

**Status Update Report**  
**Phase I Trimble County Landfill & CCRT Project**  
**Quarterly Report – Update #2**  
**July 29, 2016**

**Executive Summary**

Safety performance to date remains excellent with a year-to-date Incident Rate of 0.00 (0 recordable injuries per 200,000 man-hours) and an inception-to-date Incident Rate of 0.00, compared to the industry average of 3.90. Total projected costs are based on \$321.9M (net)<sup>1</sup> as provided in Case 2015-00194. Total spend to date is \$48.1M (net) through June 30, 2016. Communications with AMEC - Foster Wheeler (AMEC) (the primary Engineering, Procurement, and Construction (EPC) contractor for the Coal Combustion Residual Treatment System (CCRT) scope of work) continue relative to project management coordination and engineering of final CCRT equipment layouts. The contractual in-service dates are: (1) Unit 1 Bottom Ash Subproject – fall 2017; (2) CCRT Fly Ash and Gypsum Subprojects – summer 2018; (3) Transport (road to landfill, bridge and pipe conveyor) Subproject – summer 2018; however, the start of construction of the road and bridge are dependent upon the issuance of the landfill permit. All landfill permitting activities with the US Army Corps of Engineers (COE) and other state governmental agencies are progressing as expected. The Project background information (i.e., scope, 1Q 2016 contract awards, conceptual layouts) have been moved to the Appendix.

**CCRT & Transport Quarterly Status Update**

LG&E and KU (“Companies”) held our monthly project review meeting with AMEC on June 22, 2016. Weekly project meetings are ongoing and current activities include items such as the review of general arrangements, the electric power study<sup>2</sup> and equipment sizing. AMEC, with involvement from LG&E and KU, has executed subcontract awards for major components: (1) Unit 1 bottom ash submerged chain conveyor to United Conveyor Corporation (UCC); (2) fly ash conditioner and conveying system to UCC; (3) gypsum dewatering vacuum belt filter system to FLSmidth; (4) gypsum portal scraper reclaimers to Ameco (same vendor as Ghent’s recently commissioned gypsum reclaimers); and (5) pipe conveyor to Beumer Group (same vendor as Ghent’s recently commissioned pipe conveyor).

In addition, AMEC, with involvement from the Companies, continues the process of procuring the road and bridge subcontract work. Construction and design activities completed include laser scanning the existing facilities, performing the geotechnical investigation, reviewing the

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<sup>1</sup> Co-Owners of the Trimble County plant: Illinois Municipal Electric Agency (IMEA) and Indiana Municipal Power Agency (IMPA) are responsible for 25%. IMEA owns 12.12% and IMPA owns 12.88%. Co-owner share is not included in the costs provided in this report.

<sup>2</sup> The electric power study is a rigorous evaluation of the existing plant loads and design tool required to integrate the new CCRT power loads.

Distributed Controls System remote input and output count and architecture, and design responsibilities and location of site construction power.

The CCR Transport scope has been contractually defined and included in the EPC with AMEC. Procurement and construction is not scheduled to start until the landfill permit from the Kentucky Division of Waste Management (KDWM) is received or imminent; this timing is accounted for in the EPC. Current projections anticipate permit receipt late in the fourth quarter of 2016. The EPC allows AMEC to proceed with a partial release to begin engineering to avoid impact to the pipe conveyor delivery. This also allows finalization of the fly ash system design because the pipe conveyor is integral to the fly ash silo design. Site photographs for the CCRT and Transport systems are provided below:



CCRT Project Area Looking North



CCRT Project Area Looking South

## Landfill Quarterly Status Update

### Permitting:

The KDWM permit application Notice of Deficiency (NOD) #3 was received on March 11, 2016. The Companies' response was submitted on May 30, 2016.

As part of the TC Landfill 404 Permit review, the COE and Kentucky Heritage Council (KHC) investigate the archaeological/historic structural aspects of the project relative to the Section 106 review. One of the last steps is the review and concurrence by the KHC to the Section 106 review. The COE sent their favorable recommendation to the KHC on April 15, 2016 and requested their review within 30 days. The KHC sent their favorable recommendation letter to the COE on May 27, 2015 (one week late) concurring with the COE. The next step is the Consulting Parties Meeting, which will be attended by the COE, KHC, Sierra Club, a resident representative, GAI, and several representatives from the Companies' environmental, engineering and operational groups.

On May 24, 2016 related to the landfill sediment basin dam permit, the Kentucky Division of Water, Floodplain Compliance requested technical back-up data files to complete its review. The responses were sent on June 15, 2016. The three required Public Notices ran in the *Trimble Banner* newspaper on May 5, May 12 and June 30, 2016.

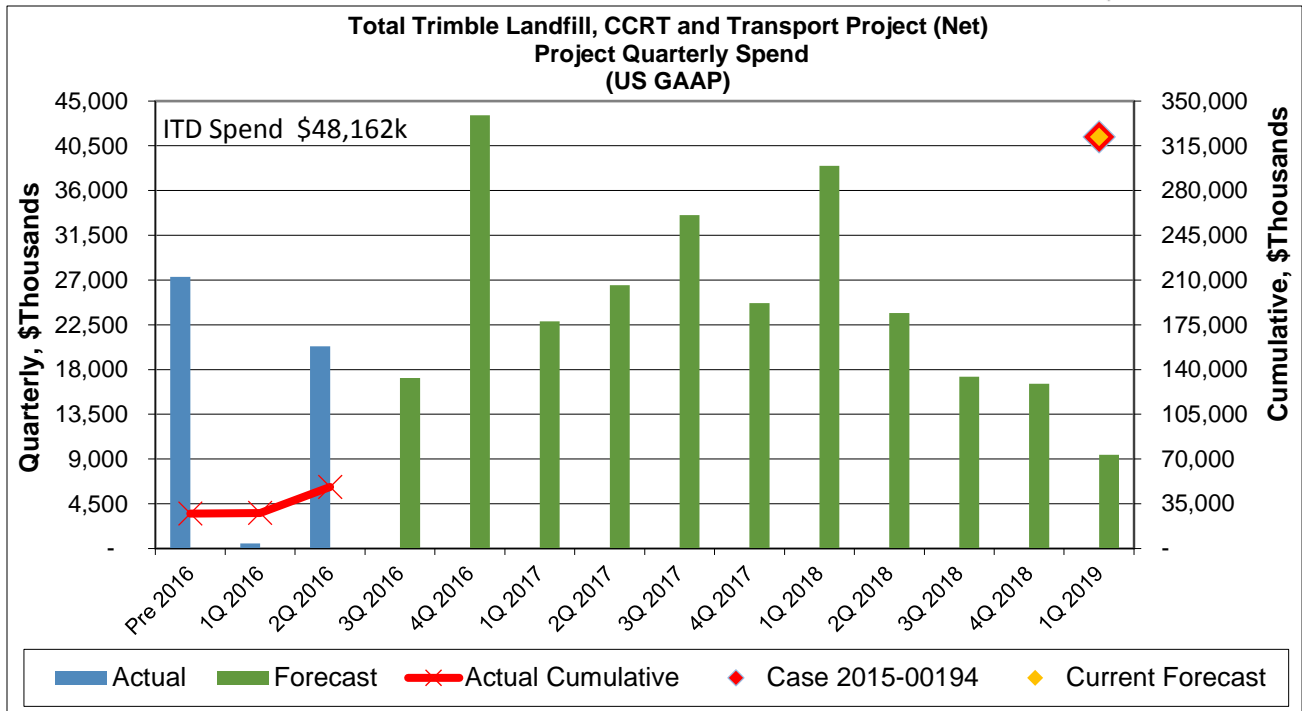
The Companies are expecting approval from the COE related to the 404 permit in the fourth quarter of 2016. A permit listing is included as Table 1 in the Appendix.

### Construction:

The landfill construction RFQ development continues with a targeted issuance to the market in September 2016.

### Financials

The forecasted cost for Phase I of the Landfill and the CCRT and Transport scopes remains \$321.9M (net). Total spend through June 30, 2016 is \$48.1M (net) (KU \$23.1M / LG&E \$25.0M). Please note for the graph below: (1) the chart reflects the awarded EPC contract awarded to AMEC; (2) the chart includes a symbol (◆) to show the current forecast to completion; and (3) Inception-to-Date (ITD) Spend is shown in the upper left of the chart.



## Planned Activities for Next Quarter

### CCRT and Transport

In coordination with the Companies Owner’s Engineer Burns & McDonnell (B&McD), review of AMEC’s engineering and procurement documents will continue. AMEC’s mobilization is planned for September 2016. AMEC will refine its equipment and piping design model based on field data laser scans and site surveys. B&McD, AMEC and the Companies will review the Distributed Controls System hardware and software configuration, piling methodology and design for all major foundations, water balances, and reclaim water piping material specifications. AMEC will continue release of purchase orders for equipment and material the third quarter of 2016.

### Landfill

The Companies continue to address minor questions from the permitting authorities needed for the various permit issuances. To prepare for the September 2016 Landfill RFQ issuance, the Companies and GAI will continue detailed planning, review of engineering submittals, and evaluation of potential bidders. Final review of the technical specifications is planned for early September 2016. Commercial documents required for the issuance of the Landfill RFQ will continue to be drafted. Evaluation of Stream Mitigation “in-lieu of fees” or acquisition of banked credits will also continue.

## APPENDIX

### Scope

The Trimble County Landfill and CCRT Project scope comprises three sub-scopes: CCR Treatment facilities, CCR Transport system and Phase I of a dry CCR Landfill.

The CCR Treatment facilities include the Unit 1 bottom ash dewatering system, conversion of station fly ash transport from wet to dry conveyance, fly ash storage and treatment equipment and the station gypsum dewatering system and associated gypsum storage/reclaim system. The CCR Transport system includes a pipe conveyor (approximately 1.5 miles) from the CCR Treatment area to the landfill location, a bridge over KY1838, and a road from the station to the new dry CCR landfill. The CCR Landfill includes Phase I of a new dry CCR landfill that is designed to receive and manage CCR generated over approximately 37 years. The Landfill will be developed in four construction phases with each fully integrated as an extension of the adjacent landfill phase or cell. Only Phase I is included in the CCRT and Landfill project with this CPCN.

### Previously Reported Contract Awards

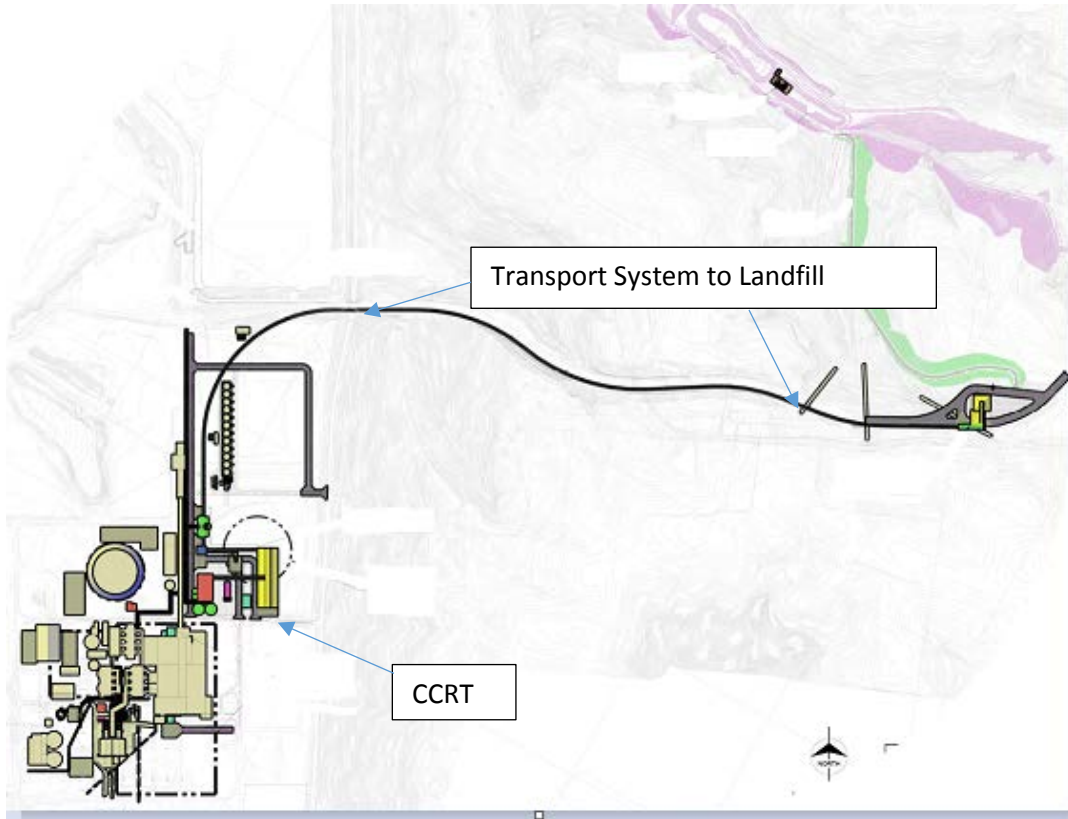
The CCRT Owner's Engineer contract was awarded to B&McD. B&McD has supported various projects for LG&E and KU, and recently supported the Trimble County Unit 1 PJFF capital project. B&McD assisted in the specification development for the CCRT and bottom ash scopes of work, and assisted in the bid evaluations and EPC finalization.

The Landfill Owner's Engineer contract was awarded to GAI. GAI has been the Engineer of Record through the permitting and landfill design phases, as well as the engineering firm that developed the specifications for the road and bridge work. It is anticipated that GAI will be retained to assist construction oversight and adherence to the specifications and permit conditions.

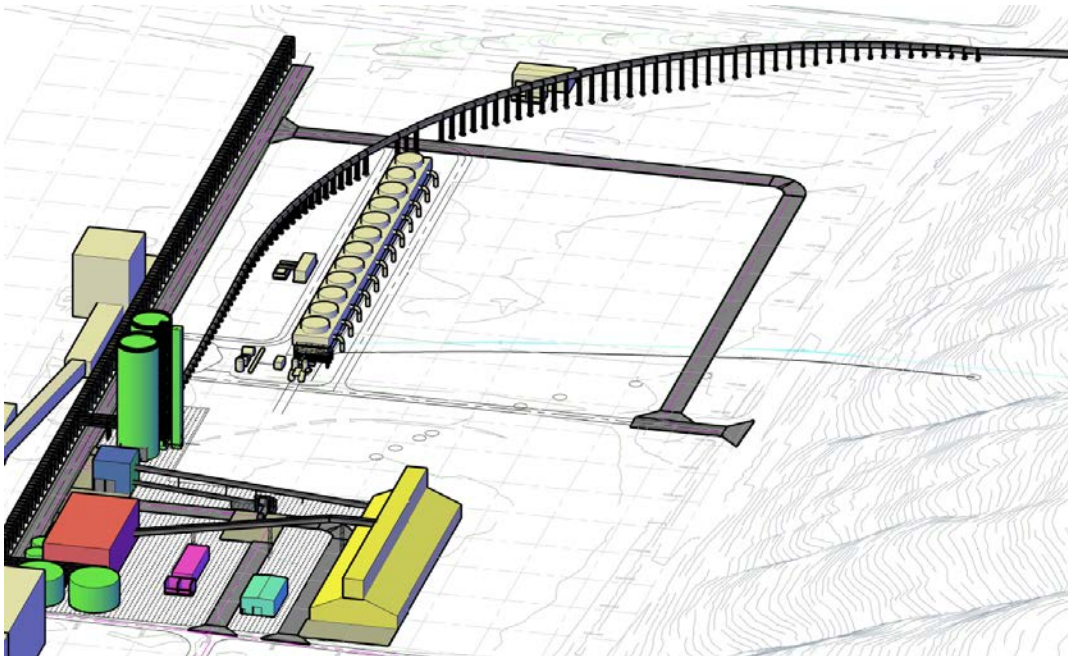
The CCRT and Transport portion of the project has been awarded to AMEC. The initial RFQ was issued in July 2015. Four (4) bids were received in October 2015. Negotiations with the shortlisted bidders began in January 2016 and AMEC emerged as the best evaluated bidder. Final negotiations and finalization of scope continued with AMEC through March 2016 and an EPC was executed with AMEC on April 7, 2016.



### Conceptual Site Layout Graphics



Graphic 1 - Conceptual Layout of the CCRT and Transport System



Graphic 2 - Conceptual 3D Site Layout of the CCRT

**Table 1 - Landfill Permitting Status**

<b>Required Regulatory Permit</b>	<b>Submitted</b>	<b>Date Submitted</b>	<b>Date Received Or Current Date Expected By</b>
<b>Kentucky Division of Waste Management Landfill Permit</b>	Yes	January 3, 2014	<u>December 2016</u>
<b>US Army Corps of Engineers 404 Permit*</b>	Yes	April 25, 2014	<u>October 2016</u>
<b>US Army Corps of Engineers Nationwide Permit (Monitoring Wells)</b>	Yes	September 9, 2013	September 2014
<b>Kentucky Division of Water 401 Water Quality Certificate</b>	Yes	April 25, 2014	<u>October 2016</u>
<b>Kentucky Division of Water Dam Safety Permit</b>	Yes	<u>February 15, 2016</u>	<u>October 2016</u>
<b>Kentucky Division of Water Flood Plain</b>	Yes	<u>March 10, 2016</u>	<u>October 2016</u>
<b>Kentucky Transportation Cabinet Bridge Permit</b>	Yes	January 30, 2014	February 2015
<b>Kentucky Division for Air Quality Title V Revised Air Permit</b>	Yes	<u>October 12, 2015</u>	<u>December 2015</u>

The underlined dates reflect updates from Application Exhibit 3 in Case No. 2015-00156 filed on May 22, 2015, which the Commission by order later consolidated into Case No. 2015-00194.