

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY FOR CERTIFICATES)	
OF PUBLIC CONVENIENCE AND NECESSITY)	
AND APPROVAL OF ITS 2016 COMPLIANCE)	CASE NO. 2016-00027
PLAN FOR RECOVERY BY ENVIRONMENTAL)	
SURCHARGE)	

LOUISVILLE GAS AND ELECTRIC COMPANY

**RESPONSE TO THE
ATTORNEY GENERAL'S (AG)
INITIAL DATA REQUESTS**

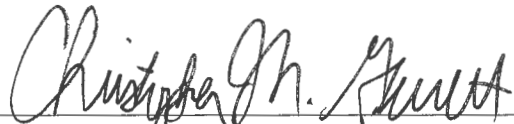
DATED MARCH 11, 2016

FILED: MARCH 24, 2016

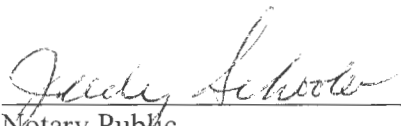
VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says that he is Director – Rates for LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.


Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 24th day of March 2016.


Notary Public (SEAL)

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

VERIFICATION

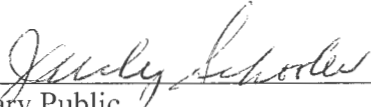
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Gary H. Revlett**, being duly sworn, deposes and says that he is Director – Environmental Affairs for LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



Gary H. Revlett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 24th day of March, 2016.



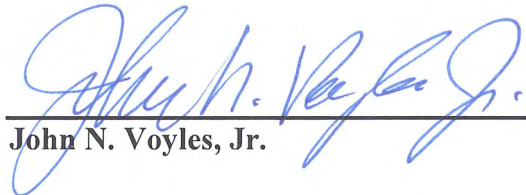
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Notary Public, State at Large, KY
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Notary ID # 512743

VERIFICATION


COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **John N. Voyles, Jr.**, being duly sworn, deposes and says that he is the Vice President, Transmission and Generation Services for Louisville Gas and Electric Company and Kentucky Utilities Company and an employee of LG&E and KU Services Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



John N. Voyles, Jr.

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 24th day of March 2016.

 (SEAL)

Notary Public

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
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LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated March 11, 2016

Case No. 2016-00027

Question No. 1

Witness: John N. Voyles, Jr. / Gary H. Revlett

- Q-1. How will LG&E know where to install groundwater monitoring wells ("GMWs"), and how many?
- A-1. The new EPA Coal Combustion Residuals Rule ("CCR Rule") requires LG&E to develop groundwater monitoring plans. These plans will identify the number, location and depth of groundwater monitoring wells required under the CCR Rule. These groundwater monitoring plans must be reviewed and certified by a Professional Engineer. LG&E has hired two Geotechnical Engineering firms to design individual groundwater monitoring plans for the various surface impoundments and landfills at the LG&E sites. The number and location of monitoring wells necessary for each plant's regulated units will be determined by these engineering consultants and will be site specific.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated March 11, 2016

Case No. 2016-00027

Question No. 2

Witness: John N. Voyles, Jr. / Gary H. Revlett

- Q-2. Reference the Voyles testimony, p. 8. After the GMWs are installed and the eight (8) independent samples are taken, in the event the testing results of the samples show coal combustion residuals ("CCR") constituent readings in excess of the limits established in the EPA's Coal Combustion Residuals Rule ("CCR Rule"), is there any possibility that LG&E will have to undertake more extensive measures in order to trace the source of the pollutants and in order to take remediative measures?
- a. If so, what would or could those more extensive measures involve?
- A-2. Based on the CCR Rule, impoundment closure is the first step in the process along with 30-years of post-closure care. During the post-closure care additional remediation could be required by KYDWM.
- a. Under the CCR Rule, closure is the only remedial option for existing unlined surface impoundments that exceed the CCR groundwater standards. However, if the groundwater monitoring results for any landfill or surface impoundment with a CCR liner system exceed the groundwater standards, a number of remedial options are available under the CCR Rule. Options include additional measures, such as, supplementary monitoring wells to pinpoint the source and then various engineering solutions to stop the source of groundwater contamination.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated March 11, 2016

Case No. 2016-00027

Question No. 3

Witness: Gary H. Revlett

- Q-3. Will there have to be a separate groundwater monitoring system for each impoundment? Please explain.
- A-3. Not necessarily. It is possible two or more surface impoundments could be grouped together and sampled as a set, particularly if they are adjacent. However, if groundwater contamination from the set of existing surface impoundments is found to exceed the standards, then all the impoundments within the set must close. LG&E may group some impoundments together at a site because of their close proximity to each other, but those evaluations and final determinations will be included in the development of the groundwater monitoring plans.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated March 11, 2016

Case No. 2016-00027

Question No. 4

Witness: John N. Voyles, Jr. / Gary H. Revlett

- Q-4. Reference the Voyles testimony generally, and in particular at p. 8 regarding the CCR Rule operational standards and requirements pertaining to location requirements. At p. 8, he states the company is still evaluating whether the CCR Rule's location restrictions will affect any of the company's CCR facilities.
- a. In what manner could the location requirements affect any CCR facilities? Please discuss the potential implications.
- A-4. a. The CCR Rule specified location restrictions to ensure landfills and surface impoundments are appropriately sited. These include restrictions related to placement above the uppermost aquifer, in wetlands, in fault areas, in seismic impact zones and in unstable areas. Like the groundwater triggering event, the CCR Rule mandates if a facility fails a location restriction it must cease receiving CCR materials and non-CCR waste streams and start the closure process within six months. As described in the direct testimony of Mr. Revlett, the Companies anticipate groundwater monitoring will likely trigger the closure of the CCR impoundments. The rule requires closure as a result of the failure of any one of the triggers. If an impoundment has not triggered closure due the groundwater monitoring, closure could still be triggered by the location restrictions. As the compliance date for assessments of groundwater impacts precedes the location restrictions, the Companies have focused the initial efforts on those assessments first. As stated on pages 8 and 9 of the Voyles testimony, if closure is not triggered by other requirements, the Companies will complete the location restriction assessments prior to the 2018 compliance date.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated March 11, 2016

Case No. 2016-00027

Question No. 5

Witness: John N. Voyles, Jr.

- Q-5. Regarding the closure of the surface impoundments, for each impoundment is closure the least-cost alternative, or is it merely "economical?" Please explain.
- A-5. The proposed closures are the lowest-reasonable-cost methods to comply with the CCR Rule on a station-by-station basis, not an impoundment-by-impoundment basis. For example, the Company might propose to incur added expense to clean-close an impoundment because beneficially using the CCR materials to the extent feasible from that impoundment to help cap and close another impoundment at the same station would produce net benefits relative to capping and closing both impoundments using other virgin fill materials.¹ Also, "economical" is intended to be synonymous with "lowest-reasonable-cost." See also the response to PSC 1-8.

¹ See, e.g., Voyles Testimony at 15 lines 11-15.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated March 11, 2016

Case No. 2016-00027

Question No. 6

Witness: Gary H. Revlett

- Q-6. Does the CCR Rule provide any extensions of compliance deadlines? If so, on what basis or bases?
- A-6. The CCR Rule only offers extensions for the timeframe to finish closure of a CCR unit. For landfills, up to two one-year extensions may be requested. For surface impoundments less than 40 acres, a single two-year extension may be requested. For impoundments greater than 40 acres, up to five two-year extensions may be requested. Factors which could support an extension request include (but are not limited to): climate/weather complications, excessive dewatering time, geology or terrain issues, and permitting delays with state agencies.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated March 11, 2016

Case No. 2016-00027

Question No. 7

Witness: Gary H. Revlett

- Q-7. Reference the Revlett testimony, p. 18, lines 10-14. If a “triggering” event occurs requiring the “initiation” of closure of a CCR surface impoundment, how much time does the CCR Rule allow for the actual closure of that impoundment?
- A-7. If a triggering event occurs, LG&E has six months to cease placing CCR materials and non-CCR waste streams in the impoundment and start the closure process. The closure process must be completed in five years.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated March 11, 2016

Case No. 2016-00027

Question No. 8

Witness: Gary H. Revlett

- Q-8. Has the company already made the decision to close all surface impoundments even prior to the construction of test wells and the eight (8) independent groundwater samplings? If so why? Is the company's decision based in part on any assumptions?
- A-8. Yes, LG&E believes it is prudent to prepare for impoundment closures prior to the installation of monitoring wells and assessment of monitoring data. At this time, LG&E has assumed all CCR impoundment facilities will trigger closure based on future groundwater samplings. Due to the short timeframe to initiate and close a facility, i.e., within five years after a triggering event, LG&E has to develop a plan that would allow closure of the impoundments without jeopardizing generation. At each station, the CCR impoundments are a critical part of generation. To make sure generation is not impacted, the sequencing of impoundment closure must start before the anticipated triggering event at critical facilities, while closure at other facilities will begin after a triggering event.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated March 11, 2016

Case No. 2016-00027

Question No. 9

Witness: John N. Voyles, Jr.

- Q-9. Will CCRT facilities, such as are being or have been constructed at Trimble and Ghent stations, be required at each of Mill Creek and Brown? If not, why not?
- A-9. Yes, a CCRT system is necessary to facilitate dry handling of the CCR materials for placement into CCR Rule compliant dry landfill or for beneficial use. A CCRT system is currently being commissioned at Brown and will be fully operational in the second quarter of 2016. Mill Creek has a dry landfill in service for gypsum and fly ash placement. Plans for Mill Creek bottom ash dewatering are included in this 2016 Plan.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated March 11, 2016

Case No. 2016-00027

Question No. 10

Witness: John N. Voyles, Jr.

Q-10. Are there any impoundments at other stations for which the company proposes using the clean close method? If so, please identify them and the reasons for choosing that method.

A-10. Yes, the Companies currently plan to clean close four of the small impoundments at Mill Creek², as well as, the gypsum stack and two associated surface impoundments at Ghent described in the Companies' response to AG Question No. 15 to KU. The Construction Runoff Pond, the Dead Storage Pond, the Clearwell Pond and the Emergency Pond as shown in the aerial photo on page 20 of the Voyles testimony will be clean closed. LG&E will be utilizing the footprint to develop portions of the process water system, including repurposing 3 ponds as described on page 3 of Exhibit JNV-3, necessary to facilitate closure of the Main Ash Pond. As the on-going engineering efforts proceed, the Companies will continue evaluating impoundments at other stations to determine the best compliance option.

² See Exhibit JNV-3 (Mill Creek CCR Management Facilities Plan).

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated March 11, 2016

Case No. 2016-00027

Question No. 11

Witness: John N. Voyles, Jr.

Q-11. Once the surface impoundments are closed, will they be above the flood plains at their respective locations?

A-11. Yes, the cap system will be above the flood plain.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated March 11, 2016

Case No. 2016-00027

Question No. 12

Witness: John N. Voyles, Jr.

Q-12. With regard to any CCR Rule-compliant landfills, will they be located above the flood plains at their respective locations?

A-12. Yes.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated March 11, 2016

Case No. 2016-00027

Question No. 13

Witness: Gary H. Revlett

- Q-13. Reference the Revlett testimony, p. 17, beginning at line 18 through p. 18, line 8. Regarding the groundwater samples discussed in this passage, are the statistical thresholds referenced those utilized in the CCR Rule?
- A-13. Yes, the statistical thresholds mentioned in this portion of Gary Revlett's direct testimony are referencing the CCR Rule groundwater standards that are based on a statistically significant increase above background concentrations.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated March 11, 2016

Case No. 2016-00027

Question No. 14

Witness: Christopher M. Garrett

Q-14. Please explain what effect, if any, bonus depreciation rules will have on the depreciation costs associated with this filing. Does the company plan to file for bonus depreciation treatment, and if not, why not?

A-14. In December 2015, the "Protecting Americans from Tax Hikes Act of 2015" was passed into law. The new law extends the 50% bonus tax depreciation rate to the years 2015-17 and then phases the bonus tax depreciation rate down to 40% for 2018 and 30% for 2019. LG&E plans to elect to take bonus tax depreciation on the capital projects included in the filing (excluding CCR closure costs) as they are expected to be placed into service by December 31, 2019. LG&E will recognize a deferred tax liability for the excess of tax depreciation over book depreciation which results in the lowering of the ECR rate base.

CCR closure costs are deductible when paid for income tax purposes.