to contract for construction services exclusively from the Kentuckiana region. In support of these objections, the Companies specifically state as follows:

The Companies object to any change to the procedural schedule to allow the IBEW and Trade Council time to have their own round of data requests. The current procedural schedule, which was established after an informal conference involving Commission Staff and all parties, provides for one more round of data requests to the Companies. Thus, if granted intervenor status, the IBEW and Trade Council will have an opportunity to propound data requests on the

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Companies in the absence of a special round created for them. To ensure that the IBEW and Trade Council will be able to make the best use of the data requests the current procedural schedule will allow them if they become intervenors, the Companies are, concurrent with this filing, providing the IBEW and Trade Council with copies of the Companies' application and copies of all the Companies' responses to the data requests other parties have made to date. Thus, allowing the IBEW and Trade Council intervenor status without allowing them a special round of discovery will not unfairly prejudice their participation in this proceeding, and such a ruling would be in accord with prior Commission precedent in cases nearly identical to this.[1]

In addition, as the Commission's Memorandum of the January 13, 2005 informal conference notes, the procedural schedule in this case, which the Commission set out in its January 27, 2005 Order, impacts the filing of two other cases: (1) the Companies' filing of an application for a certificate of public convenience and necessity for the needed transmission upgrades concerning the generating plant that is the subject matter of this proceeding; and (2) IMEA/IMPA's filing of an application with the Siting Board for their part of the generating plant. And, if the Commission were to allow the IBEW and Trade Council leave to file data requests outside of the procedural schedule, it would set a precedent which could open the door for further deviations from that schedule should additional persons or entities seek intervention in the future. Therefore, allowing the requested departure from the procedural schedule in this case could not only result in a delay of this proceeding, it could also necessitate changes in the related proceedings as well.

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[1] In the Matter of the Tariff Filing of Columbia Gas of Kentucky, Inc. to Implement Gas Cost Incentive Rate Mechanisms, Case No. 96-079, Order (6/6/1996) (allowing KIUC full intervention but denying KIUC's motion for additional 30 days for discovery and to present a witness).

The Companies also object to any attempt by the IBEW and Trade Council to introduce evidence seeking a Commission Order "that any construction contract secure the construction and related work to the economic benefit of the local area," meaning that "the construction and related work will be done by contractors and vendors that utilize employees drawn from the local area."[2] The Companies object to the introduction of that proposed testimony and any other reference to the topic because it would be irrelevant to this proceeding. As the Commission is well aware, this is a proceeding, pursuant to KRS 278.020(1), to determine the "public convenience and necessity" of constructing a new generating plant in Trimble County. The geographic origin of any labor force needed to build the plant does not bear upon the "public convenience and necessity" of the plant itself, which, as the statute sets out, is the only relevant question before this Commission in making its decision whether to issue the necessary certificate to the Companies. The Companies therefore object and ask that the Commission condition the intervention of the IBEW and Trade Council on the requirement that they not seek to introduce any evidence or reference in this proceeding, including expert testimony, concerning the make-up of the workforce the Companies might require to build the generating unit in question.

WHEREFORE, the Companies respectfully request that the Commission issue an order granting the IBEW and Trade Council's Motions to Intervene subject to the existing procedural schedule and on the condition that IBEW and Trade Council's intervention be limited to issues properly before the Commission in this proceeding.

---

[2] IBEW and Trade Council's Motion at 2-3.

Dated: February 24, 2005

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Response was served via U.S. mail, first-class, postage prepaid, this 24th day of February 2005, upon the following persons:

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COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY, AND A SITE COMPATIBILITY CERTIFICATE, FOR THE EXPANSION OF THE TRIMBLE COUNTY GENERATING STATION	)	**CASE NO.: 2004-00507**

REPLY OF IBEW, LOCAL 2100 AND TRADES COUNCIL TO LG&E'S RESPONSE REQUESTING ORDER EXCLUDING EVIDENCE OF ECONOMIC IMPACT OF CONSTRUCTION LABOR

The International Brotherhood of Electrical Workers, Local 2100 (IBEW) and the Greater Louisville Building and Construction Trades Council (Trades Council), file the following Reply to LG&E's request that intervention status be conditioned upon an order that IBEW and Trades Council "not seek to introduce any evidence or reference in this proceeding, including expert testimony, concerning the make up of the workforce the companies might require to build the generating unit in question."

I. THE ROLE OF LABOR CONSTRUCTION COSTS IS DEEPLY EMBEDDED IN THE FINANCIAL ANALYSIS.

In the *Trimble County Unit 2 Project Approach, Volume 1 Project Execution Plan*[1], the Burns & McDonald report evaluates the role of labor as a project risk:

> Todays EPC contractors [engineer-procure-construct] avoid accepting full responsibility for construction labor for a variety of legitimate reasons. Construction labor requires skilled planning and supervision, which becomes even more demanding on a project that requires 5-6 million hours of skilled and unskilled labor spread over about three years.... Labor cost sharing is a way to mitigate this risk and has become commonplace as a way to share the risk between the buyer and seller. (p. 4-3)

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[1]Attachment to Commission Staff's question number 11(d), Volume 2, filed February 25, 2005.

The Burns & McDonald report also includes a Labor Assessment (4.5) that analyses the availability of skilled, semi-skilled, union and non-union labor in the geographic area, and performed an Area Wage Rate Comparison. (Table 4-3, p. 4-23)

II. LG&E DECISIONS ABOUT CONSTRUCTION LABOR ARE BEING MADE CONTEMPORANEOUS WITH THIS PROCEEDING.

The application and supporting testimony[2] establish the following:

- EPC contractors, major equipment providers and engineering firms have already been pre-qualified, scored and ranked through the services of Cummins & Barnard, an engineering firm retained by LG&E.
- LG&E issued bid documents the week of January 24, 2005.
- Project bidders would have three months to provide initial bids, followed by a proposal review period of approximately three months.
- Detailed negotiations would proceed in the latter part of 2005.
- The scheduling target includes a notice to proceed to successful bidders in December 2005-January 2006 timeframe.[3]

LG&E has agreed to provide an initial evaluation of whether the bids are higher or lower than the estimated cost of the EPC portion of the project.[4]

Mr. Voyles estimates that about 650 construction employees will be required, on average, for each of the four years of construction, with a peak of nearly 1200 construction workers, or the equivalent of 2700 man-years. (p. 12)

III. THE PROPOSED CONTRACTING STRATEGY PROVIDES INCENTIVES FOR CUTTING LABOR COSTS AND PROVIDES NO PROTECTION FOR KENTUCKY WORKERS.

The Burns & McDonald report analyzed several contracting strategies which allocated various project risks between contractors and LG&E. "Contractor bids are generally higher as the

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[2]Direct testimony of John Voyles, VP Regulated Generation, Joint Application

[3]Voyles' testimony, page 10, 11.

[4]Response to AG's request for information, February 25, 2005, Question No. 1.

level of risk increases. As owner risk increases, a higher level of contingency should be carried to deal with the risk."[5] The Burns & McDonald report recommends Alternate 4 Contracting Strategy. This strategy is described as follows:

> Contracts are awarded early to allow adequate design and procurement time that are in advance of construction so unit costs for labor are the least predictable. (p. 4-14)

The characteristics of this strategy are described as "high risk to contractor, low risk to owner" on two of the three major components of construction. (p. 4-15) While LG&E's analysis of labor costs is premised upon utilization of a pool of employees, drawn from the geographic area, incentives are provided to contractors, once bids are accepted, to utilize the cheapest labor possible. This could easily include the importation of workers from out of state, who can be paid wages and no benefits that undermine the local labor market and disenfranchise Kentucky employees from opportunities to perform the work. In the absence of negotiated criteria for the utilization of Kentucky employees by the contractor, the TC2 project could easily and predictably result in damage to the local economy and undercutting the expected economic benefit of hundreds of jobs.

As reported by the Courier Journal in a November 27, 2003 article titled Ozone Busters (Ex. 1), several Kentucky utilities have invested over 1 billion dollars in projects that have generated thousands of construction jobs in the process of implementing technology to reduce pollution:

> At the peak of construction, LG&E Energy had about 1400 workers at the four power stations being equipped with SCR Units, said Scott Straight, Director of NOx projects for the utility company. Altogether, the project represents about three million work hours and cost six hundred million, Straight said. Sixty percent of the cost was for labor.

Upon information and belief, it is the position of the IBEW and Trades Council that a significant portion of the labor utilized in those projects came from outside Kentucky. Yet the

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[5] *Trimble County Unit 2 Project Approach, Volume 1 Project Execution Plan*, Executive Summary, p. 1-2.

creation of construction jobs has been touted, by implication, as an economic benefit of the construction.[6]

Labor construction costs are clearly a significant financial aspect of the proposed project.

IV. THE CERTIFICATE OF NEED DISCOVERY AND HEARING PROCESS IS APPROPRIATE FOR CONSIDERATION OF ALL ASPECTS OF THE COMPANY'S PROPOSAL.

LG&E raises objection that the Certificate of Need process does not embrace issues such as the Commission's review of construction costs and the economic impact. Yet all other aspects of the Company's application are to be examined – projections, financial, energy usage, alternate sources, site and environmental impact. The Commission has a responsibility to citizens of the Commonwealth, and particularly to LG&E rate payers, to insure that all aspects of the Company's proposal have sufficient integrity and fiscal responsibility to be approved.

This Commission has exercised jurisdiction over approval of LG&E mergers by conditioning approval on requiring LG&E merger/acquisition partners to maintain the corporate headquarters for 10 years in the Louisville area. In that proceeding, the economic impact of losing jobs from the Commonwealth was a paramount consideration and led to concessions and conditions that protected the public interest. In the same way, the issue of utilization of local manpower resources is an intrinsic aspect of the Commission's jurisdiction to judge the appropriateness and fiscal responsibility of the LG&E proposal.

If the Commission does not permit investigation of these issues now, it will never occur. The next opportunity would be a rate case after the completion of TC2, when the issue would be moot. This is the appropriate time, the appropriate forum and the appropriate parties to raise these issues. It is difficult to imagine LG&E taking a position that it is not the concern of this Commission, nor the concern of the rate payers, nor the concern of the Company itself how construction dollars – which are expected to be recovered through CWIP from the rate payers – can be spent without any accountability as to whether the economic benefit of the project will inure

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[6]Courier Journal article November 20, 2004 Power Plant Claim Disputed (Ex. 2)

to the Commonwealth, and workers within the LG&E service area. Yet the Company wants to maintain a veil of secrecy over this issue to prevent public disclosure of this critical information. The Commission should not align itself with such a corporate position and should grant full intervenor status, without conditions.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing pleading was served via U.S. mail, first-class postage prepaid, this 1st day of MARCH, 2005, upon the following persons:

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Courier-Journal

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Page: 01F

OZONE BUSTERS

WOLFE BILL
STAFF

Pollution-control units at power plants clean the air after providing thousands of jobs across Kentucky

BILL WOLFE

The Courier-Journal

bwolfe@courier-journal.com

After investing more than $1 billion in projects that have generated thousands of construction jobs and three years of construction across the state, Kentucky's power companies are near completion of an assault on ozone.

Under orders from the federal Environmental Protection Agency to lower ozone-forming emissions by May 31, Louisville Gas & Electric Co., Kentucky Utilities, East Kentucky Power Cooperative and the Tennessee Valley Authority are installing massive pollution control units at six plants. More than half are finished.

The end result will be a 65 percent reduction in nitrous oxides across the eastern United States during the ozone season of May-September. Nitrous oxide, commonly called NOx, is one of the primary ingredients of ground-level ozone, which is harmful to breathe and damaging to the Earth's vegetation. The higher ozone layer is considered good, because it protects from the sun's harmful ultraviolet rays.

Cleaner air comes at a cost to utility customers, of course. LG&E Energy, which owns LG&E, KU and Western Kentucky Energy, adds a state-approved 3 percent environmental surcharge to customers' bills. On a $100 monthly utility bill, for example, the charge is $3. The charge will remain in effect until the equipment is paid for - about 25 years.

Utilities use various ways to lower NOx emissions, including low-NOx burners. But the biggest step for Kentucky's power companies has been installing chemical-processing units that use a process called selective catalytic reduction (SCR).

The formula for SCR isn't that complicated: spritz the fumes coming off a coal-fired boiler with a little ammonia and run the mixture past a collection of catalytic plates that speed up a reaction breaking down the NOx. About 90 percent turns into water and nitrogen - the harmless gas that makes up about 80 percent of regular air.

Putting that chemical process into a real-life pollution-control device and retrofitting power plants is

EX 1

more complicated. The mammoth processing units have to be squeezed in and around the plants, their smokestacks and other pollution-control equipment, such as the sulfur scrubbers used at many power plants in Kentucky.

At the peak of construction, LG&E Energy had about 1,400 workers at the four power stations being equipped with SCR units, said Scott Straight, director of NOx projects for the utility company. Altogether, the project represents about 3 million work-hours and costs $600 million, Straight said. Sixty percent of the costs was for labor.

The SCR construction work goes on while the plants crank out megawatts of power. In some ways, it's like overhauling an engine while a car is still cruising down the highway.

At LG&E's 1,700-megawatt Mill Creek station in Jefferson **County**, the company spent $3 million just to move power lines for the SCR units, Straight said. At the 30-year-old Ghent generating station in Carroll **County**, which produces about 75 percent of KU's electricity, "we had to rebuild the riverfront," Straight said.

Work at Ghent included bringing in and assembling the world's second-largest mobile crane, which stands 300 feet tall, he said. "It took 42 semi-trucks to bring in that one crane."

There are four generating units at Ghent and three SCR complexes - each about 140 feet tall and as big as a city block.

Parts of the units go deep underground, too. "There were times where we put pylons down 180 feet," Straight said.

Like the other utilities, LG&E and KU put the SCRs in their biggest polluters - their biggest plants. LG&E Energy's other SCRs landed in the 900-megawatt **Trimble County** Station in Bedford, Ky., and at the 420-megawatt Big Rivers' Wilson Station in Island, Ky., operated by Western Kentucky Energy. If LG&E gets approval for its proposed new unit at the **Trimble County** plant, it will include SCR gear, Straight said.

East Kentucky Power Cooperative, a not-for-profit generation and transmission utility in Winchester, spent $200 million on SCR units and related improvements at the 850-megawatt Spurlock Station near Maysville, spokesman Kevin Osborne said. Designing, engineering and constructing two units there took about two years. The first unit began operating in the spring of 2002, while the second began its work in July.

East Kentucky Power will use a different type of NOx removal that does not need a catalyst at Spurlock Station's new Gilbert Unit, scheduled to begin operation in 2005.

TVA spent $225 million on three SCR units at its huge 2,266-megawatt Paradise Fossil Plant in Drakesboro, Ky.

The first came online in 2000, the second in 2002 and the third, this summer.

Construction jobs for all of the power-plant work provided Kentucky with a needed boost just when the economy began hitting the skids around 2000. In fact, "back in 1999, it was a big concern whether could we get enough" workers for the projects, Straight said.

Four Kentucky utilities, including Louisville Gas & Electric, are installing massive pollution control units at six plants under orders from the federal Environmental Protection Agency. More than half are finished.

Photos BY JAMIE RHODES, SPECIAL TO THE COURIER-JOURNAL

Appa Rao Karnam welded a test porthole shut at the 30-year-old Ghent (Ky.) generating station near Carrollton.

The Ghent station is getting three selective catalytic reduction units to remove nitrous oxide. Work included assembling the world's second-largest mobile crane, which stands 300 feet tall, said LG&E Energy's Scott Straight. "It took 42 semi-trucks to bring in that one crane."

INFORMATIONAL GRAPHIC CLEANER POWER PLANTS BY STEVE REED, THE C-J (SEE LIBRARY MICROFILM OR LIBRARY KIOSK PDF PAGES)

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Power-plant claim disputed
WOLFE BILL

BEARDSLEY ELISABETH J
STAFF

E.On approved unit before etcher trip

Bill Wolfe

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The Courier-Journal

LG&E Energy's German parent, E.On, approved a new $1.2 billion coal-fired power plant in **Trimble County** a week before Gov. Ernie Fletcher met with E.On officials at their Dusseldorf headquarters.

But this week, Fletcher and other state officials took partial credit, saying the governor's visit to Germany was a factor in securing a commitment to build the plant - an addition to an existing **Trimble** power station.

In a press conference at the Capitol Tuesday, Fletcher listed the **Trimble** project and a steel plant expansion in Carroll **County** as "some of the fruits of that trip" to Spain, Italy and Germany. With the list of achievements, he said, "I think you can see some of the things that were a direct result of, or at least related to, that trip and stemming from that effort."

Fletcher spokesman Doug Hogan said on Tuesday, "If they've been thinking about this for years and now they're doing it, then that shows you the leadership, the energy and the vision this governor brings to the table gets results. An investment could have been made in the past at some point, but obviously, there was some factor they weren't comfortable with, but now they are because Gov. Fletcher is in office."

On Thursday, Hogan defended the governor's role in securing the plant and said the project "was pretty much scrapped" before Fletcher took office.

But that is not the way LG&E spokeswoman Laura Douglas characterized the project on Thursday. Permitting problems had delayed work, but "it's not a matter of people on this end abandoning the plan to build a new plant," Douglas said.

The **Trimble** power plant project was progressing with or without the governor's help, Douglas said.

Ex 2

Douglas said that LG&E " got the approvals from E.On to go ahead with the project about the 23rd of September." Fletcher left for Europe Sept. 25 and arrived in Germany five days later.

Still, Douglas said, Fletcher's trip was valuable because "he conveyed his support of the project and he really helped solidify the relationship between his office and the E.On leadership."

In response to revelations about progress the project had made before the governor's trip, Hogan said, "We've never said that the deal would not have been inked if the governor had not gone" to Germany. "What we said was the governor had a tremendous impact in the face-to-face meetings" with E.On and "laid the groundwork for what is a huge investment."

LG&E's two minority partners in the **Trimble** operation - Indiana Municipal Power Agency and Illinois Municipal Electric Agency - both said they had never gotten word that the venture might not proceed.

"The last word we had heard ... was that their plans for a second unit were ongoing," said Phillip Mueller, spokesman for the Illinois agency.

Trimble County Judge-Executive Randy Stevens, a Democrat, said he had met several times with local LG&E representatives since he took office at the beginning of 2003, and the project had never seemed in doubt. "To my knowledge it was always out there being talked about," he said. "They never indicated that the plans were off the board."

Timing for construction was uncertain, Stevens said, but he had always kept in touch with LG&E on the project.

At one time, LG&E had said the second **Trimble** unit might be operating as early as 2008. Current plans call for construction to begin in 2006 and for the plant to begin operating four years later.

Fletcher and a delegation of state officials and other citizens flew to Europe to seek investments from some of Kentucky's 156 European-owned companies. The trip cost the state $69,000, but the governor said it will pay off through projects such as the power plant and an expansion of a Carroll **County** steel plant.

During the four years that the power plant is being built, an average of 600 to 700 construction jobs are expected to be created, and 35 permanent full-time employees will be needed to run the completed unit.

North American Stainless, owned by the Acerinox Group in Madrid, plans to expand and add jobs at a plant in Carroll **County**. Before Fletcher's visit, the company had planned a $75 million expansion that would add 35 jobs. After meeting with the governor, the company authorized 140 more employees.

Fletcher drew criticism for making the trip shortly before the October special session of the Kentucky General Assembly to deal with health insurance for state employees.

Courier-Journal reporter Elisabeth Beardsley contributed to this story.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY, AND A SITE COMPATIBILITY CERTIFICATE, FOR THE EXPANSION OF THE TRIMBLE COUNTY GENERATING STATION	))))))))	CASE NO. 2004-00507

O R D E R

On December 17, 2004, Louisville Gas and Electric Company and Kentucky Utilities Company ("Applicants") filed a joint application for approval to construct a 750 MW super-critical pulverized coal-fired generating unit at their Trimble County Generating Station. On January 27, 2005, the Commission issued a procedural schedule in the case setting, among other things, the discovery schedule.

On February 21, 2005, the International Brotherhood of Electrical Workers, Local 2100, and the Greater Louisville Building and Construction Trades Council ("Movants") moved for full intervenor status in this case. Recognizing that the February 10, 2005 date for filing of initial data requests has passed, Movants further requested leave to serve data requests on Applicants no later than 7 days from the date on which their motion to intervene is granted. Finally, Movants gave notice that they intend "to seek the Commission's Order that any construction contract secure the construction and related work to the economic benefit of the local area."

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On February 24, 2005, Applicants filed a response to the motion. Applicants do not oppose Movants' interventions, but they do object to the modification of the discovery schedule and Movants' plans to address labor force issues. On March 2, 2005, Movants replied to Applicants' response, focusing on the labor force issues.

Because the motion to intervene is unopposed, and because the Commission finds that the intervention is likely to present issues and develop facts that will assist the Commission in fully considering the matter, each Movant is granted full intervenor status. Such motions, however, are generally granted with the condition that the intervenors abide by the existing procedural schedule. The Commission finds no reason to deviate from that rule. If adherence to the schedule would foreclose discovery by Movants, we might be otherwise persuaded; but Movants may serve data requests on Applicants on March 17, 2005 under the existing schedule. The Commission finds that Movants' request to modify the existing procedural schedule by adding an additional discovery opportunity should be denied.

Finally, the Commission points out that this case is an application for a Certificate of Public Convenience and Necessity under KRS 278.020 and an application for a Site Compatibility Certificate under KRS 278.216. Neither of those sections raises rate case issues such as cost of labor. The Commission shares Movants' concern for local investment and the Commonwealth's business and employment wellbeing. This case, however, is not the correct forum to raise those issues. In their March 2, 2005 reply, Movants claim the issues will be moot by the time Applicants file a rate case. The Commission believes, however, that Movants can get a fair hearing on their issues then.

The Commission therefore finds that Movants should limit the issues they address in this case to those issues properly before the Commission.

IT IS THEREFORE ORDERED that:

1. Movants are granted full intervenor status in this case, subject to the limitation of issues discussed in this Order.

2. Each Movant shall be entitled to the full rights of a party and shall be served with the Commission's Orders and with filed testimony, exhibits, pleadings, correspondence, and all other documents submitted by the parties after the date of this Order.

3. Should any intervenor file documents of any kind with the Commission in the course of these proceedings, a copy of said documents shall also be served upon all other parties of record.

4. Movants' request to modify the procedural schedule is denied.

Done at Frankfort, Kentucky, this 4th day of March, 2005.

By the Commission

ATTEST:

Robert A. Amato for the
Executive Director

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY, AND A SITE COMPATIBILITY CERTIFICATE, FOR THE EXPANSION OF THE TRIMBLE COUNTY GENERATING STATION	)))))))	**CASE NO: 2004-00507**

RESPONSE OF LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY TO THE FIRST DATA REQUEST OF INTERVENORS IBEW, LOCAL 2100 AND GREATER LOUISVILLE BUILDING AND CONSTRUCTION TRADES COUNCIL DATED MARCH 17, 2005

FILED: March 30, 2005

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LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

CASE NO. 2004-00507

Response to the First Data Request of Intervenors
IBEW, Local 2100 and
Greater Louisville Building
and Construction Trades Council
Dated: March 17, 2005

Question No. 1

Responding Witness: John N. Voyles

Q-1. Produce a copy of the RFP that LG&E is utilizing in the solicitation of bids from pre-qualified EPC's, as referred to by the Voyles testimony, p. 10.

A-1. A copy of the RFP is being provided with a Petition for Confidential Protection.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

CASE NO. 2004-00507

Response to the First Data Request of Intervenors
IBEW, Local 2100 and
Greater Louisville Building
and Construction Trades Council
Dated: March 17, 2005

Question No. 2

Responding Witness: John N. Voyles

Q-2. Produce all other documents supplied to, or otherwise made available by LG&E, to EPC bidders related to labor market conditions, wage rates, benefit rates, craft availability, employment trends or any other information for the assessment and projection of labor costs for TC2.

A-2. The only information provided to the EPC bidders for TC2 was the RFP, the draft air permit and clarification responses to the RFP. There has been no information relative to "labor market conditions, wage rates, benefit rates, craft availability, employment trends or any other information for the assessment and projection of labor costs for TC2" provided to the bidders.

The bidders are solely responsible for the labor risk of their bids. Given this, they are expected to perform their own labor studies for the issues stated above in the preparation of their lump sum, competitive bids. The EPC bidders' internal reviews are considered standard practice for their line of business. Proposals for projects of this size routinely require the bidders to assume the labor risk. It should be noted that three of the four bidders have performed union projects in the past. The decision to utilize union versus non-union labor is a business decision they must make to place them in the best competitive position possible for their lump sum, competitive bid.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

CASE NO. 2004-00507

Response to the First Data Request of Intervenors
IBEW, Local 2100 and
Greater Louisville Building
and Construction Trades Council
Dated: March 17, 2005

Question No. 3

Responding Witness: John N. Voyles

Q-3. With reference to the Burns & McDonald report, *Trimble County Unit 2 Project Approach, Volume I Execution Plan*, explain why the labor market analysis performed under Section 4.5 did not include review of labor and craft employee availability from the Paducah, Owensboro and Lexington, Kentucky areas?

A-3. The Burns & McDonnell report cited was a preliminary report used internally in developing the project's reasonableness, including labor issues during periods of construction and other project issues identified in the report. As the report was preliminary, it had no particular relevance in the lump sum bidding process pursued for TC2. As stated in response to Question No. 2, no report of any kind concerning labor conditions has been released to the lump sum, competitive bidders.

The bidders are being asked to assume the labor risk on the project through Liquidated Damages relative to performance, cost and schedule. The Companies would not release any information of this nature to the bidders in order to protect the Companies and their ratepayers from assuming any of the labor risk associated with performance, cost and schedule listed in the RFP.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

CASE NO. 2004-00507

Response to the First Data Request of Intervenors
IBEW, Local 2100 and
Greater Louisville Building
and Construction Trades Council
Dated: March 17, 2005

Question No. 4

Responding Witness: John N. Voyles

Q-4. With reference to the Burns & McDonald report, *Trimble County Unit 2 Project Approach, Volume 1 Execution Plan*, how many of the non-union electricians, identified in Table 4-3, are construction electricians, and how many are residential?

A-4. Objection. In its Order of March 4, 2005 the Commission directed the IBEW and Trades Council to limit the issues they address in this case to those issues properly before the Commission in this proceeding. This request improperly seeks information which is beyond the scope of the matters at issue in this proceeding, and therefore the requested information is not being provided. Without waiver of this objection, the Companies respond as follows:

Please see the response to Question No. 3 stating that the report has not, and will not, be issued to the bidders on TC2.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

CASE NO. 2004-00507

Response to the First Data Request of Intervenors
IBEW, Local 2100 and
Greater Louisville Building
and Construction Trades Council
Dated: March 17, 2005

Question No. 5

Responding Witness: John N. Voyles

Q-5. With reference to the Burns & McDonald report, *Trimble County Unit 2 Project Approach, Volume 1 Execution Plan*, the report concludes that "both union and non-union craft are very busy" (4-21) and "labor halls do not have many craft on the bench." (4-22) With regard to these conclusions, (1) has any effort been made by the Company to update employment conditions since the statistics were gathered in 2001-2002, and (2) from the Company's knowledge of the local labor market and prevailing economic conditions, does it consider that the report's assessment of labor utilization accurately reflects 2005 employment trends?

A-5. (1) and (2)

No. Please see response to Question No. 3 stating that the report has not, and will not, be issued to the bidders on TC2.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

CASE NO. 2004-00507

Response to the First Data Request of Intervenors
IBEW, Local 2100 and
Greater Louisville Building
and Construction Trades Council
Dated: March 17, 2005

Question No. 6

Responding Witness: John N. Voyles

Q-6. With reference to the Burns & McDonald report, *Trimble County Unit 2 Project Approach, Volume 1 Execution Plan*, the table at 4-3 does not indicate a value for fringe benefits for any non-union craft employees. Is it LG&E's position that the EPC may avoid paying health care coverage costs for employees as a method of reducing labor costs for the construction of TC2?

A-6. No. Please see the response to Question No. 3 stating that the report has not, and will not, be issued to the bidders on TC2.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

CASE NO. 2004-00507

Response to the First Data Request of Intervenors
IBEW, Local 2100 and
Greater Louisville Building
and Construction Trades Council
Dated: March 17, 2005

Question No. 7

Responding Witness: John N. Voyles

Q-7. What requirements, if any, were imposed upon EPC contractors to prefer or utilize Kentucky workers in the construction and installation of SCR's at the Ghent and Mill Creek plants?

A-7. Objection. In its Order of March 4, 2005 the Commission directed the IBEW and Trades Council to limit the issues they address in this case to those issues properly before the Commission in this proceeding. This request improperly seeks information which is beyond the scope of the matters at issue in this proceeding, and therefore the requested information is not being provided.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

CASE NO. 2004-00507

Response to the First Data Request of Intervenors
IBEW, Local 2100 and
Greater Louisville Building
and Construction Trades Council
Dated: March 17, 2005

Question No. 8

Responding Witness: John N. Voyles

Q-8. Will LG&E include a requirement that the EPC for tc2 will utilize Kentucky employees exclusively unless it can certify that efforts to recruit and retain a sufficient labor force, including skilled crafts, have failed to staff the project according to the manpower needs and timetables specified? If LG&E does oppose the imposition of such a criteria on the EPC, identify issues other than employee availability that form the basis for the Company's position.

A-8. Objection. In its Order of March 4, 2005 the Commission directed the IBEW and Trades Council to limit the issues they address in this case to those issues properly before the Commission in this proceeding. This request improperly seeks information which is beyond the scope of the matters at issue in this proceeding, and therefore the requested information is not being provided.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

CASE NO. 2004-00507

Response to the First Data Request of Intervenors
IBEW, Local 2100 and
Greater Louisville Building
and Construction Trades Council
Dated: March 17, 2005

Question No. 9

Responding Witness: John N. Voyles

Q-9. With reference to the Burns & McDonald report, *Trimble County Unit 2 Project Approach, Volume 1 Execution Plan*, the report concludes "Cost estimate values are based on a merit-shop approach". (4-22) What assumption was made about the percentage of work to be performed "based upon a merit-shop approach" with regard to the cost estimate values for labor?

A-9. The report clearly states the estimates in the report are based on merit shop approach. It should be taken to mean 100%. Again, please see the response to Question No. 3 stating that the report has not, and will not, be issued to the bidders on TC2.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

CASE NO. 2004-00507

Response to the First Data Request of Intervenors
IBEW, Local 2100 and
Greater Louisville Building
and Construction Trades Council
Dated: March 17, 2005

Question No. 10

Responding Witness: John N. Voyles

Q-10. With reference to the Burns & McDonald report, *Trimble County Unit 2 Project Approach, Volume 1 Execution Plan*, the report concludes that the location of the project in the Ohio Valley is a plus for drawing from a pool of skilled employees to handle "specialty type craft" work. (4-22) From the Company's experience in the SCR work at Mill Creek and Ghent, is LG&E in possession of any data that would indicate an inadequate pool of skilled employees sufficient to meet the manpower needs for construction of TC2? If so, produce the data.

A-10. No. The Company has no data suggesting an inadequate pool of skilled employees exists.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

CASE NO. 2004-00507

Response to the First Data Request of Intervenors
IBEW, Local 2100 and
Greater Louisville Building
and Construction Trades Council
Dated: March 17, 2005

Question No. 11

Responding Witness: John N. Voyles

Q-11. What percentage of the workforce, employed by the EPC on the Mill Creek SCR project, came from outside the Commonwealth?

A-11. Objection. In its Order of March 4, 2005 the Commission directed the IBEW and Trades Council to limit the issues they address in this case to those issues properly before the Commission in this proceeding. This request improperly seeks information which is beyond the scope of the matters at issue in this proceeding, and therefore the requested information is not being provided.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

CASE NO. 2004-00507

Response to the First Data Request of Intervenors
IBEW, Local 2100 and
Greater Louisville Building
and Construction Trades Council
Dated: March 17, 2005

Question No. 12

Responding Witness: John N. Voyles

Q-12. What percentage of the workforce, employed by the EPC on the Ghent Plant SCR projects, came from outside the Commonwealth?

A-12. Objection. In its Order of March 4, 2005 the Commission directed the IBEW and Trades Council to limit the issues they address in this case to those issues properly before the Commission in this proceeding. This request improperly seeks information which is beyond the scope of the matters at issue in this proceeding, and therefore the requested information is not being provided.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

CASE NO. 2004-00507

Response to the First Data Request of Intervenors
IBEW, Local 2100 and
Greater Louisville Building
and Construction Trades Council
Dated: March 17, 2005

Question No. 13

Responding Witness: John N. Voyles

Q-13. Is it LG&E's position that it would violate its fiduciary duty to rate payers by requiring the EPC to provide medical insurance fringe benefits to employees who work on the construction phase of the project? Please explain the rationale for the Company's response.

A-13. Objection. In its Order of March 4, 2005 the Commission directed the IBEW and Trades Council to limit the issues they address in this case to those issues properly before the Commission in this proceeding. This request improperly seeks information which is beyond the scope of the matters at issue in this proceeding, and therefore the requested information is not being provided.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

CASE NO. 2004-00507

Response to the First Data Request of Intervenors
IBEW, Local 2100 and
Greater Louisville Building
and Construction Trades Council
Dated: March 17, 2005

Question No. 14

Responding Witness: John N. Voyles

Q-14. Is it LG&E's position that it would be violating its fiduciary duties to the rate payers by insisting upon the utilization of a workforce drawn exclusively from Kentucky, unless insufficient employees and skills were available to keep the project on schedule? Please explain the rationale for the Company's response.

A-14. Objection. In its Order of March 4, 2005 the Commission directed the IBEW and Trades Council to limit the issues they address in this case to those issues properly before the Commission in this proceeding. This request improperly seeks information which is beyond the scope of the matters at issue in this proceeding, and therefore the requested information is not being provided.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

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Response to the First Data Request of Intervenors
IBEW, Local 2100 and
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and Construction Trades Council
Dated: March 17, 2005

Question No. 15

Responding Witness: John N. Voyles

Q-15. Is it LG&E's position that an EPC should have the authority to utilize out of state employees if doing so allows TC2 to be built more economically than if Kentucky employees are preferred or required? Please explain the rationale for the Company's response.

A-15. Objection. In its Order of March 4, 2005 the Commission directed the IBEW and Trades Council to limit the issues they address in this case to those issues properly before the Commission in this proceeding. This request improperly seeks information which is beyond the scope of the matters at issue in this proceeding, and therefore the requested information is not being provided.

COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY, AND A SITE COMPATIBILITY CERTIFICATE, FOR THE EXPANSION OF THE TRIMBLE COUNTY GENERATING STATION	)))))))	**CASE NO.: 2004-00507**

INTERVENOR IBEW AND TRADES COUNCIL MOTION FOR RECONSIDERATION

MOTION TO COMPEL DISCOVERY RESPONSES

Come the Intervenors, International Brotherhood of Electrical Workers, Local 2100 (IBEW) and the Greater Louisville Building and Construction Trades Council (Trades Council), and move the Commission to reconsider its Order of March 4, 2005 and its holding that the instant proceeding – Application for a Certificate of Public Convenience and Necessity Under KRS 278.020 – is not an appropriate forum to raise economic impact issues regarding LG&E expenditures for the employ of out-of-state workers for the construction of the TC2 facility. In support of its Motion, the Intervenors state the following grounds:

I. THIS COMMISSION HAS AN OBLIGATION TO THE CITIZENS OF KENTUCKY TO AVOID BEING MANIPULATED BY COMPANIES WHICH SEEK TO MASK THEIR ANTI-UNION CONTRACTING PRACTICES BY MISREPRESENTING PROJECT ECONOMIC BENEFITS.

The Commission's current procedures permit utility and other companies to utilize its procedures to mask a corporate strategy that seeks to weaken and destroy the collective bargaining power of Kentucky craft and trade workers who are unionized. The PSC exacts no accountability, through any of its statutory proceedings, for insuring that the economic impact of major construction projects benefit Kentucky workers. Companies exploit this loophole to gain PSC approval of their projects, then pursue contracting strategies that undermine Kentucky workers, and their unions, by allowing construction to be performed through the importation of out of state

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workers, employed at sub-standard wages and benefits. This corporate strategy robs the Commonwealth of vital economic benefits, which are subsidized out of the pockets of ratepayers. It leaves idle hundreds of Kentucky workers that rely upon major construction projects for their livelihood. And it supports an overall corporate anti-union strategy of weakening labor organizations for the purpose of depressing wages and benefits in the interest of improving corporate profits.

The majority of skilled trades and craft employees, with appropriate expertise in power plant construction, belong to unions in Kentucky. If construction jobs are retained for the Commonwealth, union workforces are fully employed. Where union workers are employed, wages and earning power come back into the community. Moreover, medical insurance and retirement benefits are funded, promoting the general welfare in the Commonwealth. A mechanism that permits contracting through the importation of workers undermines the local wage structure. This is demonstrated by LG&E's own consultants. Non-union employees do not enjoy benefit payments for such necessities as medical insurance and retirement, undermining the general welfare of the Commonwealth. (Ex. 1)

This situation is best illustrated through a 2002 PSC case, *The Application of Thoroughbred Generating Company LLC for a Merchant Power Plant Construction Certificate in Muhlenberg County*, a case before the Kentucky State Board on Electric Generation and Transmission Citing (No. 2002-00150). The Merchant Power statute requires an analysis of the economic impact the facility will have on the region and the state. (KRS 278.706(2)(j)) In its application, Thoroughbred filed a report "Thoroughbred Energy Campus: An Analysis of Economic Impacts for Kentucky," performed by KPMG LLP Economic Consulting Services, Washington, D.C. (Ex. 2) The report presented rosy projections of substantial economic benefits for Muhlenberg County and the 17 county surrounding area.

Projected were 914 average direct job years that would result from construction of the power plant. An estimated spending total of $704 million for labor and materials within

Muhlenberg County was made. Detailed calculations, contained in the appendix, were broken down into categories of (1) Amount Spent Within Kentucky, (2) Amount Spent Within the 17 County Community, and (3) Amount Spent Within Muhlenberg County. Table A-2 demonstrated a total of $19,877,245 to be spent in total labor and benefits, with almost 16 million to be spent within Kentucky.

The Commission relied upon this economic analysis in its order approving the project:

> The project, it is estimated, will create an average of $98 million in new spending on an annual basis. Construction of the plant, scheduled to occur over a 4-½ year period, will create an average of 1500 jobs, with a maximum peak of 2900. Approximately 450 workers will be employed fulltime once the plant is operational. KPMG estimates that of the 450 fulltime workers, approximately 402 can be expected to be residents of the Commonwealth.
>
> Approximately 3.345 billion in cumulative new spending can be expected to occur over the construction and operating life of the project. Once the plant is operational, it is expected that 11 million will be spent on an annual basis for locally provided goods and services. Coincidentally, the average operating payroll is estimated to be 11 million annually, and 4 million of that income will go to employees residing in Muhlenberg County. KPMG estimates that for every dollar spent for construction and operation, 54 cents in additional spending will be generated in the Commonwealth; 74 cents of additional income will be generated in the Commonwealth for every dollar paid in wages; and 1.7 additional jobs will be created in the Commonwealth for each worker hired. (Commission Final Order, 2002-00150) (Ex. 3)

It is clear that the Commission relied upon representations made in the application. The Thoroughbred application summarized the impact of construction:

> Construction of the Thoroughbred Generating Station will occur over a 4½ year period. The average number of workers will be approximately 1500 with the maximum at peak of 2900. *These workers will most likely be residents of the Western Kentucky area. Some workers will temporarily relocate to the area during the construction.* (Our emphasis) (Ex. 2, cover page)

As emphasized above, the Thoroughbred project had a built-in loophole that made illusory the every economic analysis upon which the Commission relied. Announcement of the plans for the new plant were greeted with jubilation, as indicated in a February 13, 2001 Owensboro *Messenger-Inquirer* article, "Peabody Announces Coal Plant Plans – Construction Will

Bring 1000 Jobs." (Ex. 4) The announcement was attended by Gov. Patton, Sen. Mitch McConnell and U.S. Representative Ed Whitfield. Yet a year later the loophole was unmasked and concerns were rife in the very community that was to benefit from the project. An April 7, 2002 Owensboro *Messenger-Inquirer* article reports:

> But the warm reception has chilled amid fears that Peabody is considering hiring a Texas company as the general contractor to oversee construction of the 1500 megawatt plant near Central City. Yonts [state representative Brent Yonts] and area union leaders are concerned that the Zachry Construction Corporation in San Antonio – an open, or non-union, shop – will bring in its own laborers to do much of the construction work. (Ex. 5)

The article further reports that representatives from Zachry confirmed that it would give preference "to people who have previously worked for Zachry," then hire locally.

An April 12, 2002 *Messenger-Inquirer* article correctly identified the issue of broken promises:

> The people of Muhlenberg County have every right to expect Peabody to stick to the promises it made. As the plant citing process has played out, Peabody has claimed a local economic impact of 75 million annually and 3.3 billion in new spending during the life of the project. (Ex. 6)

In an observation that provides a mirror image to the proceedings in the LG&E case, the newspaper confronted the dodging the utility was doing in arguing that no decision had yet been made:

> It is understandable for Peabody to say it hasn't yet made a decision, but there will come a time when that answer is no longer good enough. At some point the Company will need to explain its plans to the people of Muhlenberg County. (Ex. 6)

The controversy continued to the extent that local elected officials began passing resolutions "asking Peabody Energy to use local tradespeople to build a proposed coal fired power plant." (Ex. 7) The matter reached a boiling point when 300 people turned out to a public hearing related to issuing an air quality permit, as reported by a July 26, 2002 *Messenger-Inquirer* article:

> Most of the 300 people that packed the Muhlenberg North High School cafeteria wore union tee shirts or sported "Local Plant,

> Local Jobs" stickers to the State Division for Air Quality hearing. (Ex. 8)

The matter commanded the attention of Sen. Mitch McConnell, who in a July 15, 2002 letter to the President of Peabody made his position crystal clear:

> It has recently come to my attention, however, that one of the lead contractors, the H.B. Zachry Construction Corporation of San Antonio, Texas, has announced its intention to hire its first workers from a pool of former employees – the vast majority of whom are Texas residents. Contrary to all common sense, the proposed hiring rules would place Kentucky workers at a significant disadvantage in competing for these new jobs located in Kentucky, and do nothing to relieve the already too-high unemployment rates. *I urge you in the strongest terms to insure that local residents receive top priority as job applicants for all positions, both within the new Peabody Energy Plant and throughout construction and operation contractors. I never would have offered my support for this project had I know that job applicants from Kentucky would be given second class status.* (Emphasis in original) (Ex. 9)[1]

The same scenario is already playing out in the TC2 case. A March 2, 2005 article from the *Trimble Banner* reported 300 local residents attended a town meeting over the issue of whether the project was going to utilize Kentucky labor. The newspaper reports the statements of Joe Wise, Director of the Greater Louisville Building and Construction Trades Council:

> Wise said that 4 years ago LG&E took the stance that they wanted local workers on their jobs and said that they would require contractors to bring in local workers for each project. However, he said it didn't quite work that way. Wise said at the time LG&E began a project to install FTR scrubbers at the Trimble Plant and that workers came from Florida, Texas, Louisiana, Tennessee, South Carolina, North Carolina and Georgia.

The article also reports a statement from the Trimble County Plant Manager, Tom Crutcher: "...We're not going to dictate to people who are qualified to build that unit what their source of labor should be." (Ex. 10)

LG&E's contracting strategy for TC2 has been identified as "high risk to contractor, low risk to owner" and places incentives on labor cost cutting by forcing the risk upon the contractor:

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[1]Subsequently, Peabody put its construction plans on hold and the Thoroughbred Project was never started.

> Contracts are awarded early to allow adequate design and procurement time that are in advance of construction so unit cost for labor are the least predictable.[2]

LG&E's contracting and subcontracting strategies, as a means of profit enhancement, are well known to this Commission. Implementation of an early retirement program by LG&E resulted in a mass exodus of skilled employees, cutting its unionized labor force by 50%. The Company now relies upon subcontractors who are not obligated to pay union wages or benefit packages. This has created issues of concern and investigation by this Commission, particularly in regard to sufficient manpower to respond to storm related outages. LG&E's corporate strategy is clearly anti-union as it has pursued steps to erode wages and benefits in an effort to become more profitable.

The same strategy is at play in LG&E's resistance to providing assurances that the economic benefit of TC2 is enjoyed by Kentucky workers. LG&E will exploit this Commission's indifference to the issue and pursue its historical contracting practices, which offer absolutely no protection to assure that Kentucky workers and citizens enjoy the economic benefits. The irony is that these same workers will be forced to underwrite this destructive strategy when LG&E incorporates the TC2 costs into the rate base.

II. THE COMMISSION SHOULD INTERPRET ITS ENABLING STATUTE AS REQUIRING CONSIDERATION OF ECONOMIC IMPACT AS A NECESSARY ELEMENT OF AN APPLICATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY.

The issue of fiscal responsibility must be considered by the Commission as a necessary element of consideration, when raised by a party, to a determination of public necessity and convenience. The language of KRS 278.020, "that public convenience and necessity require the service or construction," is expansive enough to embrace any practical consideration that would reasonably bear on the conception, implementation and administration of proposed utility projects.

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[2]Trimble County Unit 2 Project Approach, Vol. 1 Project Execution Plan, Executive Summary, pp. 4-14.

Such an interpretation is consistent with the legislative expression of intent in the Merchant-Power statute, KRS 278.706(2)(j), which expressly requires an economic impact analysis. *Query*: If an economic impact analysis is a necessary feature for approval of an unregulated private corporation utility construction project, how can it not be a relevant consideration for a regulated private company utility construction project such as TC2? This Commission has the authority to interpret its own enabling legislation to provide that issues of fiscal responsibility, in the construction process, are germane to the consideration of public convenience. An honest and open exploration of these issues, during the discovery and hearing process, would promote the purposes of the statute and would be wholly within the authority that the legislature intended to grant the PSC for such matters.

Interpreting "public convenience and necessity" as necessarily including economic impact would also harmonize with the Commission's interpretation of KRS 278.020(5), which governs the Commission's authority to approve a change in utility ownership, when any proposed acquisition would be "in accordance with law, for a proper purpose and is consistent with the public interest." As demonstrated in the Commission's approval of the LG&E/KU - E.ON merger, and the LG&E/KU - PowerGen merger, the Commission has interpreted the public interest to include economic development and impact. The Commission proposed and PowerGen accepted a stipulation that the LG&E corporate headquarters would be maintained in Louisville for ten years. There can be no more direct example of the nexus between economic impact and the public interest, which the PSC is charged with protecting.

In the subsequent application for merger approval with E.ON (Case 2000-095), LG&E presented the testimony of Dr. Paul Coomes regarding the positive economic benefits potentially flowing from merger. LG&E's CEO, Mr. Stafferi, testified in support of the positive economic impact at the Commission hearing, touting improved opportunities for international trade. Dr. Coomes promoted the prospect of attracting more energy intensive industry to the state.

The Commission made specific findings regarding the economic benefits related to merger and retention of the corporate headquarters in Kentucky:

> The Commission finds that retaining these headquarters in Kentucky is indeed significant. Having corporate officers and senior management working and living in the communities served by LG&E and KU helps ensure E.ON that service quality remains at superior levels and *economic development in Kentucky is given a top priority*. (Order, May 15, 2000) (Our emphasis)

The Commission made specific findings under the heading "Economic/Community Development": "Economic development and investment in the communities served by LG&E and KU are of paramount importance to the public interest and these communities extend far beyond the urban centers of Louisville and Lexington." (Order, p. 33) The Commission went on to impose monitoring to determine whether the merged companies were keeping their commitments to promote economic development in the Commonwealth. LG&E/KU must annually file a report demonstrating total expenditures for economic development activities, and a report detailing economic development efforts within respective service areas. (Order, p. 33)

The Commission's attention to economic development issues, under the heading of approving merger as in the "public interest," stands in stark contrast to its interpretation of public convenience and necessity, in which it declines to assert any authority over the identical subject matter. Such an interpretation also contradicts the importance given to economic impact issues for an application of a merchant plant. Under the reporting requirements of the merger case (2000-095), LG&E must file an annual report which will, no doubt, has or will detail the TC2 project as one of its economic development initiatives. The entire purpose of such a report is to allow the Commission to monitor whether LG&E, as a part of PowerGen/E.ON, is meeting expectations with regard to continued promotion of economic opportunities in the Commonwealth. Intervenors now present a scenario which demonstrates that the anticipated economic benefits of TC2 will be rendered an illusion if the Commission does not exert its authority to insure that tens of millions of dollars in payroll are not directed to out-of-state employees for a project that is obviously intended to benefit the Commonwealth.

Intervenors rely upon Kentucky Utilities Company v. PSC, 252 SW2d 885 (1952) as a model for considering the statutory mandate as to what issues are canvassed by a consideration of public convenience and necessity. In providing guidance to the PSC regarding its interpretation of convenience and necessity, the Court engaged in an extensive analysis of standards previously employed to determine the need for additional utility generating power, as well as the impact of the proposed new capacity on existing systems. The scope of the Court's analysis touches upon many factors and urged an expanded view of the statute:

> The general findings of fact made by the PSC in the case before us seem to recognize that a determination of convenience and necessity requires a showing of absence of duplication as well as a need for service, but, as will presently be developed, we think that the Commission erroneously ascribed a limited meaning to the term duplication. (p. 890)

The Court went on to identify numerous additional factors that should be considered in making such a determination. As noted in the dissent, the opinion "set forth standards, some of which are new to the law of this state...." It must be recognized that it is the Commission, in the first instance, that is responsible for interpreting its own statutory authority, and that the Courts are required to defer to such an interpretation, so long as it comports with the intent and language of the statute. The present economic realities of outsourcing jobs is just such a circumstance that requires this Commission to reconsider the scope of issues relevant to the inquiry.

In its March 4, 2005 Order, the Commission stated:

> The Commission shares movants' concern for local investment and the Commonwealth's business and employment wellbeing. This case, however, is not the correct forum to raise those issues. In their March 2, 2005 reply, Movants claim the issues will be moot by the time applicants file a rate case. The Commission believes, however, that movants can get a fair hearing on their issues then.

Intervenors respectfully disagree with the Commission that the issue of "local investment" can "get a fair hearing" outside the parameters of the present case. A rate case will not be filed until the project is concluded. The injury will be done and there will be no proper relief. If it is the Commission's position that it is without statutory authority to consider these issues under KRS

278.020, Intervenors request an express declaration of that interpretation. Upon receiving such, Intervenors will then be authorized to advance the cause to the Governor's Office, and to the responsibility of legislative leaders, for the purpose of seeking necessary legislative adjustments that would empower this Commission to safeguard affected citizens from rogue practices of corporate utilities that would utilize such loopholes for profit over public convenience and welfare.

MOTION TO COMPEL DISCOVERY

Based upon the Commission's prior order, LG&E has objected to this Intervenors' Data Requests 7, 8, 11, 12, 13, 14 and 15. The Commission is requested to reverse its prior ruling, permit discovery and open exchange on these issues, and order LG&E to answer all data requests.

Respectfully submitted,

PRIDDY, ISENBERG, MILLER & MEADE, PLLC

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CERTIFICATE OF SERVICE

It is hereby certified that on the 7 day of April, 2005, an original and 10 copies of the foregoing motion was mailed to the Public Service Commission, P. O. Box 615, 211 Sower Blvd., Frankfort, KY 40602-0615, and a true copy thereof was mailed to the attached service list.

Don Meade

Don Meade

EXHIBIT 1

Table 4-3 Louisville, Kentucky Area Wage Rate Comparison

Craft	Union/ Nonunion	Potential Craft	Hourly Wage	Fringes	Safety Bonus	Completion Bonus	Overtime	Per Diem	Misc.	Est. Total Wage Rate	Year
Carpenter	Nonunion	2880	$ 15.33	$ -	$ 0.50	$ 0.50	$ 1.63	$ -		$ 17.96	2001
	Union	900	$ 18.65	$ 5.39						$ 24.04	2002
	Davis-Bacon		$ 20.70	$ 5.68						$ 26.38	2002
Iron Workers	Nonunion	230	$ 21.46	$ -	$ 0.50	$ 0.50	$ 2.25	$ 3.00		$ 27.71	2001
	Union	918	$ 22.26	$ 10.71						$ 32.97	2002
	Davis-Bacon		$ 23.25	$ 10.87						$ 34.12	2002
Pipefitters	Nonunion	2620	$ 18.09		$ 0.50	$ 0.50	$ 1.81	$ 3.00		$ 23.90	2001
	Union	840	$ 25.40	$ 6.68					$ 0.25	$ 32.33	2002
	Davis-Bacon		$ 25.40	$ 8.23					$ 0.25	$ 33.88	2002
Pipefitter Welders	Nonunion		$ 18.09		$ 0.50	$ 0.50	$ 1.81	$ 3.00	$ 6.00	$ 29.90	2001
	Union	560	$ 25.90	$ 6.36					$ 0.25	$ 32.51	2002
	Davis-Bacon		$ 25.40	$ 8.23					$ 0.25	$ 33.88	2002
Electricians	Nonunion	4480	$ 18.18		$ 0.50	$ 0.50	$ 1.82	$ 3.00		$ 24.00	2001
	Union	3000	$ 23.50	$ 8.08						$ 31.58	2002
	Davis-Bacon		$ 23.50	$ 7.73						$ 31.23	2002
Painters	Nonunion	1430	$ 14.40		$ 0.50	$ 0.50	$ 1.44	$ 3.00	$ 0.25	$ 20.09	2001
	Union		$ 16.27	$ 4.85					$ 0.25	$ 21.37	2002
	Davis-Bacon		$ 17.02	$ 5.92						$ 22.94	2002
Boilermakers	Nonunion	50	$ 22.84		$ 0.50	$ 0.50	$ 2.28	$ 3.00		$ 29.12	2001
	Union	180	$ 22.85	$ 12.06					$ 0.25	$ 35.16	2002
	Davis-Bacon		$ 23.95	$ 11.70						$ 35.65	2002
Boilermakers Welders	Nonunion		$ 22.84		$ 0.50	$ 0.50	$ 2.28	$ 3.00	$ 4.00	$ 33.12	2001
	Union	420	$ 22.85	$ 12.06					$ 0.25	$ 35.16	2002
	Davis-Bacon		$ 23.95	$ 11.70						$ 35.65	2002
Cement Masons	Nonunion	750	$ 16.54		$ 0.50	$ 0.50	$ 1.66	$ 3.00		$ 22.20	2001
	Union		$ 17.45	$ 6.70						$ 24.15	2002
	Davis-Bacon		$ 18.15	$ 7.00						$ 25.15	2002
Operators	Nonunion	2550	$ 17.66		$ 0.50	$ 0.50	$ 1.77	$ 3.00		$ 23.43	2001
	Union	3000	$ 19.85	$ 6.90						$ 26.75	2002
	Davis-Bacon		$ 20.25	$ 8.40						$ 28.65	2002
Laborers	Nonunion	4050	$ 14.78		$ 0.50	$ 0.50	$ 1.48	$ -		$ 17.26	2001
	Union	1300	$ 17.24	$ 7.48						$ 24.72	2002
	Davis-Bacon		$ 15.82	$ 5.08						$ 20.90	2002
Millwrights	Nonunion		$ 17.50	$ -	$ 0.50	$ 0.50	$ 1.75	$ 3.00		$ 23.25	2001
	Union	1238	$ 20.41	$ 8.76					$ 0.25	$ 29.42	2002
	Davis-Bacon		$ 22.25	$ 10.30						$ 32.55	2002

Notes:

1. For the year 2005 assume $0.75 to $1.25 for wage increase across the board
2. Overtime column is based on a fifty hour work week to attract craft
3. Miscellaneous column represents small tool additional costs and percentage of rig welders
4. The union craft numbers represent Louisville and/or Cincinnati locals.

EXHIBIT 1

EXHIBIT 2

6. Economic Impact - SB257 4(2)(j)

The proposed Thoroughbred Generating Company will have a tremendous positive economic impact on the Central City/Muhlenberg County area as well as a seventeen county region of western Kentucky. It has been estimated that the Thoroughbred project is expected to create an annual average of more than $98 million in new spending.

Construction of the Thoroughbred Generating Station will occur over a four and one half year period. The average number of workers will be approximately 1,500 with the maximum at peak of 2,900. These workers will most likely be residents of the western Kentucky area. Some workers will temporarily relocate to the area during the construction.

When operational, the power plant and mine together will employ approximately 450 full time workers. It is anticipated that approximately 400 of those workers will reside in Kentucky. An estimate of indirect and induced jobs adds another 633 job years annually for the region.

In addition to the jobs created, Thoroughbred, its contractors, and employees will purchase many goods and services from the surrounding area and Kentucky. It is estimated that there will be $3.345 billion in cumulative new spending over the 30 plus years of construction and operation.

Attached is an analysis prepared by KPMG LLP Economic Consulting Services which details the economic impacts for Kentucky which would likely result from construction and operation of the Thoroughbred Energy Campus. In addition an analysis by Hill & Associates is also attached. The Hill report outlines the long-term economic advantages of coal fueled power plants over gas fueled pants.

EXHIBIT 2

6.1 KPMG Kentucky Economic Impact Analysis

KPMG

Thoroughbred Energy Campus: An Analysis of Economic Impacts for Kentucky

Prepared for
Peabody Energy

KPMG LLP
Economic Consulting Services
Washington, DC
February 2002

Table of Contents

1.0 Executive Summary

1.1 KPMG Disclosures

This report was prepared by KPMG LLP's Economic Consulting Services ("KPMG") at the request of Peabody Energy for the exclusive benefit of Peabody Energy and is subject to limitations described herein. KPMG relied upon Thoroughbred Energy Campus estimates provided by Peabody Energy regarding local job creation, operational employee wages and benefits, and anticipated business spending. These estimates and assumptions provide the basis for portions of this analysis; however, they have not been independently verified by KPMG. Accordingly KPMG expresses no opinion and gives no warranty as to the accuracy of such information. Furthermore, there are usually differences between estimates and actual results because events and circumstances do not occur as expected, and those differences might be material. This report is intended to be read in its entirety, including the associated description of the IMPLAN model and appendices.

It is KPMG's understanding that this report may be used during discussions with third parties concerning public sector licensing and certification and may be filed by Peabody Energy with appropriate governmental agencies as required.

1.2 Introduction

This report describes KPMG's assessment of the economic impacts of the proposed Thoroughbred Energy Campus ("the Project"), a planned 1,500 megawatt coal-fueled power plant and adjacent coal mine to be located in Muhlenburg County, Kentucky with more than 450 permanent jobs expected at full production. This analysis provides an overview of the estimated value generated by the Project in the form of increased economic activity as a result of continual investment in materials and services, and the impacts to employment and income.

This report estimates the economic impacts for the Commonwealth of Kentucky, the 17-county region surrounding the Project ("the Thoroughbred Community"), and the County of Muhlenburg where the Project will reside. The Thoroughbred Community consists of the following Kentucky Counties: Butler, Caldwell, Christian, Crittenden, Daviess, Hancock, Henderson, Hopkins, Logan, Lyon, McLean, Muhlenburg, Ohio, Todd, Trigg, Union, and Webster.

Total economic impacts are comprised of three sub-categories: direct, indirect and induced. Direct impacts are created by the first round of spending by the Project, its contractors and employees. Indirect impacts are created by the second and later rounds of spending that are incurred by the suppliers to the Project and its contractors. Induced impacts are created by subsequent rounds of spending generated by the personal consumption expenditures of employees of the suppliers to the Project. Indirect and induced impacts combine to form the ripple effects of spending throughout the area under analysis.

Taxes paid by the Project could be thought of as direct spending, but because it cannot be determined how or if the Government entities will spend those funds, this analysis has conservatively excluded the effects of taxes in calculating any direct, indirect, or induced impacts. It could reasonably be inferred that additional economic activity would result from the indirect and induced impacts of tax revenue spending and corresponding employment.

This report presents results for three different measures of economic activity: spending, job-years, and income. Spending represents total transactions between unrelated parties. A job-year is the employment of one person full time for one year. Income is personal income earned by workers, and includes fringe benefits. The three measures are separate indicators of economic activity, and should not be added together.

For purposes of the economic benefit analysis, the construction period and 30-years of operations for both the power plant and the mine were considered. The construction periods are identified as 2002-2006 for the power plant and 2003-2006 for the mine. Operations overlap the construction period to accommodate ramp-up to full operations in 2007. Subsequently the operations period is identified as 2005-2035 for the power plant and mine. The entire period covered by this analysis is 34 years beginning in 2002 and ending in 2035. It should be noted that the useful life of the Project is expected to extend well beyond 2035, however, this analysis ends at 2035 for the sake of modeling convenience.

All estimates in this report are stated in 2001 dollars (constant dollars) unless noted otherwise.

1.3 Summary of Results

Major Economic Benefits for the Commonwealth of Kentucky:

Total Economic Impacts on the Commonwealth of Kentucky, 2002 – 2035 (Millions, except Job-years)					
	Power Plant Construction	**Mine Construction**	**Power Plant Operations**	**Mine Operations**	**Total**
Spending	$ 1,306	$ 88	$ 886	$ 1,064	**$ 3,345**
Job-years	12,907	964	12,435	19,340	**45,646**
Income	$ 384	$ 40	$ 623	$ 919	**$ 1,966**

Detail may not add to total due to rounding

The estimated impacts for the Commonwealth of Kentucky over the 2002-2035 construction and operating periods are as follows:

- $3.345 billion in cumulative new spending (excluding power plant revenues) from direct, indirect, and induced impacts;
- An average of more than $98 million per year of new spending;
- $1.966 billion in cumulative personal income from direct, indirect, and induced impacts;
- Construction Activities:
  - Approximately 924 average direct job-years are expected to result from the construction of the power plant (842 average job-years annually) and the mine (82 average job-years annually);
  - As a result of the entire construction activity, another 1,866 average indirect and induced job-years annually are estimated to be generated with average annual wages and benefits of about $27,300 per job-year;
- Operation Activities:
  - Approximately 392 average direct job-years annually are expected to result from the operations of the power plant (111 job-years) and the mine (281 job-years) with average annual compensation including benefits of $79,400 per job-year. This includes the ramp up to full operations;
  - Of the more than 450 permanent jobs created by the Project, approximately 402 of those workers will reside within the Commonwealth. (The analysis conservatively assumed that not all Project employees will be Commonwealth residents.) The 402 permanent positions are comprised of 112 jobs at the power plant and 290 jobs at the mine;
  - As a result of the power plant and the mine operations activity, an additional 633 indirect and induced job-years annually are estimated to be generated with average annual wages and benefits of about $29,400 per job-year.

Major Economic Benefits for the 17-county Thoroughbred Community:

Total Economic Impacts on the 17-county Thoroughbred Community, 2002 – 2035 (Millions, except Job-years)					
	Power Plant Construction	**Mine Construction**	**Power Plant Operations**	**Mine Operations**	**Total**
Spending	$ 1,100	$ 51	$ 785	$ 688	**$ 2,624**
Job-years	10,878	674	11,432	15,074	**38,057**
Income	$ 305	$ 28	$ 580	$ 713	**$ 1,627**

Detail may not add to total due to rounding

The estimated impacts for the 17-county Thoroughbred Community over the 2002-2035 construction and operating periods are as follows:

- $2.624 billion in cumulative new spending (excluding power plant revenues) from direct, indirect, and induced impacts;
- An average of more than $77 million per year of new spending;
- $1.627 billion in cumulative personal income from direct, indirect, and induced impacts;
- Construction Activities:
  - Approximately 914 average direct job-years are expected to result from the construction of the power plant (842 average job-years annually) and the mine (72 average job-years annually);
  - As a result of the entire construction activity, another 1,411 average indirect and induced job-years annually are estimated to be generated with average annual wages and benefits of about $24,100 per job-year;
- Operation Activities:
  - Approximately 357 average direct job-years annually are expected to result from the operations of the power plant (111 job-years) and the mine (246 job-years) with average annual compensation including benefits of $80,300 per job-year. This includes the ramp up to full operations;
  - Approximately 365 of the 450 permanent positions are individuals residing within the Thoroughbred Community. The 365 positions are comprised of 112 jobs at the power plant and 253 jobs at the mine;
  - As a result of the power plant and the mine operations activity, an additional 498 indirect and induced job-years annually are estimated to be generated with average annual wages and benefits of about $26,300 per job-year.

1.4 Methodology

To conduct this analysis, KPMG has employed the IMPLAN[1] model, a state-of-the-art Input-Output modeling and database system. IMPLAN, which stands for "Impact Analysis for Planning," is used by numerous analysts in industry, academia, and state and local government. KPMG calculated all impacts using current IMPLAN models[2]. The results show that the construction and operation of the proposed Project are estimated to result in substantial economic benefits.

The separate IMPLAN models for the Commonwealth of Kentucky, the 17-county Thoroughbred Community, and Muhlenburg County, capture the Input-Output relationships among the economic sectors within each sector. A more detailed explanation of the IMPLAN methodology can be found just prior to the appendices in this report. KPMG used the models to calculate the multiplier effects of the Project on each sector and in total. Prior to performing the calculations, KPMG assigned the various expenditures estimated for the Project to their respective economic sectors. The model produced values for the direct, indirect, and induced impacts of the expenditures in each year of construction and operation. An explanation of this economic impact terminology is given below.

Direct Impacts

The direct impacts of spending associated with the Project include the purchases of capital goods and construction services by the Project, and the payment of salaries and wages to its contractors (excluding benefits) during the construction period. This analysis also classifies the Project's operating expenditures and payments of wages and salaries to its employees during the operating period as direct impacts.

Indirect Impacts

As money is spent on the Project, new economic activity is generated. The Project's purchases of goods and services from the sector's businesses result in new spending by those businesses, who then make purchases from other local businesses, and so on. The indirect impacts generated by the Project's spending are the associated spending, jobs, and personal income generated by the subsequent rounds of this re-spending.

Induced Impacts

The construction workers and the Project's operating employees, as well as the employees of the businesses impacted by construction and operating expenditures each year also create additional economic activity by spending the money they earn. The spending, jobs, and personal income produced by this "household spending" are the induced impacts.

[1] IMPLAN is a registered trademark of the Minnesota IMPLAN Group, Inc., located in Stillwater, MN.
[2] Based on Thoroughbred Energy Campus expenditure and employment projections provided by Peabody Energy.

Power Plant Operations

Operations for the power plant are expected to begin in 2005 with ramp-up to full operations during 2007. This analysis examines an operation period of 31 years for the power plant, which extends to the end of 2035. Total expenditures on non-labor goods and services related to operations of the power plant are expected to be valued at an average $179 million per year during the period. Of this amount, an estimated $11 million will be spent annually on locally provided goods and services within the Commonwealth, $10 million annually within the 17-county Thoroughbred Community, and an estimated $426,000 within Muhlenburg County. (See Appendix Table A-3.)

The Project estimates that during the operating period, the average operating payroll will be approximately $11 million per year. It is expected that all of this income will go to employees residing in the 17-county Thoroughbred Community including $4 million to employees residing in Muhlenburg County.[3] The Project estimates that after the ramp-up period, 112 full time employees will be required to operate power plant. Of this number, it is estimated that all will reside within the 17-county Thoroughbred Community and 35 percent, or 39 individuals will reside in Muhlenburg County.

Mine Operations

Operations for the mine are expected to begin in 2005 with ramp-up to full operations during 2007. For the purposes of this analysis, an operation period of 31 years is considered for the mine, which extends through the year 2035. Mine operations consist of spending on goods and services, payroll and the associated jobs at the mine. Total expenditures related to operations of the mine are expected to amount to an average $56 million per year. These expenditures are expected to result in an estimated $31 million within the Commonwealth, $24 million in the 17-county Thoroughbred Community and $9 million in Muhlenburg County. Of the $31 million spent within the Commonwealth, approximately $11 million annually will be spent on locally provided goods and services within Kentucky including an estimated $6 million annually to be spent within the 17-county Thoroughbred Community and $4 million within Muhlenburg County. (See Appendix Table A-4.)

The Project expects that about $25 million of the $56 million per year total mine operating cost will be for operating payroll (including benefits). Of this amount, $20 million is expected to go to employees residing in Kentucky for wages and benefits including $17 million to employees in the 17-county Thoroughbred Community and $5 million within Muhlenburg County.[4] The analysis assumes that once operations are fully ramped up, an average of 362 full-time employees will be required to operate the mine. This analysis assumes that 290 of these 362 employees will reside within Kentucky including 253 within the 17-county Thoroughbred Community and 72 within Muhlenburg County.

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[3] Local spending by the Project's power plant employees on goods and services is estimated to be $9 million for employees residing within the 17-county Thoroughbred Community (same for Kentucky) and $3 million for employees residing within Muhlenburg County, per KPMG's use of the IMPLAN model.

[4] Local spending by the Project's mine employees on goods and services is estimated to be $12 million for employees residing within Kentucky including $11 million for employees within the 17-county Thoroughbred Community and $3 million within Muhlenburg County, per KPMG's use of the IMPLAN model.

2.0 Economic Impacts

The estimated spending total of $3.345 billion for labor and materials within the Commonwealth of Kentucky consists of $2.177 billion in direct spending on construction and operations and $1.168 billion in indirect and induced expenditures. The estimated spending total of $2.624 billion for labor and materials within the surrounding 17-county Thoroughbred Community consists of $1.917 billion in direct spending on construction and operations and $707 million in indirect and induced expenditures. The estimated spending total of $704 million for labor and materials within Muhlenburg County consists of $575 million in direct spending on construction and operations and $129 million in indirect and induced expenditures. The estimated spending impact for the 17-county Thoroughbred Community is 78 percent of that for the Commonwealth of Kentucky as a whole, while the estimated spending impact in Muhlenburg County is about 21 percent of that of the entire Commonwealth.

For the Commonwealth of Kentucky, the estimated 45,646 total job-years consist of 16,686 direct job-years and 28,960 indirect and induced job-years. For the 17-county Thoroughbred Community, the estimated 38,057 total job-years consist of 15,558 direct job-years and 22,499 indirect and induced job-years. For Muhlenburg County, the estimated 9,914 total job-years consist of 4,927 direct job-years and 4,986 indirect and induced job-years.

The estimated total personal income for the Commonwealth of Kentucky of $1.97 billion consists of $1.13 billion in direct personal income and $833 million in indirect and induced personal income. The estimated total personal income for the 17-county Thoroughbred Community of $1.63 billion consists of $1.05 billion in direct personal income and $577 million in indirect and induced personal income. The estimated total personal income for Muhlenburg County of $460 million consists of $349 million in direct personal income and $110 million in indirect and induced personal income.

Tables 2-A through 2-C below detail the totals above into direct impacts and other impacts (combination of indirect and induced impacts). Also included are the multipliers for job-years and income, which are determined by calculating the ratio of total job-years and income (direct, indirect, and induced) to direct job-years and income.

Table 2-A

Direct and Indirect Economic Impacts on the Commonwealth of Kentucky, 2002 – 2035
(Millions, except Job-years)

	Direct (A)	**Indirect & Induced**	**Total** (B)	**Multiplier** (B)/(A)
Spending	$2,177	$1,168	$3,345	1.54
Job-years	16,686	28,960	45,646	2.74
Income	$1,133	$ 833	$1,966	1.74

Detail may not add to total due to rounding

Table 2-B

Direct and Indirect Economic Impacts on the 17-county Thoroughbred Community, 2002 – 2035 (Millions, except Job-years)				
	Direct (A)	**Indirect & Induced**	**Total (B)**	**Multiplier (B)/(A)**
Spending	$1,917	$ 707	$2,624	1.37
Job-years	15,558	22,499	38,057	2.45
Income	$1,049	$ 577	$1,627	1.55

Detail may not add to total due to rounding

Table 2-C

Direct and Indirect Economic Impacts on Muhlenburg County, 2002 – 2035 (Millions, except Job-years)				
	Direct (A)	**Indirect & Induced**	**Total (B)**	**Multiplier (B)/(A)**
Spending	$ 575	$ 129	$ 704	1.22
Jobs-years	4,927	4,986	9,914	2.01
Income	$ 349	$ 110	$ 460	1.32

Detail may not add to total due to rounding

These results show that for every dollar that the Project spends in connection with the construction and operation of its energy Project, it will generate an estimated 54 cents of additional spending in the Commonwealth of Kentucky including 37 cents in the 17-county Thoroughbred Community and 22 cents in Muhlenburg County. Likewise, for every worker the Project hires, it is estimated that approximately 1.7 additional jobs will be created in the Commonwealth of Kentucky including 1.5 jobs in the 17-county Thoroughbred Community and 1 in Muhlenburg County. Every dollar the Project pays in wages will produce an estimated additional 74 cents of income in the Commonwealth of Kentucky including 55 cents in the 17-county Thoroughbred Community and 32 cents in Muhlenburg County.

The Thoroughbred Energy Campus will likely generate additional fiscal benefits that are not quantified in this report. As discussed above, the direct taxes that will be paid in connection with this Project, and their impacts are not included in this analysis. In addition, the indirect and induced effects estimated in this report will generate income and expenditures within Kentucky, which will be part of Kentucky's tax base. Therefore, the indirect and induced income generated by the Project would likely result in additional personal and corporate income tax revenue, and sales tax revenue for the Commonwealth of Kentucky.

IMPLAN Model Description

The Impact Analysis for Planning (IMPLAN) model is a microcomputer-based program that allows construction of regional Input-Output models for areas as small as a county and aggregation of individual county databases for multi-county analysis. IMPLAN was originally developed for the U.S. Department of Agriculture and is maintained and supported by the Minnesota IMPLAN Group, Inc., Stillwater, Minnesota.

The components of the IMPLAN database form the economic accounts of an individual county, several counties, or an entire state. These accounts show the flow of commodities to industries and institutional consumers in 528 separate industries in agriculture, mining, construction, manufacturing, wholesale and retail trade, utilities, finance, insurance and real estate, and consumer and business services. Each industry is described in terms of its purchases from and sales to all other industries in the local economy. Values for all activities are in producers' prices and do not include transportation costs or other additional transaction costs associated with delivering outputs from each industry to other intermediate users.

The accounts also provide information on value added by each industry and sales by each industry to final demand. Value added has four main components: employee compensation (wages, salaries, benefits, life insurance, retirement, etc.), proprietary income (payments received by self-employed individuals as income), other property-type income (payments received from royalties and dividends), and indirect business taxes (primarily excise and sales taxes individuals pay to businesses).

Final demands are goods and services purchased for their ultimate use by an end user. They include personal consumption expenditures (payments by individuals or households to industries for goods and services for personal consumption); federal government purchases (military and nonmilitary) and sales; state and local government purchases (public education and noneducation) and sales; inventory purchases (unsold annual output) and sales (where inventory reduction exceeds additions from production); capital formation (expenditures to obtain capital equipment); and foreign exports. Final demands are allocated to producing industries, and margins are allocated to the service sectors (transportation, wholesale and retail trade, insurance, etc.) associated with providing that good to the final user.

The IMPLAN model provides the necessary information to estimate a complete set of regional economic accounts for a local area. The economic accounts are then converted to industry through the use of Input-Output accounts and a set of Leontief multipliers. The initial data set is the "use" of commodities by industry and the "make" of commodities by industry. These flows are derived for the local area from the national Input-Output accounts. Final demands, value added, output, and employment are derived for each data set. Employment numbers are also derived for each industry in the local area.

To create a regional Input-Output model for the local area, the regional data are combined with the 1992 national structural matrices produced by the U.S. Bureau of Economic Analysis. This operation produces regional structural matrices and eliminates industries that do not exist in the region. Imports are then estimated via the calculation of regional purchase coefficients (RPCs). An RPC represents the proportion of the total locally produced supply of a good or service required to meet a particular industry's intermediate and final demands; RPCs range between 0 and 1. In the IMPLAN model, RPCs are derived from the 1977 Multi-Regional Input-Output Accounts, a cross-sectional database of Input-Output regional accounts linked with consistent interstate trade flows. Imports are calculated by using the minimum of the RPC or the supply/demand pool. The regional final demands and the use matrix are then multiplied by the resulting RPC coefficients, which creates a set of matrices and final demands that are free of imports. Domestic exports are the residual of regional production not locally consumed. The result is a balanced set of regional economic accounts.

The Input-Output accounts are then developed. The regional use matrix and final demands are converted from a commodity basis to an industry basis by using the market share hypothesis. The subsequent inversion of the Input-Output accounts provides an import-free Leontief matrix of multipliers.

The notion of a multiplier or ripple effect rests on the difference between the initial effect of a change in demand and the total effect of that change. Total effects can be calculated either as direct and indirect effects or as direct, indirect, and induced effects. Direct effects are production changes associated with the immediate effects or final demand changes. Indirect effects are production changes in backward-linked industries caused by the changing input needs of directly affected industries (i.e., additional purchases to produce additional output). Induced effects are changes in regional household spending patterns caused by changes in household income generated by the direct and indirect effects.

IMPLAN estimates five sets of multipliers, corresponding to five measures of regional economic activity: total industry output, personal income, total income, value added, and employment. These multipliers are used to estimate the impact of changes in expenditures in an industry that provides inputs to a particular existing or new activity.

Appendix – Detailed Calculations

Table A-1 – Local Purchase Components for the Power Plant Construction Period

2002 – 2006				
Table A-1 Power Plant Construction Items	Total	Amount Spent Within Kentucky	Amount Spent Within the 17-county Community	Amount Spent Within Muhlenburg County
Capital Expenditure	$1,217,970,428	$ 24,359,409	$ 6,089,852	$ 365,391
TOTAL EPC VENDOR and Transmission line	$ 823,074,995	$749,029,575	$737,529,574	$252,960,351
Power Plant Capital Expenditure and EPC Vendor Total*	**$2,041,045,424**	**$773,388,983**	**$743,619,426**	**$253,325,742**
TOTAL Owners oversight	**$ 12,574,965**	**$ 8,525,090**	**$ 8,525,090**	**$ 2,967,736**
GRAND TOTAL	**$2,053,620,389**	**$781,914,073**	**$752,144,516**	**$256,293,478**

*Impact of taxes to be paid in connection with the Project have been excluded from the analysis.
All figures in 2001 dollars.
Detail may not add due to rounding.

Table A-2 – Local Purchase Components for the Mine Construction Period

2003 – 2006				
Table A-2 Mine Construction – Items	Total	Amount Spent Within Kentucky	Amount Spent Within the 17-county Community	Amount Spent Within Muhlenburg County
Capital				
Total Mine Development	$ 1,836,000	$ 1,468,800	$ 1,285,200	$ 367,200
Total Facilities	$ 35,011,750	$ 28,009,400	$ 24,508,225	$ 6,904,850
Total Power Distribution	$ 2,896,000	$ 2,316,800	$ 2,027,200	$ 14,480
Total Mining & Support Equipment	$ 50,114,000	$ 10,183,000	$ 700,000	$ -
Total Capital	**$ 89,857,750**	**$ 41,978,000**	**$ 28,520,625**	**$ 7,286,530**
Other Expenses				
Total Labor and Benefits	$ 19,877,245	$ 15,901,796	$ 13,914,072	$ 3,975,449
Total Materials and Supplies	$ 10,488,341	$ 3,223,032	$ 1,747,130	$ 868,671
Total Outside Services	$ 1,404,222	$ 381,680	$ 313,678	$ 150,471
Total Power	$ 1,493,158	$ 1,493,158	$ -	$ -
Total Taxes and Insurance*	$ 846,350	$ 47,459	$ -	$ -
Total Leases	$ 213,565	$ 99,664	$ 92,070	$ 61,981
Total Other Income/Expenses	$ 44,494	$ 38,005	$ 30,404	$ 12,162
Total Other Expenses	**$ 34,367,375**	**$ 21,184,794**	**$ 16,097,354**	**$ 5,068,734**
Royalties	**$ 756,000**	**$ 756,000**	**$ 756,000**	**$ 756,000**
GRAND TOTAL	**$ 124,981,124**	**$ 63,918,794**	**$ 45,373,978**	**$ 13,111,263**

*Impact of taxes to be paid in connection with the Project have been excluded from the analysis.
All figures in 2001 dollars.
Detail may not add due to rounding.

Table A-3 - Local Purchase Components for the Power Plant Operation Period

2005 – 2035 Total				
Table A-3 Power Plant Operations -- Items	Total	Amount Spent Within the State of Kentucky	Amount Spent Within the 17 County Community	Amount Spent Within Muhlenburg County
Total Labor and Benefits	$ 342,926,416	$ 342,926,416	$ 342,926,416	$ 120,024,246
Total Taxes and Insurance*	$ 1,310,762,996	$ -	$ -	$ -
Total Other	$ 572,491,884	$ 70,686,891	$ 70,686,891	$ 13,212,459
Total Materials and Supplies	$ 3,660,968,732	$ 261,074,862	$ 253,082,774	$ -
GRAND TOTAL	**$ 5,887,150,029**	**$ 674,688,169**	**$ 666,696,081**	**$ 133,236,705**

*Impact of taxes to be paid in connection with the Project have been excluded from the analysis.
All figures in 2001 dollars.
Detail may not add due to rounding.

Table A-4 – Local Purchase Components for the Mine Operation Period

2005 - 2035 Total				
Table A-4 Mine Operations – Items	Total	Amount Spent Within Kentucky	Amount Spent Within the 17-county Community	Amount Spent Within Muhlenburg County
Operations Spending				
Total Labor and Benefits	$ 771,847,470	$ 617,477,976	$ 540,293,229	$ 154,369,494
Total Materials and Supplies	$ 481,696,639	$ 148,023,758	$ 80,240,201	$ 39,895,319
Total Outside Services	$ 139,512,227	$ 35,317,832	$ 28,373,932	$ 11,708,573
Total Power	$ 57,837,617	$ 57,837,617	$ -	$ -
Total Taxes and Insurance*	$ 16,005,417	$ 897,500	$ -	$ -
Total Leases	$ 4,038,750	$ 1,884,750	$ 1,741,150	$ 1,172,135
Total Income/Expenses	$ 2,043,469	$ 1,745,463	$ 1,396,370	$ 558,548
Royalties	$ 76,967,863	$ 76,967,863	$ 76,967,863	$ 76,967,863
TOTAL FOR OPERATIONS SPENDING	**$ 1,549,949,452**	**$ 940,152,759**	**$ 729,012,746**	**$ 284,671,932**
Replacement and Maintenance Spending				
Total Facilities	$ 62,642,800	$ 10,474,240	$ 9,164,960	$ 1,658,770
Total Power Distribution	$ 965,000	$ 772,000	$ 675,500	$ 4,825
Total Mining/Support Equip.	$ 114,896,000	$ 11,283,000	$ 700,000	$ -
Total Land	$ 500,000	$ 400,000	$ 350,000	$ 2,500
Total Capital	**$ 179,003,800**	**$ 22,929,240**	**$ 10,890,460**	**$ 1,666,095**
GRAND TOTAL	**$ 1,728,953,252**	**$ 963,081,999**	**$ 739,903,206**	**$ 286,338,027**

*Impact of taxes to be paid in connection with the Project have been excluded from the analysis.
All figures in 2001 dollars.
Detail may not add due to rounding.

Table A-5 – Detailed Economic Impact Results

All figures are in millions of 2001 dollars.
Detail may not add due to rounding.

KENTUCKY

Power Plant Construction

2002-2006	TOTAL			
	Direct	Indirect	Induced	Total
Spending	$778	$237	$290	$1,306
Job-years	4,212	4,507	4,188	12,907
Personal Income	$147	$134	$103	$384

Mine Construction

2003-2006	TOTAL			
	Direct	Indirect	Induced	Total
Spending	$56	$11	$21	$88
Job-years	327	336	301	964
Personal Income	$22	$11	$7	$40

Power Plant Operations

2005-2035	TOTAL			
	Direct	Indirect	Induced	Total
Spending	$606	$116	$164	$886
Job-years	3,438	6,638	2,359	12,435
Personal Income	$343	$222	$58	$623

Mine Operations

2005-2035	TOTAL			
	Direct	Indirect	Induced	Total
Spending	$737	$151	$177	$1,064
Job-years	8,709	8,083	2,548	19,340
Personal Income	$621	$235	$63	$919

TOTAL

2002-2035	TOTAL			
	Direct	Indirect	Induced	Total
Spending	$2,177	$516	$652	$3,345
Job-years	16,686	19,565	9,395	45,646
Personal Income	$1,133	$602	$231	$1,966

All figures are in millions of 2001 dollars.
Detail may not add due to rounding.

17-COUNTY THOROUGHBRED COMMUNITY

Power Plant Construction

2002-2006	TOTAL Direct	Indirect	Induced	Total
Spending	$747	$158	$195	$1,100
Job-years	4,212	3,364	3,302	10,878
Personal Income	$144	$90	$71	$305

Mine Construction

2003-2006	TOTAL Direct	Indirect	Induced	Total
Spending	$35	$5	$11	$51
Job-years	286	196	191	674
Personal Income	$19	$5	$4	$28

Power Plant Operations

2005-2035	TOTAL Direct	Indirect	Induced	Total
Spending	$597	$77	$110	$785
Job-years	3,438	6,123	1,870	11,432
Personal Income	$343	$197	$40	$580

Mine Operations

2005-2035	TOTAL Direct	Indirect	Induced	Total
Spending	$538	$69	$81	$688
Job-years	7,622	6,085	1,367	15,074
Personal Income	$544	$140	$29	$713

TOTAL

2002-2035	TOTAL Direct	Indirect	Induced	Total
Spending	$1,917	$309	$398	$2,624
Job-years	15,558	15,768	6,731	38,057
Personal Income	$1,049	$432	$145	$1,627

All figures are in millions of 2001 dollars.
Detail may not add due to rounding.

MUHLENBURG COUNTY

Power Plant Construction

2002-2006	TOTAL			
	Direct	Indirect	Induced	Total
Spending	$255	$31	$50	$336
Job-years	1,474	711	908	3,093
Personal Income	$68	$22	$18	$108

Mine Construction

2003-2006	TOTAL			
	Direct	Indirect	Induced	Total
Spending	$12	$1	$2	$15
Job-years	82	63	42	186
Personal Income	$6	$1	$1	$8

Power Plant Operations

2005-2035	TOTAL			
	Direct	Indirect	Induced	Total
Spending	$108	$6	$9	$123
Job-years	1,203	893	159	2,256
Personal Income	$120	$22	$3	$145

Mine Operations

2005-2035	TOTAL			
	Direct	Indirect	Induced	Total
Spending	$201	$15	$15	$231
Job-years	2,168	1,930	280	4,378
Personal Income	$155	$38	$6	$199

TOTAL

2002-2035	TOTAL			
	Direct	Indirect	Induced	Total
Spending	$575	$52	$77	$704
Job-years	4,927	3,597	1,389	9,914
Personal Income	$349	$82	$28	$460

6.2 Hill & Associates Economic Benefits of Coal Fueled Power Plants Compared to Natural Gas

EXHIBIT 3