## CASE

## NUMBER:



# OGDEN NEWELL \& WELCH 

James B. Martin, Jr. Lisa Ann Vogt Turney P. Berry John Wade Hendricks Lynn H. Wangerin Douglas C. Ballantine Thomas E. Rutledgett Thomas M. Williams** Sharon A. Mattingly Lauren Anderson Gene Lynn Humphreys Anthony L. Schnell

1700 Citizens Plaza
500 West Jefferson Street
LOUisville, Kentucky 40202-2874
(502) 582-1601

FAX: (502) 581-9564

May 18, 1999

Helen C. Helton
Executive Director
Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601

## Re: In the Matter of: Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Acquisition of Two 164 Megawatt Combustion Turbines PSC Case No. 99-056

Dear Ms. Helton:
Louisville Gas and Electric Company (LG\&E) and Kentucky Utilities Company (KU) are submitting Supplemental Responses to the following information requests:

- PSC-12 and PSC-19-from Response to Commission's Orders dated March 16 and 19, 1999
- AG-4 and AG-25-from Response to Information Requested by the Attorney General
- PSC-S6-from Response to Commission's Order of April 9, 1999

The Supplemental Responses to PSC-19 and PSC-S6 clarify that if the Commission grants the requested Certificate of Convenience and Necessity and Certificate of Environmental Compatibility, LG\&E and KU will obtain an independent third party appraisal of the constructed combustion turbines. The purpose of the appraisal will be to ascertain the fair market value of the combustion turbines to ensure that they will be transferred to LG\&E and KU at the lesser of cost or fair market value, in accordance with the Corporate Guidelines and Policies for InterCompany Transactions. The Supplemental Responses to PSC-12 and AG-25 accompany information about the combustion turbines that has recently been provided to the Kentucky Division for Air Quality. The Supplemental Response to AG-4 corrects a clerical error.

Helen C. Helton<br>May 18, 1999<br>Page Two

Please accept these Supplemental Responses for filing in the record of Case No. 99-056. Thank you for your cooperation.

cc: Parties of Record

In the Matter of:


## SUPPLEMENTAL RESPONSES TO

## DATA REQUESTED IN

THE COMMISSION'S ORDERS DATED MARCH 16 \& 19, 1999, THE ATTORNEY GENERALS DATA REQUEST, AND

THE COMMISSION'S ORDER DATED APRIL 9, 1999

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QUESTION PSC-12

PSC-19
AG-4

AG-25

PSC-S6

# LOUISVILLE GAS AND ELECTRIC COMPANY KENTUCKY UTILITIES COMPANY <br> CASE NO. 99-056 

## SUPPLEMENTAL

Response to Commission's Order $1^{\text {st }}$ Data Request Dated March 16\&19, 1999

Question: PSC-12
Responding Witness: Caryl M. Pfeiffer

Q-12. Refer to Exhibits 1 and 2 of the Application. These exhibits contain copies of various environmental approvals and permits KU secured in the early 1990s for the planned CTs at Brown.
a. Have any of the approvals or permits been modified, amended, or updated since the authorization date?
b. If yes, provide copies of the modification, amendment, or update, along with an explanation of the nature of the change. Also explain in detail why this information was not included in the Application.

A-12
a. No, LG\&E and KU have provided copies of the most current environmental permits applicable to the E.W. Brown CT site. However, KU has submitted revised Title $V$ permit application forms to the Kentucky Division for Air Quality (KYDAQ). The revised application reflects the installation of two ABB GT24 units in lieu of the three ABB 11N2 units originally planned for this portion of the E.W. Brown site. The revised application forms are attached. Also attached are the results of air dispersion modeling for the two new units, which KU has also submitted to the KYDAQ.
b. Please see the response to 12(a) above. This information had not been prepared at the time the Application was filed and was only submitted to the KYDAQ on April 23, 1999.

Kentucky
Utilities
Company

## April 23, 1999

Roger S. Cook, Supervisor
Combustion Section
Permit Review Branch
Kentucky Division for Air Quality
803 Schenkel Lane
Frankfort, KY 40601
RE: Revised Information for Simple-Cycle Combustion Turbines
E. W. Brown Generating Station

Permit No. C-92-005 (Revised)
I.D. \#102-2740-0001

## Dear Mr. Cook:

I have attached revised information for the simple-cycle combustion turbines at Kentucky Utilities Company's E. W. Brown Generating Station for your review. This includes:
(1) revised Title $V$ application forms to reflect installation of two $A B B$ GT24 units in lieu of three ABB 11N2 units, and
(2) the results of air dispersion modeling, demonstrating that air quality impacts will be slightly less.

Please contact me at (606) 367-5658 if you have any questions.

Sincerely,


Attachments
Cc: Caryl M. Pfeiffer

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## REVISED APPLICATION FORMS

PSC-12
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Commonwealth of Kentucky
2 Natural Resources \& Environmental Protection Cabinet

- Department for Environmental Protection

DIVISION FOR AIR QUALITY
ISubmit copies of this form for each individual unit. Make additional copies as needed)

DEP7007A

Make addional copies as needed

| DEP7007A |
| :---: |
| INDIRECT HEAT EXCHANGER, <br> TURBINE, INTERNAL <br> COMBUSTION ENGINE |

Emission Point \# 6
Emission Unit \# 6

*Should be entered only if applicant requests operating restriction through federally enforceable limitations.
NOTE: $\quad$ Values for percent ash and percent sulfur in item 5 are typical maximums, but should not be considered binding. Corresponding heat content values are minimum necessary to meet emission limits at stated maximum ash or sulfur content.


[^0]PSC-12

Combustion Air
Draft: $\qquad$ Natural $\qquad$ Induced

Forced pressure $\qquad$ lbs/sq. in.

Percent excess air (air supplied in excess of theoretical air) $\qquad$ $\%$

## SECTION III

16) Adoitional Stack Data
A. Are sampling ports provided? Yes $X$ No $\qquad$
B. If yes, are they located in accordance with 40 CFR 60*? Yes $X$

No $\qquad$
C. List other units vented to this stack $\qquad$
17) ATTACH MANUFACTURER'S SPECIFICATIONS AND GUARANTEED PERFORMANCE DATA FOR THE INDIRECT HEAT EXCHANGER. INCLUDE INFOAMATION CONCERNING FUEL INPUT, BURNERS ANO COMBUSTION CHAMBER DIMENSIONS.
18) Describe fuel transport, storage methods and related dust control measures; including ash disposal and control.

Same as CT 8.
$\qquad$
$\qquad$
$\qquad$
$\qquad$
*Applicant assumes responsibility for proper location of sampling ports if the Division for Air Quality requires a compliance demonstration stack test.

PSC-12

Commonwealth of Kentucky

- Natural Resources \& Environmental Protection Cabínet

Department for Environmental Pratection

## DIVISION FOR AIR QUALITY

ISubmit copies of this form for each individual unit. Make additional copies as needed)

> DEP7007A
> INDIRECT HEAT EXCHANGER, TURBINE, INTERNAL COMBUSTION ENGINE

Emission Point \#7
Emission Unit \# 7

1) Type of Unit (Make, Model, Etc.): Asea Brown Boveria GT24

Date Installed: Estimate Summer 1999
Cost of Unit:
(Date unit was installed, modified or reconstructed, whichever is later.)
Where more than one unit is present, identify with Company's identification or code for this unit: CT 7

2a) Kind of Unit (Check One):

1. Indirect Heat Exchanger

2b) Rated Capacity: (Refer to manufacturer's specifications)
2. Gas Turbine for Electricity Generation $\quad \mathrm{X}$
3. Pipe Line Compressor Engines:

1. Fuel input (mmBtu/hr): 1678@ ISO standard conditions
2. Power output (hp): $\qquad$
Reciprocating engines
(a) 2-cycle lean burn
(b) 4-cycle lean burn $\qquad$
(c) 4 -cycle rich burn $\qquad$
3. Industrial Engine

SECTION 1. FUEL
3) TYPE OF Primary Fuel (Check):
_A. CoalB. Fuel Oil \#(Check one)
$-1$
$1 \times 2$ $\qquad$ $-4$ $\qquad$ 5 $\qquad$ 6
$\qquad$ C. Natural Gas
D. Propane
E. Butane
_._F. Wood
_ G. Gasoline $\qquad$ H. Diesel
$\qquad$ 1. Other (specify)
4) Secondary Fuel (if any, specify type): Natural Gas
5) Fuel Composition

| TYPE | Percent Ash |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Maximum | Percent Sulfur ${ }^{\circ}$ | Heat Content Corresponding to: $\quad$ e.s |  |
| Primary | $<0.01$ | Maximum | Maximum Ash | Maximum Sulfur |
| Secondary | trace | 0.26 | 140.000 | 140,000 |

a. As received basis. Proximato Analysis for Ash. (May use values in your fuol contract)
b. As received basis. Ultimate Analysis for Sulfur. (May use values in your fuel contract)
c. Higher Heating.Value. BTU/Unit. (May-use values in your fuel eontract)
d. Suggested units are:. Pounds for.solld fuel. gallon for fquid fuels, and cu. ft. for geseous fuels. If other units ara used, plasse spacify.
6) Maximum Annual fuel Usage Rate (Please specify unit) ${ }^{*}$ : Not Applicable
7) FUEL SOURCE OR SUPPLIER: Several.
-Should be entered only if applicant requests operating restriction through federally enforceable limitations.
NOTE:
Values for percent ash and percent sulfur in item 5 are typical maximums, but should not be considered binding. Corresponding heat content values are minimum necessary to meet emission limits at stated maximum ash or sulfur content.


[^1]PSC-12

| - |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| 15) | Combustion Air | Draft: | Natural | Induced |
| Forced pressure ___ lbs/sq. in. |  |  |  |  |
| Percent excess air (air supplied in excess of theoretical air) |  |  |  |  |

SECTION III
16) ADditional Stack Data
A. Are sampling ports provided? Yes $X$ No _
B. If yes, are they located in accordance with 40 CFR 60*? Yes $X$ No $\qquad$
C. List other units vented to this stack $\qquad$
$\qquad$
17) ATTACH MANUFACTURER'S SPECIFICATIONS ANO GUARANTEED PERFORMANCE DATA FOR THE INDIRECT HEAT EXCHANGER. INCLUDE INFORMATION concerning fuel input, burners and combustion chamber dimensions.
18) Describe fuel transport, storage methods and related dust control measures; including ash disposal and control.

Same as CT 8.
$\qquad$
$\qquad$
$\qquad$
$\qquad$

* Applicant assumes responsibility for proper location of sampling ports if the Division for Air Quality requires a compliance demonstration stack test.

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Natural Resources \& Environmental Protection Cabinet Department for Environmental Protection
DIVISION FOR AIR QUALITY
CTIONI. SUMMARY SHEET Make odcitional copies, it necessary)

| DEP7007N |
| :---: |
| STACK PARAMETERS EMISSIONS AND AIR POLLUTIO CONTROL EQUIPMENT |


Fur emission points $08-11$. values represent operation at $3^{\circ} \mathrm{F}$ ambient air temperature burning oil.

- linthty has secondary contol eghipment in addition to priminy control equipment, use a separatu line and indicate, under type, that it is a secondary control.


Commonwealth of Kentucky
Natural Resources \& Environinental Protection Cabinet
Department for Environmental Protection
DIVISION FOR AIR QUALITY
DIVISION FOR AIR QUALITY
:TION I. SUMMARY SHEET (Make additional copies, if necessary)

Fut thission points 08.11 , values represent operation at $3^{\circ} \mathrm{F}$ ambient dir temperature.


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Athe on coflection etficiency is the efficiency with which the pollutants ate collected at the entission source betore being semt to the control tevicu.

## Commonwealth of Kentucky

This information may be provided in spreadsheet format.
EMISSIONS UNIT \# 6
APPLICANT NAME: Kentucky Utilities Company - E. W. Brown Generating Station
EMISSIONS POINT \#6

1) Provide any restrictions on operation which affect emissions or operations: (e.g. Only one unit is operated at a time)

CT can operate only 2500 hours/year.

APPLICABLE REGULATIONS
2) Provide any specific emission standard(s) and limitation(s) set by regulation(s) which are applicable to this emission unit (e.g. volatile organic compound content of coating not to exceed $3.5 \mathrm{lb} / \mathrm{gall}$ :

| Contaminant(s) | Applicable | Emission Equipment Standard |
| :---: | :---: | :---: |
| Particulates | 401 KAR 60:330 | $100.5 \mathrm{lbs} / \mathrm{hr}$ |
| Sulfur Dioxide | 401 KAR 60:330 | $666 \mathrm{lbs} / \mathrm{hr}$ |
| Nitrogen Oxides | 401 KAR 60:330 | 42 ppm @ $15 \% \mathrm{O}_{2}$ on oil |
| Nitrogen Oxides | 401 KAR 60:330 | 25 ppm @ $15 \% \mathrm{O}_{2}$ on natural gas |
| Carbon Monoxide | 401 KAR 60:330 | $112.5 \mathrm{lbs} / \mathrm{hr}$ |
| Volatile Organic Compounds | 401 KAR 60:330 | $30.6 \mathrm{lbs} / \mathrm{hr}$ |
| Beryllium | 401 KAR 60:330 | $5.06 \times 10^{3} \mathrm{lbs} / \mathrm{hr}$ |

3) Provide any specific recordkeeping/regulation which is applicable to this emission unit:

4) Provide any specific reporting regulation which is applicable to this unit:

| Contaminant(S) |
| :---: |
| Sulfur Dioxide \& Nitrogen Oxides |
|  |
|  | |  |
| :---: |


| ReQuirement(s) |
| :--- |
| Report emission calculations on a <br> quarterly basis. <br>  <br>  <br>  |

5) Provide any specific monitoring regulation which is applicable to this emission unit:

| Contaminant(s) | Monitoring Regulation | Requirement(s) |
| :---: | :---: | :---: |
| Sulfur Dioxide \& Nitcogen Oxides | 40 CFR Part 75 | Appendices D \& E |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

6) Provide any specific testing regulation which is applicable to this emission unit:


7 Does the emission unit qualify for an exemption of a standard or requirement from any applicable regulation?
es No
If yes, then list both the regulation from which it is exempt and the regulation which allows the exemption and provide a detailed explanation of why the exemption applies. Include detailed supporting data and calculations. Attach and label as exhibit or refer to other attachments which address and justify this exemption.

## Commonweath of Kentucky

Natural Resources \& Environmental Protection Cabinet Department for Environmentat Protection
-
DEP7007V
DIVISION FOR AIR QUALITY

EMISSIONS UNIT \# 7
EMISSIONS POINT \# 7
APPLICANT NAME: Kentucky Utilities Company.E. W. Brown Generating Station

1) Provide any restrictions on operation which affect emissions or operations: (e.g. Only one unit is operated at a time)

CT can operate only 2500 hours/year.

APPLICABLE REGULATIONS
2) Provide any specific emission standard(s) and limitation(s) set by regulation(s) which are applicable to this emission unit (e.g. volatile organic compound content of coating not to exceed $3.5 \mathrm{lb} / \mathrm{gal}$ ):

CONTAMINANT(S)

| Particulates |
| :--- |
| Sulfur Dioxide |
| Nitrogen Oxides |
| Nitrogen Oxides |
| Carbon Monoxide |
| Volatile Organic Compounds |
| Beryllium |

Applicable Regulation

| 401 KAR 60:330 |
| :--- |
| 401 KAR 60:330 |
| 401 KAR 60:330 |
| 401 KAR 60:330 |
| 401 KAR 60:330 |
| 401 KAR 60:330 |
| 401 KAR 60:330 |

Emission Equipment Standard

| $100.5 \mathrm{lbs} / \mathrm{hr}$ |
| :--- |
| $666 \mathrm{lbs} / \mathrm{hr}$ |
| $42 \mathrm{ppm} @ 15 \% \mathrm{O}_{2}$ on oil |
| $25 \mathrm{ppm} @ 15 \% \mathrm{O}_{2}$ on natural gas |
| $112.5 \mathrm{lbs} / \mathrm{hr}$ |
| $30.6 \mathrm{lbs} / \mathrm{hr}$ |
| $5.06 \times 10^{.3} \mathrm{lbs} / \mathrm{hr}$ |

3) Provide any specific recordkeeping/regulation which is applicable to this emission unit:

| Contaminant(s) | Recordieeping Regulation | Requirement(s) |
| :---: | :---: | :---: |
| Sulfur Dioxide \& Nitrogen Oxides | 401 KAR 59:005.Sec. 3 \& 40 CFR Par: 75 | Appendices D \& E |
|  |  |  |
|  |  |  |
| - |  |  |
|  |  |  |
| $\square \square^{\circ}$ |  | [_. . |

4) Provide any specific reporting regulation which is applicable to this unit:

| Contaminant(s) |
| :---: |
| Sulfur Dioxide \& Nitrogen Oxides |
|  |
|  |
|  |


| Reporting Regulation |
| :---: |
| AO CFR Part 75 |
|  |
|  |


| REQUREMENT(S) |
| :--- |
| Report emission calculations on a <br> quarterly basis. <br>  <br>  |

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Ews
$r$
DEP7007V
(continued)
5) Provide any specific monitoring regulation which is applicable to this emission unit:

6) Provide any specific testing regulation which is applicable to this emission unit:

| Contaminant(s) |
| :--- |
| Particulates, Sulfur Dioxide, Nitrogen <br> Oxides, Carbon Monoxide, Volatile <br> Organic Compounds \& Beryllium |
|  |
|  |
|  |
|  |


7) Does the emission unit qualify for an exemption of a standard or requirement from any applicable regulation?
$\qquad$
Yes
No
If yes, then list both the regulation from which it is exempt and the regulation which allows the exemption and provide a detailed explanation of why the exemption applies. Include detailed supporting data and calculations. Attach and label as exhibit or refer to other attachments which address and justify this exemption.
PSC-12
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P1 KAR 60:330 $\quad 4.23 \mathrm{E}-0$
Page $\frac{\text { of }}{\text { (Revised } \overline{08 / 96) ~}}$
ZRIPTION OF OPERATING SCENARIO


## Commonwealth of Kentucky Natural Resources \& Environmental Protection Cabinet Department for Environmental Protection DIVISION FOR AIR QUALITY ICANT NAME Kentucky Utilities Company - E. W. Brown Generating Station

ICANT NAME Kentucky Utilities Company - E. W. Brown Generating Station
IRIPTION OF OPERATING SCENARIO Operating Oil-Fired Combustion Turbines HAPS STACK EMISSION INFORMATION
Note: provide maximum uncontrolled and maximum actual emissions

JRTANT: ATTACH ALL CALCULATIONS ON WHICH EMISSIONS WERE DETERMINED AND LABEL AS EXHIBIT DEPJOOTW
actual and allowable emission rates in the same units that the siandard is expressed in the applicable regulation.

? EMISSIONS UNIT and 08.11 EMISSION POINT \# 05 and $08-11$ $\square$ @ Rated Capacity (where anplicable) | TONS |
| :---: |
| PER YEAR |
| (TPY) |$|$ applicable Applicable

regulation 1. $\square$ $\square \square \square \square \begin{gathered}\text { PSC-12 }\end{gathered}$

Department for Environmental Protection
DIVISION FOR AIR QUALITY
ICANT NAME Kentucky Utilities Company. E. W. Brown Generating Station
:RIPTION OF OPERATING SCENARIO Operating Gas-Fired Combustion Turbines
NON HAPS STACK EMISSION INFORMATION

| :ONTAMINANT | MAX. | ACTUAL EMISSION RATE <br> (@ Rated Capacity) |  |  | REGULATORY ALLOWABLE EMISSION RATE <br> @ Rated Capacity (where applicable) |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| ION |  | PER HOUR (LB/HR) See Attachments | $\begin{aligned} & \text { PER YEAR } \\ & \text { (TPY) } \\ & \hline \end{aligned}$ | * REGULATORY UNITS | * ${ }^{\text {© }}$ ( | *REGULATORY UNITS | APPLICABLE REGULATION |  |
|  | actual |  |  |  |  | $75 \mathrm{lb} / \mathrm{hr}$ | 401 KAR 60:330 | 94 |
| iPted Volatile | uncontr. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  | NA | NA | NA |
|  | uncontr. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  | NA | NA | NA |
| JGEN | uncontr. |  |  |  |  |  |  |  |
| :) | actual |  |  |  |  | 42 ppm | 401 KAR 60:330 | NA |
| iculate | uncontr. |  |  |  |  |  |  |  |
| $1)$ | actual | . |  |  |  | $67 \mathrm{lb} / \mathrm{hr}$ | 401 KAR 60:330 | 84 |
| iculate Matter | uncontr. |  |  |  |  |  |  |  |
| 10) | actual |  |  |  |  | NA | NA | NA |
| JR | uncontr. |  |  |  |  |  |  |  |
| :) | actual |  |  |  |  | NA | NA | NA |
| Ille Organic | uncontr. | . |  |  |  |  |  |  |
| $\because$ | actual |  |  |  |  | $20.4 \mathrm{lb} / \mathrm{hr}$ | 401 KAR 60:330 | 26 |
| R. Specify: | uncontr. |  |  |  |  |  |  |  |
| Itum | actual |  |  |  |  | $3.37 \mathrm{E}-03 \mathrm{lb} / \mathrm{hr}$ | 401 KAR 60:330 |  |
|  |  |  |  |  |  |  |  | 4.23E-03 |

RTANT. ATACH ALL CALCULATIONS ON WHICH EMISSIONS WERE DETERMINED AND LABEL AS EXHIBIT DEP7007W
Determination method: 1) Stack Test, 2) Material Balance, 3) Standard Emission Factor 41Engineering Estimate, 51 Sper
(E. W. Brown Generating Station
CRIPTION OF OPERATING SCENARIO


PSC-12
Commonwealth of Kentucky
Natural Resqurces \& Environmental Protection Cabinet
DIVISION FOR AIR QUALITY
ANT NAME Kentucky Utilities Company - E. W. Brown Generating Station
ICANT NAME Kentucky Uilities Company - E. W. Brown Gener
こRIPTION OF OPERATING SCENARIO Operating Gas.Fired Combution Station

- Combustion Turbines
EMISSION POINT \# 05 and 08-11 ___

actual and allowable emission rates
$M$ Determination method: 11 Stack Test, 2) Material Balance standard is expressed in the applicable regulation

[^2]Commonwealth of Kentucky
©CRIPTION OF OPERATING SCENARIO Operating Oil-Fired Combustion Tultion
NON HAPS STACK EMISSION INFORMATION

I actual and allowable emission rates in
PSC-12
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:RIPTION OF OPERATING SCENARIO Note: provite maximum umeomrolled and NFORMA TION


PSC- 12 Natural Resources \& Environmental Protection Cabinet
Department for Environmental Protection
DIVISION FOR AIR QUALITY

| DEP7007W |
| :---: |
| EMISSIONS COMPARISON |

EMISSIONS UNIT \# |  | $\vdots \cdot$ |
| :--- | :--- |
| 0.06 |  |

EMISSION POINT \# 06.07

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EMISSIONS UNIT \# $\mathbf{0 6 - 0 7}$
EMISSION POINT \# $06.07 \quad \vdots$

| HAPS FUGITIVE EMISSION INFORMATION |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| AZARDOUS AIR POLLUTANTS :list separately) | MAX. | ACTUAL EMISSION RATE <br> (@ Rated Capacity) |  |  |  | REGU <br> © | NABLE EMIS <br> (whore applic |  |
|  |  | PER HOUR (LB/HR) | $\begin{aligned} & \text { PER YEAR } \\ & \text { (TPY) } \\ & \hline \end{aligned}$ | $\begin{gathered} \text { *REGULATORY } \\ \text { UNITS } \\ \hline \end{gathered}$ | * ${ }^{\text {© }}$ | *REGULATORY UNITS | APPLICABLE REGULATION | TONS PER YEAR (TPY) |
|  | actual |  |  |  |  |  |  |  |
|  | uncontr. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  |  |  |  |
|  | uncontr. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  |  |  |  |
|  | uncontr. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  |  |  | - |
|  | uncontr. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  |  |  |  |
|  | uncoritr. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  |  |  |  |
|  | uncontr. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  |  |  |  |
|  | unconir. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  |  |  |  |
|  | uncontr. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  |  |  |  |

JRTANT: ATTACH ALL CALCULATIONS ON WHICH EMISSIONS WERE DETERMINED AND LABEL AS EXHIBIT DEP7OOTW
h - Determination method: 1) Stack Test, 2) Material Balance 3) Stand is expressed in the applicable regulation.
ICANT NAME Kentucky Uilities Company.E. W. Brown G
IRIPTION OF OPERATING SCENARIO

NONAPS HGITIVE EMISSION INFORMATION


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Commonwealth of Kentucky
Natural Resqurces $\&$ Environmental Protection Cabinet Department for Environmental Protection
DIVISION FOR AIR QUALITY
ICANT NAME Kentucky Utilities Company - E. W. Brown Generating Station
ZRIPTION OF OPERATING SCENARIO _Operating Gas-Fired Combustion Turbines
EMISSION POINT \# 06-07
HAPS STACK EMISSION INFORMATION
Note: provide maximum uncontrolled and maximum actual emissions

| HAPS STACK EMISSION INFORMATION <br> Note: provide maximum uncontrolled and maximum actual emissions |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| IAZARDOUS AIR POLLUTANTS |  | ACTUAL EMISSION RATE (@ Rated Capacity) |  |  |  | REGULATORY ALLOWABLE EMISSION RATE <br> @ Rated Capacity (where applicable) |  |  |
| 'list separately | MAX. |  | $\begin{aligned} & \text { PER YEAR } \\ & \text { (TPY) } \\ & \hline \end{aligned}$ | * regulatory UNITS | * DM | *regulatoay UNITS | APPLICABLE AEGULATION | TONS PER YEAR (TPY) |
|  | actual |  |  |  |  |  |  |  |
|  | uncontr. |  |  |  |  | NA | NA | NA |
|  | actual |  |  |  |  |  |  |  |
| . | uncontr. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  |  |  |  |
|  | uncontr. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  |  |  |  |
|  | uncontr. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  |  |  |  |
|  | uncontr. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  |  |  |  |
|  | uncontr. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  |  |  |  |
|  | uncontr. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  |  |  |  |
|  | uncontr. |  |  |  |  |  |  |  |
|  | actual |  |  |  |  |  |  |  |

JRTANT: ATTACH ALL CALCULATIONS ON WHICH EMISSIONS WERE DETERMINED AND LABEL AS
actual and allowable emission rates in the same units that the standard is expressed in the apolicable EXHIBIT DEP7007W
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## AIR DISPERSION MODELING RESULTS

# $\mathbf{K}_{\text {entucty }} \mathbf{U}_{\text {tilitise }} \mathbf{C o m p m a n y}$ 

Revised Information for Simple-Cycle Combustion Turbines at E. W. Brown Generating Station

April 23, 1999

## Background

On June $14,1991, K U$ applied for a permit-to-construct up to 8 simple cycle combustion turbines at the E. W. Brown Generating Station, depending on the specific turbine selected (three types of combustion turbines were being considered at the time the application was submitted). Air quality modeling performed in conjunction with the application (based on a "worst-case" emission profile from the CTs under consideration) predicted exceedences of the 3 -hr. National Ambient Air Quality Standard (NAAQS) for sulfur dioxide. These exceedences were predicted with or without the existence of the combustion turbines, as the coal-fired units at E . W. Brown were the primary contributors. A permit to construct was issued on March 10, 1992 with the condition that KU take measures to correct the predicted NAAQS exceedences. KU took measures by re-routing the flue gases of Unit 2 into the Unit 3 stack and by reducing the plant's allowable emission rate from $6.00 \mathrm{lb} . \mathrm{SO}_{2} / \mathrm{mmBtu}$ to $5.15 \mathrm{lb} . \mathrm{SO}_{2} / \mathrm{mmBtu}$. Selection of specific combustion turbines, updated information, and corresponding air modeling obligated KU to apply for a revision to its permit-to-construct. Specifically, air modeling predicted that combustion of the previously approved sulfur content of fuel oil ( $0.3 \%$ ) would result in $\mathrm{SO}_{2}$ concentrations above the de minimus values for pre-construction ambient air monitoring. On October 30, 1992, KU requested that the allowable sulfur content be reduced to $0.26 \%$ upon construction of the seventh turbine and to $0.23 \%$ upon construction of the eighth turbine. A permit with these limitations was issued on May 17, 1993.
$K U$ has installed four of the eight turbines; these are manufactured by ABB and are of the model type 11 N 2 rated at $1368 \mathrm{~mm} /$ Btu heat input each. KU (through LG\&E Capital Corp.) has secured two alternative turbines, model type GT24 rated at $1,678 \mathrm{~mm} / \mathrm{Btu}$ heat input each, also manufactured by ABB. These two GT24s are under construction at the E. W. Brown site in lieu of three 11 N 2 s .

## Discussion

## Emissions

The emissions from the two larger GT24 turbines will be less than the approved emissions from three of the smaller 11 N 2 turbines. An emission comparison is provided as Exhibit 1 . This is due in part to the more efficient heat rate of the larger turbines; therefore, consuming less fuel.

## Air Quality Impacts

Air quality modeling was conducted and, as might be expected from the lower emissions, air quality impacts are slightly less. Impacts were modeled using a total of seven turbines: four already-installed 11N2 units, two GT24 units, and an additional unit to be constructed by the year 2002. These are compared to the modeling results for the eight original 11 N 2 units. Modeling was done identically to that of the original eight turbines, using the ISC, COMPLEX (VALLEY), and CTSCREEN models and using meteorological data for 1983-1987. A comparison of previous results with current results is provided in Exhibits 2 and 3. Modeling confirms that National Ambient Air Quality Standards will continue to be met (because of the measures taken at the coal-fired units) and that impacts of the turbines continue to be less than the pre-construction ambient air monitoring de minimus values. Of note, the sulfur content of fuel oil must be reduced to $0.26 \%$ upon operation of the two units under construction at the E . W. Brown site. This is identical to that required under the current permit upon operation of the seventh turbine. Finally, the sulfur content must be reduced to $0.23 \%$ when construction of the final turbine is complete to result in the $24-\mathrm{hr}$. $\mathrm{SO}_{2} \mathrm{PSD}$ increment being held below $12.7 \mathrm{ug} / \mathrm{m}^{3}$ as approved and to keep the entire group of turbines below the $3216 \mathrm{lbs} . \mathrm{SO}_{2} / \mathrm{hr}$. permit limitation.

Printouts of the worst-case scenarios are included in Appendix. A. All data files are included on diskette in Appendix B.

-     - Appendix A

Further Modeling Discussion, Receptor Locations, And
Detailed Modeling Results

## General:

Modeling efforts were generally identical to those used during application for the original air permit-to-construct; e.g. same models, same meteorological data, and same receptors. Emission data used in the models was updated to reflect the change in emission sources (substituting two GT24s for three GT11N2s). Finally, because a specific final (seventh) unit to be constructed has not been selected, this unit was modeled as consuming the remainder of the currently permitted emissions.

## Worst-Case Scenario:

Worst-case emissions scenarios were used. These were represented by all units operating at full load under winter conditions ( $3^{\circ} \mathrm{F}$ ). This occurs because the air is more dense, allowing a greater mass of air to be used for combustion, and therefore a greater amount of fuel to be combusted.

## National Ambient Air Quality Standard Impacts:

The impacts on simple terrain were evaluated using the Industrial Source Complex (ISC) model and meteorological data from 1983-1987. Surface meteorological data is from Bluegrass Airport in Lexington Kentucky; Upper air data is from Dayton, Ohio.

The impacts on complex terrain (higher than stack height) were evaluated using the COMPLEX model in valley mode. Receptor locations are shown on Exhibits 4, 5, and 6.

## PSD Impacts:

For PSD purposes, the impacts on simple terrain were evaluated similar to the NAAQS impacts using only the seven combustion turbines. For complex terrain. two models were used identical to the original modeling effort. For all receptors except two (Bear Mountain and Sand Knob), the COMPLEX model in valley mode was used. For the two receptors. CTSCREEN was used.

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Exhibit 1
Comparison of Emissions and Permit Limitations

- Emissions from Two GT24's are less than the Permit Limits for Three 11N2 Turbines

| Permit Limit | Emissions at |  |
| :--- | :--- | :--- |
| Emissions for | Full Load | Emissions at Full Load |
| one CT at | for Three | Two GT24s |
| Permit Limit | GT 11N2's | 59 deg (ISO Conditions) |


| Natural Gas Hourly: |  |  |  |
| :---: | :---: | :---: | :---: |
| NOxppm | 42 | 42 | 42 |
| $\mathrm{COL} \mathrm{lb} / \mathrm{hr}$ | 75 | 225 | 77.6 |
| VOC lb/hr | 20.4 | 61.2 | 4.6 |
| TSP/PM10 lo/hr | 67 | 201 | 32.4 |
| Berylium lb/hr | 0.00337 | 0.01011 | 0 |
| mmBtu/hr | 1,368 | 4,104 | 3,356 |
| Natural Gas Annual (at 2500 hr/yr): |  |  |  |
| CO ton/yr | 93.8 | 281.4 | 97.0 |
| VOC ton/yr | 25.5 | 76.5 | 5.8 |
| TSPIPM10 ton/yr | 83.8 | 251.4 | 40.5 |
| Berylium ton/yr | 0.0042 | 0.0126 | . |
| Oil Hourly: |  |  |  |
| NOx ppm | 65 | 65 | 65 |
| $\mathrm{CO} \mathrm{lb} / \mathrm{hr}$ | 75 | 225 | 95 |
| VOC Ib/hr | 20.4 | 61.2 | 11.2 |
| TSP/PM10 lb/hr | 67 | 201 | 95 |
| Berylium lo/hr | 0.0034 | 0.0101 | 0.0083 |
| SO2 (at 0.23\%) lb/hr | 444 | 1,332 | 792 |
| mmBtu/hr | 1.368 | 4,104 | 3,356 |
| Oil Annual (at $2500 \mathrm{hr} / \mathrm{yr}$ ): |  |  |  |
| CO ton/yr | 93.8 | 281.4 | 119 |
| VOC ton/yr | 25.5 | 76.5 | 14 |
| TSP/PM10 ton/yr | 83.75 | 251.4 | 119 |
| Berylium ton/yr | 0.0042 | 0.0126 | 0.0103 |
| SO2 (at 0.23\%) ton/y! | 555 | 1,665 | - 1,091 |

EXHIBIT 2
COMBUSTION TURBINE NAAQS COMPLIANCE MODELING:
Comparison of Predicted SO2 Concentrations with Previous Modeling and NAAQS Standards CTs in Winter Operation with Power Augmentation

Notes:
of meteorological data used in the column labeled "Year"; the COMPLEX results have the word "COMPLEX"
in this column (since COMPLEX does not use annual meteorological datal
Results for COMPLEX-I are highest predicted concentrations in all cases.
concentrations by 0.0 .98 and 1.52 respectively (ref. The concentated by multiplying the $24-\mathrm{hr}$

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## 15c inPuT FILE

    (2@11N2; 2@GT24A; NAAQS /1987
    
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701977. 4185219. 800.0
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$10 \quad 49.543 \quad 700547.4185288 \quad 268.8 \quad 53.34 \quad 784.449 .98 \quad 5.04 \quad 22.10171 .3171 .3$ $22.1022 .1022 .10 \quad 22.1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .10$ $22.1022 .1022 .10 \quad 22.1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .10$ 22.1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .10 193.3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3 193.3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3 193.3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3 $20 \quad 49.543 \quad 700545.4185267 \quad 268.8 \quad 53.34 \quad 784.449 .98 \quad 5.04 \quad 22.10 \quad 171.3171 .3$ 22.1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .10 22.1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .10 22.1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .1022 .10 193.3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3 193.3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3 193.3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3193 .3
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193.3 . $193.3193 .3193 .3193 .3193 \div 3193.3193 .3193 .3193 .3193 .3193 .3$

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Page 61 of 105

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## GENERAL INPUT INFORMATION

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POIIT SOURCE INFORMATION
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ADDITIONAL INFORMATION ON SOURCES.

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(USER ITT UNITS)


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Page 100 of 105
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# LOUISVILLE GAS AND ELECTRIC COMPANY KENTUCKY UTILITIES COMPANY 

## SUPPLEMENTAL

Response to Commission's Order $1^{\text {st }}$ Data Request Dated March 16 \& 19, 1999
Question: PSC-19
Responding Witness: Ronald L. Willhite
Q-19 Refer to the testimony of Ronald L. Willhite, Page 9. LG\&E Energy Corp.'s Corporate Policies and Guidelines for InterCompany Transactions ("Transaction Guidelines") clearly state that, "Transfers or sales of assets will be priced at the greater of cost or fair market value for transfers or sales from LG\&E or KU to LG\&E Energy or other subsidiaries and at the lower of cost or fair market value for transfers or sales made to LG\&E or KU from LG\&E Energy or any of LG\&E Energy's non-utility subsidiaries." Explain why Mr. Willhite states on Page 9 of his testimony that, if the Commission grants the certificate requested by LG\&E and KU, LG\&E Capital Corp. will transfer title of ownership of the two new CTs to LG\&E and KU at cost.

LG\&E and KU expect that the cost of the CTs at the time of the transfer will be less than the fair market value. Therefore, the transfer of the CTs at cost is appropriate under the Corporate Policies and Guidelines for InterCompany Transactions.

If the Commission grants the requested CCN and CEC , the Companies will obtain an independent appraisal of the fair market value of the constructed CTs before the assets are transferred to the books of LG\&E and KU.

# LOUISVILLE GAS AND ELECTRIC COMPANY KENTUCKY UTILITIES COMPANY <br> CASE NO. 99-056 

## SUPPLEMENTAL

Response to Attorney General's $1^{\text {st }}$ Data Request Dated April 1, 1999

Question: AG-4
Responding Witness: Michael D. Robinson

Q-4 Please provide a detailed description of all compensation LG\&E Capital will receive if this transaction goes through, including but not limited to financing costs during construction. At what interest rate is the project being financed during construction?

A-4 LG\&E Capital Corp. will receive reimbursement of its cost for the construction as well as costs to finance construction of the two CTs. Components of the construction cost, excluding interest, are included on pages 4 and 5 of the Application filed on February 11, 1999. Financing costs during construction are based on LG\&E Capital Corp's average monthly commercial paper rate which was $5.330 \%$ when construction began in October 1998 and $5.027 \%$ in February 1999. From October 1998 through February 1999, LG\&E Capital Corp. incurred $\$ 1,096,529.82$ of financing costs on construction of the CTs.

# LOUSVILLE GAS AND ELECTRIC COMPANY KENTUCKY UTILITIES COMPANY 

# SUPPLEMENTAL 

# Response to Attorney General's $1^{\text {st }}$ Data Request Dated April 1, 1999 

Question: AG-25
Responding Witness: Caryl M. Pfeiffer

Q-25 Exhibit 2 to the application includes various permits in the name of KU which support the Companies position that they have the necessary permits for the installation of the two CTs. Those permits are held solely in the name of KU.
a. Please explain the process by which LG\&E Capital Corp. is entitled to the use of permits granted to KU for the building and operation of its CTs. Are these permits transferable in part? If so, on what basis, and by what means?
b. What has LG\&E Capital Corp. paid to KU for the benefit of the permits? Please supply all supporting paperwork.

A-25.
a. The Kentucky Division for Air Quality (KYDAQ) has recognized that ownership of the CTs by LG\&E Capital Corp. is subject to the pending Application and has not requested an amendment to the permit at this time. If the KYDAQ subsequently requests such an amendment to the permit, KU will file such an administrative permit amendment. Please see the attached letter of April 21, 1999 to the KYDAQ.
b. At the time the combustion turbines were available on the market, the demand for this type of equipment exceeded the supply for the next several years. LG\&E Capital Corp.'s purchase and construction of the combustion turbines was done to allow LG\&E and KU the opportunity to apply for the CCN and CEC while protecting LG\&E or KU and their customers from any adverse impact from the risks undertaken by LG\&E Capital Corp.

The application of LG\&E and KU demonstrates that the acquisition of the two combustion turbines is the most reasonable and economical way for the companies to meet their reserve margin. LG\&E and KU and their customers will benefit from the acquisition of the combustion turbines. LG\&E Capital Corp. will not benefit from the permits at this time because LG\&E Capital Corp. is not holding and constructing the combustion turbines for the purpose of owning them in the future but for the benefit of LG\&E and KU and their customers. If the Commission denies the
application of LG\&E and KU for a CCN and a CEC, then it would be appropriate for LG\&E Capital Corp. to pay KU for the benefit, if any, from the permits.

Kentucky Utilities Company

April 21. 1999
Daniel J. Gray, Manager
Permit Review Branch
Kentucky Division for Air Quality 803 Schenkel Lane
Frankfort, KY 40601
RE: Phased Construction of Two Turbines
E. W. Brown Generating Station

Permit No. C-92-005 (Revised)
I.D. \#102-2740-0001

Dear Mr. Gray:
This is to respond to your letter dated March 22, 1999, in which you raise certain questions related to ownership of the combustion turbines (CTs) being constructed at the E. W. Brown Generating Station and review of the Best Available Control Technology (BACT) determination for the remaining CTs to be installed at the site.

## A. Ownership of the CTs

As background, our corporate structure consists of LG\&E Energy Corp. as a holding company with three direct subsidiaries: Louisville Gas and Electric Company (a regulated utility); Kentucky Utilities Company (a regulated utility); and LG\&E Capital Corp. (for enterprises not regulated by the Public Service Commission). See the attached organization chart (Attachment A). This basic structure has been adopted for both business and regulatory purposes and all of these enterprises are separate corporations with substantial assets. This type of corporate structure is common among utilities and other similar industries.

As a result of the price volatility in the wholesale power market experienced last summer, KU (and LG\&E) determined that their plans to rely on purchased power to meet peak load needs in 1999 should be reviewed. Thus in July of 1998, we began discussions with Black \& Veatch (the architectural engineering firm used for construction on the first four CTs at the E. W. Brown site) as to the availability of CTs that could be placed in service by summer 1999. In late August, we received a CT acquisition proposal from Asea Brown Boveri (ABB). Based on that data and our analysis, the CTs are the least-cost alternative for meeting the combined needs of the customers of KU and LG\&E. However, the legal requirements associated with KU and LG\&E (as regulated utilities) under the Kentucky Public Service Commission (KYPSC) regulations restrict KU and LG\&E from acquiring the CTs until the Commission grants appropriate regulatory authorization.

At the time the CTs were available for purchase, the demand for this type of equipment exceeded the supply for the next several years. In an effort to prevent the loss of the CT

[^17]LGREENERGY

Daniel J. Gray, Manager . . . -2April 21, 1999
acquisition opportunity, LG\&E Capital Corp. (as a non-PSC regulated entity) entered into a contract with ABB to purchase the CTs. LG\&E Capital's purchase of the CTs was done to allow KU (and LG\&E) the opportunity to apply for the necessary regulatory approvals from the KYPSC while protecting the regulated utilities and their customers from any adverse impacts and complying with KYPSC regulations. KU (and LG\&E) have applied to the KYPSC for authority to acquire the CTs by July 1, 1999. The application is pending. A hearing is scheduled for June 1, 1999, and an Order is expected shortly thereafter.

As a result, the two CTs under construction at the E. W. Brown site are currently owned by LG\&E Capital Corp. The future ownership of the CTs by LG\&E Capital Corp. is subject to KU's (and LG\&E's) pending application for a Certificate of Convenience and Necessity before the KYPSC. It has always been our objective and expectation that KU would be the permanent owner of the CTs, but that is for the KYPSC to decide. If the KYPSC denies the application, then KU believes it would be appropriate to file the KYDAQ's one-page agreement for administrative permit amendment to transfer "owner" status at the E. W. Brown site, for these two CTs only, to LG\&E Capital Corp. However, if the KYDAQ believes that an administrative permit amendment is necessary at this time, KU will file the appropriate paperwork immediately.

## B. Review of BACT Determination

At your request, KU has conducted a review of recent BACT determinations for similar facilities to address the NOx emission limitations applicable to the two CTs under construction and the last CT to be installed at the E.W. Brown site pursuant to the existing air permit to construct.

NOx emissions result from a combination of nitrogen sources. Nitrogen in the fuel and in the combustion air both contribute to the formation of NOx. NOx formation rates are a function of both thermodynamic and kinetic considerations. Since No. 2 fuel oil has very low levels of fuel-bound nitrogen and natural gas has negligible nitrogen, nearly all of the NOx emissions from the CTs result from the formation of thermal NOX. Thus, as general rule, lower combustion temperatures inhibit the formation of NOx. There are two generic types of NOx controls employed during the combustion process in CTs: wet controls using steam or water injection and dry controls using advanced combustor design which both reduce combustion temperatures and suppress NOx formation.

Over the past few years, the control of NOx emissions from simple-cycle CTs has advanced to the point where lower emission rates than those of the four existing CTs installed at the E.W. Brown site are achievable as an integral part of the burner design. The two new CTs under construction at the E. W. Brown site employ an advanced burner design technology to significantly reduce the formation of NOx emissions during combustion. The GT24s utilize ABB's Environmental (EV) Burner to limit the formation of NOx while at the same time increasing energy efficiency.


The design of the EV Burner itself is basically an axially split cone, with the two halves offset to give two constant-width inlet slots. The combustion air flows into the combustion zone through these slots. See the attached schematic of the EV Burner design (Attachment B).

When burning No. 2 fuel oil, the fuel is sprayed in through an atomizer nozzle at the apex of the cone. A high-speed vortex then develops within the cone, creating a lean mixture which is fed into the flame. When burning natural gas, the fuel flows through two lengthwise arranged channels, and is then injected through rows of fine holes at the edges of the slots into the burner, where the fuel mixes with air (resulting in a lean mixture of air and fuel).

Excess air is also a feature of the EV Burner design providing a flame temperature approximately $900^{\circ} \mathrm{F}$ lower than in a comparable diffusion burner. This results in a very low NOx emission rate. In addition, during operation on No. 2 fuel oil, water is injected into the fuel to further reduce NOx emissions.

Because of the advanced burner design and combustion control technology, the ABB GT24 CTs have guaranteed NOx emission rates of 42 ppm when burning No. 2 fuel oil and 25 ppm when burning natural gas. In comparison, the earlier generation of ABB CTs installed at the E. W. Brown site achieve NOx emission rates of 65 ppm when burning No. 2 fuel oil and 42 ppm when burning natural gas.

As explained in the attached letter from ABB (Attachment C), additional combustion or post-combustion controls for NOx are not feasible on these combustion turbines. Increased water injection rates (when burning No. 2 fuel oil) would result in increased CO emissions and instability in the combustion process resulting in increased air emissions, loss of energy efficiency, and safety concerns. Water injection in combination with the dry, EV Burners (when burning natural gas) is unproven and would require considerable development effort. Add-on or post-combustion controls are also not feasible on these simple-cycle combustion turbines. As discussed by $A B B$ in their attached letter, this is because Selective Catalytic Reduction (SCR) NOx removal technology is only operational at temperatures around $600-800^{\circ} \mathrm{F}$, while the exhaust temperature of simple-cycle combustion turbines is in excess of $1100^{\circ} \mathrm{F}$.

The USEPA recognizes that SCR is not applicable to high temperature exhaust gas streams, such as simple-cycle combustion turbines, and provides the following description in 3.1.4.3 (Selective Catalytic Systems on Stationary Gas Turbines for Electricity Generation) of their Compilation of Air Pollution Emission Factors (AP42):
"Selective catalytic reduction systems selectively reduce $\mathrm{NO}_{x}$ emissions by injecting ammonia $\left(\mathrm{NH}_{3}\right)$ into the exhaust gas stream upstream of a catalyst. Nitrogen oxides, $\mathrm{NH}_{3}$, and $\mathrm{O}_{2}$ react on the surface of the catalyst to form $\mathrm{N}_{2}$ and
$\mathrm{H}_{2} \mathrm{O}$. The exhaust gas must contain a minimum amount of $\mathrm{O}_{2}$ and be within a particular temperature range (typically 450 to $850^{\circ} \mathrm{F}$ ) in order for the SCR system to operate properly. The range is dictated by the catalyst, typically made from noble metals, base metal oxides such as vanadium and titanium, or zeolite-based material. Exhaust gas temperatures greater than the upper limit ( $850^{\circ} \mathrm{F}$ ) will cause $\mathrm{NO}_{2}$ and $\mathrm{NH}_{3}$ to pass through the catalyst unreacted. Ammonia emissions, called $\mathrm{NH}_{3}$ slip, may be a consideration when specifying a SCR system." [emphasis added]

The attached review of new source determinations for Internal Combustion sources, from the USEPA's RACT/BACT/LAER Clearinghouse (Attachment D), confirms that SCR has only been required for CTs configured as combined-cycle or cogeneration facilities. This is because these facilities include a separate heat exchanger (Heat Recovery Steam Generator) installed for the purpose of producing steam for the generation of additional electricity or for process use, which reduces exhaust gas temperatures to the range where SCR is effective. Further, because combined-cycle or cogeneration units typically operate more hours per year (compared to peaking units restricted to 2,500 hours per year), the economics of capital intensive control technologies like SCR are more favorable. SCR has not been required for simple-cycle CTs under BACT or even LAER determinations.

The attached list of recent new source determinations also demonstrates that NOx emission limitations, in the range of 65 ppm and 42 ppm , when burning No. 2 fuel oil and natural gas, respectively (ie., those imposed in the existing air permit to construct for the E. W. Brown site) to 42 ppm and 25 ppm , when burning No. 2 fuel oil and natural gas, respectively, are being imposed on simple-cycle CTs.

In summary, while we believe that the timeliness of a BACT "re-review" is in question, our review of recent BACT determinations confirms that the NOx emission limitations in the existing air permit to construct are still applicable to simple-cycle combustion turbines being installed today. While we are not waiving any objections as to timeliness, if the KYDAQ believes that lower NO emission rates are justified in light of the advances made by ABB in their CT burner design and combustion control technologies, then KU is willing to agree to lower NOx emission rates of 42 ppm and 25 ppm when burning No. 2 fuel oil and natural gas, respectively.

If you have any additional questions or need additional information, please feel free to contact me at (502) 627-2774 or Glenn Gibian of my staff at (606) 367-5658.

Very truly yours,


CarylMM. Pfeiffer
Director, Environmental Affairs

## Attachments

Cc: Roger S. Cook William A. Clements


AG-25


Kentucky Ullilles Company
Athn. Mr. Noel W. Llyoly 815 Dlx Dam Rd.
Burgin, KY 40310

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04/20/09

## Sublect: Emlessions Guarantee for the Burgin Project

Dear Mr. Lively:
with reference to our recent phone conversation we would like to glve soms background information to the NOX emissions guarantees for ABB's simple cycle GT24 Combustion Gas Turbine.

- The axpectations for emisslons are based on measuraments during combustor tests inclualing tests on an engine of the same design.
- Primary control technologies like water or steam injection to lower NOx emissions on gas oparallon with a dry LowNox burner are considered unproven technology and would require considerable development effort.
- In oil operation the values including water consumption are based on measurements taken on the same engine dasign. Any increase in water inlaction to achieve lower NOx empesions would raise CO emissions and could Impact the stabilly of combustion adversely.
- Secondary control tachnologles applied into the exhaust syslem are commerclally available, however appliad only in combined cycle operation for this class of engines. These technologies are integrated in the HRSG unil al a temperature level between 600 and 800 F . The temperature level of the flue gases In an open cycle are considerably higher, app. 1140 Fat design conditions. ABE has no experience with secondary control technologies at this temperature level. In addition any additional equipment in the exhaust system could influence noise levels and will have a negative Impact on the performance of the engine. An Increase in other emissions llke particulates cantt be excluded. Like primary control technologies sppllcation of flue gas treatment would require a development program.

We hope this clarifies your questions. Please let me know if I can be of furiher assistance.



## Méthodology for Review of BA두 Determinations for Simple-Cycle Combustion

 TurbinesThe USEPA RACT/BACT/LAER Clearinghouse (RBLC) database was searched for Internal Combustion sources (process type code 15.000) installed since June 1991; the query reported 337 matching process records. This list was reduced by eliminating processes other than combustion turbines (e.g. internal combustion engines, boilers, small diesel generators, etc.) and those with permit dates earlier than 1996. The final result was 18 entries that included review of NOx (e.g. CAS Number 10102). Combined-cycle units were included for informational purposes.

Emission limitations are expressed in several measurement units in the USEPA database: parts per million ( ppm ), lb/hr, and others. These were converted to measurement units that may be compared to the ABB GT24 combustion turbines. For example, if the limitation was expressed in $\mathrm{lb} / \mathrm{hr}$, this value was divided by the heat input of the facility ( $\mathrm{ib} / \mathrm{mmB}$ tu) to provide a value of $\mathrm{lb} / \mathrm{mmBtu}$. These converted emission limitations are shown in the column "KU - Comparable Units" on the table as follows:

1. For facilities where the emission limit is expressed in $\mathrm{lb} / \mathrm{hr}$ and the heat input ( mmB tu/hr) is provided, these emission limits were converted to $\mathrm{lb} / \mathrm{mmBtu}$; e.g. $(\mathrm{lb} / \mathrm{hr}) /(\mathrm{mmBtu} / \mathrm{hr})=\mathrm{lb} / \mathrm{mmBtu}$.
2. For facilities where the emission limit is expressed in $\mathrm{lb} / \mathrm{hr}$ and the capacity of the facility is provided in MW, the capacity was converted to a heat input (mmBtu) assuming a heat rate of $11 \mathrm{mmBtu} / \mathrm{MWH}$ for simple-cycle facilities and 8 $\mathrm{mmBtu} / \mathrm{MWH}$ for combined-cycle facilities.
3. For facilities where the emission is expressed in tons/yr and the capacity of the facility is provided in MW, the capacity was converted to a heat input (mmBtu/hr) as described in item 2 and it was assumed that the facility operated for 8760 hours per year - an assumption which resullts in calculating the lowest possible emission rate.
4. For one facility (VA-0238) where insufficient information was available, the contact person provided in the RBLC was consulted. According to this source, each of the
$\therefore \quad$ three combustion turbines have a heat input capacity of $1439 \mathrm{mmBtu} / \mathrm{hr}$ ISO and an emission limit of $400 \mathrm{lb} / \mathrm{hr}$. This was converted to $0.278 \mathrm{lb} / \mathrm{mmBtu}$ as described in item 1 above.

Thus, emission limits for all facilities are expressed in either ppm or $\mathrm{lb} / \mathrm{mmBtu}$. For comparison, the ABB GT24 units will emit at:

25 ppm gas \& 42 ppm oil
$0.095 \mathrm{lb} / \mathrm{mmBtu}$ gas \& $0.195 \mathrm{lb} / \mathrm{mmBtu}$ oil


# LOUISVILLE GAS AND ELECTRIC COMPANY 

 KENTUCKY UTILITIES COMPANY
## SUPPLEMENTAL

Response to Public Service Commission’s Order Dated April 9, 1999 - Data Request \#2
Question: PSC-S6 Responding Witness: Lonnie Bellar

Q-6. Refer to the response to the Commission's March 16 and 19, 1999 Orders, Item 19. The response includes the statement, "The cost of the CTs at the time of the transfer will be less than the fair market value."
a. Has KU or LG\&E determined the fair market value of the CTs? If yes, provide the fair market value and explain in detail how the amount was determined.
b. If the fair market value of the CTs has not been determined, explain in detail how KU and LG\&E have reached the conclusion that the cost of the CTs at the time of transfer will be less than fair market value.

A-6. a. No.
b. KU and LG\&E concluded that the cost of the CTs at the time of transfer will be less than fair market value because KU and LG\&E expect the costs of CTs to continue to rise. Please see the response to AG-13a (attached to original response).

In addition, if the Commission grants the requested CCN and CEC, the Companies will obtain an independent appraisal of the fair market value of the constructed CTs before the assets are transferred to the books of LG\&E and KU.
themselves throughout the period in which they install that capacity. We've got about 1,100 megawatts of merchant capacity that's being proposed here for the State of Kentucky, and they are all predicated on what they think the forward markets will bring.
Q. As I understand it, if this certificate is not approved, then these two CTs will be also merchant plants; is that correct?
A. That's correct. That's my understanding as well.
Q. So they're being built and sustained at that same price that the other merchant plants are being built and sustained?
A. You would only have to make that assumption that certainly two of the biggest players, the biggest market participants in the country, are building those plants. So you would assume they're smart enough that they're making a good investment.

MS . BLACKFORD:
Thank you. That's all of my questions.
A. Uh-huh.

## CROSS EXAMINATION

BY MR. RAFF:
Q. Mr. Kasey, do you know what the installed cost of these combustion turbines is projected to be?
A. No, I'm not aware of the specific numbers. I know the ball park, but I don't know the specific numbers.
Q. Well, what was your understanding of the ball park?
A. I think they're in the $\$ 250$ to $\$ 350$ range a kw.
Q. That's a wide range; is it not?
A. Yes, it is, but, because of the supply and demand in the market currently, that range is rather broad.
Q. Do you know what other combustion turbines are costing in today's market on a kilowatt basis?
A. It really depends, you know. Part of the problem it's very difficult to compare. Part of the problem is an awful lot of the plants that are being proposed are greenfield plants, and, because they are greenfield plants, generally the cost is going to be much greater to provide the infrastructure to interconnect to the gas pipeline and also to the transmission systems, and, obviously, most of the merchant facilities that are being proposed, they're looking at both of those very carefully to mitigate that to the extent they can, but a new greenfield plant would probably be somewhere in the neighborhood, if we're talking about simple-cycle
combustion turbines, we're talking about up to $\$ 500$ a kw.
Q. There should be a cost advantage if that combustion turbine were to be installed in an existing generating plant where there are already combustion turbines, and there's already the gas pipeline, and the electrical substations, and all that other sundry equipment; is that correct?
A. That certainly would have some advantages; yes.
Q. Okay. And - I'm sorry - the name of the company that you now work for?
A. Is The ERORA Group, E-R-O-R-A.
Q. And is that in any way affiliated with LG\&E?
A. It is not.
Q. Is that out of Louisville or . . .
A. Yes, it is in Louisville.
Q. And your relationship with LG\&E was just being for this case; is that what you're saying?
A. That's correct. I obviously put in the testimony when I was Senior Vice President of LG\&E Energy Marketing, and, upon retirement, I made a commitment to continue to support the pricing of the wholesale market which I'm currently in as well with my clients.

MR. RAFF:
Thank you very much. I have no further questions.

HEARING OFFICER SHAPIRO:
Any redirect?
MR. RIGGS :
None, Your Honor.

HEARING OFFICER SHAPIRO:
Thank you, Mr. Kasey.
WITNESS SWORN
The witness, LONNIE E. BELLAR, after having been first duly sworn, testified as follows:

## DIRECT EXAMINATION

BY MR. RIGGS:
Q. Please state your name, position, and business address.
A. Lonnie E. Bellar. My position is the Manager of Generation Systems Planning for KU and LG\&E. My business address is 220 West Main Street, Louisville, Kentucky.

HEARING OFFICER SHAPIRO:
Mr. Bellar, will you spell your last name for the
Reporter, please?
A. Yes, B-e-1-1-a-r.
Q. Did you cause to be prepared and filed with the Commission on February 11, 1999, written testimony consisting of nine written pages, an appendix marked "A," and two Exhibits?
A. Yes, sir.
Q. Do you affirm and adopt your testimony today?
A. Yes, sir.
Q. Mr. Bellar, could you comment on the status of your request for proposals for combustion turbines that's referenced in your Response to the AG's Request for Information, No. 11?
A. Yes, I will. The companies sent out a Request For Proposal for combustion turbines on April 1, and we were trying to assess the CT market for our future needs . . .

MR. RAFF:
I'm sorry. Is that April 1 of . . .
A. Of 1999, yes, sir, and we requested that the major turbine manufacturers respond to us within a two week time frame. So that would have put responses due April 15. At that time, on April 15, we had only received a response from one vendor, and, after contacting the other vendors, they let us know that they needed additional time to respond given their workload that they had, and so we extended the time for two more weeks to April 29, and, at that time, we did receive bids from the major turbine manufacturers. After reviewing those bids, though, we determined that they were incomplete in scope. They weren't as detailed as historically we had seen. Historically, you were able
to tell exactly what was in the bids and what you were getting for what they were quoting, and these bids were very, very minimal in terms of detail. Also, and probably more concerning in terms of being able to do an accurate evaluation, none of the prices that were quoted were firm. Each manufacturer quoted budgetary pricing. So it's kind of difficult to do a comparison when you don't have firm quotes. Historically, bids were presented with firm quotes, and we had several months to do our evaluation, and we knew what we were going to get when we paid for it. In terms of our review, we started our review of the bids, but, given that they were incomplete and they had budgetary numbers in them, we decided it would be the best course of action to engage Black \& Veatch, an outside consultant, to review those bids and prepare a comparative analysis for the companies, and we have done that, and we expect that analysis to be complete by the end of the week, and we would file that with the Commission under confidentiality. A couple of things I could share with you from the bids without voiding the confidentiality or maybe just from my perspective of what I've seen in the bids is that the pricing has not declined. The pricing that we've seen in the bids, as near as we can tell at this point, is at or above what
was paid for the combustion turbines that are being installed at the Brown facility, and I guess the assessment of how tight the CT market is there aren't any CTs available until 2001, and, at that point, there's only one manufacturer that has one type of machine available for that in-service. The other manufacturers won't have machines available for inservice until 2002 and 2003.
Q. Mr. Bellar, have there been any changes to the estimate of the cost of constructing the combustion turbines since the application and testimony was filed with the Commission?
A. Yes, sir, there have. In the certificate filing, the application, we had estimated, at that point, that the total combined cost would be $\$ 125$ million or $\$ 381$ per kw based on the summer rating of the machines, and, as we've progressed through the project, we now expect the total cost to be $\$ 118$ million and that would be $\$ 360$ a kw, again, based on the summer rating.
Q. Mr. Bellar, is the construction of the combustion turbines on schedule?
A. Yes, it is. There are two turbines, as we've been discussing, being constructed. The first turbine is CT Unit No. 7. It's expected to begin on-line testing in the middle of June for a mid-July in-service, and the

CT 6 is the second combustion turbine and that turbine now is, let's say, two to three weeks behind the first turbine.
Q. Mr. Bellar, the Attorney General asked Mr. Kasey some questions in connection with Table 1 of Appendix A, Page 5 of 10 of your Exhibit. Could you briefly clarify the relationship of that table to Mr. Kasey's testimony?
A. Sure. Mr. Kasey's testimony centered around the underlying product pricing and the option pricing that was used in the analysis. The table that was just mentioned, Table 1 of Appendix A, did not represent that. This table represents spot market prices that we anticipate to occur. These are different than options or what we call the underlying product of power. These are what you would pay on an hourly basis, a projection of that, and these were utilized in the analysis but not to the extent that they affected the comparison of the options that we were using to compare to the combustion turbines, and those option prices, which would be applicable to the comparison, were submitted under confidentiality, and those prices do show a decline, as Ms. Blackford was mentioning. They do show a decline in future years.

MR. RIGGS :
Thank you, Mr. Bellar. Mr. Bellar is available for any questions.

HEARING OFFICER SHAPIRO:
Ms. Blackford.
CROSS EXAMINATION
BY MS. BLACKFORD:
Q. Educate me, please. I don't understand what a budgetary price is.
A. I would think that each turbine manufacturer would have their own opinion of that also, but, in my mind, they provide those numbers just to give you a ball park, and the reason they do that is because they don't have the time or have not taken the time to sit down and understand exactly what you want, and so they're unsure. They don't want to give you a firm price that they might have to change as they go into the analysis. So I would view budgetary as a nonfirm pricing subject to change as you get into negotiations with the individual vendors.
Q. So it's essentially a price range that perhaps includes the minimum and maximum parameters?
A. They did not provide us with a range in the specific bids. It was a single number, but I would think that the number could go up or down, yes, as a result of
negotiations.
Q. The RFPs were for installation when?
A. For combustion turbines? Given the status of the CT market and how tight it is, we didn't specify a specific time. We just asked that they quote us the machines that they had available as soon as they were available, and we would, you know, make our assessment based on the results of that.
Q. I asked this question of Mr. Willhite and he deferred it to you. In Response to the Attorney General's Information Request, Item 10, you were asked results of your RFP to determine the present cost of combustion turbines to see if you're correct that the cost of those turbines has continued to rise since you bought the ones at issue in this case, and the response was that the information is confidential, but, without violating the confidentiality, can we determine, in general, whether the prices are higher or lower than the $\$ 280$ per kilowatt paid to $A B B$ for these two units?
 number? I haven't calculated that particular number.
Q. Just a moment.
A. Sure.
Q. On the Application itself, . . .
A. Uh-huh.
Q. . . . Page 4, at the bottom of the page, there is Item $(A), ~ c o m b u s t i o n ~ t u r b i n e s, ~ p r i c e d ~ a t ~ \$ 91,800,000 . ~$
A. Okay. So you just took the $\$ 91,800,000$ and divided by 328; okay. As I said in my introduction, I guess, the bids are budgetary, but, based on that, the pricing is higher for combustion turbines than what was paid in this case and that will be evident when we make that filing.
Q. In your Resource Assessment contained in LEB-2, you looked only at the options of buying combustion turbines or building other turbines in future years; is that correct?
A. In this specific Resource Assessment, yes.
Q. Did you consider long-term power purchases or buying capacities from other parties?
A. Define long-term power purchases.
Q. As you would standardly use it, as you would use it in your lexicon.
A. We evaluated in the Resource Assessment arrangements that we thought could be made with other counterparties and that was reflected by our estimation of the option premium market. As Mr. Kasey testified, those numbers did decline over time, and I think they've been in various parts of the record, and, to the extent that we could sign up multiple years at those prices, that was
the assumption that we made; yes.
Q. Did you consider buying capacity from other parties?
A. We used the option premium to represent that . . .
Q. That capacity?
A. . . . capacity; yes.
Q. Am I correct in understanding that Dynergy is building a CT facility in Oldham County? It will be interconnecting to the transmission . . .
A. Yes.
Q. . . . capacity of LG\&E?
A. Yes.
Q. Was consideration given to buying power from Dynergy?
A. We specifically did not contact Dynergy, but we did send out a Request For Proposal for purchased power, and they obviously were on that list, and they did provide a response. Now, to the extent that it would come from that facility, I don't know. Dynergy has many resources, I'm sure.
Q. So some pricing information was received from Dynergy and like parties?
A. Yes.
Q. In your Response to the Attorney General Information Request, Item 3, you have characterized the failure of the $A B B$ 11N2 combustion turbine as a problem. Am I correct in stating that the problem that occurred was
that the blades in the fourth stage fell off and tore up one of the turbines?
A. We did have a blade failure at that unit. I'm not aware that it damaged the rest of the turbine. I inspected the site after the event, and there was significant damage to the machine, but I wouldn't characterize it as damaging the rest of the turbine.
Q. Was the machine . . .
A. The fourth stage blade is the last set of blades on the machine. So therefore the damage would not be back on the machine.
Q. Did it render the machine nonfunctional?
A. Yes.
Q. Could I correctly characterize this as a major failure akin to losing the engine of your car?
A. Yes.
Q. Given that this was a major failure, why did LG\&E immediately go back to the same manufacturer for its next turbines?
A. These are different machines, as responded to in AG 3, than the machines that you're discussing now. These machines are not one of the first machines produced as the 11 N 2 s were, and, as we mentioned here, we were confident with $A B B$ as a supplier of this type of equipment, and we felt that it was prudent to consider
them for a supplier of future combustion turbines.
Q. So there is no concern about the quality of this equipment?
A. None more than any other vendor that we would have installing any equipment.
Q. Would you please turn to your Response to the Attorney General's Information Request, Item 12? The last page of that Response contains a generation expansion plan that was attached to the Minutes of the Operating Committee Meeting of February 2, 1999.
A. Yes, it does.
Q. Is this the generation expansion plan presented to Mr . Lucas, Mr. Wood, Mr. Hewett, and others to justify the filing of this case on February 11?
A. Yes.
Q. Do I correctly understand that the expansion plan shows the two units that are at issue here and all combinedcycle units in future years?
A. The Exhibit that you're referencing does show one additional simple-cycle combustion turbine being constructed in 2002. That would be Brown Unit 5. That would be the last unit that we both have physical ability and environmental permit ability to install at the site, and then, after that, it shows simple-cycle combustion turbines being constructed in a phased
fashion culminating in the installation of a combinedcycle unit in 2004.
Q. And in all years beyond that?
A. Yes.
Q. Can you tell me whether you assumed the addition of Brown 6 and 7 as a factor in the computer simulation and constrained the computer to add the units or whether the computer selected the options on its own?
A. In what particular analysis are you referencing?
Q. In the analysis giving rise to this expansion.
A. This expansion plan?
Q. Uh-huh.
A. In this particular expansion plan, we were assessing the short-term needs for ' 99 and comparing that to the option premium, the analysis that you're referencing here that was presented to the Operating Committee, and . . .
Q. Uh-huh.
A. . . . therefore we manually put those alternatives in and moved them around in the computer simulation.
Q. So it was a constrained simulation?
A. Yes.
Q. Your years out, other than the Brown 5, show that what will be needed is intermediate capacity; is that correct?
A. Repeat the question, please.
Q. Other than the other Brown, the one you referred to as Brown 5, . . .
A. Uh-huh.
Q. . . . the final simple-cycle turbine, the years out show that what's needed is intermediate capacity; is that correct?
A. This particular expansion plan does. Since this one was developed and presented as a part of this Resource Assessment and as referenced in one of the Responses I don't recall off the top of my head - we have done further analysis that suggest that additional
combustion turbines be installed before we move toward combined cycle. So, if you were to ask me what I think the expansion plan will be in our 1999 Integrated Resource Plan, my answer would be, in terms of construction alternatives, that combined cycles would not be needed as soon as reflected in this particular Exhibit.
Q. All right. This is the most recent expansion plan that you have as evidence in this case; right?
A. No. There is another expansion plan in the record. We can try to find it if you're - I can't recall what Response that we provided that expansion plan, but there is another expansion plan in the record that
shows additional simple-cycle combustion turbines before we go to combined cycles, but it is in the record. In the Resource Assessment, my Exhibit, I reference where preliminary studies have suggested that to be the case.
Q. There is another expansion plan in Response to AG 17 (a) and (b), Page 1 of 1 .
A. Yes.
Q. Is that the other one you're referencing? It appears to be a month earlier.
A. Yes, it is.
Q. So this one in Response to PSC 1, Page 6, which is dated February of 199 , is the latest; is that correct?
A. Back on AG 6, is that what you - no. Let me see. AG 12.
Q. On AG 12, yes.
A. Okay.
Q. Its pagination is Item No. PSC 1, Page 6.
A. Okay. Yeah. The expansion plan in Response to AG 12 was the one used in the Resource Assessment, and it was the one used in presenting the information consistent with the Resource Assessment to the Operating Committee.
Q. But you're saying there's a third expansion plan somewhere in this filing that's more recent?
A. No. No. I was going to finish my statement in saying that the second expansion plan, as a Response to AG 17, was the one that was being referenced in the Resource Assessment. In order to develop the Resource Assessment, we depended on the preliminary expansion plans of the two combined companies and proceeded with that, but, while that assessment was ongoing, we continued to do studies and we continue to do those studies today in preparation for our 1999 IRP. The expansion plan in Response to AG 17 is our preliminary results from that.
Q. But, again, the one that's filed in Response to AG 12 is your most recent one?
A. It was the one that was used in the Resource Assessment. I would present the Response to AG 17 as being more reflective of the company's views at this point today, and I know the dates on those are different, but I would represent AG 17 as being more like the expansion plan the company will file in its 1999 Integrated Resource Plan.
Q. You haven't filed any of your more recent assessment plans as evidence in this case?
A. No, we have not.

MS. BLACKFORD:
Thank you. That's all of my questions.

## CROSS EXAMINATION

BY MR. RAFF:
Q. Mr. Bellar, let me ask you a couple of questions to begin with that Mr. Willhite referred to you. During the time frame of August/September, 1998, was LG\&E's and KU's internal analysis developed in sufficient detail to have supported the application at the Commission for a Certificate Convenience and Necessity?
A. No, it was not. At that time, in terms of a case sufficient for filing, we had not prepared that. We had done a preliminary revenue requirements analysis, at that point, that, as we have stated, showed that these combustion turbines appeared to be the most economical resource.
Q. Were the individuals who prepared the limited and preliminary analysis for LG\&E and KU in August of 1998 the same individuals who prepared the LG\&E Energy Corp. analysis in September?
A. Some of the same individuals prepared both of those analyses. The teams that had involvement in preparing and supplying information for the Resource Assessment and the analysis that you just mentioned, some of those members are different, but, with respect to the personnel under my responsibility, we participated in both analyses.

MR. RAFF:
I've got a number of other questions, but they all relate to the confidential filing. So, if we can ask that, $I$ guess, anybody that isn't with LG\&E and KU to . . .

HEARING OFFICER SHAPIRO:
Okay. You're going to ask some questions about the confidential material?

MR. RAFF:

Yes.
HEARING OFFICER SHAPIRO:
This part of the transcript then will be sealed.
MS. BLAACKFORD:
We didn't sign it.
MR. RAFF:
You've not agreed to sign a confidentiality?
HEARING OFFICER SHAPIRO:
You haven't signed it?
MS. BLACKFORD:
We haven't signed it.
MR. RAFF:
okay.
MS. BLACKFORD:
We haven't seen a need to, to this point.

HEARING OFFICER SHAPIRO:
Well, let's take about ten minutes and . . . MR. RIGGS:

Fine.

HEARING OFFICER SHAPIRO:
. . . I'll let you all work that out amongst yourselves.

OFF THE RECORD
HEARING OFFICER SHAPIRO:
We'll proceed with the confidential portion at this time. It's my understanding that Ms.

Blackford has signed the confidentiality agreement
but Mr. Kinloch has not, and Mr. Kinloch is not
present in the room nor is - there's one other individual here who is not a party to this proceeding, but everybody else is either a member of the Commission staff or is an employee of the applicant; is that right?

MR. RIGGS :
That is correct, Your Honor. OFF THE RECORD
(CONFIDENTIAL PORTION CONTAINED IN SEPARATE TRANSCRIPT CONSISTING OF

28 PAGES)

HEARING OFFICER SHAPIRO:
Early in the proceeding, we discussed the fact that one of the people who furnished information for the Data Request was Mr. Robinson, . . .

MR. RIGGS:
Yes, that's correct, Your Honor.
HEARING OFFICER SHAPIRO:
. . . and he would be subject to cross
examination. You haven't filed any testimony for him, but I assume they want to question him on some of the information.

MR. RIGGS:
Yes.
HEARING OFFICER SHAPIRO:
So why don't we call him at this time?
MR. RIGGS:
Yes. We'll be pleased to call Mr . Robinson to the stand.

MR. RAFF:
Are we done with all the other witnesses?
MR. RIGGS:
Yes. That concludes the presentation of our testimony and I would ask that Mr. Bellar's testimony be admitted into the record.

HEARING OFFICER SHAPIRO:
So ordered.
MR. RIGGS:
Thank you, Your Honor.
WITNESS SWORN
The witness, MICHAEL ROBINSON, after having been first duly sworn, testified as follows:

EXAMINATION
BY HEARING OFFICER SHAPIRO:
Q. Let me first ask the witness to identify himself.
A. Yes. I am Michael Robinson, Vice President and Controller for LG\&E Corp., Kentucky Utilities, and Louisville Gas and Electric.
Q. And what is your address, Mr. Robinson?
A. It's 220 West Main Street, Louisville, Kentucky 40202.

HEARING OFFICER SHAPIRO:
Okay. Ms. Blackford, do you have any questions of this witness?

MS. BLACKFORD:
No, I do not.
HEARING OFFICER SHAPIRO:
Mr. Raff?
MR. RAFF:
Thank you.

BY MR. RAFF:
Q. Mr. Robinson, even though LG\&E Capital Corp., which is an unregulated affiliate, is constructing the combustion turbines, are the construction costs being capitalized consistently with the requirements of the FERC Uniform System of Accounts?
A. Yes, they are.
Q. Under the Uniform System of Accounts, when would a project, like the combustion turbines, be considered completed and construction finished?
A. I think that when they are ready to serve the load, once the testing is complete and they're ready to be synchronized with the grid and serve the load.
Q. Would this point in time be the same as the in-service date?
A. Generally speaking, I would view those the same date.
Q. Do you know the approximate date when the construction of the combustion turbines will be considered completed for accounting purposes?
A. Right now, it's anticipated to be sometime during the month of July. I think, in our application, we indicated it was August 1 we were shooting for, but, right now, we're on plans to hopefully complete the testing and have them ready for commercial operation
sometime in the month of July if we can. So it's somewhere in the July to August time frame.
Q. I believe the testimony was that one of the units was about two weeks ahead or two weeks behind the other; is that correct?
A. I've heard that; yes. My understanding is that one is a little bit further along than the other one.
Q. So will there then be a different date for each unit; do you know?
A. Yes, it would be.
Q. Now, regarding the test energy, is it correct that, before the turbine construction is considered finished, the units will undergo operational testing, and the electricity will be sold during that period of time?
A. Yes, that would be pretty standard routine for this type of testing and these assets.
Q. And the sale of that energy will be by LG\&E Capital Corp.; is that true?
A. If, at that time, the ownership hasn't been transferred, Capital Corp. would be the one that would take on the responsibility of testing those units for operational efficiency and effectiveness; yes.
Q. And, assuming the energy is sold by LG\&E Capital Corp., would it be fair to assume that it will incur some transmission costs?
A. Yes, I think that would be a fair assumption.
Q. And those are probably on the KU system?
A. I believe that Capital Corp. would have to enter into transmission requirements under the OATT.
Q. Under the Uniform System of Accounts, is it correct that the revenue from the test energy sales and any transmission costs would be included as components of the construction costs?
A. Yes, it would. That's very standard.
Q. And, similarly, would any revenues from the sale of test energy be included as a construction cost for LG\&E Capital?
A. Yes. It would be credited and reduce the construction costs. The revenues derived from that test energy would reduce the capital costs on Capital Corp.'s books; yes. Now, once again, that's very routine and standard for this type of operation.
Q. Do you know whether the impact of the revenues and expenses associated with test energy have been reflected in what has previously been the estimated project cost of $\$ 125$ million?
A. I do not know.
Q. In Response to the Commission's Data Requests of March 16 and 19, 1999, Item 18d). . . .
A. You said "b" as in boy?
Q. "D" as in dog.
A. "D" as in dog?
Q. Is it correct that, by charging the work orders to Account No. 107, construction work in progress, these costs will be reflected on KU's balance sheet but not its income statement?
A. That's correct.
Q. The total of these costs listed in the Response, as of February 28, 1999, is $\$ 208,226$. Do you know what the current total is?
A. Yes. As of the end of April, '99, which is the end of our most recent calender month because May we haven't closed yet, that was $\$ 921,804$.
Q. If we assume that the Commission approves the request by LG\&E and KU to acquire the turbines and if we also assume that the actual construction cost is lower than the fair market value, will the construction costs incurred by KU, which have been tracked by work orders, be transferred to LG\&E Capital Corp. and then transferred back to $K U$ and LG\&E as part of the acquisition costs?
A. My preference would be not to. I think, since the decision is pending, I think we would hold up any transfer costs until a final decision is rendered by this Commission, would be the preferred method.
Q. So, if we assume that the Commission does approve the request, after a Commission Order is issued approving the acquisition, what would take place then? Would the work orders be transferred to LG\&E Capital Corp. and then transferred back, or would there be no transfer at all?
A. If the Commission approves the request, there would be no transfer necessary. It will just stay on the utility's books as incurred, and it would then be billed to Louisville Gas and Electric, its share of those costs, based on the 62-38 joint ownership requirement.
Q. If you would refer for a moment, please, to the Response to the Commission's April 9, 1999, Order, Item la., the last paragraph of the Response indicates that, if the Commission does not grant the Certificate of Public Convenience and Necessity, it would be appropriate for KU and LG\&E Capital Corp. to enter into a Lease and Service Agreement for the portion of KU 's property where the turbines are located. Is there a reason why a Lease Agreement would be more desirable than a sale of that particular parcel of property?
A. I think that would probably be desirable for the utility to maintain ownership of the land and then to lease that land to Capital Corp. and maintain ownership
of the land. So that's why I think a lease for the land would be more appropriate than an outright sale of the land.
Q. Under your corporate policies and guidelines for intercompany transactions, there's some discussion of transfer of sale of assets between regulated and unregulated affiliates, but the guidelines do not specifically discuss leases. Could you describe what factors would have to be considered in structuring a lease arrangement that would conform to the requirements of the guidelines?
A. I think that a lease arrangement should be based on what the fair value of that asset is that's being leased. If you're leasing an asset, I think the lease arrangement ought to be very similar to having actually sold that asset, and you would lease it under the economics that would be based on fair value, and you would come up with a lease arrangement in accordance with the value of the item being leased at its net replacement cost or at its fair market value.
Q. So would you envision having to obtain an appraisal of the property?
A. I would believe that would be a strong basis just to support the value of the land, yes, and, under an affiliate leasing arrangement, that would probably be
necessary.
Q. Regarding the securing of Exempt Wholesale Generator status from FERC for LG\&E Capital Corp., can you tell us what costs have been incurred to date for that effort?
A. Yeah, I have inquired with our legal staff as far as the status of that process and the costs, and I don't believe all the costs have come in yet, but it's anticipated it will probably be in the $\$ 10,000$ to $\$ 20,000$ range, is the view of the legal staff that $I$ inquired of as far as what might be the anticipated costs of that EWG filing.
Q. If LG\&E or KU had to incur a similar type of cost while constructing a turbine, would such cost be a component of the construction cost and capitalized?
A. I believe so. I think it's a valid cost that's necessary in order to make that asset operational.
Q. Would it be similar to the cost incurred in obtaining a Certificate of Convenience and Necessity?
A. Yes, sir.
Q. Will the cost incurred for obtaining EWG status be capitalized as a part of the construction cost by LG\&E Capital Corp.?
A. Yes, it will.
Q. If you know, will LG\&E Capital Corp. be operating the
turbines pending the Commission's ruling in this case, or will there be a facility's operation agreement with an LG\&E Energy Corp. affiliate?
A. Well, 1 think the legal operation will be by Capital Corp.

MR. RAFF:
Thank you, Mr. Robinson. We have no further questions.

HEARING OFFICER SHAPIRO:
Mr. Riggs?
MR. RIGGS:
No redirect, Your Honor. Thank you.
HEARING OFFICER SHAPIRO:
Thank you, Mr. Robinson. That concludes the case
for the applicant; is that correct?
MR. RIGGS:
That does conclude the case for the applicant,
Your Honor.

HEARING OFFICER SHAPIRO:
Let's go off the record a minute.
OFF THE RECORD
HEARING OFFICER SHAPIRO:
Okay. Let's go back on the record. Ms.
Blackford, do you want to call your witness, please?

MS. BLACKFORD:

I'm sorry; yes.
HEARING OFFICER SHAPIRO:

Do you want to call your witness?
MS. BLACKFORD :
Yes, David Brown Kinloch, please.
HEARING OFFICER SHAPIRO:
Okay.

## WITNESS SWORN

The witness, DAVID H. BROWN KINLOCH, after having been first duly sworn, testified as follows: DIRECT EXAMINATION

BY MS. BLACKFORD:
Q. Mr. Brown Kinloch, would you state your full name and address for the record, please?
A. My name is David H. Brown Kinloch. My address is 414 South Wenzel street, Louisville, Kentucky 40204.
Q. Are you the same David H. Brown Kinloch who has prepared testimony on behalf of the Attorney General and prefiled that testimony in April of '99?
A. Yes, I am.
Q. Do you have any amendments or corrections to that testimony?
A. No, I do not.
Q. Do you affirm and adopt the testimony as filed here
today?
A. Yes, I do.

MS. BLACKFORD:
The witness is available for cross.
HEARING OFFICER SHAPIRO:
Do you wish to introduce it into the record? Ms. Blackford, do you wish to make it a part of the record?

MS. BLACKFORD:
Yes.
HEARING OFFICER SHAPIRO:
So ordered.
MR. RIGGS:
May I proceed?
HEARING OFFICER SHAPIRO:
Yes.
CROSS EXAMINATION
BY MR. RIGGS:
Q. Good afternoon, Mr. Kinloch.
A. Good afternoon, Mr. Riggs.
Q. As I read your testimony, your testimony addresses what you describe as the "problems created by the nonconventional approach," of the applicants in this case; is that a fair statement?
A. That's a good characterization; yes.
Q. Now, your testimony does not address the load forecast of the companies; does it?
A. That's correct.
Q. So your testimony does not take exception to the load forecast?
A. No. I just take that as a given.
Q. Will you agree with me that, subject to checking the evidence in the record in this case, that the forecast shows the companies have a joint need for 470 megawatts of peaking capacity beginning in the summer of 1999?
A. I don't know if $I$ would agree with that. They have a need for 470 megawatts of capacity. I'm not sure I would agree that it's peaking capacity.
Q. Okay. And, if the Commission grants LG\&E and KU the acquisition of the two 164 megawatt combustion turbines, the companies will still have an additional 142 megawatts of capacity that they'll need this summer?
A. Including the reserves, yes, to meet the reserve need.
Q. And, if the Commission denies the requested certificate, the companies will still have a joint need for 470 megawatts of capacity this summer?
A. Including the reserve margin, yes.
Q. In preparing your testimony, you stated that you reviewed the most recent Integrated Resource Plans of

LG\&E and KU; is that not true?
A. That's correct.
Q. Isn't it true, Mr. Kinloch, that the expansion plans in each of the companies' IRPs show the installation of simple-cycle combustion turbines as the next physical asset addition?
A. Next physical asset addition - I would have to go back and look. The KU one did, but the LG\&E one had a number of different ways of meeting the load, including direct load control, standby generation by customers. It had an upgrade of the hydro facility. It had a battery - using batteries for peaking.
Q. Is it not true, though, that LG\&E's most recent IRP or Integrated Resource Plan showed that LG\&E planned to add a 108 megawatt combustion turbine in Trimble county in 1999?
A. Subject to check. I've got it over there if you want to look, but that sounds about right.
Q. Okay.
A. It did have some other things coming on before that, including buying power and direct load control, before 1999.
Q. Your testimony at Page 9, Lines 7 and 8, states that "LG\&E Capital purchased the only units available from the only supplier that had units available for sale";

## is that not true?

A. Yes.
Q. Your testimony at the same Page 9, Lines 10 and 11 , states that it was a seller's market when LG\&E Capital purchased the combustion turbines following the summer of 1998; is that not true?
A. Right.
Q. At Page 11 of your testimony, Lines 19 and 20, you state it is just as likely that the prices for combustion turbines - I'm paraphrasing just a little may moderate somewhat when a number of suppliers have equipment and are able to bid; is that not true?
A. That's correct; yes.
Q. There are only three suppliers of combustion turbines in the market at this time, $A B B, G E$, and siemens/ Westinghouse; is that your understanding?
A. That is - of the units the size that you're talking about. There are some people that make smaller units.
Q. But of the units the size that is the subject of the case that we're talking about today . . .
A. Those are the three major vendors; that's right.
Q. Right. Now, your testimony did not present any evidence that those suppliers had combustion turbines available today for purchase and installation; did it?
A. No. I think that the purpose of me bringing this up
was the fact that - was the question of whether this was the best option now or whether it or something else should be done in the future instead.
Q. And your testimony presented no evidence or analysis of when the combustion turbine manufacturers can have machines available in the future; did it?
A. That's correct.
Q. Would you agree with me that, in a seller's market, the seller does not have to accept conditional sales and can demand its own terms for a sale?
A. That may be the situation. It depends. I don't know. A seller's market could be just about anything.
Q. Would you agree with me that, in a seller's market, the seller has the position to tell the buyer that the buyer can take it or leave it, purchase the goods or the service on the seller's terms?
A. The seller is in a better position in a seller's market.
Q. And that better position allows the seller to refuse to accept conditions the buyer, in a buyer's market, would typically request and receive; isn't that true?
A. It may. It depends on the particular seller. The seller is still trying to sell. It depends on whether the seller would accept those conditions, whatever they may be, or not. I can't presuppose what it would be.
Q. And the fashionable behavior by a seller in a seller's market would be to negotiate from what you characterize is a better position as the seller?
A. They're negotiating from a stronger position.
Q. And that stronger position or that strength allows them to negotiate terms that they would not have to accept if they did not have that strength; isn't that true?
A. I don't know. It's not necessarily true. I mean, the hope is that they could take their commodity they're trying to sell, in this case a combustion turbine, to another particular buyer, but, at some point, the seller is trying to sell the thing, whatever they're trying to sell, in this case a combustion turbine, and they will agree to terms with someone if they actually do want to sell that piece of equipment.
Q. The terms on which the seller agrees will be terms based upon what you've previously stated is the strength of the seller's position?
A. It would have a better negotiating position, but the terms would end up being whatever the buyer and the seller came to agreement upon.
Q. You testified in the combustion turbine case several years ago brought by Kentucky Utilities for a Certificate of Convenience and Necessity to acquire or install combustion turbines at the Brown site; did you
not?
A. That's correct.
Q. Do you recall the vendor of Westinghouse sitting in the lobby of the Hearing Room that day and then submitting a bid outside the bid timelines after the hearing was closed to the company?
A. I do not remember that; no.
Q. If the record of evidence showed that in that case, you would accept that; would you not?
A. If the record showed that, yeah.
Q. Okay. Are you familiar with the 1999 summer assessment of load and capacity for the East Central Area of Reliability Coordination Agreement?
A. No, I'm not familiar with that.
Q. Are you generally familiar with what ECAR is?
A. Oh, yes.
Q. Okay. And what is that, please?
A. It's a region of the country in which there are a group of utilities, including the applicants, that are together for reliability reasons and other reasons.
Q. Do you know whether or not ECAR has published a report on its assessment of the summer of 1999?
A. No, I don't, but I imagine they may have. It's the kind of thing they do.
Q. It's a typical report that they would issue in
connection with their responsibilities towards one another and as part of their ECAR agreement; isn't it?
A. If you say so. I mean, I know they have particular forecasts. They pull together the different data from the different utilities in their region.
Q. Would you agree with me that it is of concern that ECAR's May, 1999, report states that it will likely need to use supplemental capacity resources to meet its projected peak demand and that severe weather conditions or unexpected generator outages and the unavailability of power from outside the region could make it necessary to curtail additional load beyond contractually interruptible loads in demand-side management?
A. If that's what it says. I mean, I don't have the report. I haven't read the report, Mr. Riggs.
Q. Okay. One of the complications you describe in your testimony is the price the applicants paid; is that not true?
A. That's correct.
Q. Your testimony states that the applicants paid a premium for the combustion turbines; is that not true?
A. I stated that it's a premium over what was in the previous IRPs as far as the cost that they would expect to pay for combustion turbines.
Q. In arriving at that portion of your testimony, in which you state that the applicants paid a premium for the current combustion turbines, you compared the price of the combustion turbines in the 1996 KU Integrated Resource Plan with the price of the combustion turbines that was identified in the applicants' application in this case; did you not?
A. That's exactly it; yes.
Q. And, to make those prices comparable, you restated them on a per kw basis; did you not?
A. That's correct.
Q. And the price of the combustion turbine that you identified as being contained in the 1996 KU Integrated Resource Plan, I believe, was $\$ 198$ a kilowatt; is that correct?
A. That's right, and I think it was for, like, a 110 megawatt machine.
Q. Now, would you agree with me that the $\$ 198$ a kilowatt is stated in terms of 1995 dollars?
A. I believe that's correct; yes.
Q. Would you further agree with me that the KU 1996 Integrated Resource Plan uses or contains an escalation rate of approximately .037 percent?
A. I'm not sure if that's what it contains.
Q. I'm sorry. I misspoke, Mr. Kinloch. It's 3.7 percent.

Let me, with permission of your counsel, show you Volume III of the Integrated Resource Plan of Kentucky Utilities Company filed with the Commission on April 22, 1996, marked "Technical Appendix." Page 1 of Appendix A, Optimal Generation Expansion Strategy Analysis, March, 1996, Page 1 of that and in the section describing the data items used in the generation planning models, I'll ask whether or not that shows a construction escalation rate of 3.7 percent.
A. Yes, it does. It was an assumption that was in that model.
Q. Would you agree with me, to compare the $\$ 198$ a kilowatt with the value of the combustion turbine in this case, which you calculated to be $\$ 381$ a kilowatt, that you would need to escalate the 1995 dollars by that construction rate to state them in terms of 1998 or 1999 dollars?
A. Not necessarily.
Q. You think it's appropriate to compare 1995 dollars to 1999 dollars without escalating the change over time for inflation?
A. Well, I didn't say that. It's just a question of using the figure you have there. Inflation has been lower than 3.7 percent over the three years since then. So

I'm not necessarily saying that 3.7 percent - it would probably be escalated but not necessarily by the numbers you have in there. That was just a projection that KU had made on what they expected those costs to rise at.
Q. You do agree that it was the escalation rate contained in the KU 1996 IRP, and, in that IRP, you selected the value of $\$ 198$ a kilowatt-hour as a reasonable value for a combustion turbine?
A. That was the figure that was in there for the combustion turbines to be added at the Brown site. That figure came right out of the IRP.
Q. Now, you said that the escalation rate for construction contained in the IRP may or may not an appropriate value, but you would agree with me that, to accurately compare the price of the combustion turbines in this case with the value contained in the KU Integrated Resource plan, you would have to escalate the estimate of 1995 so that it would be restated in 1996 dollars; would you not?
A. You mean 1998 dollars.
Q. You could do it either way. You would agree with me it has to be escalated?
A. It could - yeah, I mean, that's a way you could do it. I think, you know, we're talking about I was making the
point that the price was twice what it had been in there and, if you escalate it by a couple percent inflation for three years, that's a 6 percent increase compared to a 100 percent increase. There's not much of a comparison.
Q. Do you agree with me that inflation does not necessarily track the construction inflation rate, the general rate of inflation does not track the escalation rate that you would use for construction?
A. Not necessarily. I mean, a lot of your construction cost is labor which tends to move with inflation. It doesn't track it exactly, but $I$ think it's pretty close.
Q. And you did not escalate the dollars in your analysis to restate the 1995 dollars in terms of 1998 or 1999 dollars; did you?
A. No. As I stated to you before, I was making a comparison that something that's jumped by about 100 percent is not going to be made up by inflation over a three year period.
Q. Would you accept, subject to check of the following mathematics, that, if you took the construction escalation rate of 3.7 percent and the KU 1996 IRP and escalated that to 1999 dollars, that that would mathematically make the $\$ 198$ a kilowatt into $\$ 229$ a

## kilowatt?

A. Mathematically, yes, but I don't know why you would do that, Mr. Riggs, because you bought these combustion turbines in 1998; not 1999. You wouldn't put it in 1999 prices for a good comparison. Then you would be having the same problem.
Q. You nevertheless would agree with me that, to make the values comparable, that you would need to adjust the dollar values?
A. You could. I mean, if you assumed, say, 3 percent for three years, that's about 10 percent. That would be about $\$ 220$ compared to $\$ 381$. That's still roughly double.
Q. I believe your testimony also indicates that there is a difference in efficiency or heat rate between the combustion turbine identified in the 1996 KU IRP versus the combustion turbines that are the subject of this case.
A. That was taken from a Response given by the applicants; yes.
Q. And, in your testimony, I believe you generally approximated the value of that efficiency to be about 10 percent. In other words, the difference between the cost of the combustion turbine identified in the '96 KU IRP and the cost of the combustion turbines in this
case, in part, can be explained by the increased deficiencies that the combustion turbines in this case have?
A. That's correct, and that was based on figures from the IRP. The ' 96 IRP looked both at the smaller 110 megawatt unit and a larger unit, I think, like 150, which the larger the units get they tend to be more efficient.
Q. Yeah, and would you agree with me that, to make the proper comparison, that the heat rate efficiencies and the price paid to achieve those higher efficiencies would need to be taken into account as part of this comparison?
A. Yeah. I think that's the reason I put that in my testimony, that that does need to be considered; yes.
Q. Would you further agree with me that the value of $\$ 198$ a kilowatt, identified in the ' 96 KU IRP, was based upon the cost of the combustion turbine without the cost of constructing that turbine?
A. No. The price was taken as the total cost, including the construction of the turbine. That was the full price. It's not just the price of the turbines. It's the completed installed price.
Q. Would you agree with me that the scope of the work to complete the combustion turbine in this case is
different than the scope of the work that was assumed for purposes of identifying the price of the combustion turbine in the 196 KU IRP?
A. No, I don't . . .
Q. Do you know?
A. There's no reason for me to believe there would be any difference.
Q. Would you also agree with me that the current combustion turbines in this proceeding will require a demineralizer and that cost was not taken into account along with other differences between these combustion turbines and the combustion turbines in the 196 IRP?
A. I'm not sure, Mr. Riggs. In the 1996 IRP, they had an installed cost for the combustion turbines and that is what it is, and you would have to check with your people to see what was in there and what wasn't. They had a price in there for the actual machines and then a price for it installed at the Brown site.
Q. Now, Mr. Kinloch, you also cite the fact that the units being built at the Brown site is a complicating factor in your testimony; do you not?
A. Repeat that.
Q. Sure. In your testimony, you cite the fact that the combustion turbines are being built at the Brown generation station is another complicating factor; do
you not?
A. Right. The fact that a site that the preparation work has been done and the site is ready to put in a KU combustion turbine, being used by an unregulated affiliate, that site is being used, yes, that's a complicating factor; yes, sir.
Q. You testimony further urges that a greenfield site should be used in such instances; does it not?
A. That's correct.
Q. Isn't it true, Mr. Kinloch, that greenfield sites would take 24 to 36 months more to complete and may require different environmental permits than an established site, such as the Brown site?
A. That's correct.
Q. During that period of time, if a greenfield site was undertaken, customers would not have the benefit of that combustion turbine while it was being constructed; would they?
A. They wouldn't have the use of it. Now, the question whether there's a benefit is another issue.
Q. Isn't it true, Mr. Kinloch, that the Trimble County Generating station of the Louisville Gas and Electric Company is another brownfield site available to the companies in the future; that the Brown Generating Station is not the only brownfield site available to
the joint applicants?
A. Well, I mean, the company could put turbines at a number of sites. I imagine they could probably put it at the Cane Run site. I'm sure that's always an option. The difference is that, at the Brown site, the site had already been prepared. There are already combustion turbines there. They already had a substation there specifically for use of the combustion turbines. If you go to it, like the Trimble County site, there would still have to be some preparation work. I'm not sure if there's a gas line laid specifically sized to the site that could service them. So a site like that I guess I would characterize somewheres between a greenfield site and a brownfield site, as you defined it, because it's not as ready for combustion turbines as what Brown was where they had already sited and were ready to go with combustion turbines.
Q. You do agree with me, though, that the joint applicants have at least one, if not more, potential brownfield sites or generating stations that would allow the construction of combustion turbines in the future?
A. Right, but I'm not sure that they've got all the air permits and the substations and gas lines ready to go at those sites.
Q. Mr. Kinloch, I come to the end of your testimony and read that you cannot recommend for or against the Commission granting the Certificate of Convenience and Necessity in this case, that what you do recommend is that, if the Commission grants the certificate, you have attached a condition to it that the cost of obtaining exempt wholesale generation status not be included as part of the cost of the project; is that true?
A. That's right. The cost that you wouldn't have if the company had gone through the normal procedure of getting the certificate before such time they began construction.
Q. And you agree with me that, under the current regulation of Kentucky, the companies could not obtain the combustion turbines in time for the summer of 1999 ?
A. Not if you started when you did. I mean, if you had started back in, I guess, about early 1998, you could have gotten your certificate in time.
Q. At that time, we did not have experience of the summer of 1998; did we?
A. No, you didn't.
Q. Okay. Those are all the questions I have. Thank you.
A. But I might add you did have the ECAR forecast which showed that capacity was tightening up.
Q. Would you agree with me that the price volatility we saw in the summer of 1998 had never been experienced before?
A. Not on that scale; no.
Q. I'm
A. No, not on that scale. You hadn't seen that before. MR. RIGGS:

Thank you. Those are all the questions I have, Your Honor.

MR. RAFF:
If we could have just a moment, please, Your Honor.

OFF THE RECORD
MR. RAFF:
I have one question.
CROSS EXAMINATION
BY MR. RAFF:
Q. Over at Page 12 of your testimony, at the bottom, you talk about the current projected cost of the combustion turbine of $\$ 381$ versus what had been projected in KU 's 1996 IRP and the significant increase, and then you go on, Lines 21 through 23, to talk about other peaking options, such as battery storage and compressed air storage, are now in a similar price range. Do you see that?
A. Yes, sir.
Q. If you would turn to your Exhibit 1, please, which of the columns here talk about the battery storage and the compressed air?
A. If you go down to the bottom of the page, the options across the bottom, the fifth column over and the sixth column are battery storage, and the eighth column over is compressed air storage.
Q. It looks like "Adv Bat 3hr" and "Adv BAT 5hr"; is that the two?
A. Yes.
Q. And then you skip on, and then there's a "CAES"?
A. Yes.
Q. Okay. And then which of the costs - I mean, what numbers are reflected here as something that you would say was the equivalent for the capacity costs as expressed for the dollars per kilowatt? Is there such a cost?
A. It's not simply the capacity cost, Mr. Raff. These technologies that you have here are storing energy off system when power can be bought very cheap compared to the cost of running a combustion turbine which is expensive natural gas. So it's not only the fixed cost, the capacity cost, but also the variable cost that has to be looked at to get a comparison. That's
partly the purpose of my testimony. It's to say that all the analysis hasn't been done, and I find the Commission in a very difficult position having to make a decision considering a lot of these alternatives that have a lot lower variable cost and capital cost somewhat in the same range haven't been analyzed.
Q. Well, can you tell from these figures what the capital costs are?
A. Yes. The three-hour battery storage, it's got the total generic unit cost of I think that's $\$ 468$, the five-hour storage at $\$ 640$, and the compressed air storage at $\$ 435$.
Q. Okay. And the batteries, are they for 20 megawatts? Am I reading that correctly?
A. Let's see here. Twenty, yes, and the compressed air storage is 350 .
Q. And this, similarly, was based on January, 1995, dollars?
A. That's correct.

## MR. RAFF:

Thank you very much. I have no further questions. HEARING OFFICER SHAPIRO:
Mr. Riggs?

MR. RIGGS:
Brief. One question.

HEARING OFFICER SHAPIRO:
Well, wait, wait. Ms. Blackford, do you have any redirect?

MS. BLACKFORD:
No.
HEARING OFFICER SHAPIRO:
Okay.
MR. RIGGS:
May I be permitted one question, Your Honor?
HEARING OFFICER SHAPIRO:
Yeah.

## RECROSS EXAMINATION

BY MR. RIGGS:
Q. Mr. Kinloch, on the Exhibit 6(a) from the KU IRP that you have attached to your testimony as Exhibit DHBK-1, the developmental rating of the batteries, the technical developmental rating for the two battery scenarios, is indicated as being pilot; is that not right?
A. That's correct, and the compressed air storage is commercial actual numbers from the project, I believe, in Alabama.

MR. RIGGS:
Thank you. That's all the questions I have.

HEARING OFFICER SHAPIRO:
Okay. Thank you, Mr. Kinloch.
A. Thank you.

HEARING OFFICER SHAPIRO:
Does that conclude the case?
MS. BLACKFORD:
Yes.
HEARING OFFICER SHAPIRO:
There was a procedural Order in here, but I don't
believe it had anything in it - it doesn't provide
for filing of briefs; does it? Do the parties wish to file briefs?

MS. BLACKFORD:
No.
MR. RIGGS:
Yes, we do, Your Honor.
HEARING OFFICER SHAPIRO:
One does. Do you wish to file a brief?
MR. RAFF:
She indicated no. So do you want to reconsider or . . .

MR. RIGGS:
We are interested in filing a brief. We do not ask for much time, and we do not anticipate . . .

HEARING OFFICER SHAPIRO:

Okay. How much time do you need?
MR. RIGGS :

Pardon?

HEARING OFFICER SHAPIRO:
How much time do you need?
MR. RIGGS :
June 10. We can limit the page limit if you want
to.
MS . BLACKFORD:
Go right ahead.
MR. RIGGS :

Okay.
MS . BLACKFORD:
I indicated I'm not interested in filing one.
HEARING OFFICER SHAPIRO:
Oh, you're not going to file one anyway?
MS . BLACKFORD:

No.
HEARING OFFICER SHAPIRO:
You're not going to file a brief, . . .
MS . BLACKFORD:
NO.
HEARING OFFICER SHAPIRO:
. . . or do you just want to leave the option
open?
MS. BLACKFORD:
I'll leave the option open.
HEARING OFFICER SHAPIRO:
Okay. Will June 10, then, be acceptable to you?
Okay. The briefs will be due, then, June 10, if either party wishes to file them. Anything else
that needs to come before the Commission?
MR. RAFF:
We need a date. We had asked for a couple of
items. Maybe June 10, also.
MR. RIGGS:
Or sooner, yes.
HEARING OFFICER SHAPIRO:
Well, we'll probably need them sooner because, if
Ms. Blackford wants to file a brief, she'll
probably need that information as well.
MS. BLACKFORD:
Well, I would probably need a date for brief
filing that would include a transcript were I to file one.

HEARING OFFICER SHAPIRO:
Well, the transcript will be filed the . . .
MR. RIGGS:
Your Honor, I . . .

HEARING OFFICER SHAPIRO:
Well, it wouldn't take you that long to get that
information.
MR. RIGGS:
No, sir. I think we could file our information by this Friday.

HEARING OFFICER SHAPIRO:
Okay. That should be enough time. Okay. What
date is that? That's the $3 r d$ ?
MR. RIGGS:
That would be June 4.
HEARING OFFICER SHAPIRO:
June 4?
MR. RIGGS:
Yes, sir.
HEARING OFFICER SHAPIRO:
Okay. And the briefs will be due the following
week.
MR. RIGGS:
Yes, June 10.
HEARING OFFICER SHAPIRO:
Let's make it June 11. That will be on a Friday. MR. RIGGS:

Okay.

HEARING OFFICER SHAPIRO:
Okay. Anything else?
MR. RIGGS:
Nothing, Your Honor.
HEARING OFFICER SHAPIRO:
Okay. The hearing is adjourned.
MR. RIGGS:
Thank you, Your Honor. FURTHER THE WITNESSES SAITH NOT HEARING ADJOURNED OFF THE RECORD

STATE OF KENTUCKY
COUNTY OF FRANKLIN

I, Connie Sewell, the undersigned Notary Public, in and for the State of Kentucky at Large, do hereby certify the foregoing transcript is a complete and accurate transcript, to the best of my ability, of the hearing taken down by me in this matter, as styled on the first page of this transcript; that said hearing was first taken down by me in shorthand and mechanically recorded and later transcribed under my supervision; that the witnesses were first duly sworn before testifying.

My commission will expire November 19, 2001.
Given under my hand at Frankfort, Kentucky, this 15th day of June, 1999.


Connie Sewell, Notary Public State of Kentucky at Large 1705 South Benson Road Frankfort, Kentucky 40601 Phone: (502) 875-4272


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