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Via Hand Delivery

April 3, 2012

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


Re: Case No. 2011-00375

Dear Mr. Derouen:

Please find enclosed the original and ten (10) copies of the BRIEF OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. for filing in the above-referenced matter. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,

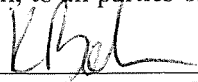

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MLKkew
Attachment

cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy via electronic mail (when available) and by first-class postage prepaid mail, to all parties on the 3rd day of April, 2012.



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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:	:	
	:	
JOINT APPLICATION OF LOUISVILLE GAS AND ELECTRIC	:	
COMPANY AND KENTUCKY UTILITIES COMPANY OF PUBLIC	:	Docket No. 2011-00375
CONVENIENCE AND NECESSITY AND SITE COMPATIBILITY	:	
CERTIFICATE FOR THE CONSTRUCTION OF A COMBINED	:	
CYCLE COMBUSTION TURBINE AT THE CANE RUN	:	
GENERATING STATION AND THE PURCHASE OF EXISTING	:	
SIMPLE CYCLE COMBUSTION TURBINE FACILITIES FROM	:	
BLUEGRASS GENERATION COMPANY, LLC IN LAGRANGE,	:	
KENTUCKY	:	

BRIEF OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

I. INTRODUCTION

Comes now, Kentucky Industrial Utility Customers, Inc. (“KIUC”) and submits this Brief concerning Louisville Gas & Electric Company and Kentucky Utilities Company’s (collectively “the Companies”) proposal in the above-captioned matter. KIUC did not pre-file testimony in this proceeding, but takes the following positions with regard to the arguments submitted by the Companies and intervenors, Sierra Club and the National Resource Defense Counsel (“NRDC”).

II. ARGUMENT

1. **KIUC Does Not Oppose The Companies' Proposal To Replace A Portion Of Its Coal Generation Fleet With New And Existing Natural Gas Units.**

KIUC does not oppose the Companies' proposal to retire six coal-fired generating units at the Cane Run, Tyrone and Green River generating stations and to meet the resultant capacity shortfall by building a natural gas combined-cycle facility at Cane Run and purchasing three existing single-cycle combustion turbines from Bluegrass Generation in Oldham County. The evidence introduced by the Companies indicates that this plan is reasonable and cost effective given new EPA regulations effecting coal generating units and the current low price of natural gas.

2. **KIUC Opposes The Position Of The Sierra Club And The NRDC That The Retired Coal-Fired Units Can Be Reasonably Replaced With A Combination Of Wind Generation Purchases And Demand Side Management.**

KIUC does not agree with the arguments of the Sierra Club and the NRDC that the capacity shortfall created by the retirement of six of the Companies' coal-fired units can reasonably be made up through some combination of wind generation purchases and demand side management ("DSM"). There is compelling evidence in this case that the wind generation bid in response to the Companies' RFP is not cost effective compared to the Companies' plan, and comes with inherent availability concerns that make it not a satisfactory replacement for the Companies' retired capacity.

Additionally, Sierra Club and NRDC's proposal to expand the DSM program to include the industrial customer class would violate KRS 278.285(3), and fails to account for the fact that industrial load is inherently different than most residential and commercial load with respect to DSM. The Companies' large industrial load is not the untapped DSM resource that the Sierra Club and the NRDC imagine it to be.

A relatively small portion of industrial electric load derives from the type of power consumption that is easily targeted by utility DSM and energy efficiency programs. Whereas a large portion of residential and commercial load is consumed by lighting, and other simple devices that are the typical targets of DSM and energy efficiency programs; lighting, cooling etc. make up a relatively small portion of a typical large industrial load. Most of the electricity consumed by large industrial customers is used in the complicated machinery that is a part of the manufacturing process. KRS 278.285(3) acknowledges that a utility-run DSM program cannot increase the efficiency of these complicated manufacturing processes better than the engineers and plant managers that are employed by the industrial customer. A utility or third-party DSM expert cannot reasonably walk into a steel mill or auto manufacturing plant and identify inefficiencies in those complicated manufacturing processes.

KRS 278.285(3) also recognizes that the national and international markets that large industrial customers compete in already provide ample incentive for Kentucky's large industrial customers to minimize costs through DSM and energy efficiency efforts. If there were "low-hanging fruit," from an energy efficiency prospective, at large industrial facilities it is safe to assume that these sophisticated energy consumers have identified and addressed them long ago.

Respectfully submitted



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April 3, 2012