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FEB 20 2013

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE 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 ) CASE NO. 2012-00578  
RULINGS; (4) DEFERRAL OF COSTS INCURRED IN CONNECTION )  
WITH THE COMPANY'S EFFORTS TO MEET FEDERAL CLEAN AIR )  
ACT AND RELATED REQUIREMENTS (5) FOR ALL OTHER )  
REQUIRED APPROVALS AND RELIEF )

KENTUCKY POWER COMPANY RESPONSES TO  
ATTORNEY GENERAL'S INITIAL  
SET OF DATA REQUESTS

February 20, 2013

VERIFICATION

The undersigned, Mark A. Becker, being duly sworn, deposes and says he is the Manager, Resource Planning for American Electric Power Company that he has personal knowledge of the matters set forth in the foregoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief

*Mark A. Becker*

Mark A. Becker

STATE OF OKLAHOMA

)

) CASE NO. 2012-00578

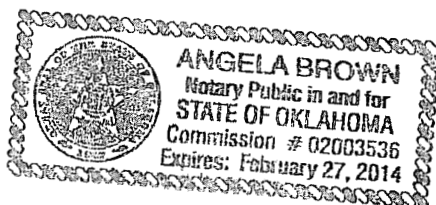
COUNTY OF TULSA

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Mark A. Becker, this the 14 day of February, 2013.

*Angela Brown*

Notary Public



My Commission Expires: 2-27-14

**VERIFICATION**

The undersigned, Karl R. Bletzacker, being duly sworn, deposes and says he is Director, Fundamental Analysis for American Electric Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief.

*Karl R. Bletzacker*

\_\_\_\_\_  
Karl R. Bletzacker

STATE OF OHIO

)

) CASE NO. 2012-00578

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Karl R. Bletzacker, this the 19 day of February 2013.



Holly M. Charles  
Notary Public-State of Ohio  
My Commission Expires  
March 7, 2016

*Holly M. Charles*

\_\_\_\_\_  
Notary Public

My Commission Expires: March 7, 2016

**VERIFICATION**

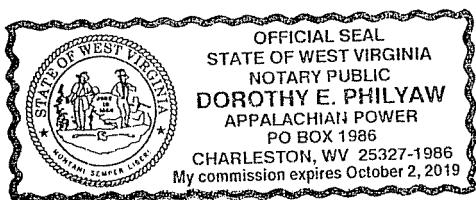
The undersigned, Jeffery D. LaFleur, being duly sworn, deposes and says he is Vice President Generating Assets APCO/KY, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief

*Jeffery D. LaFleur*  
JEFFERY D. LAFLEUR

STATE OF WEST VIRGINIA                         )  
   ) Case No. 2012-00578  
COUNTY OF KANAWHA                                 )

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Jeffery D. LaFleur, this the 19 day of February 2013.

*Dorothy E. Philyaw*  
Notary Public



My Commission Expires: October 2, 2019

**VERIFICATION**

The undersigned, Karl A. McDermott, being duly sworn, deposes and says he is the Special Consultant with NERA that he has personal knowledge of the matters set forth in the forgoing responses for which he/she is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief

Karl A. McDermott

Karl A. McDermott

STATE OF ILLINOIS

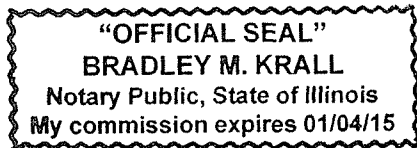
)

) CASE NO. 2012-00578

COUNTY OF CHAMPAIGN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Karl A. McDermott, this the 16<sup>th</sup> day of February 2013.



Bradley M. Krall  
Notary Public

My Commission Expires: 01/04/15

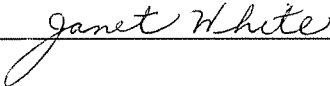
**VERIFICATION**

The undersigned, John M. McManus, being duly sworn, deposes and says he is Vice President Environmental Services for American Electric Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief

  
\_\_\_\_\_  
John M. McManus

STATE OF OHIO )  
 ) CASE NO. 2012-00578  
COUNTY OF FRANKLIN )

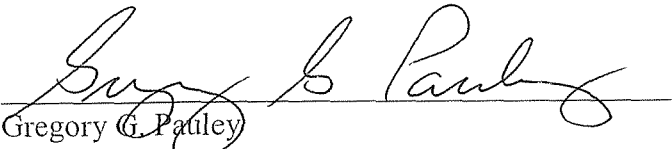
Subscribed and sworn to before me, a Notary Public in and before said County and State, by John M. McManus, this the 11 day of February 2013.

\_\_\_\_\_  
Notary Public 

JANET L. WHITE  
Notary Public, State of Ohio  
My Commission Expires 09-09-2013  
My Commission Expires: \_\_\_\_\_

VERIFICATION

The undersigned, Gregory G. Pauley, being duly sworn, deposes and says he is the President and Chief Operating Officer for Kentucky Power Company, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his/her information, knowledge and belief

  
\_\_\_\_\_  
Gregory G. Pauley

COMMONWEALTH OF KENTUCKY    )  
  ) CASE NO. 2012-00578  
COUNTY OF FRANKLIN            )

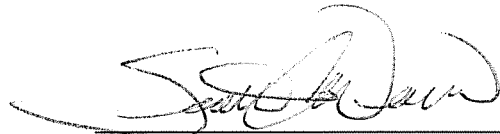
Subscribed and sworn to before me, a Notary Public in and before said County and State, by Gregory G. Pauley, this the 11<sup>th</sup> day of February, 2013.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: January 23, 2017

**VERIFICATION**

The undersigned, Scott C. Weaver, being duly sworn, deposes and says he is Managing Director Resource Planning and Operation Analysis for American Electric Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief



\_\_\_\_\_  
Scott C. Weaver

STATE OF OHIO

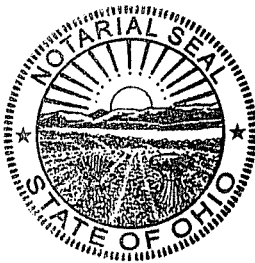
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) CASE NO. 2012-00578

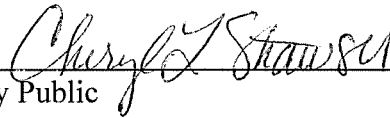
COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Scott C. Weaver, this the 15<sup>th</sup> day of February 2013.



**Cheryl L. Strawser**  
Notary Public, State of Ohio  
My Commission Expires 10-01-2016



\_\_\_\_\_  
Notary Public

My Commission Expires: October 1<sup>st</sup> 2016



**VERIFICATION**

The undersigned, Ranie K. Wohnhas, being duly sworn, deposes and says he is the Managing Director Regulatory and Finance for Kentucky Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief

*Ranie K. Wohnhas*  
\_\_\_\_\_  
Ranie K. Wohnhas

COMMONWEALTH OF KENTUCKY     )  
   ) CASE NO. 2012-00578  
COUNTY OF FRANKLIN             )

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Ranie K. Wohnhas, this the 11<sup>th</sup> day of February, 2013.

*Judy K. Rosquist 481393*  
\_\_\_\_\_  
Notary Public

My Commission Expires: January 23, 2017

KPSC Case No. 2012-00578  
Attorney Generals First Set  
Item No. 12

REDACTED

KPSC Case No. 2012-00578  
Attorney Generals First Set  
Item No. 12

PUBLIC

**Kentucky Power Company**

**REQUEST**

Reference the application at page 6, paragraph 11, and testimony of Greg Pauley at page 13. Please explain in detail the bases for the increase in the current net value of the fifty percent in the Mitchell units from \$519 to \$536 million at the time of the anticipated closing.

**RESPONSE**

Please see the Company's response to KPSC 1-2.

**WITNESS:** Ranie K Wonhas

Kentucky Power Company

REQUEST

Reference the application at page 6, paragraph 11. Please explain in detail the “undivided fifty percent interest in the liabilities associated with the Mitchell Plant as well as certain other liabilities.” This data request should be construed to request a more detailed description than provided in the application at page 7, paragraph 14, and the “Form of Asset Contribution Agreement” at Section 2.04. Moreover, this description should include specific detail of the net \$159 million liabilities noted at page 17, paragraph 42 if they are different than those referenced at page 6.

RESPONSE

See the Company's response to KPSC 1-17.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Reference the application at page 10, paragraph 24. Please explain in detail what is meant by “unintended tax consequences.” See also the testimony of Greg Pauley, lines 10 and 11, wherein the same assertion is made.

- a. Please explain in detail exactly how the applicant can guarantee that there will be no unintended tax consequences.
- b. If there are unintended tax consequences and the applicant cannot avoid them, will the applicant commit to having the shareholders bear those costs? If not, why not?

RESPONSE

AEP and the Company structured each step of the series of transactions so as to avoid income taxes and transaction taxes (such as sales and use tax) upon the transfer of the assets. By use of the term “unintended tax consequences”, it was meant that the Company and other AEP entities did not want to increase the tax cost of the transactions to any AEP entity by taking alternate steps to effect the transfer that are known to have the ability to create one or more tax liabilities.

- a. The applicant cannot guarantee that there will be no unintended tax consequences. The applicant has structured this transaction such that the applicant believes it has reduced the risk of federal and state income taxes and state and local transaction taxes (i.e. sales/use taxes) through the steps in this transaction. The pertinent tax step for the Company is the merger of NEWCO Kentucky into Kentucky Power (the last step of a series of steps as described in paragraphs 22 through 26 of the Application). It is intended that this means for the acquisition of the fifty percent undivided interest in the Mitchell generating station by Kentucky Power will not create a tax liability for Kentucky Power or any other AEP company that is a party to the described transactions.
- b. No. Taxes are a part of doing business and any taxes that arise as a result of the acquisition of the Mitchell Plant by the Company would be taxes that would have occurred in the ordinary course of business in addition to or but for the applicant’s effort to reduce or eliminate taxes through the steps the applicant intends to use to effect this transaction.

WITNESS: Ranie K. Wohnhas

Kentucky Power Company

REQUEST

Will the applicant's Kentucky ratepayers be required to absorb any of the transaction costs listed in paragraphs 22 through 26 of the application? If so, please explain in detail.

RESPONSE

The Company structured the Transfer and Assumption Transaction so as to minimize costs, including tax consequences. See Response to AG 1-3. Any costs associated with the transaction, as would be the case with any of the options reviewed, are a cost of service and are appropriately included in rates.

WITNESS: Ranie K Wohnhas

## Kentucky Power Company

### REQUEST

Reference the application at page 14, paragraph 33. Please explain in detail how the “Transfer and Assumption Transaction and the Mitchell Plant Operating Agreement” comply to the extent applicable under KRS 278.2207 and the other provisions of KRS 278.2201 *et seq.*

### RESPONSE

The Company is not required to provide legal analysis in response to discovery. Notwithstanding this objection, the bases for the Company’s allegation that the proposed Transfer and Assumption Agreement (“Transfer Agreement”) and Mitchell Operating Agreement (“Operating Agreement”) comply with the requirements of KRS 278.2201 *et seq.* are set forth below.

#### Transfer and Assumption Agreement

The parties to the Transfer Agreement are AEP Generation Resources Inc. and NEWCO Kentucky. Neither are utilities, as that term is defined in KRS 278.010(3)(a), and thus neither entity, nor the agreement between them, is subject to the requirements of KRS 278.2201 *et seq.* Notwithstanding this fact, the Transfer Agreement is one part of the transaction by which a 50% undivided interest in the Mitchell Generating Station and associated assets will be transferred to Kentucky Power. Thus, consistent with the manner in which the term Transfer and Assumption Agreement was used in paragraph 33 of the Application, the term Transfer Agreement is used in this response as shorthand for the Transfer and Assumption Transaction in its entirety.

KRS 278.2201 – The Mitchell generating station and related assets will be transferred to AEP Generation Resources at their net book value. A 50% undivided interest in the Mitchell Generating Station and related assets will likewise transfer to Kentucky Power at their net book. Thus, the Company is not subsidizing an unregulated activity of an affiliate or itself.

KRS 278.2203 – Following the transfer of the 50% undivided interest in the Mitchell Generation Station and related assets to Kentucky Power, the Company will continue to comply with the applicable cost allocation requirements of KRS 278.2203.

KRS 278.2205 – Following the transfer of the 50% undivided interest in the Mitchell Generation Station and related assets to Kentucky Power, the Company will continue to maintain its cost-allocation manual as required by KRS 278.2205.

KRS 278.2207 – To the extent this provision is applicable to an asset transfer of this nature, the assets are transferring to Kentucky Power at their net book value. *See also* Page 37 of Company Witness Weaver’s testimony. Where he explains that the proposed transfer when compared to a portfolio that initially relies on a marked-based solution over the long-term economic study period.

KRS 278.2209 – Following the transfer of the 50% undivided interest in the Mitchell Generation Station and related assets to Kentucky Power, the Company will continue to comply with the requirements of KRS 278.2209.

KRS 278.2211 – Following the transfer of the 50% undivided interest in the Mitchell Generation Station and related assets to Kentucky Power, the Company will continue to be subject to the remedies specified by KRS 278.2211.

KRS 278.2213 – The Transfer Agreement does not involve “the sharing of information, databases, and resources” and thus on its face the statute is inapplicable to the proposed transaction. Further, the activities prohibited or required by the provisions of KRS 278.2213(1) – KRS 278.2213(17) are not involved in the Transfer Transaction. For example, the transaction does not involve the provision of advertising space in billing envelopes. Finally, following the transfer of the 50% undivided interest in the Mitchell Generation Station and related assets to Kentucky Power, the Company will continue to comply with the requirements of KRS 278.2213.

**Mitchell Plant Operating Agreement**

The Mitchell Plant Operating Agreement, which is a FERC-filed tariff, establishes the terms under which Appalachian Power Company (“APCo”) will operate the Mitchell Generating Station and related assets, including Kentucky Power’s 50% undivided share. Under the Mitchell Plant Operating Agreement the Mitchell Generating Station’s capacity and energy will be allocated in proportion to ownership interests of APCo and the Company.

The cost of replacements, additions, retirements, working capital, investment in fuel, operations and maintenance expenses and associated overheads similarly will be allocated in proportion to the ownership interests of APCo and the Company. Coal and fuel oil consumed will be allocated in proportion to dispatch by Kentucky Power and APCo. All such expenses will be determined as accounted for under the FERC Uniform System of Accounts.



Because the Mitchell Plant Operating Agreement is a FERC-filed tariff, its provisions are deemed compliant with the requirements of KRS 278.2201 *et seq.* KRS 278.2203(3).

WITNESS: Ranie K. Wohnhas

Kentucky Power Company

REQUEST

Reference the application at page 14, paragraph 33 and footnote 13. If the Commission finds that Transfer and Assumption Transaction and the Mitchell Plant Operating Agreement do not fully comply with the requirements of KRS 278.2207 and the other provisions of KRS 278.2201 et seq., explain fully the areas where the company would require waivers.

RESPONSE

The Company believes the two agreements comport with the requirements of KRS 278.2201 *et seq.* The request was made based upon the contingency that the Commission determined there was one or more instances of noncompliance. The Company's intent is to obtain all necessary approvals, including any required waivers, to consummate the transactions described in the Application.

WITNESS: Ranie K Wohnhas

**Kentucky Power Company**

**REQUEST**

Reference the application at page 16, paragraph 37. Please explain in detail the modification in permits and licenses anticipated in the paragraph.

**RESPONSE**

Existing environmental permits and licenses for the Mitchell Plant, such as the Title V air permit and the NPDES water permit, would need to be updated to indicate a transfer in ownership from Ohio Power. This process involves submitting a request for an administrative update or a notification of a change of ownership to the applicable regulatory agency. No changes in operating criteria or limits are anticipated.

**WITNESS:** John M McManus

Kentucky Power Company

REQUEST

Reference the testimony of Greg Pauley at page 6. If the PSC does not approve the transfer of the undivided fifty percent of Mitchell to the applicant, what happens to that interest in Mitchell?

RESPONSE

If the transfer of 50% of Mitchell Units 1 and 2 to KPCo does not occur, AEP Generation Resources Inc. will retain that interest.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Reference the testimony of Greg Pauley at page 6. If the PSC does not approve the transfer of the undivided fifty percent of Mitchell to the applicant, what will the applicant file with regard to the company's current filing before the FERC?

RESPONSE

See the Company's response to AG 1-8. The Company has not yet determined if a filing is required before the FERC, and, if so, what might be filed at the FERC in response to this hypothetical situation.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Reference the testimony of Greg Pauley at pages 7 and 8. A number of issues are listed as making the Pool Agreement no longer feasible, including demand side management. Please explain in detail why or how demand side management affects the Pool Agreement if not addressed completely by witness Weaver at page 27 of his testimony.

RESPONSE

The Pool Agreement does not specifically address the treatment of demand side management (DSM). DSM could reduce the peaks of the operating companies, but may or may not reduce their peaks for MLR purposes. Furthermore, the cost of DSM is not a component of any of the rates (payments or receipts) contained in the Pool agreement. The AEP Pool and PJM may not treat DSM or Demand Response consistently. Furthermore, the states may have different requirements for DSM which may inadvertently shift cost among members.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Reference the testimony of Greg Pauley at pages 8 and 9. Given the difference between average base load of Big Sandy (800MW) and Mitchell (780), does the company contemplate any effect on it being able to meet its demand, whether average or maximum?

RESPONSE

No.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Reference the testimony of Greg Pauley at pages 11 through 12. Please provide all information, including any modeling, data inputs and outputs, assumptions etc. used in the “long term resource optimization tools” and the “30-year economic study period” if the information is not included in the Weaver testimony or the application in general.

RESPONSE

Please see the response to KPSC 1-1, and the .zip folder on the enclosed CD that contains the Strategist input and output data that may be released to non-licensed parties.

The Company is unable to provide the Strategist input and output database files. Strategist is a proprietary utility planning application that is licensed solely by Ventyx Inc., which owns Strategist in its entirety. Kentucky Power contacted Ventyx Inc. and it confirmed that the application software, source code, database, and associated documentation, including input files, are its confidential and proprietary intellectual property. Access to the documentation may be granted solely by Ventyx Inc., at its own discretion, under a mutually binding Non-Disclosure Agreement. Access to the database and/or the application itself is granted only under exclusive license with Ventyx Inc. Ventyx does not allow access to the Strategist source code under any circumstances. Once the Attorney General provides Kentucky Power with the name of the licensed Strategist user, Kentucky Power will verify the license with Ventyx and provide the requested files to the licensee.

WITNESS: Mark A Becker



Kentucky Power Company

REQUEST

Reference the testimony of Greg Pauley at pages 18 through 19. In the event that the Mitchell generating station is transferred on or about 12/31/13, why does the applicant maintain that the Mitchell generating station “may not be available in 2015 to be transferred?” Please explain in detail.

RESPONSE

Based on discussion with counsel for the Office of the Attorney General, the Company understands the second sentence of the data request was intended to read: “In the event that the Mitchell generating station is *not* transferred on or about...”. See the Company's response to KIUC 1-2.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Reference the testimony of Greg Pauley at page 20. If Big Sandy Unit 1 remains on- line, will the applicant have excess capacity? If so, what will the applicant do with the revenues generated therefrom?

RESPONSE

Under the assumption that the Mitchell Plant transfer is approved by the Commission, Big Sandy Unit 2 is retired and Big Sandy Unit 1 remains on line with a gas refueling, the Company will have a reasonable amount of capacity.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Reference the application in general. Will NEWCO at any point in time control, either directly or indirectly, the applicant? (For purposes of this question only, control means the possession, either directly or indirectly, of the power to direct or cause the direction of the management and policies of the applicant, whether through the ownership of voting securities, by effecting a change in the composition of the board of directors, by contract or otherwise.)

RESPONSE

NEWCO will not at any point control, either directly or indirectly, the applicant.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Reference the testimony of Mark Becker and the application in general. Did the applicant rely primarily on the Strategist ® application primarily in its decision making for this application?

RESPONSE

Yes, Strategist was the primary economic evaluation software used in the decision making for this application.

WITNESS: Scott C Weaver

Kentucky Power Company

REQUEST

Are the costs for the Strategist modeling and any testimony related thereto incorporated into the costs for this application?

- a. If yes, is the applicant requesting the ratepayers to bear these costs?
- b. If yes, please provide detail of the costs, including but not limited to the licensing agreement, the costs for the modeling runs and the testimony addressing the modeling results.

RESPONSE

The Company has incurred labor-related costs in connection with the modeling performed using Strategist, the evaluation of the results, and the preparation of testimony describing the Strategist modeling and results. The Company has not incurred any Strategist licensing fees in connection with the preparation and prosecution of the Application.

a/b. The Company is not seeking in this proceeding to recover the costs for the Strategist modeling or any testimony related to the modeling. At the appropriate time, the Company will seek to recover in a future proceeding the incremental costs (e.g. consultants, legal expense) incurred in connection with the preparation and prosecution of the Application as well as the costs directly incurred and indirectly allocated to the Company. The Company will not seek to recover the Strategist licensing costs. Please refer to KPSC 1-66 for the total direct cost to prepare and present the application.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Can an individual or the PSC independently recreate the Strategist ® results arrived at by the applicant?

RESPONSE

The results could be independently recreated by an individual or the PSC if they have access to the Strategist model, assuming they used the same input assumptions used by the Company.

WITNESS: Mark A Becker

*Kentucky Power Company*

REQUEST

Can an individual or the PSC independently verify the Strategist ® results arrived at by the applicant?

RESPONSE

The results could be independently verified by an individual or the PSC if they have access to the Strategist model, assuming they used the same input assumptions used by the Company.

WITNESS: Mark A Becker

Kentucky Power Company

REQUEST

Reference the testimony of Karl Bletzacker at pages 3, 10, 11 and 12 as well as the testimony in general regarding CO2 allowances. Please provide the results for any modeling that does not consider the financial effects of CO2.

RESPONSE

Please see the "No Carbon" folder contained in the zip file attached to the response to KPSC 1-1.

WITNESS: Scott C Weaver



Kentucky Power Company

REQUEST

Reference the testimony of Karl Bletzacker at page 12, lines 15 and 16. What is meant by “the price elasticity of residential, commercial and industrial demand?” Please explain in detail how this was considered by the company in arriving at its results and how it affects the application.

RESPONSE

The phrase "price elasticity of residential, commercial and industrial demand" describes the responsiveness, or elasticity, of electric load to a change in its price. In the context of the North American Long-Term Forecast, the price elasticity of residential, commercial and industrial demand adjusts the North American load forecast.

WITNESS: Karl R Bletzacker

Kentucky Power Company

REQUEST

Reference the testimony of Jeffrey LaFleur at page 4, lines 16 and 17. Are the costs for the upgrades to the electrostatic precipitators already included in the application?

- a. If yes, please provide the specific amounts and details related to same.

RESPONSE

Yes; please see Company witness Weaver's Exhibit SCW-4.

WITNESS: Jeffery D LaFleur

Kentucky Power Company

REQUEST

Reference the testimony of Jeffrey LaFleur at page 4 whereat there is discussion of the synthetic gypsum. Are there actual disposal “costs” for the gypsum or are there revenues/profits since the gypsum is sent to “the wallboard plant?”

- a. Please provide details regarding the wallboard plant, For example, who owns it; are there revenues generated by the plant owner; is the plant affiliated with the applicant, etc.

RESPONSE

Please refer to the Company's response in AG 1-23 Attachment 1 for the gypsum disposal costs, sales proceeds, and handling/disposal costs associated with other AEP plants delivering gypsum to Mitchell for transfer to the gypsum plant.

- a. The gypsum wallboard plant is owned by CertainTeed Corporation. CertainTeed Corporation is not affiliated with the Company; therefore, the Company cannot address the revenues generated by the plant owner.

WITNESS: Jeffery D LaFleur

Mitchell Plant Gypsum

| O&M Account                            | 2007             | 2008             | 2009             | 2010             | 2011             | 2012               | Grand Total        |
|--|------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|
| 5010027 Gypsum handling/disposal costs | \$869,406        | \$1,204,233      | \$1,608,818      | \$1,272,549      | \$1,416,012      | \$1,976,104        | \$8,347,124        |
| 5010028 Gypsum Sales Proceeds          | (\$430,973)      | (\$724,245)      | (\$1,465,432)    | (\$1,361,516)    | (\$1,262,411)    | (\$1,017,518)      | (\$6,262,094)      |
| 5010029 Gypsum handling/displ-Affiliat | \$362,160        | (\$60,982)       | \$358,928        | \$379,804        | \$104,184        | \$226,689          | \$1,370,783        |
| <b>Grand Total</b>                     | <b>\$800,593</b> | <b>\$419,006</b> | <b>\$502,314</b> | <b>\$290,838</b> | <b>\$257,785</b> | <b>\$1,185,275</b> | <b>\$3,455,812</b> |

All dollars are total actual post-allocated on OPCo books

Kentucky Power Company

REQUEST

Reference the testimony of Jeffrey LaFleur at page 5. Please provide details for each “other major environmental capital investment in progress at the Mitchell plant” including, but not limited to, the actual or projected costs, in-service date, etc.

RESPONSE

There are three major environmental investments currently in progress at Mitchell Plant. Phase 1 begins each project. Phase 2 developed detailed engineering and orders materials. Phase 3 begins construction and installation of the project. See the direct testimony of Robert L. Walton in Case No. 2011-00401 for a description of the activities in each phase.

The New Landfill project was approved in February 2011 and is estimated to go in-service in December 2015. Phase 1 began in February 2011 and Phase 2 began in July 2012. Project actual spending at the end of 2012 totaled \$10.6 million.

The Landfill Haul Road project was approved in February 2011 and is estimated to go in-service in November 2014. Phase 1 began in February 2011 and Phase 2 began in June 2012. Project actual spending at the end of 2012 totaled \$3.6 million.

The estimated total project cost for the Mitchell New Landfill and Landfill Haul Road is \$58.8 million.

The Dry Fly Ash Conversion project was approved in March 2011 and is estimated to go in-service in August 2014. Phase 1 began in March 2011, Phase 2 in August 2012 and Phase 3 began in January 2013. Project actual spending at the end of 2012 totaled \$29.7 million with an estimated total project cost of \$104.8 million.

WITNESS: Jeffery D LaFleur

Kentucky Power Company

REQUEST

Reference the testimony of Jeffrey LaFleur in general. Why was the decision made to retrofit the Mitchell Units with FGDs and SCRs prior to that of Big Sandy, the latter being the older of the units?

RESPONSE

Please refer to the Company's response provided in KPSC 1-5a.

WITNESS: Jeffery D LaFleur

Kentucky Power Company

REQUEST

Reference the testimony of Karl McDermott at pages 2 and 3. What does the witness mean when he states that he reviewed the Asset Transfer Proposal “for consistency with traditional regulatory principles?”

RESPONSE

This is in reference to the principles of least-cost acquisition of resources that have traditionally been applied by regulatory bodies in Dr. McDermott’s experience.

WITNESS: Karl A McDermott

Kentucky Power Company

REQUEST

Reference the testimony of Karl McDermott at page 5. Please explain exactly what the witness reviewed when he states that he reviewed the company's analytical framework for consistency with acceptable regulatory practice and the Commission's approach.

RESPONSE

Dr. McDermott reviewed the approach, that is, the method used by the Company to address the questions that are traditionally part of this decision. In particular, Dr. McDermott reviewed the Company's analysis and approach (largely reported by Mr. Weaver) which included reviewing the following questions/issues: 1) Is the cost-benefit approach appropriate for this decision? 2) Did the analysis take the reasonably available options into account? 3) Did the analysis take into account important regulatory and legal changes affecting the availability and cost of future resources? 4) Did the Company use standard and reasonable modeling techniques? 5) Did the Company evaluate the results of the analysis appropriately? 6) Did the Company place its analysis in the context of the necessary analysis required by Kentucky statute and rules as applied by the Commission?

WITNESS: Karl A McDermott



## Kentucky Power Company

### REQUEST

Reference the testimony of John McManus at page 5. What does the witness mean when he states that the Mitchell plants are “expected to be able to achieve the MATS limits without any upgrades to or new installations of emission control equipment?” (See also page 11 whereat the witness states that he expects the Mitchell plant to be meet the requirements of the MATS rule.)

- a. Will the Mitchel units be certain to achieve compliance without additional costs? If not, please describe any costs in detail.

### RESPONSE

Based on experience in operating flue gas desulfurization equipment, consideration of emissions data obtained by the EPA per its MACT Information Collection Request, and a review of other technical reports, the Mitchell units are expected to meet the MATS limits.

- a. The Mitchell Plant is expected to be able to achieve the MATS limits with the emissions control systems currently in operation.

**WITNESS:** John M McManus

**Kentucky Power Company**

**REQUEST**

Reference the testimony of John McManus at pages 8 through 11. If the EPA's Clean Water Act "316(b) Rule" is finalized on or about June 27, 2013, what are the anticipated or projected costs on the Mitchell units?

**RESPONSE**

Please refer to Company witness Weaver's Exhibit SCW-4 for an estimate of the costs necessary to comply with the proposed 316(b) Rule for the Mitchell Units 1 and 2. The estimated costs to comply with the proposed 316(b) Rule are found in the line items identified as "ML U1 316(b)" and "ML U2 316(b)."

**WITNESS:** John M McManus

**Kentucky Power Company**

**REQUEST**

Reference the testimony of John McManus at pages 8 through 11. What are anticipated or projected costs for Mitchell to meet any changes to the EPA's Steam Effluent Limitations Guidelines ("ELG")? If any, please describe in detail.

**RESPONSE**

Please refer to Company witness Weaver's Exhibit SCW-4 for an estimate of the costs necessary to comply with potential changes to the Steam Electric ELG for the Mitchell Units 1 and 2. The estimated costs to comply with the potential changes to the Steam Electric ELG are found in the line items identified as "ML U1 ELG Waste Water Treatment System" and "ML U2 ELG Waste Water Treatment System."

**WITNESS:** John M McManus

**Kentucky Power Company**

**REQUEST**

Reference the testimony of John McManus at pages 8 through 11. What are anticipated or projected costs for Mitchell to meet any changes to the EPA's Coal Combustion Residuals ("CCR") Rule? If any, please describe in detail.

**RESPONSE**

Please refer to Company witness Weaver's Exhibit SCW-4 for an estimate of the costs necessary to comply with the potential changes to the CCR Rule for the Mitchell Units 1 and 2. The estimated costs to comply with the potential changes to the CCR Rule are found in the line items identified as "ML U1&2 Dry Fly Ash Conversion," "ML U1&2 Bottom Ash Pond Reline," "ML U1 Ash Waste Water Treatment System," "ML U2 Ash Waste Water Treatment System," and "ML U0 New Haul Road and Landfill Expansion."

**WITNESS:** John M McManus

Kentucky Power Company

REQUEST

Reference the testimony of Scott Weaver at pages 14 and 15. Is it correct to interpret the testimony to indicate that while the Strategist ® model accounts for an extension of purchase of power from Rockport through 2040, there is no commitment from AEG Generating Company beyond 2022? If so, does this affect the modeling?

RESPONSE

There is no commitment from AEG to provide an extension to Kentucky Power to purchase power from Rockport beyond 2022. Because any change in the contractual arrangement between AEG and Kentucky Power will affect all the cases being modeled equally, the relative difference between the cases should not change.

WITNESS: Scott C Weaver

Kentucky Power Company

REQUEST

Reference the testimony of Weaver at pages 42 through 44. Are the costs for the Aurora® modeling and any testimony related thereto incorporated into the costs for this application?

- a. If yes, is the applicant requesting the ratepayers to bear these costs?
- b. If yes, please provide detail of the costs, including but not limited to the licensing agreement, the costs for the modeling runs and the testimony addressing the modeling results.

RESPONSE

The Company has incurred labor-related costs in connection with the modeling performed using Aurora, the evaluation of the results, and the preparation of testimony describing the Aurora modeling and results. The Company also is allocated its share of the annual Aurora licensing fees.

a/b. The Company is not seeking in this proceeding to recover the costs for the Aurora modeling, licensing, or any testimony related to the modeling. At the appropriate time, the Company will seek to recover in a future proceeding the incremental costs (e.g. consultants, legal expense) incurred in connection with the preparation and prosecution of the Application as well as the costs directly incurred and indirectly allocated to the Company. Please refer to KPSC 1-66 for the total direct cost to prepare and present the application.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Can an individual or the PSC independently recreate the Aurora® results arrived at by the applicant?

RESPONSE

The results could be independently recreated by an individual or the KPSC if they have access to the Aurora model, assuming they used the same input assumptions used by the Company.

WITNESS: Scott C Weaver

Kentucky Power Company

REQUEST

Can an individual or the PSC independently verify the Aurora® results arrived at by the applicant?

RESPONSE

The results could be independently verified by an individual or the KPSC if they have access to the Aurora model, assuming they used the same input assumptions used by the Company.

WITNESS: Scott C Weaver



Kentucky Power Company

REQUEST

Reference the testimony of Weaver at page 45. Why did the company not include other direct or indirect impacts, whether loss/gain of jobs, etc., in the modeling?

RESPONSE

The Company performed an analysis that measured the difference in the cumulative present worth of the costs for the various options. As noted on page 45 of Company witness Weaver's direct testimony, the "other direct or indirect impacts" would not have a significant impact on the relative economics of the resource alternatives evaluated.

WITNESS: Scott C Weaver

Kentucky Power Company

REQUEST

Reference the testimony of Ranie Wohnhas at page 8 and Exhibit RKW-4. Please update the information to reflect the most current costs as well as the 2011 data as listed.

RESPONSE

KPCo is preparing an analysis based on calendar 2012 information that will compare the costs expected to have been incurred had the proposed asset transfers and the elimination of Interconnection Agreement occurred on January 1, 2012, with the level of costs and revenue associated with the Interconnection Agreement that were reflected in the Company's base rates during 2012.

This additional study should be complete on or about March 1, 2013 and will be provided as a supplemental discovery response.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Reference the testimony of Ranie Wohnhas at page 8. Based on current projections, how much will the applicant seek in its next rate case to be filed on or about June 28, 2013?

RESPONSE

No such determination has been made.

WITNESS: Ranie K Wohnhas