

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES	)	
COMPANY FOR CERTIFICATES OF PUBLIC	)	
CONVENIENCE AND NECESSITY AND	)	CASE NO.
APPROVAL OF ITS 2016 COMPLIANCE PLAN	)	2016-00026
FOR RECOVERY BY ENVIRONMENTAL	)	
SURCHARGE	)	

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION TO  
KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company ("KU"), pursuant to 807 KAR 5:001, is to file with the Commission the original in paper medium and an electronic version of the following information. The information requested herein is due on or before March 25, 2016. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

KU shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when

made, is now incorrect in any material respect. For any request to which KU fails or refuses to furnish all or part of the requested information, KU shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a document containing personal information, KU shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. The Direct Testimony of Robert M. Conroy (“Conroy Testimony”), page 5, states that as to Project 36, “The total expected capital cost of Phase II is \$11.9 million (of which KU seeks to recover \$5.3 million through the environmental cost recovery (“ECR”) mechanism as part of its 2016 Plan Project 36). KU is not seeking operation and maintenance (“O&M”) cost recovery through the ECR mechanism for this project. . . .”

a. Explain what costs will be recovered in the \$5.3 million.

b. If there are O&M costs, explain the kinds of cost and provide the annual O&M costs not being recovered.

2. The Conroy Testimony, page 6, lines 13–16, states that as to Project 37, “KU is not seeking O&M cost recovery through the ECR mechanism for this project. . . .”

If there are O&M costs, explain the kinds of cost and provide the annual O&M costs not being recovered.

3. Refer to the Conroy Testimony, page 8, lines 5–16, as to Project 38. If the additives for Project 38 are different from the additives for Project 35, provide a comparison of additives and costs.

4. The Conroy Testimony, page 10, lines 6–9, states that as to Project 39, “The total projected capital cost of these surface impoundment closures is \$77.9 million for all three stations (of which KU seeks to recover \$77.5 million through the ECR mechanism as part of its 2016 Plan Project 39). KU is not seeking O&M cost recovery through the ECR mechanism for this project. . . .”

a. Explain what costs will be recovered in the \$77.5 million.

b. If there are O&M costs, explain the kinds of cost and provide the annual O&M costs not being recovered.

5. Refer to the Conroy Testimony, page 11, lines 7–10, as to Project 40. The total projected capital cost is \$364.2 million for Ghent, but \$339.9 million is to be recovered through the ECR mechanism. Explain what costs are to be recovered and what costs are not.

6. Refer to the Conroy Testimony, page 11, lines 10–12, as to Project 41. The total projected capital cost is \$105.3 million for Trimble County, but \$101.9 million is to be recovered through the ECR mechanism. Explain what costs are to be recovered and what costs are not.

7. Refer to the Conroy Testimony, page 11, lines 12–13, as to Project 42. The total projected capital cost is \$101.3 million for Brown, but \$98.3 million is to be

recovered through the ECR mechanism. Explain what costs are to be recovered and what costs are not.

8. The Conroy Testimony, page 11, lines 19–20, states that as to Projects 40-42, “KU is not seeking O&M cost recovery through the ECR mechanism for these projects. . . .” If there are O&M costs, by project, explain the kinds of costs and provide the annual O&M costs not being recovered.

9. Refer to the Conroy Testimony, page 19, line 10, which states that KU is requesting continuation of the 10.00 percent return on equity (“ROE”). Provide, as of December 31, 2015, the debt and capital structure of KU with the weighted cost of capital using 10.00 percent ROE.

10. Refer to the Direct Testimony of John N. Voyles, Jr. (“Voyles Testimony”). Explain what alternatives were considered, other than for Projects 36 and 42, as compared to the projects being proposed, and by proposed project and alternative(s), provide the results of any present value analysis that was done.

11. Refer to the Voyles Testimony, page 8, regarding the groundwater monitoring and assessment evaluations being conducted at active surface impoundments. When is the groundwater monitoring and assessment required to be completed pursuant to the CCR Rule?

12. Refer to the Voyles Testimony, page 14, noting that Phase I of the Brown Landfill will be placed in service in 2016. When during 2016 will Phase I of the Brown Landfill be placed in service?

13. Refer to the Voyles Testimony, page 14, regarding the Brown Landfill.

a. Explain why the Special Waste Landfill permit for the Brown Landfill contains a 10-foot height restriction for each successive phase of lateral expansion.

b. Do any of KU's other landfills that have a Special Waste Landfill permit have similar restrictions?

14. Refer to the Voyles Testimony, page 18, regarding the closure of the three surface impoundments at Green River. Explain why the SO<sub>2</sub> pond is capable of being "clean-close," as compared to being capped and closed.

15. Refer to the Voyles Testimony, page 23, concerning the closure option under the CCR Rule involving relining and repurposing an impoundment. Provide a detailed explanation of this closure option and what is meant by repurposing the impoundment.

16. Refer to the Voyles Testimony, page 25, regarding KU's decision to go forward with the decision to close the impoundments at Ghent, Trimble County, and Brown Generating Stations. Has KU quantified the risk of waiting to begin closure activities and construction of the process water systems until the analyses as required by the CCR Rule are completed? If so, provide a copy of that risk analysis.

17. Refer to the Voyles Testimony, Exhibit JNV-6, page 1 of 50. The table designated as Exhibit 1-1 summarizes the estimated costs for closing the Ghent impoundments. Explain why the estimated cost of clean closing of the gypsum stack (\$71 million) is greater than the estimated cost of capping and closing the ash treatment basin #1 (\$57 million) and is almost as much as the estimated cost of capping and closing the ash treatment basin #2 (\$79.4 million).

18. Refer to the Voyles Testimony, Exhibit JNV-3, page 14. Explain the difference between the Total Initial Costs, the Lower ROM Range, and the Upper ROM Range, and is this response consistent for all of the Voyles' exhibits.

19. Refer to the Voyles Testimony, Exhibit JNV-3, page 15.

a. Explain the difference between the Cost 2015 Dollars and the Total.

b. Provide the technical memo referenced in footnote one.

c. Explain whether the response for part a. is consistent for all of the proposed project analysis in Exhibit JNV-3.

20. Refer to the Direct Testimony of R. Scott Straight ("Straight Testimony"), page 7, regarding the mercury re-emission phenomenon. Provide a detailed description of the mercury re-emission phenomenon, including an explanation of the de-oxidization process, and discuss whether this phenomenon occurs at any other KU units that are equipped with wet flue-gas desulfurization technology.

21. Refer to the Straight Testimony, page 8, regarding the injection of a halogenated chemical additive into the coal feeders on the Ghent units to provide a more effective process of reducing mercury emissions. Is the supplemental injection technology similar to the refined coal arrangement at the Ghent Generating Station that was approved by the Commission in Case No. 2015-00264?<sup>1</sup> If not, explain the difference between the two processes.

22. Refer to the Application, page 10, paragraph 22; the Direct Testimony of Gary H. Revlett ("Revlett Testimony"), at page 5, lines 18–22; and at page 20, line 5, through page 21, line 12.

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<sup>1</sup> Case No. 2015-00264, *Application of Louisville Gas and Electric Company and Kentucky Utilities Company Regarding Entrance Into Refined Coal Agreements, for Proposed Accounting and Fuel Adjustment Clause Treatment, and for Declaratory Ruling* (Ky. PSC Nov. 24, 2015).

a. Explain whether KU believes the closure of surface impoundments at the Green River, Tyrone, and Pineville stations will be recoverable through the environmental surcharge if compliance with Effluent Limitations Guidelines and Standards for the Steam Electric Power 8 Generating Point Source Category (“ELG”) does not lead to their “mandatory closure under state law.”

b. Provide any updates to the determination of whether the ELG will necessitate closure of these surface impoundments.

c. Explain whether KU believes the closure of these surface impoundments will be recoverable through the environmental surcharge, given that the stations are no longer actively engaged in the production of energy from coal.

23. Refer to the Direct Testimony of Charles R. Schram (“Schram Testimony”), page 5, lines 5–8, state, “If the Companies determine that complying with the CPP and ELG is more costly than retiring coal units and replacing the capacity, they can likely operate the units through 2021 without incurring any CPP and ELG compliance costs.”

a. If this were to occur, confirm that coal units would be retired.

b. If the retirement in part a. above is confirmed, provide, by plant, the net book value at the time of retirement and the proposed method of recovery for any stranded costs.

24. Refer to Schram Testimony, page 5, lines 20–22, state that, “As a result, the Companies evaluated these projects over the Companies’ standard 30-year analysis period with high-level estimates for CPP and ELG compliance costs.” Also, refer to Schram Testimony, page 6, lines 11–13, which state, “For this reason, the 30-

year retirement analysis assumed no incremental cost for CPP compliance at Trimble County.” Explain why any difference between the analyses included high-level estimates and another assumed no incremental cost.

25. Refer to Schram Testimony, page 8, lines 10–12, which state that “no other production costs or other investments subsequent to 2021 are considered in the evaluation.” Explain why no other production costs or other investments subsequent to 2021 were considered.

26. Refer to Schram Testimony, page 15, lines 5–17. Provide any net book value of the alternatives that might be considered at the time of retirement and the proposed method of recovery for any stranded costs.

27. Refer to the Schram Testimony, Exhibit CRS-1, page 4, Table 1. Explain why the CCR production increases by year from 2016 to 2021.

28. Refer to the Schram Testimony, Exhibit CRS-1, regarding the Analysis of 2016 ECR Projects E.W. Brown Generating Station – Generation Planning & Analysis January 2016. Provide all work papers in Excel spreadsheet format with all cell formulas intact and unprotected and all rows and columns fully accessible for all modeling performed in preparing the analyses set forth in Exhibit CRS-1.

29. Refer to the Schram Testimony, Exhibit CRS-2, regarding the Analysis of 2016 ECR Projects Ghent Generating Station – Generation Planning & Analysis January 2016. Provide all work papers in Excel spreadsheet format with all cell formulas intact and unprotected and all rows and columns fully accessible for all modeling performed in preparing the analyses set forth in Exhibit CRS-2.



30. Refer to the Schram Testimony, Exhibit CRS-3, regarding the Analysis of 2016 ECR Projects Trimble County Generating Station – Generation Planning & Analysis January 2016. Provide all work papers in Excel spreadsheet format with all cell formulas intact and unprotected and all rows and columns fully accessible for all modeling performed in preparing the analyses set forth in Exhibit CRS-3.

31. Refer to the Schram Testimony, Exhibit CRS-1, Analysis of 2016 ECR Projects E.W. Brown Generating Station – Generation Planning & Analysis January 2016. Provide the Brown analysis using KU's standard 30-year analysis period.

32. Refer to the Schram Testimony, Exhibit CRS-2, Analysis of 2016 ECR Projects Ghent Generating Station – Generation Planning & Analysis January 2016. Provide the Ghent analysis using KU's standard 30-year analysis period.

33. The Direct Testimony of John J. Spanos, page 4, lines 5–7, states, “Based on the engineering study, the costs of removal for the Ghent Unit 4 ash pond are \$217,401,690. Therefore, the full recovery of the Ghent Unit 4 ash ponds over their remaining life is \$236,760,375.”

- a. Cite and provide the engineering study.
- b. Provide the kinds of and amounts of the costs of removal for the Ghent Unit 4 ash ponds.

34. The Direct Testimony of Christopher M Garrett, page 11, lines 6–7, state, “[T]he O&M expenses associated with use of organo-sulfide and halogenated liquid chemicals are not included in base rates.” Provide the annual costs of the organo-sulfide and halogenated liquid chemicals.

*James W. Gardner*

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DATED MAR 11 2016

cc: Parties of Record

Case No. 2016-00026

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