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Chairman

James W. Gardner  
Vice Chairman

Linda Breathitt  
Commissioner

February 4, 2013

Greg Pauley, President  
Kentucky Power Company  
101 A Enterprise Drive  
P. O. Box 5190  
Frankfort, KY 40602

RE: Case No. 2012-00578

Application of Kentucky Power Company for (1) a certificate of public convenience and necessity authorizing the transfer to the company of an undivided fifty percent interest in the Mitchell generating station and associated assets; (2) approval of the assumption by Kentucky Power Company of certain liabilities in connection with the transfer of the Mitchell generating station; (3) declaratory rulings; (4) deferral of costs incurred in connection with the company's efforts to meet Federal Clean Air Act and related requirements; and (5) all other required approvals and relief.

Dear Mr. Pauley:

This letter is to inform all parties that the Commission has determined that hiring a consultant would be useful and beneficial in assisting the Commission and the Commission Staff in the review and analysis of Kentucky Power Company's ("Kentucky Power") application in the above-referenced case. The Commission, therefore, intends to retain the services of a consultant to assist the Commission Staff in reviewing the evidence compiled in this case and providing advice to the Commission. Given that the application and supporting testimony in this case present much of the same complex environmental and modeling issues that were presented by Kentucky Power in Case No. 2011-00401,<sup>1</sup> the Commission will retain Vantage Energy Consulting, LLC, the same consultant who had assisted Commission Staff in that case, and who is intimately knowledgeable of the factual and technical issues in that matter.

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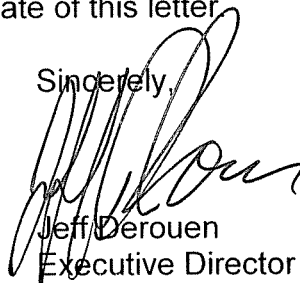
<sup>1</sup> Application of Kentucky Power Company for Approval of its 2011 Environmental Compliance Plan, for Approval of its Amended Environmental Cost Recovery Surcharge Tariff, and for the Grant of a Certificate of Public Convenience and Necessity for the Construction and Acquisition of Related Facilities (Ky. PSC May 31, 2012).

Greg Pauley, President  
February 4, 2013  
Page 2

The Commission views the instant proceedings to be a continuation of Case No. 2011-00401, and will bill the cost of the consultant to Kentucky Power, as was done in Case No. 2011-00401. A draft Letter of Agreement is attached hereto for Kentucky Power's review. Within seven days from the date of this letter, Kentucky Power should state any objections, indicate any changes to the Letter of Agreement or, if there are no objections or changes, execute and mail the same to the attention of Mr. Daryl Newby of the Commission Staff.

Should any of the other parties to this matter object to the Commission's intent to retain Vantage Energy Consulting, LLC, such objections should be filed in the record of this case within seven days from the date of this letter.

Sincerely,



Jeff Derouen  
Executive Director

QDN/kar  
Attachment

cc: Mark R. Overstreet, Esquire  
Kenneth J. Gish, Jr. Esquire  
Parties of Record

## LETTER OF AGREEMENT

This Letter of Agreement (“Agreement”) is entered into by and between the Public Service Commission, Commonwealth of Kentucky (“Commission”), Kentucky Power Company (“Company”), and Vantage Energy Consulting, LLC (“Vantage”) (collectively, the “Parties”).

WHEREAS, the Commission has determined that hiring a consultant will be useful and beneficial; and

WHEREAS, the Commission previously requested and received proposals for a focused review of the Kentucky jurisdictional electric utilities’ plans for environmental compliance; and

WHEREAS, the Commission previously determined that the proposal submitted by Vantage should be accepted;

NOW, THEREFORE, the Parties hereto (Commission, Company, and Vantage) agree as follows:

1. This Agreement fully incorporates the provisions and requirements of the Commission’s Request for Proposal (“RFP”) under letter of June 8, 2011.
2. Vantage will perform a focused review of the Company’s ongoing efforts to meet the Federal Clean Act and other environmental requirements with respect to Big Sandy Unit 2, as set forth in Case No. 2012-00578, in accordance with the provisions of the RFP, Vantage’s June 17, 2011 Proposal (“Proposal”), and the terms of this Agreement.

3. Vantage will prepare a final work plan setting forth the task and hours it will devote to this project. Prior to the submission of a final work plan, Vantage will meet with the Commission Staff to discuss the work plan and any concerns regarding the allocation of hours devoted to its review. Vantage will make any changes in the allocation of hours as deemed appropriate. Requests for any other deviation from the final work plan must be approved in advance in writing by the Commission or its designated Staff Project Officer.

4. Time is of the essence in the performance and completion of this assignment. Vantage shall begin the assignment on or about February 1, 2013, and will complete the project tasks as directed by the Commission or the Staff Project Officer and in accordance with the procedural schedule as set forth by Order in Case No. 2012-00578. The project itself shall be completed no later than June 30, 2013 unless otherwise directed by the Commission or the Staff Project Officer. The beginning and completion dates stated herein are subject to change.

5. The total authorized reimbursable cost of the audit, including all fees, travel expenses, and any and all other reasonable costs will be paid by the Company.

6. Once Vantage has reached the proposed project cost of \$67,840, Vantage shall be required to receive the authorization of the Commission or the Staff Project Officer to expend additional funds.

7. Vantage shall submit itemized monthly invoices to the Commission, for services performed, not later than the 10<sup>th</sup> of each month. The invoice will be promptly evaluated and reviewed by the Commission and, once approved, forwarded to the

Company for payment. The Company shall make payment to Vantage within 20 days of receipt of the statement from the Commission.

8. Testimony, if required, under the terms of this agreement shall be provided in accordance with the RFP at the hourly compensation rates included in Vantage's proposal.

9. This Agreement is effective as of the date that it is executed by all of the Parties.

10. The terms of this Agreement shall be construed in accordance with Kentucky law.

AGREED TO BY:

KENTUCKY PUBLIC SERVICE COMMISSION  
211 Sower Blvd.  
Post Office Box 615  
Frankfort, Kentucky, 40601

\_\_\_\_\_  
(SIGNATURE)

\_\_\_\_\_  
(DATE)

\_\_\_\_\_  
(TITLE)

VANTAGE ENERGY CONSULTING, LLC  
21460 Overseas Highway  
Cudjoe Key, FL 33042

\_\_\_\_\_  
(SIGNATURE)

\_\_\_\_\_  
(DATE)

\_\_\_\_\_  
(TITLE)

KENTUCKY POWER COMPANY  
101A Enterprise Drive  
Frankfort, KY 40602

\_\_\_\_\_  
(SIGNATURE)

\_\_\_\_\_  
(DATE)

\_\_\_\_\_  
(TITLE)