

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY TO MODIFY ITS)	
CERTIFICATE OF PUBLIC CONVENIENCE)	CASE NO.
AND NECESSITY AS TO THE MILL CREEK)	2012-00469
UNIT 3 FLUE-GAS DESULFURIZATION UNIT)	

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
DATED DECEMBER 7, 2012

FILED: December 14, 2012

LOUISVILLE GAS AND ELECTRIC COMPANY

Case No. 2012-00469

Response to Commission Staff's Second Request for Information

Dated December 7, 2012

Question No. 1

Responding Witness: John N. Voyles, Jr.

- Q-1. Refer to LG&E's response to the Commission Staff's First Request for information, Item 1.a., relating to the need for a one-year extension, from April 2015 until April 2016, for compliance with the Mercury and Air Toxins Standards ("MATS") rule.
- a. Explain in detail the process for obtaining the required one-year extension to be in compliance with the MATS rule.
 - b. To be granted the one-year MATS extension, will LG&E be required to show a specific and documented electric-reliability concern consistent with the discussion on page 2 of the attachment to the response to the Commission Staff's First Request for Information, Item 7? If yes, explain in detail the basis upon which LG&E will support its request for the one-year extension.
 - c. Will LG&E be able to support a request for a one-year extension of the MATS rule even if it can maintain reliability by purchasing power from the market in lieu of operating Mill Creek Unit 3 during the April 2015 to April 2016 time frame?
 - d. Provide any cost-benefit analysis performed by or for LG&E that compares the Mill Creek Unit 3 retrofit scrubber as previously approved to the current proposal to construct a new scrubber and having to purchase power from April 2015 through April 2016 due to the inability to obtain a one-year extension of the MATS rule. If no such analysis has been performed, explain in detail the reasons why.
- A-1.
- a. The process for requesting a one-year extension from April 2015 until April 2016 is entirely different from the second year (effectively from April 2016 to April 2017) extension request process described in LG&E's response to the Commission Staff's First Request for Information, Item 7. Electric reliability is not a major factor in the one-year extension process; therefore, the ability to purchase power in lieu of running a particular unit being retrofitted is not

considered and does not affect the analysis for the 2015-2016 one-year extension.

The Clean Air Act section 112(i)(B) and the general provisions of the National Emissions Standards for Hazardous Air Pollutant within which the MATS rule is being implemented describe the process by which affected facilities may apply for an extension of time for up to one additional year to comply with the standards if such time is necessary for the installation of controls. (See 40 CFR 63.6(i)). The process begins with an extension request being submitted, in writing, to the facility's permitting authority (e.g., Kentucky Division for Air Quality) no later than 120 days prior to the compliance date. The current compliance date for the MATS rule is April 16, 2015. Therefore, this extension request must be submitted no later than December 17, 2014.

From the 40 CFR 63.6(i), the one-year extension request shall include the following information:

- A description of the controls to be installed to comply with the standard; and
- A compliance schedule, including the date by which each step toward compliance will be reached. At a minimum, the list of dates shall include:
 - The date by which on-site construction, installation of emission control equipment, or a process change is planned to be initiated;
 - The date by which on-site construction, installation of emission control equipment, or a process change is to be completed; and
 - The date by which final compliance is to be achieved.

Within 30 calendar days of receiving the compliance extension request, the permitting authority will notify the facility, in writing, whether the application contains sufficient information to make a determination or if more information is needed. If more information is needed, the permitting authority will specify the information needed and provide the facility with 30 calendar days to present the additional information or arguments to the permitting authority. After the facility has been notified that the application was complete, the permitting authority has 30 calendar days to notify the facility, in writing, of approval or intention to deny approval of the compliance extension request.

As described in the preamble to the MATS rule (77 FR 9407), the US EPA believes that the permitting authorities have the flexibility to allow these one-year MATS extensions. The US EPA believes the extensions should be available in a broad range of situations in which controls installation schedules may take more than the three-year compliance period.

Based on the information described above from the Clean Air Act section 112(i)(B), the general provisions of the National Emissions Standards for Hazardous Air Pollutant within which the MATS rule is being implemented, and the actual preamble to the MATS regulations, LG&E has no reason to expect the one-year extension would be denied. As discussed with the Commission Staff in previous update meetings, the construction schedule for the fleet necessary to meet the MATS compliance requirements was established to satisfy equipment manufacturing lead times and optimize construction processes, as well as maximizing the availability of the units to meet the required customer loads.

- b. No. As described above, to obtain the one-year MATS extension which would be granted by the permitting authority for the period between April 16, 2015 and April 16, 2016, LG&E will not be required to show a specific electric-reliability concern. System or electric reliability concerns would only be part of the second year (up to April 2017) extension process described in LG&E's response to the Commission Staff's First Request for Information, Item 7, in which the US EPA grants an extension through an Administrative Order.

The one-year extension request needed for the new Mill Creek Unit 3 WFGD will be supported by specific contract documentation for the purchase of the fabric filter and WFGD technologies, the EPC installation contract, permitting, and other resource challenges that require staggered installation of controls at the facility.

- c. Yes. As described above in the first paragraph of the response to item a., the availability of purchased power will not affect the determination whether LG&E will receive a one-year extension (2015-16) of time to retrofit Mill Creek Unit 3. As also described above in the response to item a., the construction schedule for the fleet to meet the compliance requirements was established to satisfy equipment manufacturing lead times and optimize construction processes, as well as maximize availability of the units to meet the required customer loads without purchasing power from the market. If the required construction cannot be completed such that Mill Creek 3 would be available to operate in compliance with the MATS requirements, either the second year of extension would be necessary or replacement power would need to be purchased from the market after April 2016.
- d. As described in the responses to all of the items above, the criteria to obtain a one-year extension of the MATS rule compliance deadline indicate LG&E should be able to obtain such an extension, negating the need to purchase replacement power for that period. Therefore, the Mill Creek Unit 3 analysis, consistent with the other projects contained in the Companies' 2011 ECR

filing, assumed that a one-year extension of the MATS rule would be available for any units undergoing construction for required pollution controls. Therefore no additional analysis related to purchasing power in lieu of operating the units was completed for a deadline earlier than 2016.