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Kentucky Public Service Commission

Henry C. List, *ex officio*
Secretary, Kentucky Natural Resources
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Secretary, Kentucky Economic
Development Cabinet

SITING BOARD GRANTS CONDITIONAL PERMIT FOR ELECTRIC GENERATION PLANT IN MUHLENBERG COUNTY

*Thoroughbred Generation must first assure that it will pay for
all necessary transmission system improvements*

FOR IMMEDIATE RELEASE
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FRANKFORT – The Kentucky State Board on Electric Generation and Transmission Siting (Siting Board) today granted a permit for the construction of the proposed Thoroughbred Generating Co. electric power plant near Central City.

But the permit will not take effect unless Thoroughbred obtains interconnection agreements with neighboring utility companies that “ensure that Kentucky ratepayers pay no share of the costs necessary for Thoroughbred to transmit electricity,” the Siting Board says in its order.

In imposing the condition, the Siting Board cited Kentucky law that requires independent power producers such as Thoroughbred to bear the costs of any improvements that must be made to the electric transmission system in order to maintain reliability under the increased loads created by their facilities.

Thoroughbred is proposing to build a 1,500 megawatt plant on 4,100 acres of old or reclaimed coal mine lands northeast of Central City. The plant would burn coal mined at the site.

Electricity generated at the Thoroughbred plant would be sold on the unregulated wholesale market. In order to move that power to customers, Thoroughbred may have to use lines owned either by the Kentucky Utilities Co. or the Big Rivers Electric Cooperative, and those lines and other transmission facilities would have to be upgraded.

Both Big Rivers and KU, as well as KU’s parent company, LG&E Energy, intervened in the case and argued that they and their ratepayers should not have to absorb any of the costs associated with Thoroughbred-caused transmission system improvements. Thoroughbred responded by stating its willingness to pay the costs up-front, but said it wants to be repaid, directly or indirectly, for its investment.

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The Siting Board said Thoroughbred's proposal does not go far enough.

"Assigning cost liability to the cost-causer is fundamental in utility regulation," the Siting Board says in its order. "Preventing the imposition of costs on captive ratepayers unless a corresponding benefit is received is fair and just in this instance. To rule otherwise would be to acquiesce in a compensatory scheme that is contrary to Kentucky law and which would have adverse economic impact on Kentucky. "

Any interconnection agreement between Thoroughbred and KU will have to be approved by the Federal Energy Regulatory Commission. An agreement with Big Rivers would be subject to Kentucky Public Service Commission approval.

In granting the certificate, the Siting Board noted that the Thoroughbred plant will have a large positive economic impact on Muhlenberg and nearby counties. It will generate as many as 2,900 construction jobs and 450 permanent jobs in an area that suffers from high unemployment. The plant's annual payroll is expected to be about \$11 million.

The Siting Board acknowledged concerns that Thoroughbred could inhibit other economic growth in the area by consuming all available air emission allowances, making it difficult to build other industrial facilities. But the Siting Board noted that such concerns are speculative and, when "weighed against the evidence of a favorable impact upon the local economy, and the overwhelming local support demonstrated at the hearings," should not stand in the way of granting a certificate.

Other impacts considered by the Siting Board included visual and noise impacts, additional traffic and the effect of the plant on nearby properties, including property values. Those factors were found to be either negligible or readily mitigated through conditions imposed by the Siting Board

The Siting Board imposed a number of other conditions on Thoroughbred related to matters such as site security, hiring and purchasing practices and the submission of regular progress reports. Thoroughbred was given 10 days to decide whether to accept all the conditions in the order.

The vote to grant the certificate was 5-1. Voting in favor were *ex officio* members PSC Chairman Martin Huelsmann; Hank List, secretary of the Kentucky Natural Resources and Environmental Protection Cabinet; and J.R. Wilhite, commissioner of the Kentucky Department of Community Development; and local members Randall Smith and David Rhoades, chairman of the Muhlenberg Joint City-County Planning Commission.

Ex officio member and PSC Commissioner Robert Spurlin voted against granting the certificate, citing his concerns that higher electric rates and depleted air emission allowances would outweigh the benefits.

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“I believe that adverse economic impacts will inevitably result from the construction of this plant, and that they will outweigh the advantages urged upon us by the citizens of Muhlenberg County,” Spurlin wrote in his dissenting opinion.

Ex officio member and PSC Commissioner Gary Gillis did not participate in the Thoroughbred case due to a past business relationship with one of the parties.

The application, Siting Board orders and related documents are available on the Siting Board Web site:

http://psc.ky.gov/agencies/psc/siting_board/merchant.htm

The case number for Thoroughbred Generating is 2002-00150.

