

**LOUISVILLE GAS AND ELECTRIC COMPANY  
KENTUCKY UTILITIES COMPANY**

**Response to the Attorney General's Initial Data Requests  
Dated March 13, 2014**

**Case No. 2014-00002**

**Question No. 42**

**Witness: David S. Sinclair**

Q-42. Reference the testimony of Mr. Sinclair at page 29, lines 3-20.

- a. Identify the entity which did the due diligence on the financial strength;
- b. Provide all the information that the entity reviewed;
- c. Identify the entity which reviewed the reliability of the operations of the company under review; and
- d. Provide all the information that the entity reviewed.

A-42.

- a. The financial analysis was performed by the Companies' Credit and Contract Administration department based on information from S&P.
- b. See attached. The information requested is confidential and proprietary, and is being provided under seal pursuant to a Joint Petition for Confidential Protection.
- c. The operational risk assessment was performed by the Energy Supply and Analysis group.
- d. The following documents were reviewed:

See attached. The information requested is confidential and proprietary, and is being provided under seal pursuant to a Joint Petition for Confidential Protection.

Original Order for EEI Waiver– 9/20/2012

<http://www.ipcb.state.il.us/documents/dsweb/Get/Document-77487>

Sierra Club objection to the original order (filed jointly with Environment Illinois, the Environmental Law & Policy Center, and Respiratory Health Association of Metropolitan Chicago)

<http://www.ipcb.state.il.us/documents/dsweb/Get/Document-76168>.

Dynegy seeks Illinois pollution waiver in Ameren purchase

[http://thesouthern.com/news/local/state-and-regional/dynegy-seeks-pollution-waiver-in-ameren-purchase/article\\_42425964-f494-11e2-83ff-0019bb2963f4.html](http://thesouthern.com/news/local/state-and-regional/dynegy-seeks-pollution-waiver-in-ameren-purchase/article_42425964-f494-11e2-83ff-0019bb2963f4.html)

Dynegy gets pollution waiver for Illinois coal plants

<http://www.chicagobusiness.com/article/20131121/NEWS11/131129941/dynegy-gets-pollution-waiver-for-illinois-coal-plants>

Sierra Club seeks appellate court review of Dynegy waiver

[http://finance.yahoo.com/news/sierra-club-seeks-review-ill-145203451.html;\\_ylt=A0LEV0hCtihTHSAAwMIXNyoA;\\_ylu=X3oDMTEzZjdmZTA4BHNIYwNzcgRwb3MDMgRjb2xvA2JmMQR2dGlkA1ZJUDA1MV8x](http://finance.yahoo.com/news/sierra-club-seeks-review-ill-145203451.html;_ylt=A0LEV0hCtihTHSAAwMIXNyoA;_ylu=X3oDMTEzZjdmZTA4BHNIYwNzcgRwb3MDMgRjb2xvA2JmMQR2dGlkA1ZJUDA1MV8x)

See source referenced in footnote 31 on page 29 of Mr. Sinclair's testimony.

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**Question No. 138**

**Witness: David S. Sinclair**

- Q-138. Reference Mr. Sinclair's direct testimony, page 31, explain why the potential for lower future natural gas prices reduces the cost advantage of the Bluegrass Generation facility over NGCC alternatives given the fact that lower gas prices reduce the fuel cost advantage arising from the higher efficiency of NGCC when compared to SCCT resources.
- A-138. The Resource Assessment evaluates the dispatch of the entire fleet (coal and natural gas) to meet customers' energy needs. In the Low natural gas price cases referenced on page 31, lines 19-22 of Mr. Sinclair's testimony, natural gas prices are low enough that the Green River NGCC is displacing coal-fired generation whereas this is not the case with the higher heat rate Bluegrass Generation facility. Therefore, the Green River NGCC is able to reduce customers' future energy costs in the Low natural gas price cases. Natural gas prices would need to be even lower before energy from Bluegrass Generation facility would displace coal-fired generation. Furthermore, Bluegrass Generation facility is less efficient than many of the Companies existing SCCT resources which further reduces the opportunity for it to reduce customers' energy costs.

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**Question No. 142**

**Witness: David S. Sinclair**

- Q-142. Reference Exhibit DSS-1, page 24, provide workpapers supporting the costs of the Henderson and Green River projects presented in Table 18 and explain whether both projects reflect 785 MW NGCC units.
- A-142. The workpapers supporting the cost of the Henderson and Green River NCCC were provided in the response to PSC 1-22 (see 03\_Deliverables\20131001\_ResourceAssessment\Support\20131001\_MSF\_ER ORAvsSBComparison\_0073\_D02.xlsx). Both projects reflect 785 MW NGCC units.

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**Question No. 143**

**Witness: David S. Sinclair**

- Q-143. Reference Exhibit DSS-1, page 24, explain why the Henderson facility has transmission networking costs while the Green River project does not have such costs as presented in Table 18.
- A-143. As proposed, the Henderson facility would have been connected to the Companies' transmission system via a single radial transmission line. For reliability, the Green River NGCC, as well as all of the Companies' other generating units, are connected to the Companies' transmission grid via multiple transmission lines. The networking cost is the cost to connect the Henderson facility to the Companies' transmission system via multiple transmission lines so that both projects would have a similar level of reliability.

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**Question No. 144**

**Witness: David S. Sinclair**

- Q-144. Reference Exhibit DSS-1, page 24, explain why the ERORA 785 MW Henderson NGCC proposal was not evaluated in the Phase 2 Strategist analysis in order to identify potential operating cost benefits arising from owning a NGCC that is somewhat larger than the proposed Green River NGCC facility.
- A-144. See Exhibit DSS-1 at page 24. Because the Companies can build the same 785 MW unit at the Green River site, the most direct approach for evaluating this proposal was to compare the capital and firm gas transportation costs for the Henderson site to the same costs for the Green River site. The comparison in Table 18 demonstrates that the Green River site is favorable to the Henderson site, regardless of unit size.

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**Question No. 145**

**Witness: David S. Sinclair**

- Q-145. Provide analysis of the ERORA 785 MW Henderson NGCC proposal paired with short-term PPAs for each of the 12 scenarios evaluated consistent with the analysis presented in Table 23 on page 24 of Exhibit DSS-1.
- A-145. See the response to Question No. 144. This analysis was not performed and is not necessary. Regardless of unit size, the Green River site is favorable to the Henderson site.

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**Question No. 198**

**Witness: David S. Sinclair**

- Q-198. With regard to Big Rivers Electric Corporation's proposal to sell its Wilson plant, did the Companies' analyses included in the instant filing take into consideration the fact that Wilson will not need a new scrubber? <sup>1</sup>
- a. If so, please state where this can be found in the analyses.
  - b. If not, please state how this would or could affect the Companies' analyses in the instant filing.
  - c. If the Companies purchased the Wilson plant instead of constructing the proposed Green River NGCC, and proceeds with the plan to retire the Green River 3 and 4 units, would the company be able to offset Wilson's SO<sub>2</sub>, NO<sub>x</sub>, and particulate emissions with the retirement of the two remaining Green River coal units? If not, why not?
  - d. If the Companies respond in the affirmative to subpart (c), above, did the Companies take this into consideration in their decision making process? If not, why not?
  - e. If the Companies were to purchase the Wilson plant, state the savings that would be achieved by not having to obtain an air permit as they would have to do for the proposed Green River NGCC.
  - f. With regard to the Companies' response to subpart (e), above, did their analysis take any such savings into consideration? If not, why not?
  - g. Reference Exhibit DSS-1, p. 21 wherein it is stated, "The information presented here reflects each party's best-and-final proposals." State whether the Companies have had any further communications with Big Rivers

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<sup>1</sup> Source: Case No. 2013-00199, *In Re: Application of Big Rivers Elec. Corp. for a General Adjustment in Rates*, Hearing Testimony of Robert Berry, Jan. 8, 2014 Video Transcript of Evidence, 17:40:25.



regarding any of its proposals since the filing of the application in the instant proceeding.

- h. Please provide any counter-offer(s) the Companies may have made to Big Rivers regarding any potential purchase of the Wilson and/or Coleman plants.

A-198.

- a. Yes. The Companies' analysis did not assume that the Wilson unit would need a new scrubber. Big Rivers proposed to sell the Wilson station to the Companies for \$500 million (approximately \$1,200/kW). This is the cost at which the proposal was evaluated (see Appendix A of Exhibit DSS-1 at page 49); this cost does not include the cost of a new scrubber.
- b. Not applicable.
- c. No. The offset is limited to the specific site where the reduction occurs.
- d. Not applicable.
- e. The Companies have not performed the requested analysis, but all permitting costs were included in assessing a Wilson purchase and the construction of Green River NGCC.
- f. See subpart (e) above.
- g. The Companies have not had further communications with Big Rivers regarding their responses to the Companies' RFP since the filing of the application.
- h. The Companies have not made any counter-offers to Big Rivers.

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**Question No. 200**

**Witness: David S. Sinclair**

Q-200. Reference the following statements in Exhibit DSS-1: (i) "The LS Power 2018 asset sale is \$320 mil. unfavorable to the Green River 2x1 alternative (over all scenarios)" [at p. 25]; and (ii) "In a CO2 constrained world, the efficiency of gas technologies is important. The improved heat rate of the Green River 2x1 alternative (compared to the LS Power asset sale alternative) more than offsets the higher capital cost for the Green River 2x1 alternative" [at p. 26].

- a. Did the Companies' modeling consider any scenarios in which an LS Power asset sale (Bluegrass Generation Facility) was modeled on the basis of converting the facilities to a combination of 2x1 and/or 3x1 units to be scaled-up to an output that would approximate that of the proposed Green River NGCC? If so, state where in the filing this information can be found. If not, why not?
- b. Describe how any such conversion of the LS Power Bluegrass Generation Facility would compare to the proposed Green River NGCC, and any other alternative.
- c. Discuss whether any such conversion of the LS Power Bluegrass Generation Facility would reduce the heat rate of that facility. If not, why not? If so, describe how this would compare to the proposed Green River NGCC.
- d. Discuss the ways in which any such conversion of the LS Power Bluegrass Generation Facility would change each of the 12 scenarios set forth in the application.
- e. Provide any estimates the Companies prepared, or which were prepared under their direction or supervision, regarding cost estimates for a conversion of the LS Power Bluegrass Generation Facility sufficient to meet the Companies' power needs.

A-200.

- a. No. This scenario was not provided by the bidder.

- b. Not applicable
- c. Not applicable
- d. Not applicable
- e. The Companies have not prepared the estimates requested in the question.