



Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

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COMMISSION

June 30, 2010

Hand Delivery

**E.ON U.S. LLC**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.eon-us.com

Lonnie E. Bellar  
Vice President  
T 502-627-4830  
F 502-217-2109  
lonnie.bellar@eon-us.com

**RE: Application of Kentucky Utilities Company for an Adjustment of Base Rates - Case No. 2009-00548**

**Application of Louisville Gas and Electric Company for an Adjustment of Electric and Gas Base Rates – Case No. 2009-00549**

Dear Mr. DeRouen:

I am writing to you on behalf of Kentucky Utilities Company and Louisville Gas and Electric Company (collectively, “Companies”) to update the Commission on the status of the testing and commissioning of Trimble County Unit 2 (“TC2”). In my March 26, 2010 letter to you on the same topic, I discussed certain temporary steam piping issues that had added time to TC2’s startup and commissioning schedule. I am pleased to report that those issues were resolved, and that TC2’s startup and commissioning process has advanced significantly. The unit first produced power, and was synchronized, to the Companies’ grid on May 18, resulting in commercial operation as of that date for the purposes of the U.S. Environmental Protection Agency (“USEPA”). (A copy of the letter sent to the USEPA is attached hereto.) Since that time, the unit reached and maintained a continuous load level of 400 MW for four successive days during the week of June 14<sup>th</sup>, and all of the systems associated with TC2 appeared to be functioning as expected at that time. To date, TC2 has produced over 75,000 gross MWh of low-cost power to the grid, to the benefit of the Companies’ customers.

After the fourth day of TC2’s operation at the 400 MW level on June 18<sup>th</sup>, which was three days from the beginning of the planned full load testing of

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the unit, it was determined that a number of the unit's burners were damaged and the unit was taken off-line. After taking time to assess the damage carefully, it is clear the damaged burners must be repaired. TC2 has 30 such burners, each of which is roughly the size of a small car. During normal operation, the burners are fueled by coal and air to produce the heat needed for TC2 to produce the super-critical steam that is then used to generate electricity. As a matter of prudent operation, the unit will not be re-started until a root-cause analysis is complete and the burner issue resolved. The Companies anticipate having the root-cause analysis completed within two weeks. The Companies' contractor, Bechtel, has ordered replacement parts, and will resume testing the unit and producing power to the grid after the repairs are made.

Resolution of this issue is expected to add a couple of months to the final testing and commissioning phase for TC2, resulting in a revised in-service date of October. The Companies' contract with Bechtel, however, contains a liquidated damages clause that provides Bechtel a significant incentive to complete the unit and its testing phase as soon as it is safely and reasonably possible. The amounts the Companies collect as liquidated damages from Bechtel will be credited against the total capitalized cost of TC2, which will benefit the Companies' customers by reducing the installed capacity cost of the unit. And, as the final testing proceeds, the Companies' customers will continue to benefit from TC2's low fuel costs via the Companies' fuel adjustment clause mechanisms.

In sum, the testing and commissioning of TC2 has advanced significantly since my last letter to you, and, other than the burner issue, all systems appear to be functioning well. The Companies and their contractor are moving with all safe and reasonable speed to resolve the issue, repair the unit, and resume the testing and commissioning process.

I will continue to keep you informed with the progress of this matter, but should you have any questions please contact me at your first convenience.

Regards,

A handwritten signature in black ink, appearing to read "Lonnie E. Bellar". The signature is written in a cursive, flowing style.

Lonnie E. Bellar

Enclosure

CC: Counsel to the Parties of Record



an *e-on* company

SENT VIA EMAIL

May 26, 2010

Art Diem  
US EPA  
Clean Air Markets Division  
1200 Pennsylvania Avenue, NW  
Mail Code 6204N  
Washington, DC 20460

**Paul W. Thompson**  
Senior Vice President  
Energy Services

**E.ON U.S. LLC**  
220 West Main Street  
P.O. Box 32010  
Louisville, KY 40202  
T (502) 627-3861  
paul.thompson@eon-us.com

Dear Mr. Diem:

Per 40 CFR Part 75.61 (a)(2)(ii), Louisville Gas and Electric (LG&E) hereby makes notification of commencement of commercial operation for Trimble County Unit 2. The applicable date is identified as follows:

ORIS Code	Generating Station/Unit	Commencement of Commercial Operation
6071	Trimble County Unit 2	May 18, 2010

Thank you for your attention in this matter.

Respectfully,

Paul W. Thompson  
Senior Vice President, Energy Services  
Designated Representative  
Louisville Gas and Electric

EC:

David McNeal  
US EPA, Region 4  
Sam Nunn Atlanta Federal Center  
61 Forsyth Street, SW  
Atlanta, GA 30303-8960

Clay Redmond  
Division for Air Quality  
Florence Regional Office  
8020 Veterans Memorial Drive, Suite 110  
Florence, KY 41042

Sean Alteri,  
Ben Markin,  
Stephanie McCarthy  
Division for Air Quality  
200 Fair Oaks Lane  
Frankfort, KY 40601