



an e-on company

Mr. Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

RECEIVED

NOV 17 2009

PUBLIC SERVICE  
COMMISSION

**Louisville Gas and  
Electric Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.eon-us.com

November 17, 2009

Robert M. Conroy  
Director - Rates  
T 502-627-3324  
F 502-627-3213  
robert.conroy@eon-us.com

**RE: *THE APPLICATION OF LOUISVILLE GAS AND ELECTRIC  
COMPANY FOR CERTIFICATE OF PUBLIC CONVENIENCE  
AND NECESSITY AND APPROVAL OF ITS 2009 COMPLIANCE  
PLAN FOR RECOVERY BY ENVIRONMENTAL SURCHARGE  
CASE NO. 2009-00198***

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and eight (8) copies of the public version of the Post-Hearing Data Response of Louisville Gas and Electric Company ("LG&E") to Data Request made by the Commission Staff during the Hearing on November 3, 2009, in the above-referenced matter.

The commercially sensitive and confidential information redacted from the public version of the response is the same information previously submitted by LG&E under seal with the Commission pursuant to the its June 26, 2009 Petition for Confidential Protection. Pursuant to that Petition, the confidential version of the Post-Hearing Data Response with the confidential information highlighted is being provided and filed in a sealed envelope marked "Confidential."

Should you have any questions concerning the enclosed, please contact me at your convenience.

Sincerely,

Robert M. Conroy

Enclosures  
cc: Parties of Record

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>APPLICATION OF LOUISVILLE GAS AND</b>	)	
<b>ELECTRIC COMPANY FOR A CERTIFICATE</b>	)	
<b>OF PUBLIC CONVENIENCE AND NECESSITY</b>	)	<b>CASE NO.</b>
<b>AND APPROVAL OF ITS 2009 COMPLIANCE</b>	)	<b>2009-00198</b>
<b>PLAN FOR RECOVERY BY ENVIRONMENTAL</b>	)	
<b>SURCHARGE</b>	)	

**RESPONSE OF**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**TO**  
**POST HEARING DATA REQUEST OF COMMISSION STAFF**  
**DATED NOVEMBER 3, 2009**  
**(Public Version-Confidential Information Redacted)**

**FILED: November 17, 2009**



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Post Hearing Data Request of Commission Staff  
Dated November 3, 2009  
(Public Version-Confidential Information Redacted)**

**Case No. 2009-00198**

**Question No. 1**

**Witness: Charles R. Schram**

Q-1. In reference to the beneficial reuse opportunity with Louisville Underground, please provide the evaluation performed to determine the economics of on-site versus off-site storage of coal combustion byproducts at the Cane Run station.

A-1. The analysis is contained in the Direct Testimony of Charles R. Schram, in Exhibit CRS-1, Section 6, and includes a review of the economics of on-site versus off-site storage of coal combustion byproducts (CCP) at the Cane Run station. The analysis concluded that the Louisville Underground opportunity was least cost if the unit cost of disposal was priced below [REDACTED] per cubic yard (on a 2009 PVRR basis), which represents the cost of disposal in the Cane Run landfill proposed as "Alternative 10".<sup>1</sup>

In addition to the on-site Cane Run landfill and the Louisville Underground beneficial reuse opportunity, the analysis also reviewed the economics of off-site disposal in a third party landfill. The evaluation concluded that the cost of off-site landfill disposal was over 80% greater than disposal in an on-site landfill at Cane Run.

Subsequent to LG&E's June 26, 2009 ECR filing, ongoing discussions and negotiations with Merlu regarding Louisville Underground resulted in a higher disposal cost and created significant commercial risks which were not contemplated in the original economic analysis. The following terms and conditions led to LG&E's decision to decline the Louisville Underground beneficial reuse opportunity under the current proposal by Merlu:

---

<sup>1</sup> Certain information is redacted from this data response due to its commercially sensitive and confidential nature. The redacted information is the same information previously submitted to the Commission in this proceeding under seal pursuant to LG&E's June 26, 2009 Petition for Confidential Protection. Under separate cover, LG&E is submitting this data response without the redaction of confidential information and pursuant to the pending June 26, 2009 Petition for Confidential Protection.

**(Public Version – Confidential Information Redacted)**

- **The pricing and terms for the Louisville Underground opportunity changed significantly since the June 26, 2009 ECR filing.**  
In addition to a 10% increase in disposal fees, Louisville Underground limited the agreement to 10 years instead of the 20-year term evaluated in the original analysis, reducing the volume of CCP from 6 million cubic yards (MCY) to 3.7 MCY. The remaining volume of Cane Run’s CCP produced during the 20-year analysis term would need to be stored in a Cane Run landfill, accelerating the construction requirements for the landfill. The Louisville Underground opportunity was no longer least cost on this basis, as shown in Table 1 below.
- **Cancellation provisions which included payment to Louisville Underground of up to \$1.3 million (\$650,000 per year for up to two years).**  
A “take-or-pay” provision of this type was not acceptable to LG&E. Any new environmental regulations which result in material reductions to Cane Run’s planned capacity factor will reduce the production of CCP and could trigger payments to Louisville Underground. In addition, a prolonged outage at Cane Run could result in the amount of CCP production to be below the minimum take and result in payments to Louisville Underground. Extraction of the CCP from the Cane Run landfill under such circumstances to fulfill the proposed take-or-pay obligation is prohibitively expensive due the functions of the landfill.
- **Louisville Underground’s unwillingness to ensure separation of LG&E’s CCP from third party materials in the structural fill application.**  
Louisville Underground would not ensure the separation of LG&E’s CCP from other material. The type and quality of third party material which potentially could be commingled with LG&E’s CCP is unknown. Any future removal and separation of CCP from other materials would be difficult and costly. This condition of the proposal would create potentially significant liability risk to LG&E and its customers.

LG&E performed an analysis including the higher disposal cost at Louisville Underground and the effect of the 10-year reduction in the term of the agreement. Using Louisville Underground’s higher disposal fee of ██████ per cubic yard (up from ██████ per cubic yard as noted in Exhibit CRS-1 Section 5.2, and the result of an increase from ██████ per ton to ██████ per ton) combined with the construction of a landfill beginning in 2019 results in a total disposal cost of

**(Public Version – Confidential Information Redacted)**

█ per cubic yard as detailed in Table 1 below. This exceeds the cost of disposal in the proposed on-site Cane Run landfill (Alternative 10). Therefore, with this analysis and the risks inherent in the commercial terms and conditions discussed above LG&E determined that pursuing the beneficial reuse opportunity with Louisville Underground was not economical at this time.

Table 1.

	<b>Cane Run Landfill (Alt 10)</b>	<b>Lou Underground (original 20-yr term)</b>	<b>Lou Underground (10-yr term and Phases 1-2 of Alt 10)</b>
PVRR (\$millions)			
Capital	█	█	█
O&M	█	█	█
<b>Total</b>	█	█	█
Capacity (MCY)	5.8	6.0	5.8
Unit Cost (2009 PVRR \$/CY)	█	█	█