Ky. PSC approves new gas-fired power plant

BRETT BARROUQUERE - Associated Press - Associated Press

The Kentucky Public Service Commission on Thursday approved the construction of a natural gas-fired generating plant at LG&E's Cane Run facility in Louisville and the purchase of an existing plant in Oldham County.

The approval clears the way for LG&E to start building a $583 million plant. LG&E and Kentucky Utilities estimated a $110 million purchase price for the 495-megawatt Bluegrass Generation plant in LaGrange.

The commission disagreed with environmental interests, who said the two companies could meet power needs through a combination of wind power and more aggressive demand reduction efforts. The new plant, expected to be online by 2015, will bring LG&E in line with new Environmental Protection Agency rules requiring several of the company's older, coal-fired units, about 13 percent of the utilities' coal fleet, to be retired by 2016.

Subject to receipt of other permits, LG&E and KU plan to build the 640-megawatt unit at the existing Cane Run site in southwestern Louisville.

Cane Run and Green River coal units will need to remain operational until the replacement generation and associated transmission projects are completed. Construction of the natural gas plant is expected to begin this year and be completed in 2015. At the peak of the construction phase, approximately 250 jobs are expected to be created.

"With this regulatory approval, we can begin focusing on this significant investment in our system. We worked diligently to develop a least-cost solution to meet the federal regulatory mandates, and we're pleased that the KPSC has approved the plan," said Lonnie Bellar, vice president of State Regulation and Rates for LG&E and KU.

Several environmental groups, including the Kentucky chapter of the Sierra Club, opposed the new plant and purchase of the Oldham County plant. Wallace McMullen, energy chair for the Cumberland chapter of Sierra Club, said LG&E is "entirely wedded to burning fossil fuels," a diminishing resource, when energy efficiency and cleaner, more environmentally friendly power sources are available.

"Efficiency programs generate a lot more jobs than building new gas-fired plants do," McMullen told The Associated Press. "They are generally a win-win situation."

The Public Service Commission agreed with the environmental groups that LG&E and Kentucky Utilities should more aggressively pursue cost-effective demand-side management programs, particularly those targeting commercial customers.

In their application, KU and LG&E said that the additional generating capacity is needed to replace coal-fired units at Cane Run and at KU's Green River plant in Muhlenberg County and Tyrone plant in Woodford County, and to meet projected increases in demand for electricity by 2016.

LG&E and KU are subsidiaries of PPL Corp. Kentucky Utilities has about 506,000 electric customers in 77 counties across Kentucky. Louisville Gas & Electric has about 401,000 electric customers in nine counties in the Louisville area. LG&E's 312,000 natural gas customers are not affected by this case.

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