

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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

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PUBLIC SERVICE
COMMISSION

Case No. 2012-00578

KIUC'S RESPONSES TO
KENTUCKY POWER COMPANY'S
FIRST REQUEST FOR INFORMATION

1. Please refer to page 8, line 16 through page 9, line 4 of Mr. Kollen's testimony.
 - (a) Please calculate Kentucky Power's capacity position in PJM, by planning year, beginning in the 2015/2016 PJM planning year through the PJM 2030/2031 planning year assuming the transfer of an undivided 20% interest in the Mitchell generating station, the conversion of Big Sandy Unit 1 to natural gas, and market purchases recommended by KIUC (the "Recommendation.") Please provide all work papers spreadsheets, and calculations electronically, with formulas intact and visible, and no pasted values.
 - (b) Please identify, by planning year, each assumption relied upon by Mr. Kollen in connection with his calculations.

RESPONSE:

Mr. Kollen has not performed the requested calculations.

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2. Does Mr. Kollen contend that the Commission should evaluate the proposed transfer of a 50% undivided interest in the Mitchell generating station based upon a single year's capacity position?

(a) If the answer is an unqualified "yes," please provide a detailed explanation for Mr. Kollen's response, including any articles or research or other evidence relied upon by Mr. Kollen in reaching that conclusion.

(b) If the answer is an unqualified "no," please state the appropriate period the Commission should evaluate the proposed transfer of a 50% undivided interest in the Mitchell generating station. Also please provide a detailed explanation for Mr. Kollen's response, including any articles or research or other evidence relied upon by Mr. Kollen in reaching his response.

(c) If the answer is anything other than an unqualified "yes" or an unqualified "no," please provide a detailed explanation for Mr. Kollen's response, including any articles or research or other evidence relied upon by Mr. Kollen in reaching his response.

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RESPONSE:

a, b, c. Mr. Kollen believes that the amount and the timing of the acquisition are relevant inquiries in this proceeding for the reasons set forth in his testimony.

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3. Please refer to page 4, lines 1-4, page 5, lines 8-10, 17-18, 25-27, page 8, line 16 through page 9, line 4, and page 19, lines 9-15 of Mr. Kollen's testimony. There he testifies concerning KIUC's request that the Commission approve only the Recommendation.

(a) Please provide all documents, correspondence, e-mail and other electronic communications mentioning, relating to, or describing the Recommendation in the possession of KIUC.

(b) Please identify and provide all evaluations, studies, spreadsheets, work papers, calculations, analyses, or calculations relating to, reviewed by, consulted, or relied upon by KIUC in reaching the Recommendation. Please provide all analyses, work papers spreadsheets, and calculations electronically, with formulas intact and visible, and no pasted values.

(c) With respect to the items identified or provided in response to subparts (a) and (b) above, please identify each item KIUC contends supports the Recommendation.

(d) Please identify, including the specific amount of capacity to be provided by each component, of any plan, scenario, or possible recommendation

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considered, examined, studied, discussed, or mentioned by KIUC for supplying Kentucky Power's capacity and energy needs beginning January 1, 2014 other than the Recommendation ("Other Scenarios").

(e) Please provide all documents, correspondence, e-mail and other electronic communications mentioning, relating to, or describing any of the Other Scenarios in the possession of KIUC.

(f) Please provide all evaluations, studies, spreadsheets, work papers, calculations, analyses, or calculations relating to, reviewed by, consulted, or relied upon by KIUC relating to, describing or mentioning any of the Other Scenarios. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.

(g) For each Other Scenario identified in subpart (d) please provide all facts KIUC contends supports its decision not to recommend the Other Scenario to the Commission.

(h) With respect to the items identified or provided in response to subparts (e) and (f) above, please identify each item KIUC contends supports its decision not to recommend the Other Scenario to the Commission.

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- (i) If KIUC analyzed only the scenario set forth in the Recommendation, please explain why other scenarios were not analyzed?

RESPONSE:

Object. The question is unduly broad. In addition, some documents were prepared by or for KIUC counsel and are subject to various privileges.

- a. Please refer to the files on the attached CD for responsive documents relied on by Mr. Kollen that were not provided by the Company in its filing or through discovery and that are not protected by one or more privileges. All documents prepared by or under the direction of KIUC counsel are protected by one or more privileges and have not been provided.
- b. Please refer to the files on the attached CD for responsive workpapers developed by Mr. Kollen for his testimony. All analyses and workpapers prepared under the direction of KIUC counsel that were not relied on by Mr. Kollen for his testimony are protected by one or more privileges and have not been provided. In addition, the analyses and

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workpapers prepared by or under the direction of Mr. Hayet are provided in response to items KPCO 1-18, 19, 20, and 27.

- c. All of the analyses provided in response to parts (a) and (b) of this Item were used in the development of the KIUC recommendation.
- d. The scenarios considered by KIUC are addressed by Mr. Hayet in his Direct Testimony in this proceeding.
- e. Refer to the response to part (a) of this Item. In addition, please refer to the responses to Items KPCO 1-16 - 28.
- f. Refer to the response to part (b) of this Item. In addition, please refer to the responses to Item 3.
- g. Refer to the response to part (d) of this item.
- h. Refer to the response to parts (d), (e), and (f) of this Item.
- i. Not applicable.

Kentucky Power Company
Forecasted Demand, Capacity, and Reserve Margin at the time of the Monthly Peak (in MW)

Month-Year	Forecasted Demand (a)						Forecasted Capacity (b)				Forecasted Reserve Margin (c)			
	Total Peak Demand before DSM	Wholesale Peak Demand	Passive DSM	Retail Peak Demand	Retail Interruptible Load	Retail Firm Load	Existing Capacity	Net Capacity Sales	Annual Purchases	Net Existing Capacity	Retail Peak Demand Reserve Margin (MW)	Retail Peak Demand Reserve Margin (%)	Retail Firm Load Reserve Margin (MW)	Retail Firm Load Reserve Margin (%)
	a	b	c	d=a-b-c	e	f=d-e	g	h	i	j=g-h+i	k=j-(d*100%)	l=k/(d*100%)	m=j-(f*100%)	n=m/(f*100%)
Jan-14	1,403	21	8	1,373	11	1,362	2,251	54	0	2,197	824	60.0%	835	61.3%
Feb-14	1,471	22	8	1,440	11	1,429	2,251	54	0	2,197	757	52.6%	768	53.8%
Mar-14	1,181	18	7	1,156	11	1,145	2,251	54	0	2,197	1,042	90.1%	1,053	92.0%
Apr-14	1,019	15	6	998	11	987	2,251	54	0	2,197	1,200	120.3%	1,211	122.7%
May-14	940	14	5	920	11	909	2,251	54	0	2,197	1,277	138.8%	1,288	141.7%
Jun-14	1,062	16	6	1,040	11	1,029	2,250	0	0	2,250	1,210	116.3%	1,179	110.1%
Jul-14	1,105	18	6	1,082	11	1,071	2,250	0	0	2,250	1,168	108.0%	1,099	95.5%
Aug-14	1,188	20	6	1,162	11	1,151	2,250	0	0	2,250	1,088	93.6%	1,099	95.5%
Sep-14	982	15	5	961	11	950	2,251	0	0	2,251	1,290	134.2%	1,301	136.9%
Oct-14	934	14	5	915	11	904	2,251	0	0	2,251	1,336	145.9%	1,347	148.9%
Nov-14	1,105	16	7	1,082	11	1,071	2,251	0	0	2,251	1,169	108.1%	1,180	110.2%
Dec-14	1,255	19	8	1,228	11	1,217	2,251	0	0	2,251	1,023	83.3%	1,034	85.0%
Jan-15	1,407	22	10	1,375	18	1,357	2,251	0	0	2,251	876	63.7%	894	65.8%
Feb-15	1,475	22	10	1,442	18	1,424	2,251	0	0	2,251	809	56.1%	827	58.0%
Mar-15	1,185	18	9	1,158	18	1,140	2,251	0	0	2,251	1,093	94.4%	1,111	97.4%
Apr-15	1,022	15	7	1,000	18	982	2,251	0	0	2,251	1,251	125.2%	1,269	129.3%
May-15	942	14	6	921	18	903	2,251	0	0	2,251	1,330	144.3%	1,348	149.2%
Jun-15	1,067	16	7	1,044	18	1,026	1,172	0	250	1,422	378	36.2%	396	38.6%
Jul-15	1,111	18	7	1,086	18	1,068	1,172	0	250	1,422	336	30.9%	354	33.1%
Aug-15	1,195	20	8	1,168	18	1,150	1,172	0	250	1,422	255	21.8%	273	23.7%
Sep-15	987	15	7	965	18	947	1,173	0	250	1,423	458	47.4%	476	50.2%
Oct-15	937	14	6	917	18	899	1,173	0	250	1,423	506	55.1%	524	58.2%
Nov-15	1,108	17	8	1,084	18	1,066	1,173	0	250	1,423	339	31.3%	357	33.5%
Dec-15	1,258	19	10	1,229	18	1,211	1,173	0	250	1,423	194	15.8%	212	17.5%

- (a) The values shown here represents AEP's own internal monthly demand forecast for KPCo diversified to PJM based on an estimated summer diversity factor.
The load forecast shown in Exhibit SCW-1, Table 1-3 for the years 2012/13 to 2015/16 are predicated upon PJM's own internal estimates of such coincident summer peak values.
- (b) Rockport 1 experiences a 5 MW derate for the months of June - August for which KPCo's 15% share of that derate is approximately 1 MW.
- (c) For the purposes of approximating a monthly KPCo reserve margin, the demand forecast was not increased by PJM's 15.4% Installed Reserve Margin requirement.

Kentucky Power Company
Forecasted Demand, Capacity, and Reserve Margin at the time of the Monthly Peak (in MW)

Month-Year	Forecasted Demand (a)						Forecasted Capacity (b)				Forecasted Reserve Margin (c)			
	Total Peak Demand	Wholesale Peak Demand	Passive DSM	Retail Peak Demand	Retail Interruptible Load	Retail Firm Load	Existing Capacity	Net Capacity Sales	Annual Purchases	Net Existing Capacity	Retail Peak Demand Reserve Margin (MW)	Retail Peak Demand Reserve Margin (%)	Retail Firm Load Reserve Margin (MW)	Retail Firm Load Reserve Margin (%)
	before DSM										(MW)	(%)	(MW)	(%)
	a	b	c	d=a-b-c	e	f=d-e	g	h	i	j=g-h+i	k=j-(d*115.4%)	l=k/(d*115.4%)	m=j-(f*115.4%)	n=m/(f*115.4%)
Jan-14	1,403	21	8	1,373	11	1,362	2,251	54	0	2,197	613	38.7%	626	39.8%
Feb-14	1,471	22	8	1,440	11	1,429	2,251	54	0	2,197	535	32.2%	548	33.2%
Mar-14	1,181	18	7	1,156	11	1,145	2,251	54	0	2,197	864	64.8%	876	66.4%
Apr-14	1,019	15	6	998	11	987	2,251	54	0	2,197	1,046	90.9%	1,059	93.0%
May-14	940	14	5	920	11	909	2,251	54	0	2,197	1,135	106.9%	1,148	109.4%
Jun-14	1,062	16	6	1,040	11	1,029	2,250	0	0	2,250	1,050	87.5%	1,063	89.5%
Jul-14	1,105	18	6	1,082	11	1,071	2,250	0	0	2,250	1,002	80.2%	1,014	82.1%
Aug-14	1,188	20	6	1,162	11	1,151	2,250	0	0	2,250	909	67.8%	922	69.4%
Sep-14	982	15	5	961	11	950	2,251	0	0	2,251	1,142	103.0%	1,155	105.3%
Oct-14	934	14	5	915	11	904	2,251	0	0	2,251	1,195	113.1%	1,207	115.7%
Nov-14	1,105	16	7	1,082	11	1,071	2,251	0	0	2,251	1,002	80.3%	1,015	82.1%
Dec-14	1,255	19	8	1,228	11	1,217	2,251	0	0	2,251	834	58.8%	847	60.3%
Jan-15	1,407	22	10	1,375	18	1,357	2,251	0	0	2,251	664	41.8%	685	43.7%
Feb-15	1,475	22	10	1,442	18	1,424	2,251	0	0	2,251	586	35.2%	607	36.9%
Mar-15	1,185	18	9	1,158	18	1,140	2,251	0	0	2,251	914	68.4%	935	71.1%
Apr-15	1,022	15	7	1,000	18	982	2,251	0	0	2,251	1,097	95.1%	1,118	98.7%
May-15	942	14	6	921	18	903	2,251	0	0	2,251	1,188	111.7%	1,209	115.9%
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Jul-15	1,111	18	7	1,086	18	1,068	1,172	0	250	1,422	169	13.4%	189	15.4%
Aug-15	1,195	20	8	1,168	18	1,150	1,172	0	250	1,422	75	5.6%	96	7.2%
Sep-15	987	15	7	965	18	947	1,173	0	250	1,423	309	27.7%	330	30.1%
Oct-15	937	14	6	917	18	899	1,173	0	250	1,423	364	34.4%	385	37.1%
Nov-15	1,108	17	8	1,084	18	1,066	1,173	0	250	1,423	172	13.8%	193	15.7%
Dec-15	1,258	19	10	1,229	18	1,211	1,173	0	250	1,423	4	0.3%	25	1.8%

- (a) The values shown here represents AEP's own internal monthly demand forecast for KPCo diversified to PJM based on an estimated summer diversity factor.
The load forecast shown in Exhibit SCW-1, Table 1-3 for the years 2012/13 to 2015/16 are predicated upon PJM's own internal estimates of such coincident summer peak values.
(b) Rockport 1 experiences a 5 MW derate for the months of June - August for which KPCo's 15% share of that derate is approximately 1 MW.
(c) For the purposes of approximating a monthly KPCo reserve margin, the demand forecast was increased by PJM's 15.4% Installed Reserve Margin requirement.

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4. Please refer to page 5, lines 8-12, and page 21, lines 14-18 of Mr. Kollen's testimony.
- (a) Please quantify, by year, through at least 2030 the number of local jobs KIUC contends will be produced by its Recommendation. Please provide all analyses, work papers, spreadsheets, and calculations used in calculating the answer to this data request. The requested information should be provided in electronic format with formulas intact and visible, and no pasted values.
- (i) Please identify and provide all documents, evaluations, reports, and studies relating to, reviewed by, consulted, or relied upon by Mr. Kollen in connection with his testimony referenced above concerning local jobs.
- (ii) Please identify and provide all spreadsheets, work papers, calculations, analyses, and calculations relating to, reviewed by, consulted, or relied upon by Mr. Kollen in connection with his testimony referenced above concerning local jobs. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.
- (iii) Please provide a detailed explanation of how the Recommendation will increase jobs in Kentucky.

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- (b) Please quantify, by year, through at least 2030 the local property taxes KIUC contends will be produced by its Recommendation.
- (i) Please identify and provide all documents, evaluations, reports, and studies relating to, reviewed by, consulted, or relied upon by Mr. Kollen in connection with his testimony referenced above concerning local taxes.
- (ii) Please identify and provide all spreadsheets, work papers, calculations, analyses, and calculations relating to, reviewed by, consulted, or relied upon by Mr. Kollen in connection with his testimony referenced above concerning local taxes. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.
- (iii) Please provide a detailed explanation of how the Recommendation will increase property taxes in Kentucky.
- (c) Does KIUC contend that the Commission may consider the effect the Company's request to receive a transfer of 50% of the Mitchell generating station will have on local jobs and local taxes in approving or rejecting the Company's application in this proceeding?

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(d) If the answer to subpart (c) is anything but an unqualified no, please provide the relevant statutory, case law, and Commission decisional basis supporting KIUC's answer to subpart (c).

RESPONSE:

- a. The conversion of Big Sandy 1 to natural gas and the operation of the plant will result in additional jobs in Kentucky compared to retiring the plant and purchasing capacity from plants in other states. Mr. Kollen has not quantified the number of jobs that will be created for the conversion or the future operation of the plant.
- b. The property taxes will be a function of the cost of the Big Sandy 1 plant, including the conversion costs. The property taxes by year are embedded in the analyses Mr. Hayet performed using Strategist and are the same as the Company's original assumptions.
- c. Yes. These are socio-economic factors that the Commission may consider in addition to the economics and various risk factors associated with the acquisition of supply side resources. For example, the Company considered the retention of local jobs in the proposal to retrofit Big Sandy 2 in Case No. 2011-00401. Mr. Kollen has not researched the statutes or case law to determine the extent to which such socio-economic factors may

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be considered or are precluded from consideration, although Mr. Kollen is aware that KRS 278.020(1) neither requires nor prohibits the consideration of socio-economic factors.

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5. Please refer to Mr. Kollen's testimony beginning at page 8, line 16 through page 9, line 4 and the Kentucky Power's response to KIUC 2-26.
 - (a) Please describe in detail Mr. Kollen's understanding of the method used by PJM to establish Kentucky Power's capacity resource requirement for the 2014/2015 planning year.
 - (b) Please describe in detail Mr. Kollen's basis for selecting the Company's forecasted July 2014 peak demand instead of the Company's forecasted August 2014 peak demand.

RESPONSE:

- a. Mr. Kollen's understanding is that the AEP system was required to provide a list of its generating capacity resources to meet its FRR load obligation for the 2014/2015 planning year in April 2011 prior to the BRA for that planning year. Mr. Kollen's understanding is that Kentucky Power Company does not have an independent capacity resource requirement for the 2014/2015 planning year.

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- b. Mr. Kollen reviewed the AEP system coincident peaks for 2011 based on FERC Form 1 information and determined that the system peak was in July.

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6. Please refer to Mr. Kollen's testimony at page 21, lines 1-7.
- (a) Please identify each fact upon which Mr. Kollen relies in testifying that "the Company's interests and those of its customers are subservient to the economic and political interests of Appalachian Power Company...."
- (b) Please identify and produce each document Mr. Kollen contends supports the identified testimony.

RESPONSE:

- a,b. Please refer to page 19 line 17 through page 23 line 10 of Mr. Kollen's testimony. In addition, please see attached schedule of AEP generating plants by Company committed to PJM to meet AEP system FRR load obligation. In addition, the Mitchell plants were included in the costs used by Ohio Power to develop its "cost-based" capacity charges and for its cost-based state compensation mechanism in PUCO Case Nos. 10-2929 and 11-346, respectively.

RESOURCES DESIGNATED IN 2015/2016 FRR CAPACITY PLANS AS OF 4/9/2012

AMOS 1	FIELD MOUNTAIN WF
AMOS 2	FOWLER RIDGE 2 WF
AMOS 3	FOWLER RIDGE 3 WF
ANDERSON 1	FOWLER RIDGE WF
ANDERSON 2	GRAND RIDGE 2 WF
ANDERSON 3	GRAND RIDGE 3 WF
BIG SANDY 2	KYGER CREEK 1 OVEC
BUCK-BYLLESBY	KYGER CREEK 2 OVEC
CAMP GROVE WF	KYGER CREEK 3 OVEC
CEREDO 1	KYGER CREEK 4 OVEC
CEREDO 2	KYGER CREEK 5 OVEC
CEREDO 3	LEESVILLE 1-2
CEREDO 4	MIAMI FORT 6
CEREDO 5	MITCHELL 1 AEP
CEREDO 6	MITCHELL 2 AEP
CLAYTOR 1	MOUNTAINEER 1
CLAYTOR 2	RICHMOND 1
CLAYTOR 3	RICHMOND 2
CLAYTOR 4	ROCKPORT 1
CLIFTY CREEK 1 OVEC	ROCKPORT 2
CLIFTY CREEK 2 OVEC	SMITH MOUNTAIN 1
CLIFTY CREEK 3 OVEC	SMITH MOUNTAIN 2
CLIFTY CREEK 4 OVEC	SMITH MOUNTAIN 3
CLIFTY CREEK 5 OVEC	SMITH MOUNTAIN 4
CLIFTY CREEK 6 OVEC	SMITH MOUNTAIN 5
CLINCH RIVER 1	SUMMERSVILLE 1-2
CLINCH RIVER 2	TANNERS CREEK 4
COOK NUCLEAR 1	WOODSDALE GT1
COOK NUCLEAR 2	WOODSDALE GT2
DRESDEN CT 1	WOODSDALE GT3
DRESDEN CT 2	WOODSDALE GT4
DRESDEN ST 1	WOODSDALE GT5
EAST BEND 2	WOODSDALE GT6

The capacity resources in this list were provided to PJM by Load Serving Entities choosing to satisfy their obligations to commit Unforced Capacity (UCAP) to ensure reliable service to loads in PJM under the Fixed Resource Requirement (FRR) Alternative for the 2015/2016 Delivery Year as described in Schedule 8.1 of the Reliability Assurance Agreement (RAA). An FRR Capacity Plan identifying the resources and UCAP quantity committed to that plan must be submitted to PJM no later than one month prior to the Base Residual Auction. To the extent that resources on this list have only a portion of their available UCAP committed to an FRR Capacity Plan, the remainder is eligible to be offered in the RPM Base Residual Auction or Incremental Auction provided the FRR Entity has satisfied the conditions on sales of Capacity Resources by FRR Entities as described in Section E of Schedule 8.1 of the RAA.

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7. Please refer to Mr. Kollen's testimony at page 21, lines 11-14. Please assume that the 50% interest in the Mitchell generating station that is the subject of this proceeding were located in Lawrence County, Kentucky. Does Mr. Kollen contend that the total tax expense payable by Kentucky Power from 2017 through the assumed remaining life of the Mitchell units would be less if located in Lawrence County, Kentucky than it would in light of the units West Virginia location? If the answer to this data request is anything other than an unqualified "no," please provide all spreadsheets, work papers, calculations, analyses, and calculations relating to, reviewed by, consulted, that support or are relied upon by Mr. Kollen in answering this data request. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.

RESPONSE:

Mr. Kollen has not performed the requested computation of Kentucky property tax expense. Mr. Kollen extracted the information on WV property taxes from the Company's analyses. Mr.

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Kollen then observed that these were WV property taxes and that the Mitchell units would not provide any KY property taxes.

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8. Please refer to Mr. Kollen's testimony at page 13, lines 6-9 and page 14, lines 10-19 and Exhibit LK-6 (KIUC 2-29(e), Attachment 1 and Attachment 2).

- (a) Please identify which of the identified assets Mr. Kollen contends is a "similar asset" that should have been considered by the Company in the purchase and sale review advocated by Mr. Kollen at page 13.
- (b) For each such "similar asset" please provide all facts supporting Mr. Kollen's contention that the asset is a "similar asset."

RESPONSE:

Mr. Kollen's point was that the Company failed to identify such assets or solicit bids to acquire such assets, according to its responses to KIUC discovery. The Company has the burden in this case, not KIUC. The Company did not make any effort, let alone a reasonable effort, to assess the actual market value of the Mitchell units.

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9. Please refer to page 13, line 16 through page 14, line 8 of Mr. Kollen's testimony. With respect to the Dominion and Ameren transactions referenced there please provide for each transaction the following:

- (a) All documents reviewed or used by Mr. Kollen in his analysis of the transactions;
- (b) All spreadsheets, work papers, calculations, analyses, and calculations relating to, reviewed by, consulted, that were performed, consulted or relied upon by Mr. Kollen with respect to the identified transactions. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.

RESPONSE:

- a,b. Mr. Kollen reviewed the article in the Wall Street Journal cited in his testimony. Please see the attached copy of the article.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

Email: heard@wsj.com

There Is Life After Death for Coal Power

Owning a coal-fired power plant won't necessarily make you popular, funny or attractive. But after years of losses, it may finally make you money.

Coal is in retreat in the U.S., with demand down by about a fifth in the past five years. It isn't tough to see why. More than 90% of coal gets burned to produce power. Electricity use is down 2% over the past five years, and as the shale boom has made natural gas more competitive, coal's share of power production fell to 37% last year from 49% in 2007. Tightening emissions standards also favor gas over coal.

Little wonder, then, that many coal plants struggle with losses, and some now change hands at prices that even the phrase "fire sale" would flatter. But this could signal the market has bottomed out.

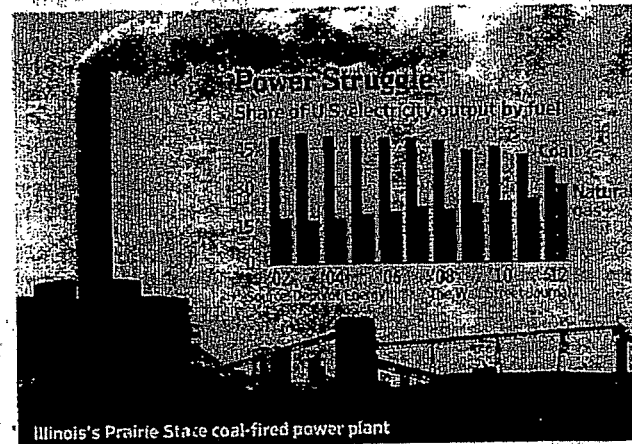
In early March, Dominion Resources sold three power plants totaling 4.1 gigawatts of capacity to Energy Capital Partners, a private-equity firm. After stripping out tax benefits, the implied underlying price paid per kilowatt of capacity was just over \$100. In contrast, the Department of

Energy estimates the cost of building a new coal-fired plant at about \$3,000 per kilowatt—assuming you could even get the permission and funding to build one.

Days later, Ameren agreed to sell 4.1 gigawatts of coal-fired capacity to Dynegy for no cash but to take on \$825 million of nonrecourse debt. Ameren even bought back some gas-fired plants and kept some cash in the business it sold. As Andy DeVries of CreditSights puts it: "Dynegy is getting paid \$200 million to take" the coal plants.

Besides bad economics, utilities such as Dominion are shedding unregulated power stations to improve their risk profile. With utility stocks prized for their yields and stability, some are choosing to sell power plants exposed to volatile commodity prices and climate politics.

Greg Gordon, who runs ISI's utilities team, points to other signs of capitulation in power generation, such as Edison Mission Energy's recent decision to seek bankruptcy protection and expectations that Energy Future Holdings, the



former TXU, may restructure its debts this year. He recalls a similarly gloomy period around the end of 2005, when Calpine went bankrupt and utility stocks stalled. That turned out to be a buying opportunity as economic growth picked up and gas prices rose sharply, pushing up power prices.

This time, an economic recovery, albeit fitful, is under way, but gas prices look stuck to the floor. So the key to coal-fired profits actually lies in the fact that some must close

Doug Kimmelman, founder of Energy Capital, says the majority of the value in the deal with Dominion related to a 1.2-gigawatt plant in Kincaid, Ill. It was recently fitted with equipment to control sulfur dioxide emissions and sells power into the regional electricity market served by the PJM Interconnection transmission system.

PJM says that between November 2011 and January 2013, it received deactivation notices for 15.6 gigawatts of regional generation capacity, 89% of it

coal-fired. That is more than for the entire nine years ending in 2011. ISI expects 24.5 gigawatts of coal-fired capacity to close nationwide between 2013 and 2015. Even some nuclear plants are closing as the effect of cheap gas on power prices undercuts them.

For surviving plants like Kincaid, closures of competing plants should mean a tighter balance of supply and demand, higher prices and higher profits. To get a sense of how big an impact plant closures can have, look at Dynegy. The company estimates that with the coal plants bought from Ameren, every 2.7 gigawatts of plant closures in its key Midwestern markets would add \$190 million to annual earnings before interest, tax, depreciation and amortization. To put that in perspective, Dynegy's guidance for its 2013 Ebitda is \$250 million to \$275 million.

Is the era of U.S. coal-fired power in its sunset years? Yes, but it is far from over. And the power sector's notorious cyclicality remains very much alive, as does the chance to profit from it with the right timing.

—Liam Denning

Investors Must Adjust to Season of Change for U.S. Economy

Maybe this will be the year when spring isn't the season of the economy's discontent. Or at least the data might tell us that. The economic data pub-

Hope Springs

Monthly change in nonfarm payrolls, in thousands

Feb.

and then let them go in January. And to come up with those adjustments, the number crunchers rely on what has happened in the past.

behind the recent strength in the Labor Department's monthly employment report. Economists at the Heritage Foundation have suggested

That is because at least some portion of the midyear pauses the economic data showed over the past two years was genuine. In 2011, Japan's tsunami and Washing-

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10. Please refer to page 13, line 16 through page 14, line 8 of Mr. Kollen's testimony. Please identify any transactions noted or reviewed by Mr. Kollen in connection with the preparation of the identified testimony that were not included in the identified testimony. Individually, for each such transaction, please provide the following information:
- (a) All documents reviewed or used by Mr. Kollen in his analysis of the transactions that were not included;
 - (b) All spreadsheets, work papers, calculations, analyses, and calculations relating to, reviewed by, consulted, that were performed, consulted or relied upon by Mr. Kollen with respect to the transactions that were not included. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.
 - (c) A detailed explanation of the basis for the decision not to include each transaction.

RESPONSE:

- a. Please refer to the response to Item 9.

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- b. Not applicable.
- c. Not applicable.

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11. Please refer to page 16, lines 10-17 of Mr. Kollen's testimony. Does KIUC agree that the Company's April 10, 2013 application seeking Commission approval of the Renewable Energy Purchase Agreement for Biomass Energy Resources between ecoPower Generation-Hazard LLC and Kentucky Power Company Kentucky Power Company will promote fuel diversity? If the answer to this data request anything but an unqualified "yes," please provide each fact relied upon by KIUC in failing to answer with an unqualified "yes."

RESPONSE:

Object. The Company has not reflected or identified as a resource under consideration any biomass energy resources in its planning analyses in this proceeding and thus, it is not relevant to this proceeding. Without waiving such objection, Mr. Kollen has not reviewed the Company's Application in the referenced proceeding.

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12. Please refer to page 18, lines 15-16 of Mr. Kollen's testimony. Does KIUC contend that if the Commission does not approve the Company's application in this proceeding that AEP Generation Resources Inc. is obligated to make the Mitchell capacity (as described in the identified testimony) available to Kentucky Power beginning June 2015? If the answer to this data request is anything other than an unqualified "no," please provide the following:

- (a) Each fact supporting the answer.
- (b) Each document relied upon in support of the answer.

RESPONSE:

No. AEP is not obligated to make the Mitchell capacity available to Kentucky Power Company at any date, whether it is January 1, 2014 or June 1, 2015. However, the only reason that AEP can make the units available to Kentucky Power Company and to Appalachian Power Company is that its offers to the affiliates ensure the continued availability of the units to meet the AEP system commitment of those units to meet its PJM FRR load obligation.

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Due to the commitment of the Mitchell units to meet its FRR load obligation, AEP cannot sell the Mitchell units to a third party prior to June 1, 2015 unless it substitutes other capacity for the Mitchell units.

Further, the Mitchell units, if withdrawn from AEP's committed capacity, have almost no capacity value in the PJM capacity market for the 2013/2014 and 2014/2015 planning years because the capacity would have to be sold in the PJM incremental auctions.

Finally, if there was a near-term market value at or above net book value, then AEP would have or could have sold the units to a third party. The fact that it didn't even attempt to sell the units to a third party indicates that AEP does not believe that there is a market value equal to or above net book value for this capacity prior to June 1, 2015, or after June 1, 2015, for that matter.

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13. Please refer to page 20, lines 1-6 of Mr. Kollen's testimony. Does Mr. Kollen contend the fact that "all planning analyses were performed by and supported by AEP Service Corporation or a consultant retained to support AEP Service Corporation's analyses" renders Kentucky Power's decision-making subject to AEP? If the answer to this data request is anything other than an unqualified "no," please state each fact upon which Mr. Kollen relies in support of his answer.

RESPONSE:

Yes. This is one fact, when considered with the other facts cited by Mr. Kollen, that demonstrates that Kentucky Power Company is not independent of AEP's decision-making process and AEP's system objectives.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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

Case No. 2012-00578

KIUC'S RESPONSES TO
KENTUCKY POWER COMPANY'S
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14. Please refer to page 13, line 20 through page 14, line 1. Please provide a copy of the referenced *Wall Street Journal* article.

RESPONSE:

Refer to the response to Item 9.

COMMONWEALTH OF KENTUCKY
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REQUIRED APPROVALS AND RELIEF

Case No. 2012-00578

KIUC'S RESPONSES TO
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15. Please refer to page 30, line 14 through page 31, line 13 of Mr. Kollen's testimony. Please provide all spreadsheets, work papers, calculations, analyses, and calculations relating to, reviewed by, consulted, that were performed by, consulted or relied upon by Mr. Kollen in connection with his testimony that Administrative and General Expenses, except for employee benefit expenses, were not included in the Company's Strategist modeling of the proposed acquisition of a 50% interest in the Mitchell generating station. The requested information, if so available, should be provided in an electronic format, with formulas intact and visible, and no pasted values.

RESPONSE:

Please refer to the attached schedule (KPCO 1-15 attachment a) showing the information extracted from Strategist by Mr. Hayet and reflecting Mr. Kollen's handwritten notations and calculations.

Total O&M including Fringes

Actual	Major GB	Projected
--------	----------	-----------

X \$1000

		2013	2014	2015	2016								
Mitchell 1	Non-Labor BCO	4,335	4,347	4,966	5,705	5,701	5,838	5,896	5,971	5,942	6,055		
	Straight-Time Labor + Fringes	9,981	12,528	12,986	15,970	15,161	16,520	16,691	17,024	16,496	15,983		
	Overtime Labor + Fringes	967	-	-	-	-	-	-	-	-	606		
	Total Fixed Costs	15,283	16,875	17,952	21,676	20,862	22,357	22,587	22,996	22,438	22,644		
	NOMI	8,275	4,717	4,889	4,605	5,882	4,812	6,740	8,373	4,603	6,703		
	Outage O&M	7,080	3,000	1,800	9,028	2,115	3,036	7,165	3,630	280	3,343		
Mitchell 1 Total		30,637	24,592	24,642	36,309	28,859	30,205	36,492	34,998	27,321	32,690	33,344	34,011
Mitchell 2	Non-Labor BCO	4,335	4,347	4,966	5,705	5,701	5,838	5,896	5,971	5,942	6,055		
	Straight-Time Labor + Fringes	9,981	12,528	12,986	15,970	15,161	16,520	16,691	17,024	16,496	15,983		
	Overtime Labor + Fringes	967	-	-	-	-	-	-	-	-	606		
	Total Fixed Costs	15,283	16,875	17,952	21,676	20,862	22,357	22,587	22,996	22,438	22,644		
	NOMI	7,270	4,523	4,904	4,620	5,897	4,822	6,750	8,383	4,603	6,710		
	Outage O&M	1,305	3,000	8,466	3,784	2,769	6,726	2,864	3,800	-	3,329		
Mitchell 2 Total		23,868	24,398	31,323	30,081	29,528	33,905	32,201	35,178	27,041	32,683	33,337	34,003

48,990 55,965

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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Case No. 2012-00578

KIUC'S RESPONSES TO
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16. Please refer to page 18, lines 1-7 and Figure 4 of Mr. Hayet's testimony.

(a) Please provide all statistical or other analyses used or referred to by Mr. Hayet, including all spreadsheets, work papers, calculations, analyses, and calculations, that were performed, consulted or relied upon by Mr. Hayet in connection with his testimony that "the graph confirms that there is a linear relationship between the Company's fuel prices and market energy prices." The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.

(b) Please identify by publisher, date of publication of publication, and title all supporting documentation and source documents used or reviewed by Mr. Hayet in connection with his preparation of the identified testimony and Figure 4.

RESPONSE:

(a) PAST was the statistical software package used for computing the linear regression, which led to the referenced statement. PAST is available as a free download from the internet at the following location - <http://nhm2.uio.no/norlex/past/download.html>
The excel document:

KPCO 1-16 attachment a – FuelAnalysisNotesAndCalculations.xlsx

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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

Case No. 2012-00578

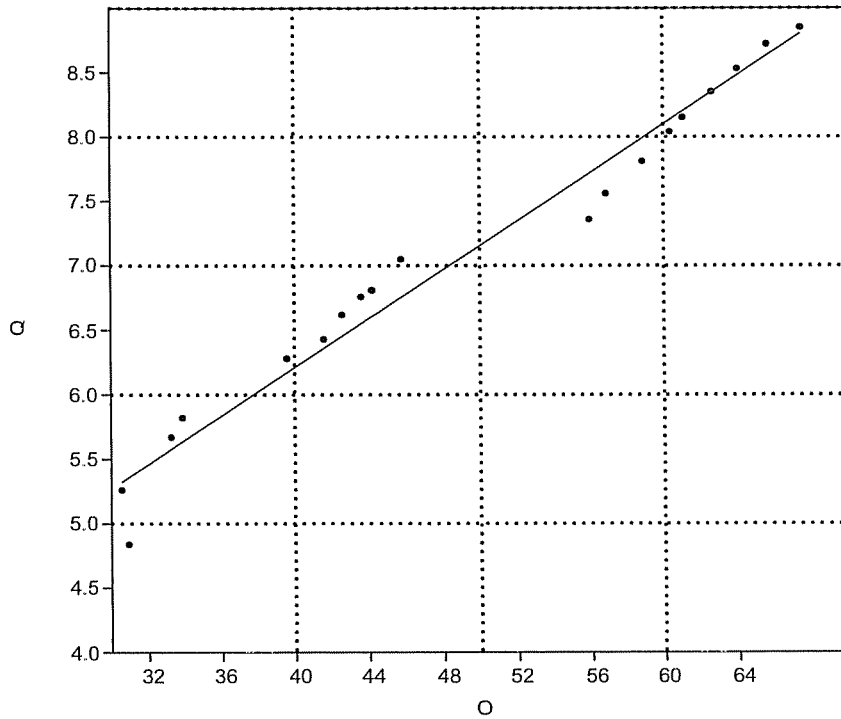
**KIUC'S RESPONSES TO
KENTUCKY POWER COMPANY'S
FIRST REQUEST FOR INFORMATION**

contains the data inputs used and the outputs from the PAST program.

- (b) See a above. The file discussed in that response is provided as an attachment to these discovery responses. Mr. Hayet is the publisher, and the date associated with the file is part of the properties of the file.

Source	File Name
KIUC work papers PAST Data supplied by KPCO	KPCO 1-16 attachment a - FuelAnalysisNotesAndCalculations.xlsx

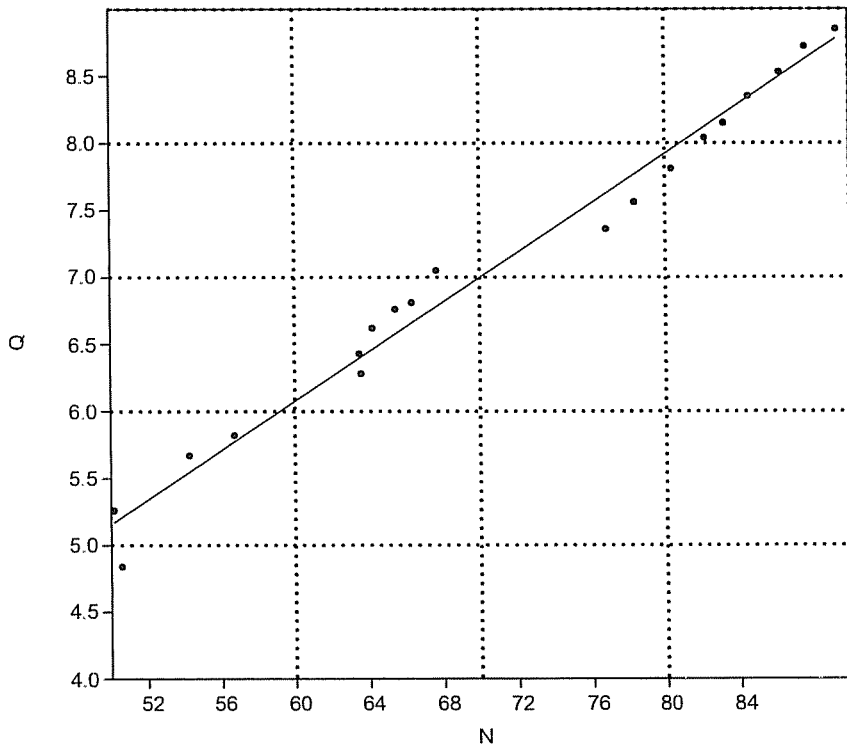
off-peak
avg fuel vs. market



RMA Regression
O vs. Q
Slope a: 0.094282
Intercept b: 2.4422
Std. err. a: 0.003928
Std. err. b: 0.039912
Chi squared: 0
r: 0.98513
r squared: 0.97049
t statistic: 23.645
p(uncorrel): 1.91E-14
Permutat. p: 0.0001
p(a=1): 3.72E-31
95% bootstrapped confidence intervals:
a: [0.08644; 0.1031]
b: [1.968; 2.873]

Average Dominion Fuel Costs vs KPCO market prices
Col D vs I FIGURE 4 PAGE 18 Hayet TESTIMONY

on-peak
avg fuel vs. market



RMA Regression
N vs. Q
Slope a: 0.092131
Intercept b: 0.54974
Std. err. a: 0.00307
Std. err. b: 0.049075
Chi squared: 0
r: 0.99052
r squared: 0.98113
t statistic: 29.727
p(uncorrel): 4.26E-16
Permutat. p: 0.0001
p(a=1): 5.41E-33
95% bootstrapped confidence intervals:
a: [0.08616; 0.09876]
b: [0.04932; 1.012]

KPCO Commodity fuel
Price_Forecast_Nominal_FTCA_CSAPR_2011_09_23.xlsx (KPSC1-29)

avg	Dominion South Point Pool	Swing Service Adder	WithAdder
2012	4.59	0.25	4.84
2013	5.01	0.25	5.26
2014	5.42	0.25	5.67
2015	5.57	0.25	5.82
2016	6.03	0.25	6.28
2017	6.18	0.25	6.43
2018	6.37	0.25	6.62
2019	6.51	0.25	6.76
2020	6.56	0.25	6.81
2021	6.80	0.25	7.05
2022	7.11	0.25	7.36
2023	7.31	0.25	7.56
2024	7.56	0.25	7.81
2025	7.79	0.25	8.04
2026	7.90	0.26	8.15
2027	8.09	0.26	8.35
2028	8.27	0.27	8.53
2029	8.45	0.27	8.72
2030	8.57	0.28	8.85

KPCO Commodity Forecast
from: Weaver Exhibit SCW-3

	kpco avg on	kpco avg off peak
2012	50.57	30.92
2013	50.14	30.55
2014	54.24	33.26
2015	56.71	33.89
2016	63.56	39.57
2017	63.48	41.57
2018	64.18	42.57
2019	65.44	43.60
2020	66.33	44.18
2021	67.64	45.76
2022	76.79	55.93
2023	78.33	56.84
2024	80.34	58.85
2025	82.18	60.37
2026	83.23	61.06
2027	84.57	62.64
2028	86.25	64.05
2029	87.64	65.66
2030	89.34	67.49

Apply .77 Factor
to get new gas forecast with Adder

3.78
4.11
4.43
4.54
4.90
5.01
5.15
5.26
5.30
5.49
5.73
5.88
6.07
6.25
6.34
6.49
6.63
6.78
6.87

	KIUC New updated gas prices	Computed Market Prices using Regression and KIUC New Gas Prices (on peak)	Computed Market Prices using Regression and KIUC New Gas Prices (off peak)	Ratio New vs KPCO Market Price on-peak %	Ratio New vs KPCO Market Price off-peak %
2012	3.78	35.10	14.23	0.69	0.46
2013	4.11	38.65	17.70	0.77	0.58
2014	4.43	42.07	21.04	0.78	0.63
2015	4.54	43.28	22.22	0.76	0.66
2016	4.90	47.17	26.02	0.74	0.66
2017	5.01	48.36	27.19	0.76	0.65
2018	5.15	49.96	28.75	0.78	0.68
2019	5.26	51.13	29.89	0.78	0.69
2020	5.30	51.60	30.35	0.78	0.69
2021	5.49	53.58	32.28	0.79	0.71
2022	5.73	56.20	34.85	0.73	0.62
2023	5.88	57.83	36.44	0.74	0.64
2024	6.07	59.90	38.46	0.75	0.65
2025	6.25	61.88	40.40	0.75	0.67
2026	6.34	62.81	41.30	0.75	0.68
2027	6.49	64.45	42.91	0.76	0.68
2028	6.63	66.01	44.43	0.77	0.69
2029	6.78	67.63	46.01	0.77	0.70
2030	6.87	68.65	47.02	0.77	0.70

to translate between fuel and market:
y=mx+b
x=(y-b)/m

averages:			
0.76	0.65	0.71	
1-avg:			
0.24	0.35	0.29	

This indicates that on average a 29% reduction could be applied to derive the adjusted market price forecast
To be conservative use the same 23% factor that was used to derive the gas price forecast.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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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

Case No. 2012-00578

**KIUC'S RESPONSES TO
KENTUCKY POWER COMPANY'S
FIRST REQUEST FOR INFORMATION**

17. Please refer to page 19, footnote 4 of Mr. Hayet's testimony.

(a) Please provide all spreadsheets, work papers, calculations, analyses, and calculations relating to, reviewed by, consulted, that were performed by, consulted or relied upon by Mr. Hayet, to "derive[] new emergency power price inputs consistent with the new market energy price forecasts." The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.

(b) Please provide, in electronic format if available, the supporting documentation and source documents identified in the response to subpart (b) of this request.

RESPONSE:

(a) The derivation of the emergency energy prices consistent with the market prices are found in KPCO 1.17 attachment a.Carb Adj RLIB RDAT Typ Week.xlsx. See Tab = RDAT_P.

(b) Supporting documents are included as follows:

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

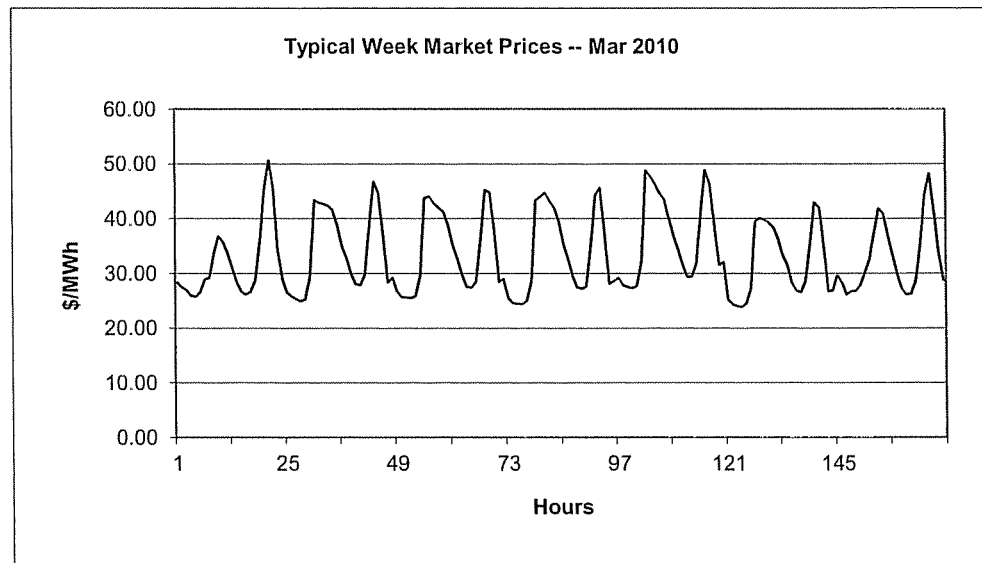
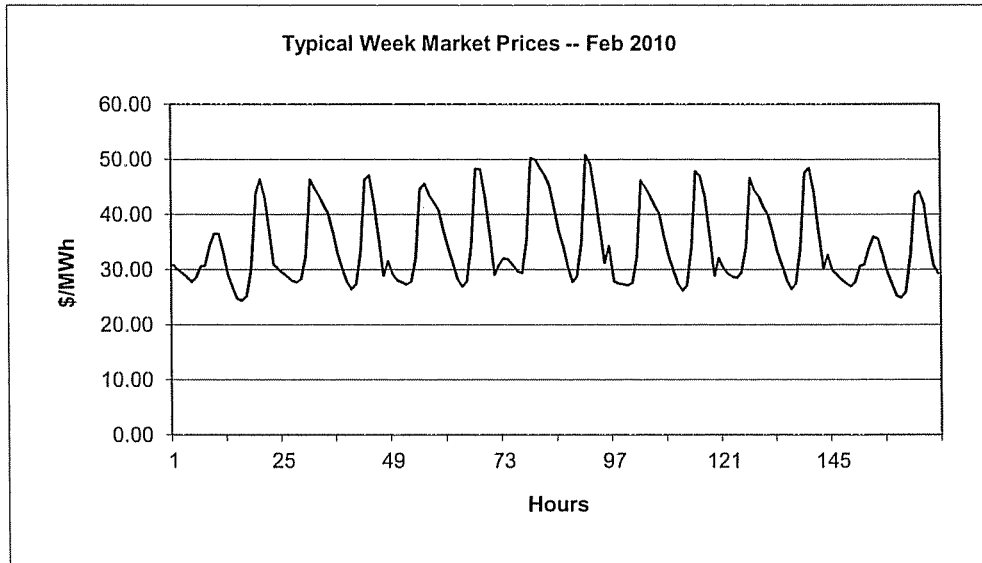
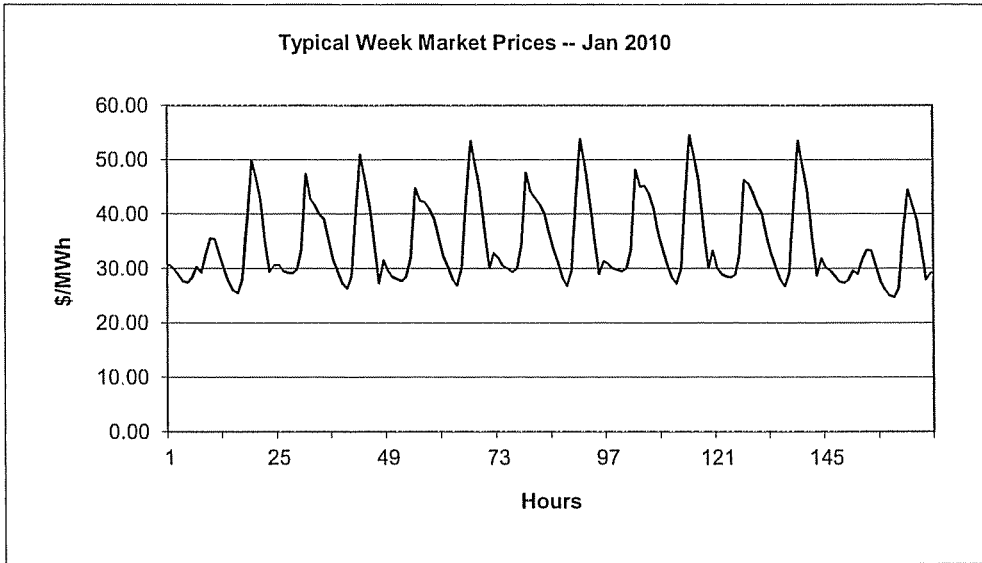
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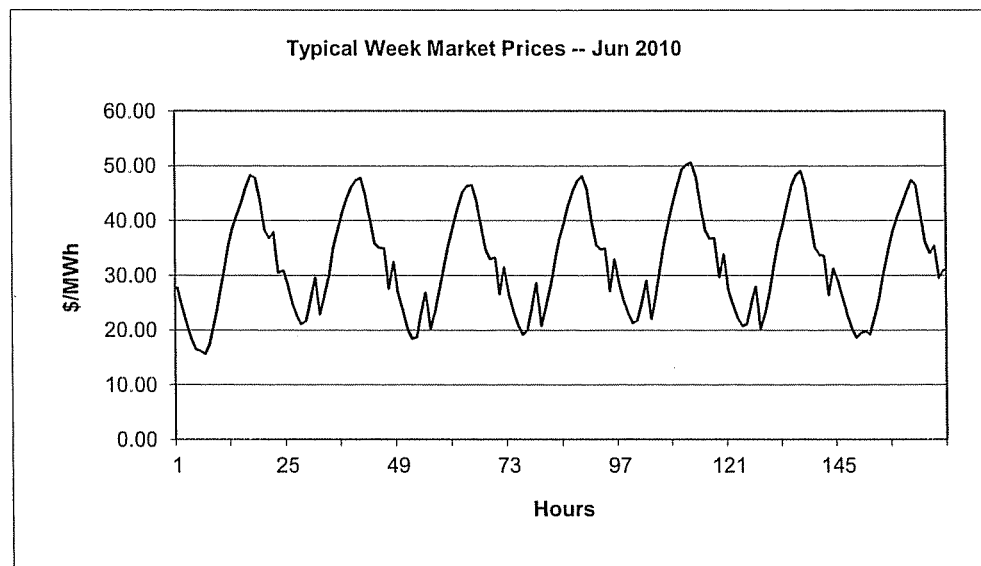
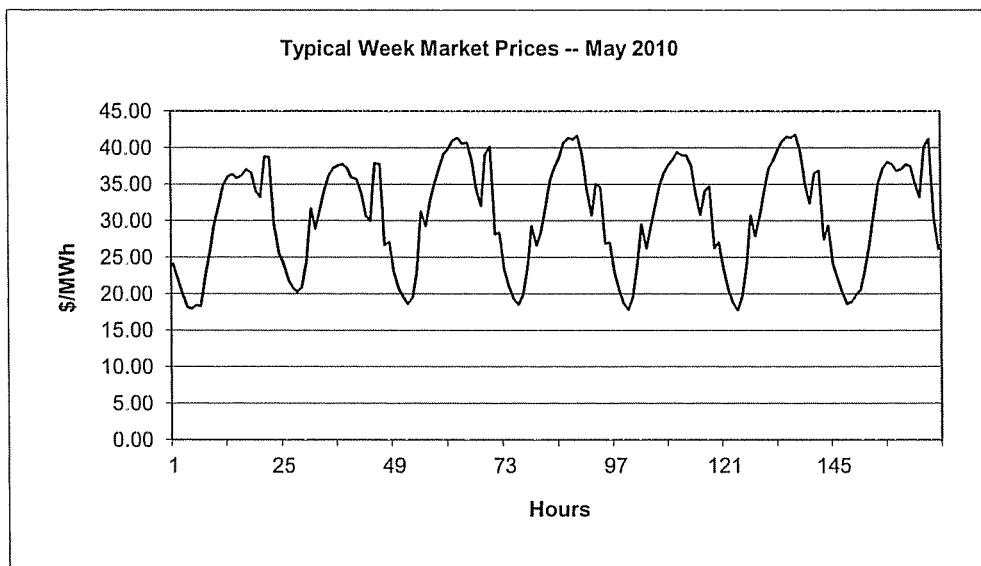
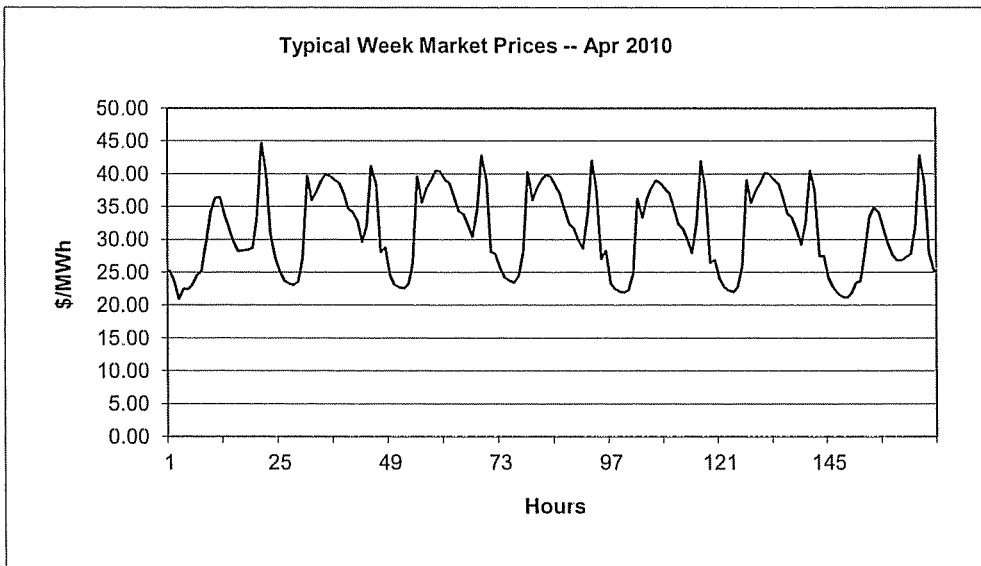
Case No. 2012-00578

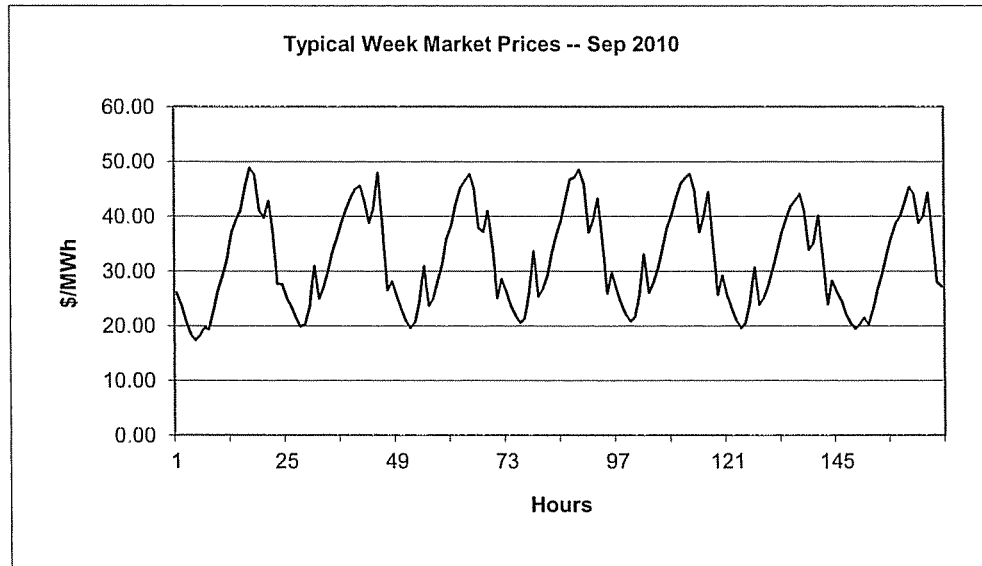
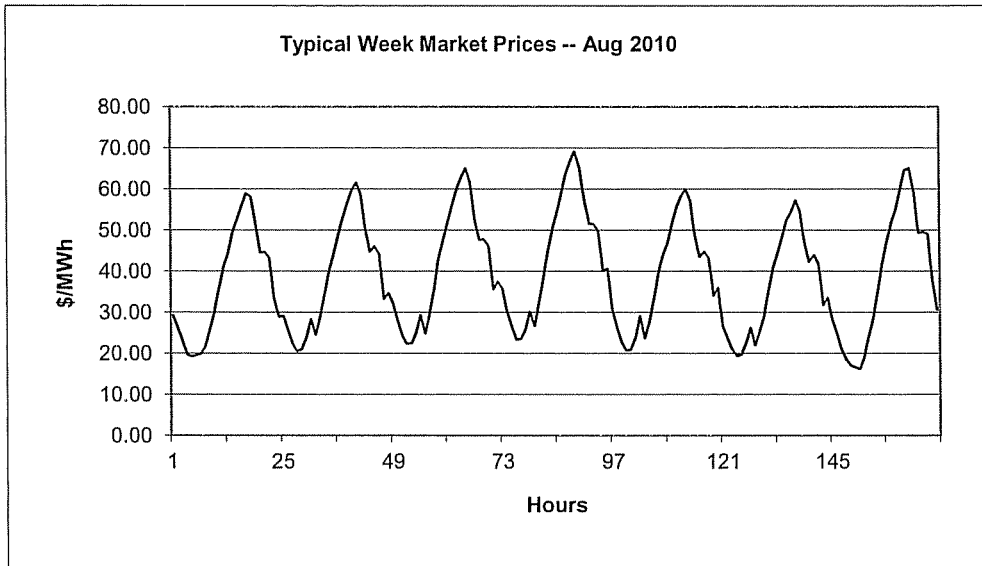
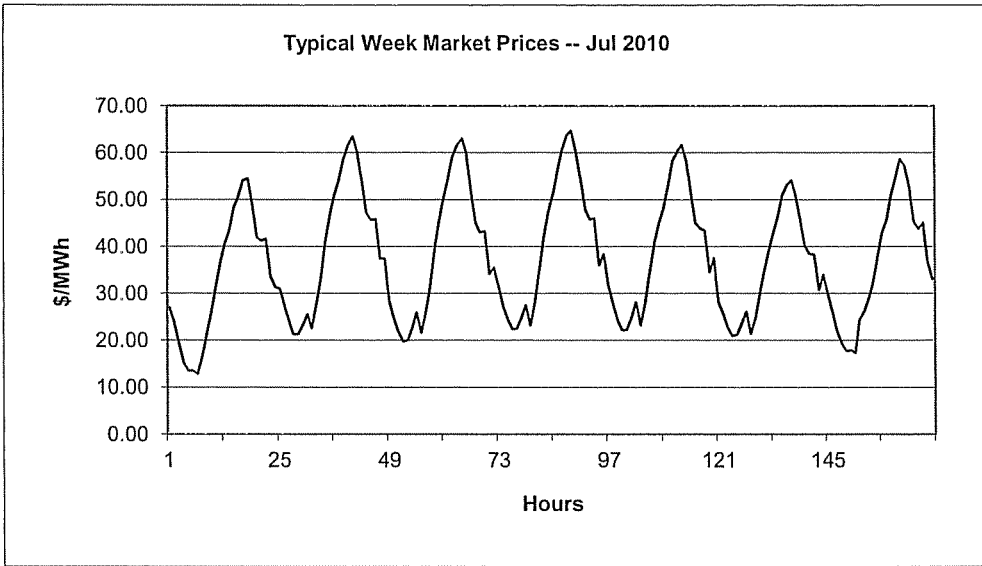
**KIUC'S RESPONSES TO
KENTUCKY POWER COMPANY'S
FIRST REQUEST FOR INFORMATION**

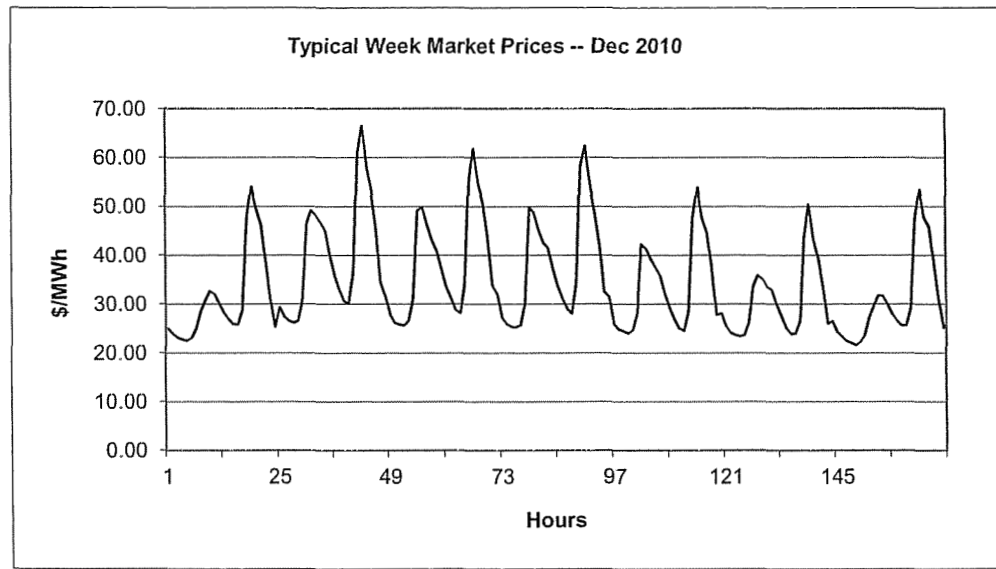
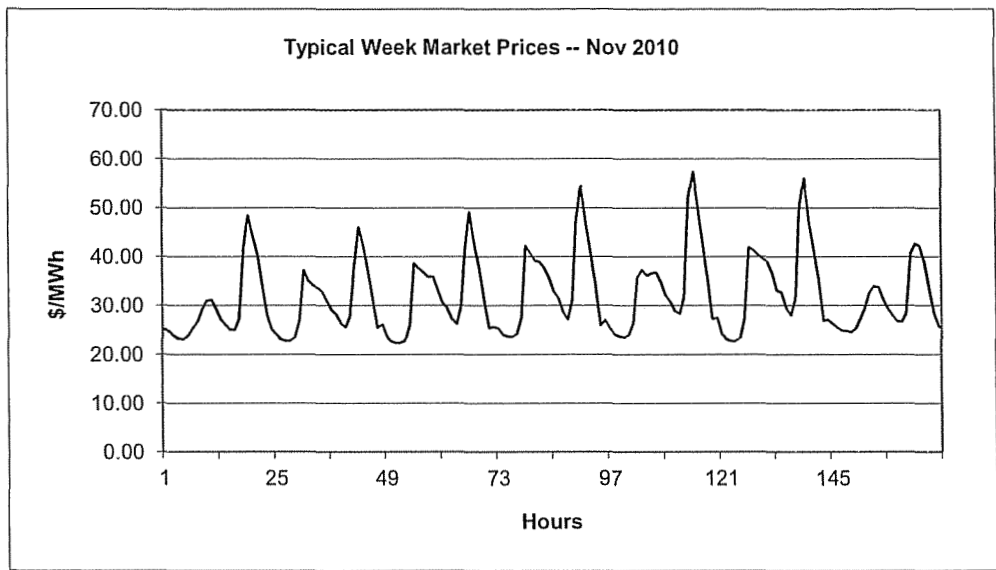
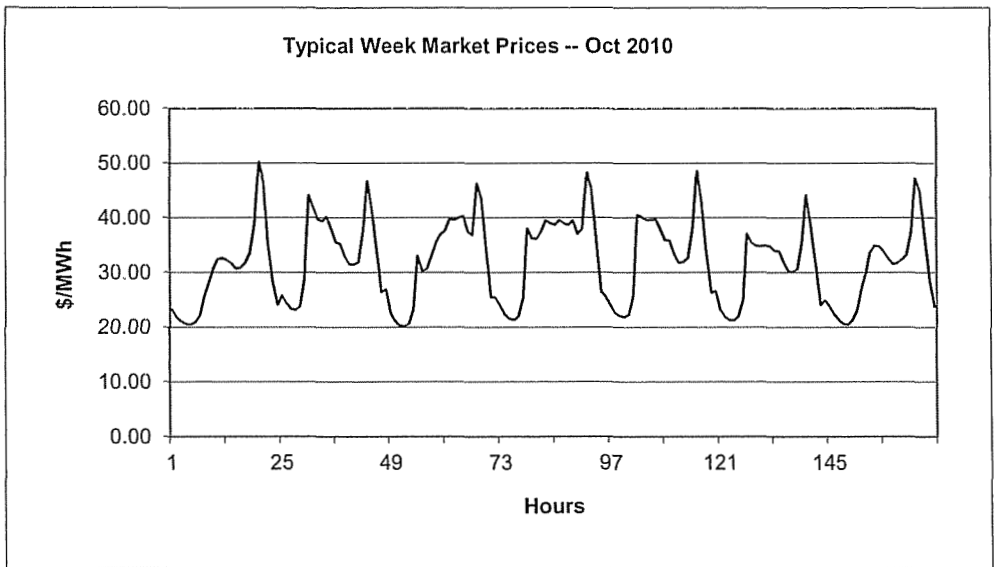
Source	File Name
KIUC work papers Data supplied by KPCO	KPCO 1.17 attachment a.Carb Adj RLIB RDAT Typ Week.xlsx

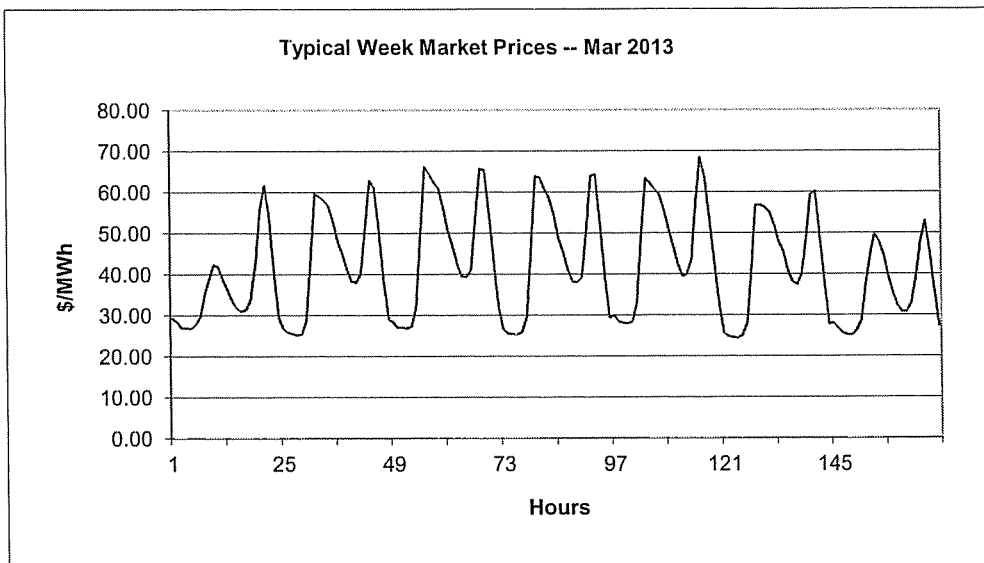
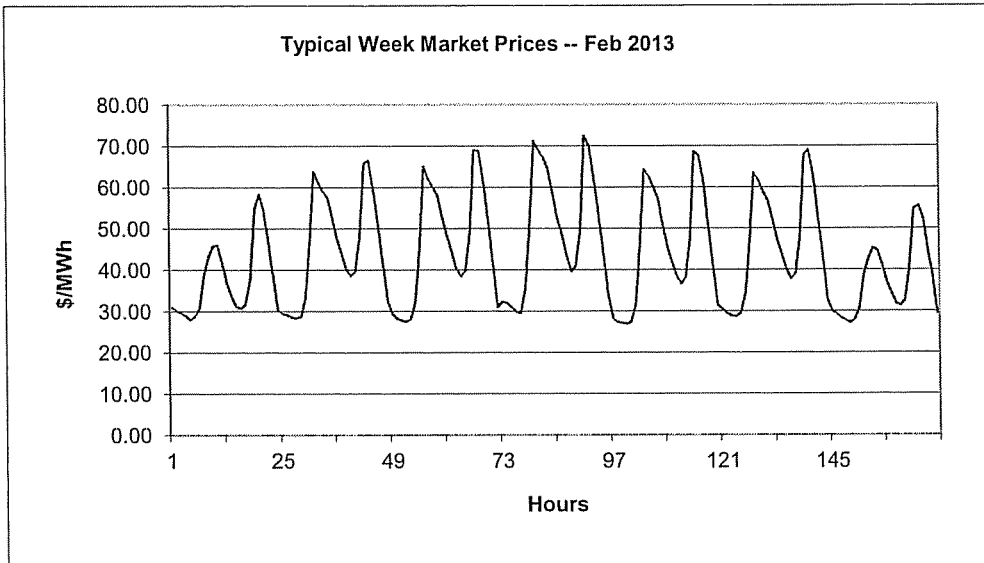
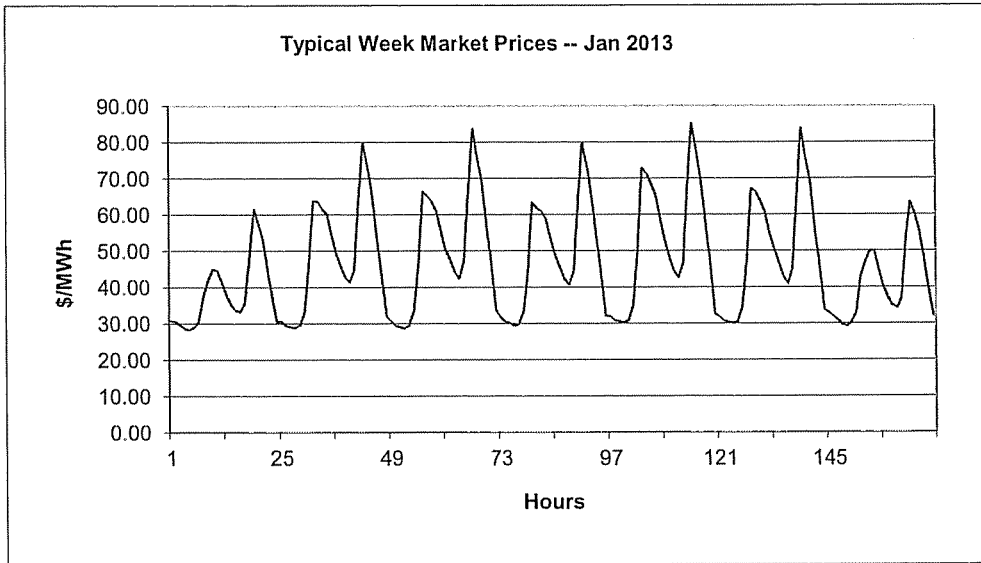
Annual emergency energy prices are equal to the maximum annual market purchase price.

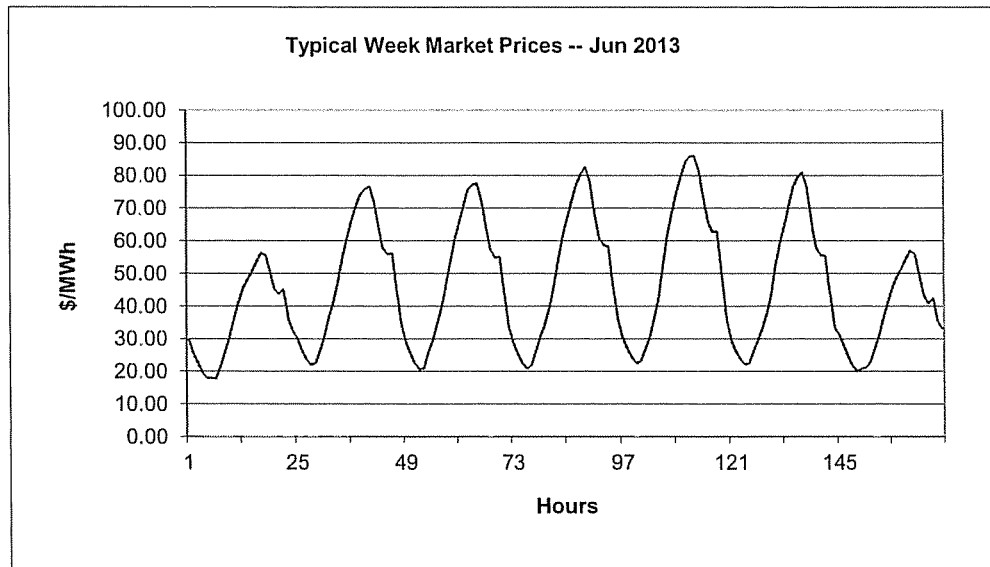
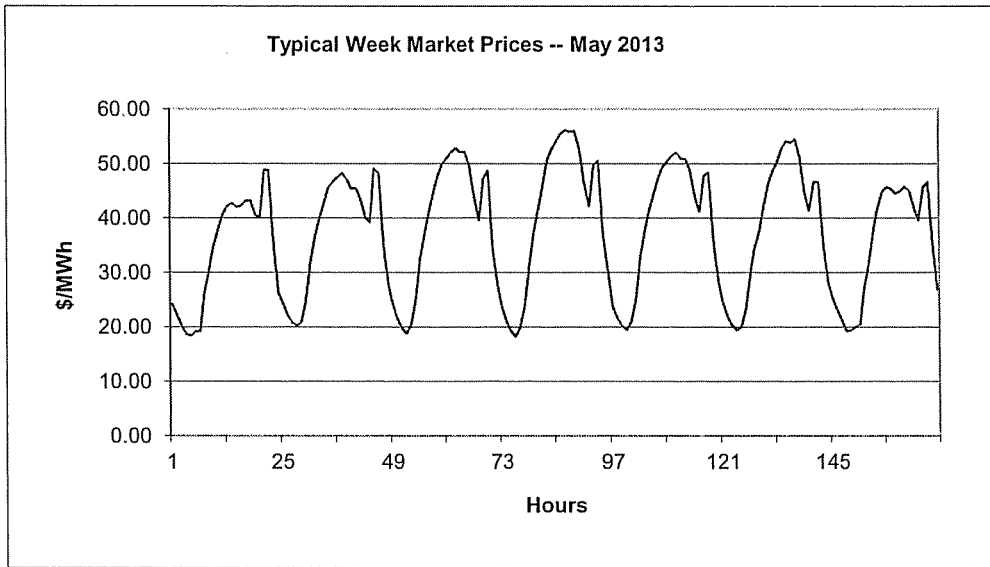
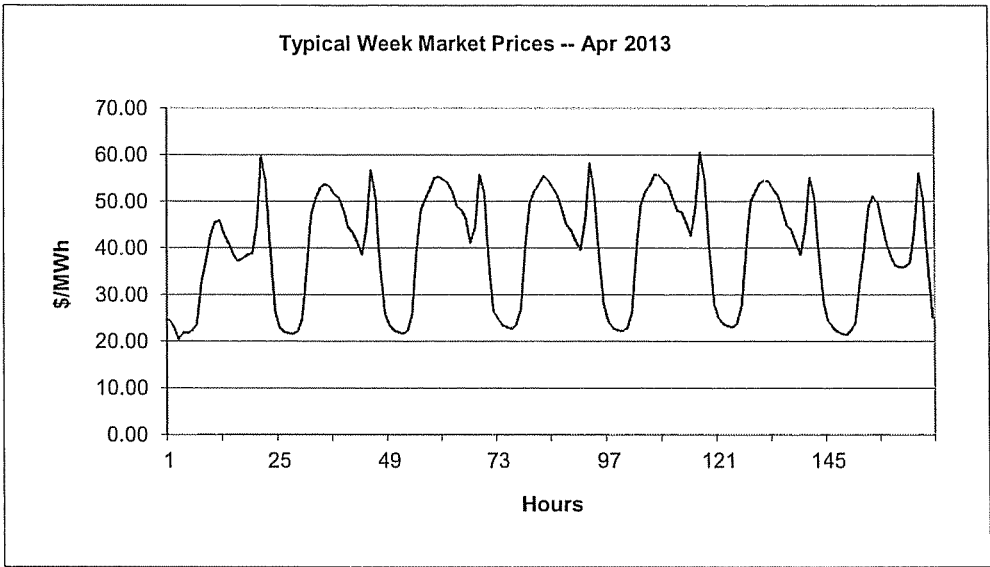


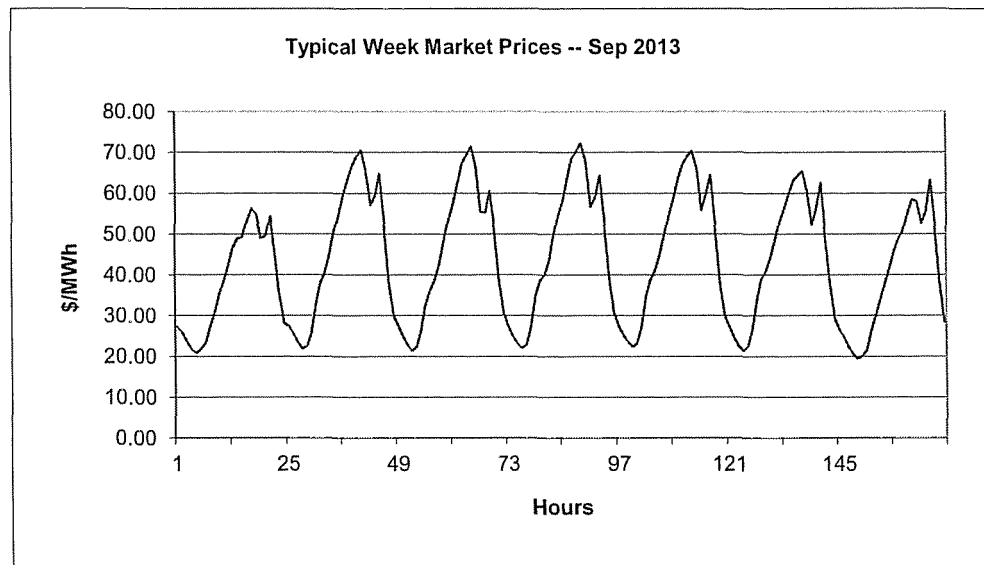
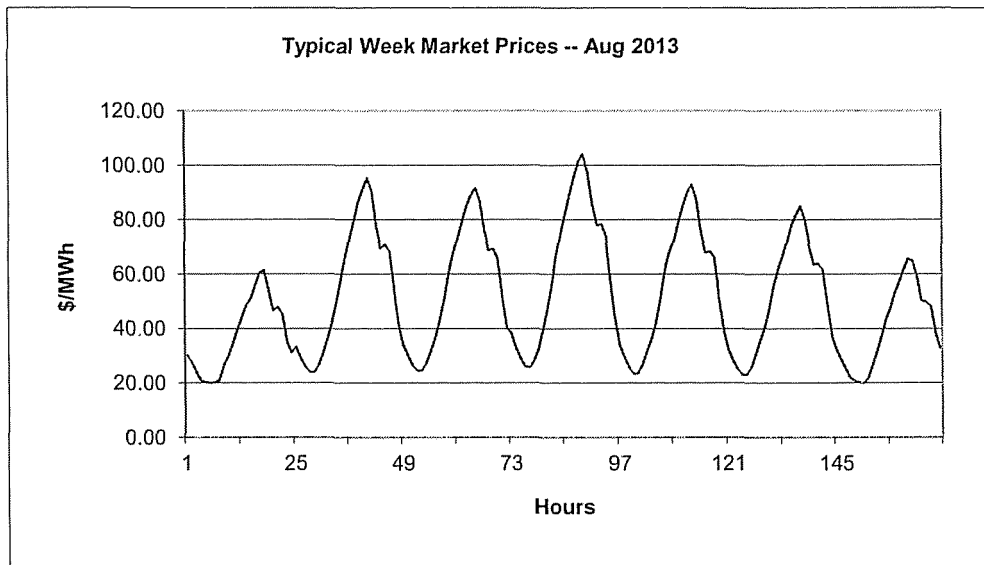
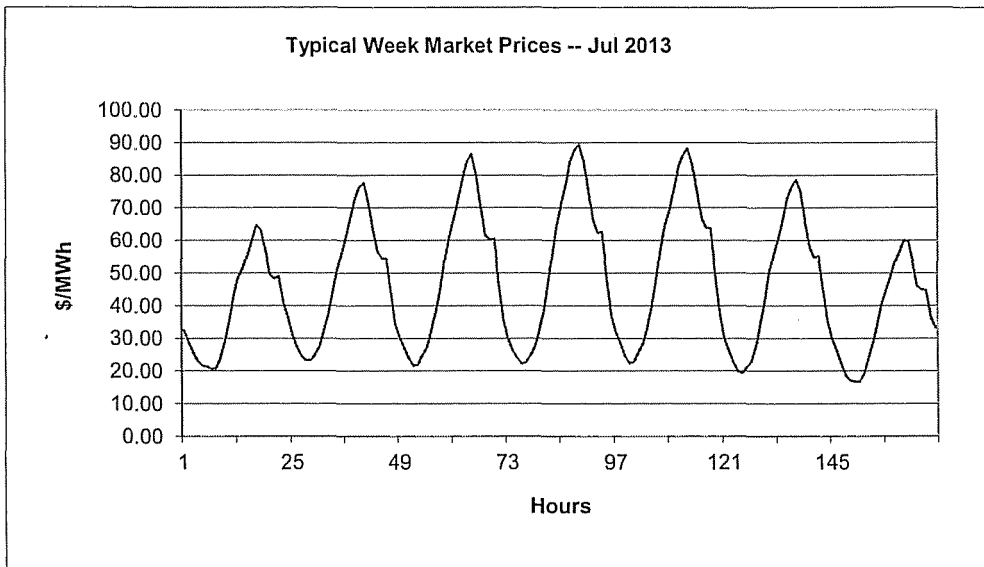


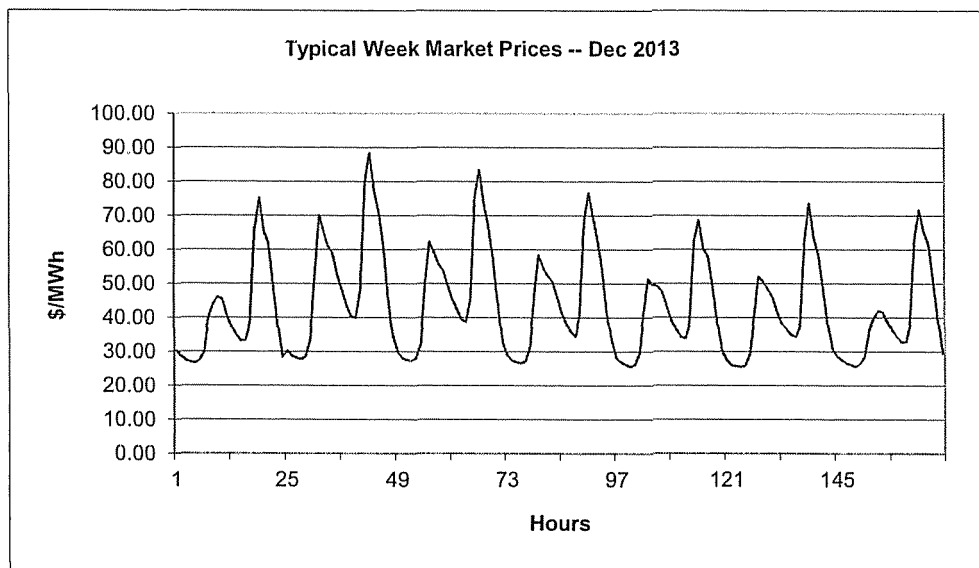
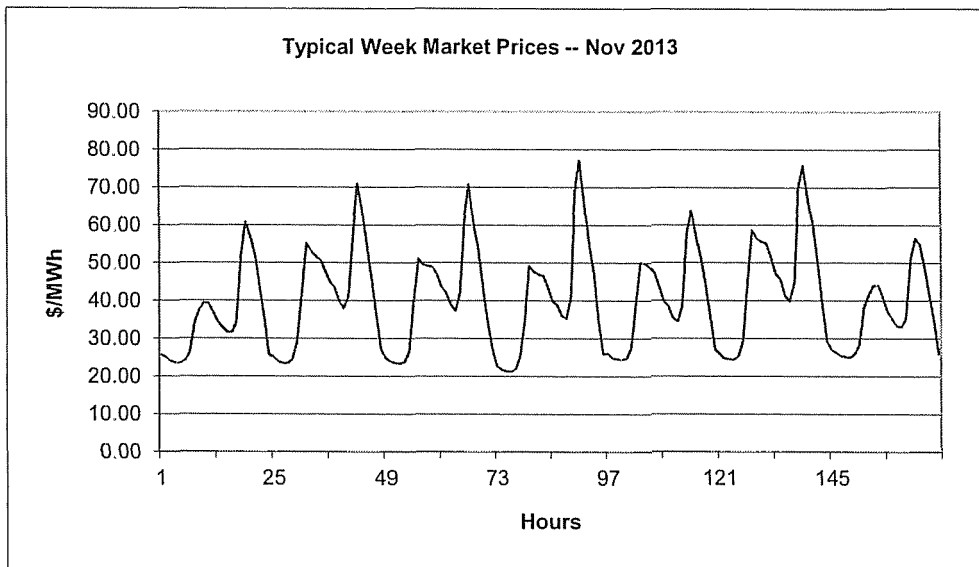
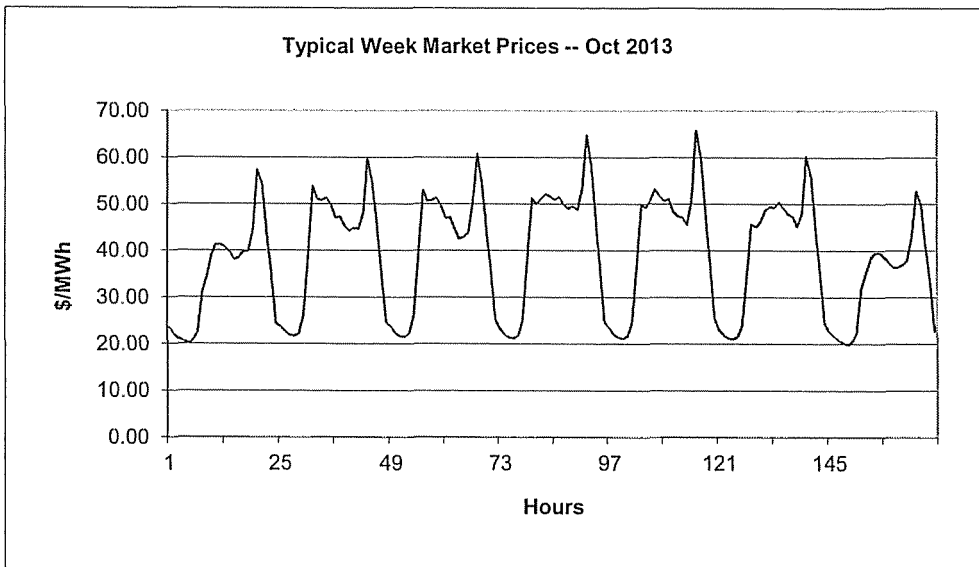


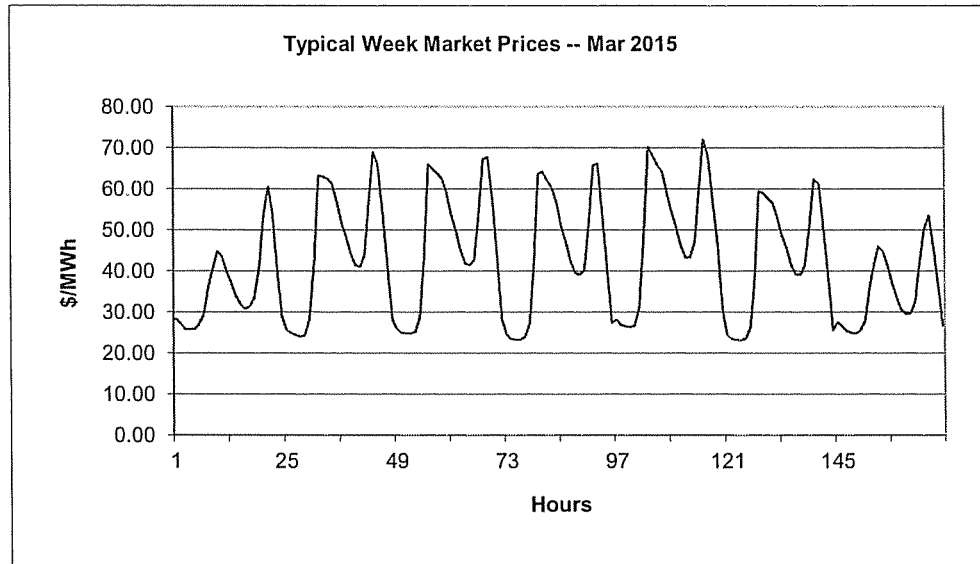
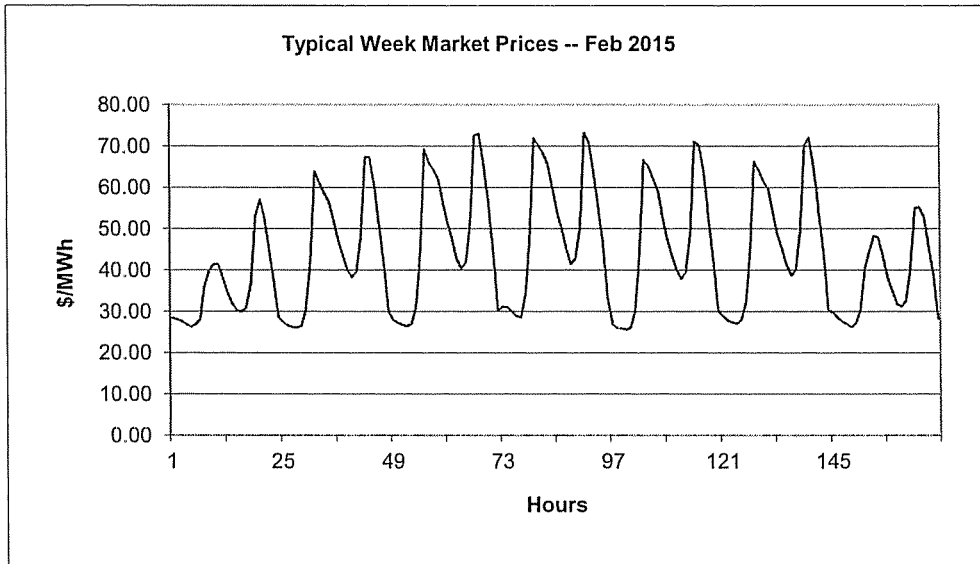
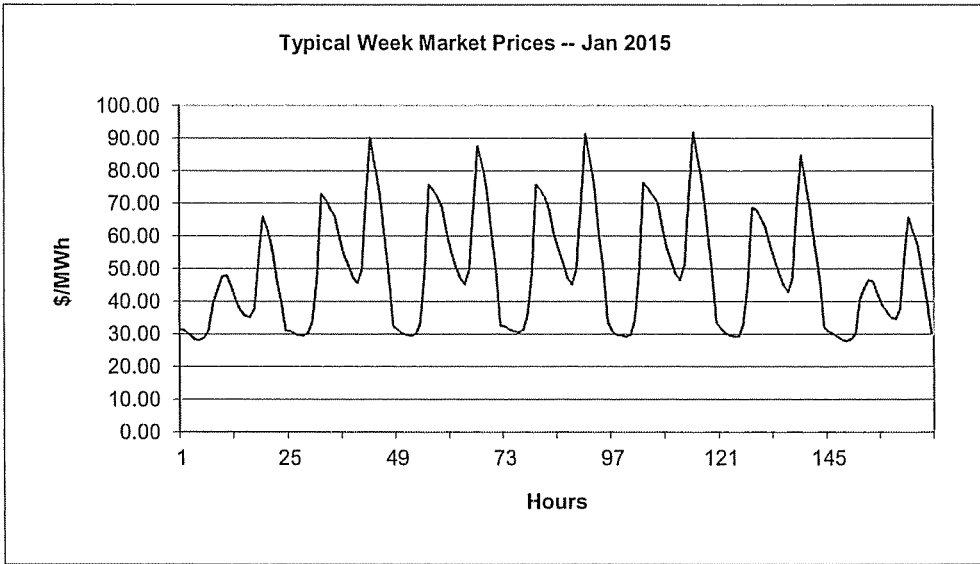


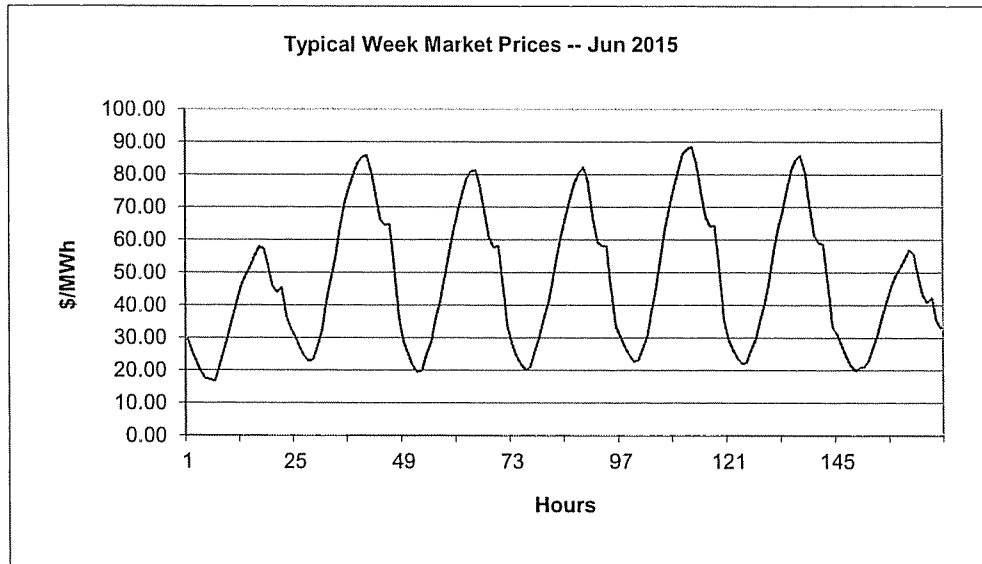
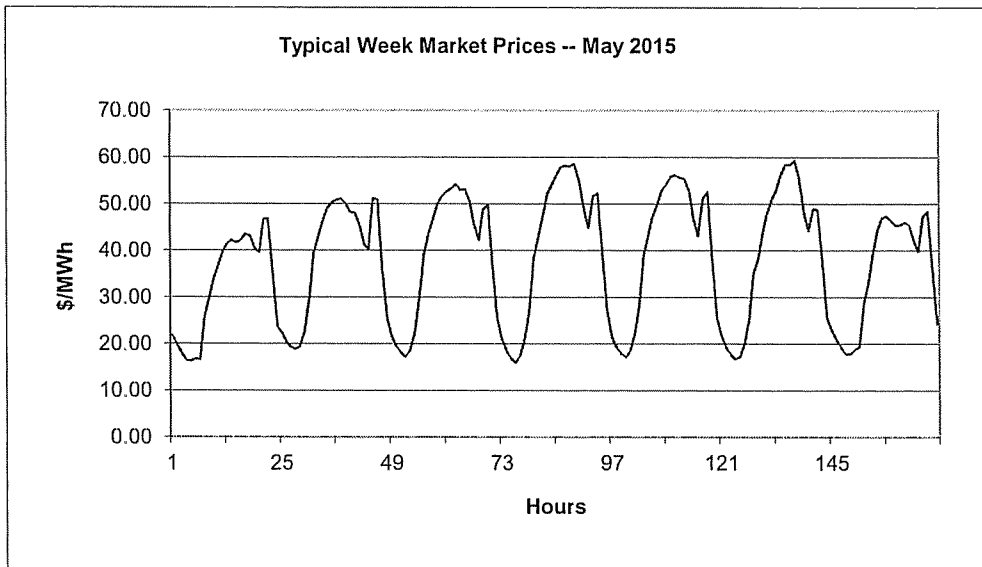
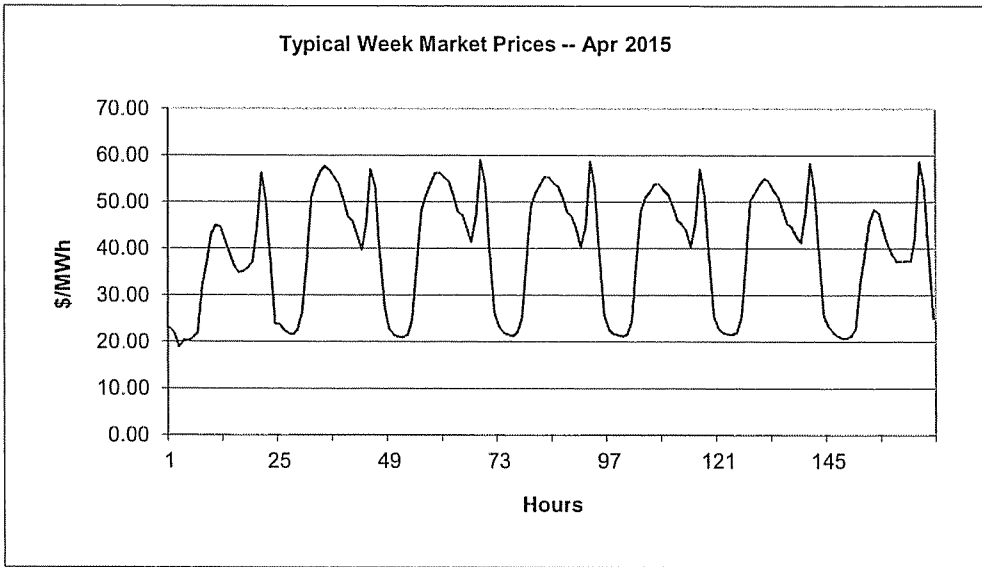


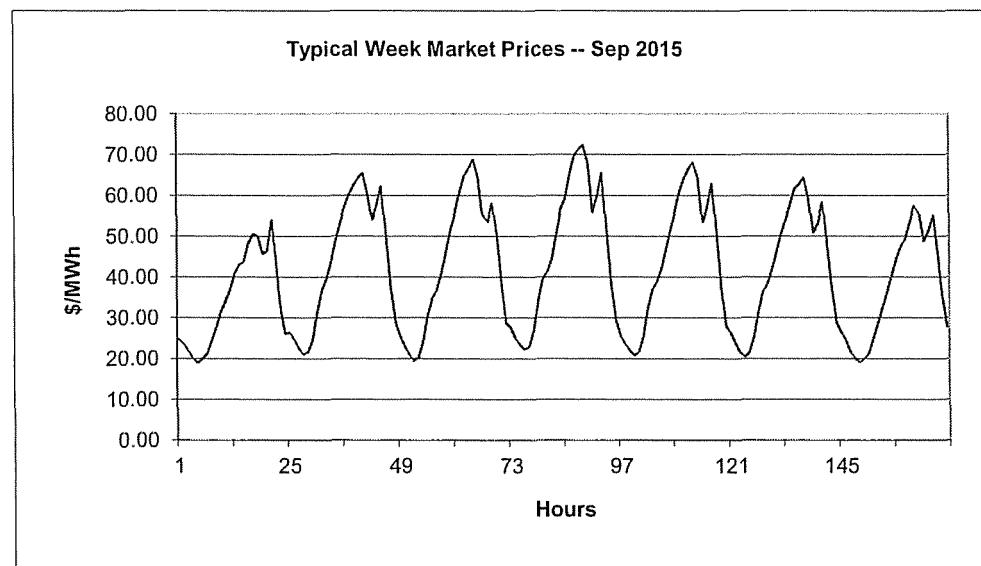
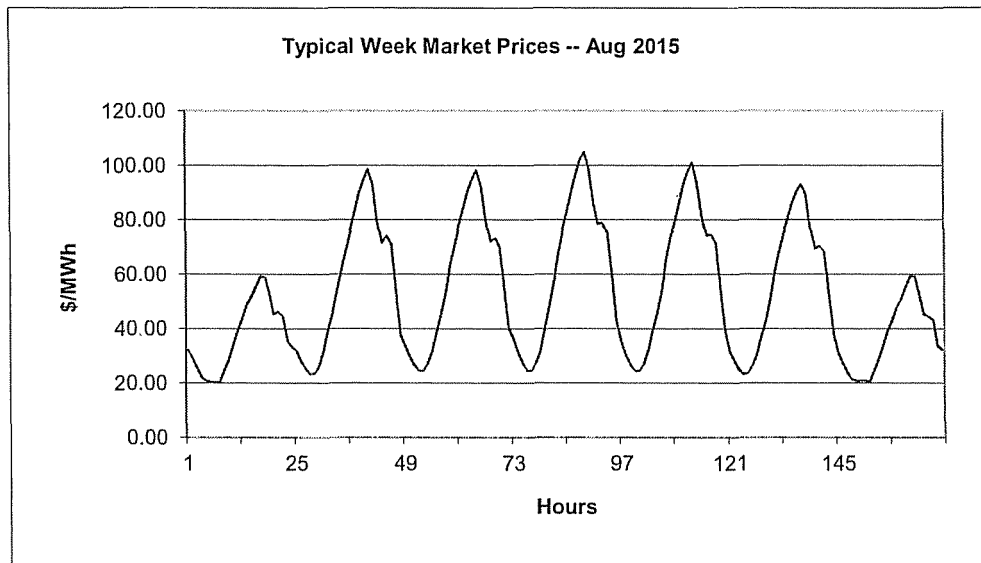
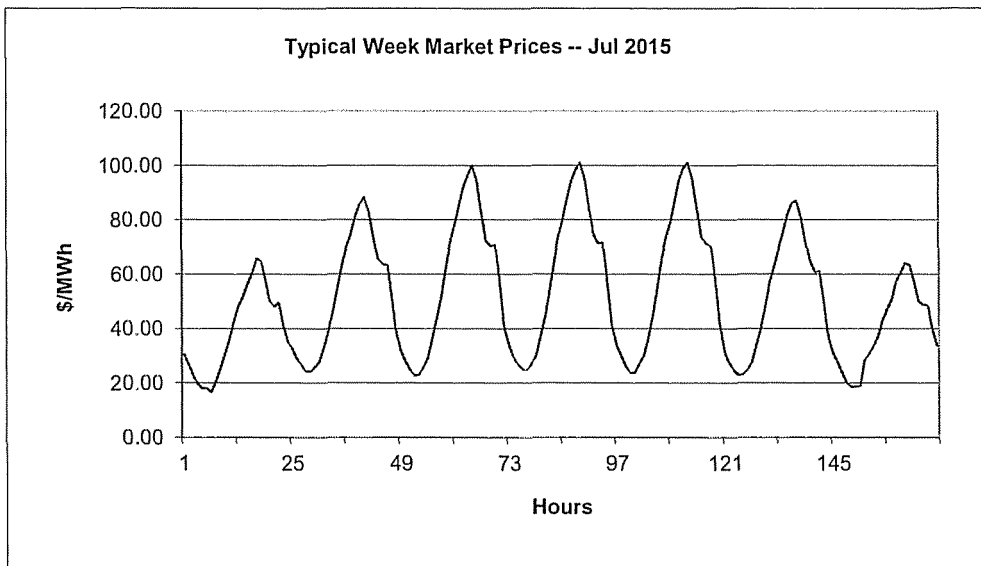


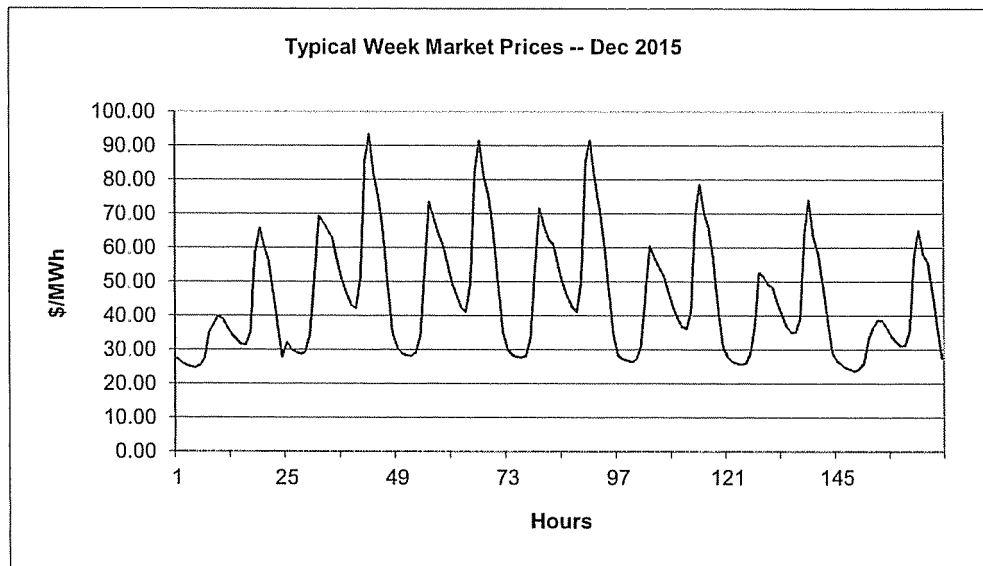
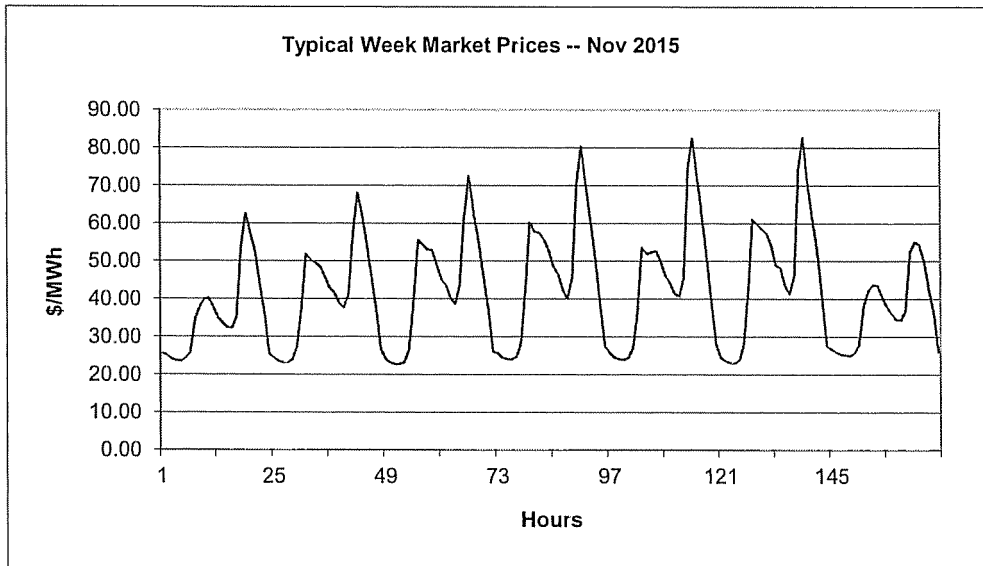
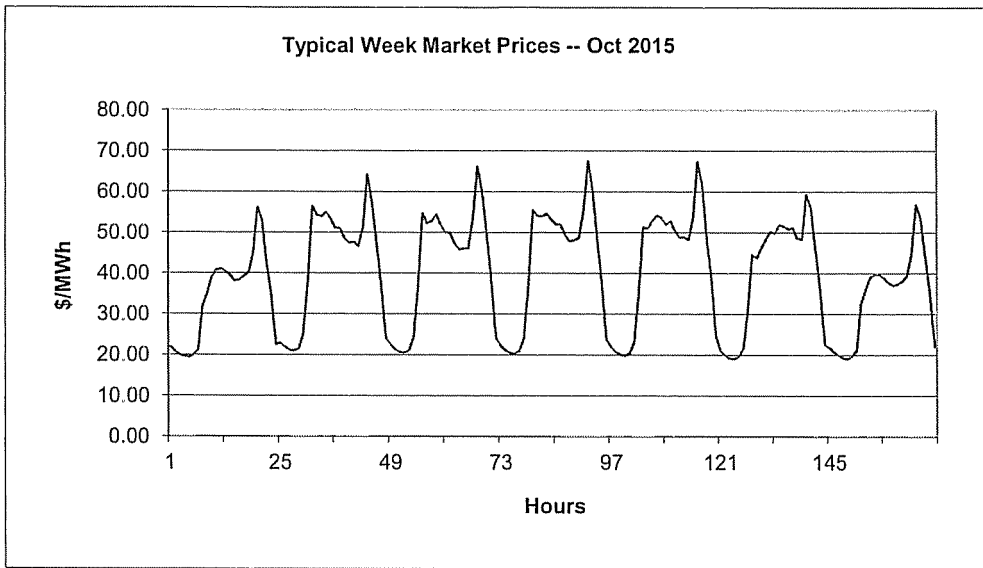












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18. Please refer to page 22, Table 1 of Mr. Hayet's testimony. Please provide the following information with respect to the table:

- (a) Please identify by publisher, date of publication of publication, and title all supporting documentation and source documents used or reviewed by Mr. Hayet to create the Strategist inputs for KIUC's revised commodity price forecasts (gas, coal, market and ICAP) that were the basis for KIUC's revised results found in Table 1.
- (b) Please provide, in electronic format if available, the supporting documentation and source documents identified in the response to subpart (a) of this request.
- (c) Please provide all tools used and step-by-step instructions for the process used to create the revised commodity price forecasts. The instructions should identify the tools, spreadsheets, tabs, and cell locations used.
- (d) Please provide in electronic format (.SAV or .FSV) all Strategist databases used to create the results found in Tables 1.
- (e) Please supply all tools used to extract data from Strategist and then enter that data into the spreadsheet(s) used to create Table 1. This could include

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templates, spreadsheets, programs, or Strategist Report Agent templates (.TPL files). The requested information should be provided electronically in native format, with formulas intact and visible, and no pasted values.

RESPONSE:

(a) Supporting documents used to create Strategist inputs are included as follows:

Source	File Name
KIUC work papers Data supplied by KPCO	KPCO 1-16 attachment a - FuelAnalysisNotesAndCalculations.xlsx
KIUC work papers Data supplied by KPCO	KPCO 1.17 attachment a Carb Adj RLIB RDAT Typ Week.xlsx
KIUC work papers Data supplied by KPCO	KPCO 1-18 attachment a - FuelAnalysis.xlsx
KIUC work papers Data supplied by KPCO	KPCO 1-18 attachment b - 2011_09_23 CarbAdj,etc. UPDATE 11_5_12.zHayetMod KIUC1-33.xlsx
EAI Annual Energy Outlook forecasts Data supplied by KPCO	KPCO 1-18 attachment c - EIA used for revised coal forecast.xlsx

For workpapers associated with the ICAP impairment inputs, see the response to KPCO 1-20a below.

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Mr. Hayet is the publisher of the files, and for each file, the date associated with the file is part of the properties of the file.

(b) See files attached.

(c) Commodity Forecasts Step by Step process for creation of the forecasts.

Gas Commodity Forecast Development Steps:

The natural gas price forecast development is found in the spreadsheet:

KPCO 1-18 attachment a - FuelAnalysis.xlsx, tab = grphdata

The table between columns C and I and the graph below the table indicates that KPCO's Base Henry Hub ("HH") and Dominion gas price forecasts are nearly identical. EIA Annual Energy Outlook forecasts have been pasted into the worktab between columns P and T, and graphs were created using that data and KPCO's HH commodity forecast data. Hayet Figure 1 compares the 2011 EIA Annual Energy Outlook HH Reference forecast to KPCO's HH Base forecast and that graph was included on page 14 of Mr. Hayet's testimony. The graph indicates that EIA's 2011 HH Reference forecast, and the Company's HH Base commodity gas forecast are very close and in fact indicates that the EIA 2011 forecast could substitute as a reasonable proxy for the commodity forecast that the Company derived.

An additional analysis was performed in the spreadsheet:

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KPCO 1-18 attachment b - 2011_09_23 CarbAdj,etc. UPDATE 11_5_12.zHayetMod.KIUC1-33.xlsx

From the analysis that was performed in that spreadsheet between columns A and AA, additional evidence was developed to prove that there was little difference between KPCO's monthly Henry Hub gas price forecast and its monthly Dominion gas price forecast. Cell K247 indicates the average monthly difference is less than .8% different and cell AA29 indicates that the annual average basis differential between the two forecasts is only .08 \$/MBTU, which again is a very small amount. These analyses prove that the 2011 EAI reference HH forecast not only is a good proxy for KPCO's Base forecast, but also for KPCO's Dominion forecast.

Hayet Figure 2 found in KPCO 1-18 attachment a - FuelAnalysis.xlsx, compares the 2011 EIA reference HH forecast to the most current 2013 EIA reference HH forecast. Based on the relationship of EAI's natural gas forecast to KPCO's forecast, Mr. Hayet computed a ratio of EIA's 2013 forecast to EIA's 2011 forecast, and applied that ratio to the KPCO's gas prices modeled in Strategist (See attachment a, columns V through AH).

Market Price Commodity Forecast Development Steps:

See KPCO 1-16 attachment a - FuelAnalysisNotesAndCalculations.xlsx

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The Dominion forecast, swing adder, AEP On-Peak and Off-Peak Gen Hub data was taken from KPCO's Commodity Fuel data response provided in KPSC 1 -29 in the file named:

Price_Forecast_Nominal_FTCA_CSAPR_2011_09_23.xlsx
which was identical to Weaver Exhibit SCW-3.

The graph produced in the attachment a file was developed using the PAST software. (See also response KPSC 1-16 above). The statistical graphs were developed in PAST using the inputs from columns D, I and J and the output from PAST was pasted in to the spreadsheet. The graphs prove there is a nearly a linear relationship between fuel prices and market prices. If a strict linear relationship were observed, an average annual scale factor of 70% could be used to scale KPCO's original market price forecast to derive KIUC's adjusted market price forecast consistent with the EIA 2013 HH natural gas price forecast. For the sake of being conservative, a 77% scale factor was used, which is consistent with the annual average scale factor found in KPCO 1-18 attachment a - FuelAnalysis.xlsx, tab = grphdata, cell V42.

The spreadsheet:

KPCO 1.17 attachment a.Carb Adj RLIB RDAT Typ Week.xlsx
uses the 77% scale factor in tab OrigTypWk near the cell FZ44.

The ultimate forecasts found in tabs RLIB_P and RLIB_S were loaded into Strategist and are included in the .SAV files discussed below.

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Coal Price Commodity Forecast Development Steps:

Coal Price Calculations are found within:

KPCO 1-18 attachment c - EIA used for revised coal forecast.xlsx

The graph in Hayet Figure 5 was computed from the tab InterRatio&APP Graph. The graph compares Nominal 2011 and 2013 EIA Annual Energy Outlook Minemouth coal prices.

The worktab CAPP-NAPP Ratios was used to compare KPCO's Base coal forecasts to EIA's 2011 forecasts for both CAPP and NAPP (See rows 10 -13). The same worktab was used to develop ratios that were used to adjust KPCO's 2011 coal price forecasts to be consistent with EIA's most current 2013 coal forecast. See columns 37 and 38 for the factors derived for CAPP and NAPP coal. Adjustment factors for Interior coal was derived in the worktab InterRatio&APP Graph (See rows 66 - 69).

Ultimately, the updated coal forecasts were developed in the worktab:

UpdatedCoalForecast

KPCO's original coal prices that had been pasted into Strategist were copied in cells A6 through F35 for the Big Sandy, Mitchell and Rockport coal types. Mr. Hayet applied a CAPP scale

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factor to adjust the Big Sandy coal type, a NAPP scale factor to adjust the Mitchell coal type, and an interior scale factor to adjust the Rockport coal type. The adjusted coal prices that were input into Strategist are found in cells AD to AI 35.

ICAP Capacity Market Prices

For a discussion of the development of ICAP Capacity Market Prices, see the response to KPCO 1-20 c below.

Additional information regarding the data incorporated in each run is included in Tables 1, 2 and 3 in Mr. Hayet's testimony.

(d) .SAV and .REP files for all Strategist runs that were referenced in Mr. Hayet's Testimony in Table 1 are listed in the following table. The .SAV and .REP files are found within the folder KPCO 1-18/Strat Results/Table1. NPV files are also being supplied in the same folder. Additional information regarding the runs is included in the table found in Mr. Hayet's testimony. Note that KPCO Case 6 is not being provided as it was part of the files supplied by KPCO.

Row in Table 1	Strategist Naming Convention for .SAV and .REP files	NPV Files Naming Convention
1	KPCO Case 6	KPCO Case 6
2	Run11R15	Run11R15.NPV.xls
3	Run11R15	Run11R15.revICAP.NPV.xls
4	Run11R9	Run11R9.NPV.xls
5	Run11R12	Run11R12.NPV.xls

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6	Run11R12	Run11R12.revICAP.NPV.xls
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(e) Data were extracted from Strategist by directly copying the outputs and pasting them into the appropriate NPV files.

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19. Please refer to page 25, Table 2 of Mr. Hayet's testimony. Please provide the following information with respect to the table:

- (a) Please identify by publisher, date of publication of publication, and title all supporting documentation and source documents used or reviewed by Mr. Hayet to create the Strategist inputs for KIUC's revised commodity price forecasts (gas, coal, market and ICAP) that were the basis for KIUC's revised results found in Table 2.
- (b) Please provide, in electronic format if available, the supporting documentation and source documents identified in the response to subpart (a) of this request.
- (c) Please provide all tools used and step-by-step instructions for the process used to create the revised commodity price forecasts. The instructions should identify the tools, spreadsheets, tabs, and cell locations used.
- (d) Please provide in electronic format (.SAV or .FSV) all Strategist databases used to create the results found in Tables 2.
- (e) Please supply all tools used to extract data from Strategist and then enter that data into the spreadsheet(s) used to create Table 2. This could include

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templates, spreadsheets, programs, or Strategist Report Agent templates (.TPL files). The requested information should be provided electronically in native format, with formulas intact and visible, and no pasted values.

RESPONSE:

- (a) Please refer to the response to KPCO 1-18a.
- (b) Please refer to the response to KPCO 1-18b.
- (c) Please refer to the response to KPCO 1-18c.

(d) .SAV and .REP files for all strategist runs that were referenced in Mr. Hayet's Testimony in Table 2 are listed in the following table. The .SAV and .REP files are found within the folder KPCO 1-18/Strat Results/Table 2. NPV files are also being supplied in the same folder. Additional information regarding the runs is included in the table found in Mr. Hayet's testimony. Note that KPCO Case 6 is not being provided as it was part of the files supplied by KPCO.

Row in Table 2	Strategist Naming Convention for .SAV and .REP files	NPV Files Naming Convention
1	KPCO Case 6	KPCO Case 6
2	Run11R37	Run11R37.NPV.xls

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3	Run11R37	Run11R37.NPV.ICAP.xls
4	Run11R9	Run11R9.NPV.xls
5	Run11R38	Run11R38.NPV.xls
6	Run11R38	Run11R38.NPV.ICAP.xls

(e) Data were extracted from Strategist by directly copying the outputs and pasting them into the appropriate NPV files.

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20. Please refer to page 27, Table 3 of Mr. Hayet's testimony. Please provide the following information with respect to the table:

- (a) Please identify by publisher, date of publication of publication, and title all supporting documentation and source documents used or reviewed by Mr. Hayet to create the Strategist inputs for KIUC's revised commodity price forecasts (gas, coal, market and ICAP) that were the basis for KIUC's revised results found in Table 3.
- (b) Please provide, in electronic format if available, the supporting documentation and source documents identified in the response to subpart (a) of this request.
- (c) Please provide all tools used and step-by-step instructions for the process used to create the revised commodity price forecasts. The instructions should identify the tools, spreadsheets, tabs, and cell locations used.
- (d) Please provide in electronic format (.SAV or .FSV) all Strategist databases used to create the results found in Tables 3.
- (e) Please supply all tools used to extract data from Strategist and then enter that data into the spreadsheet(s) used to create Table 3. This could include

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templates, spreadsheets, programs, or Strategist Report Agent templates (.TPL files). The requested information should be provided electronically in native format, with formulas intact and visible, and no pasted values.

RESPONSE:

- (a) The files that were used to develop assumptions for the cases included in Table 3 are as follows:

Source	File Name
KIUC – work papers Data supplied by KPCO	KPCO 1-20 attachment a - Mitchell-ImpairmentAnalysis.xlsx
KIUC – work papers	KPCO 1-20 attachment b - CarbonAdjusted RLIB_RDAT Typ Week. Impairment.xlsx
KIUC – work papers (Data supplied by KPCO)	KPCO 1-20 attachment c - ML12 Transfer STRAT INPUT DATA4.OrigModel.Impair Results.xls

- (b) The documents described in 1-20a are found in the folder named KPCO 1-20.
- (c) The following provides Step by Step instructions for the creation of commodity assumptions used in the cases found in Table 3.

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Gas Commodity Forecast:

KPCO base commodity forecast

Coal Commodity Forecast

KPCO's base commodity coal forecast was used for all fuels except for Mitchell. The coal forecast for Mitchell was derived from the generation cost information that was supplied in the Company's Impairment Analysis (KPCO response to KIUC 2-55). The file:

KPCO 1-20 attachment a - Mitchell-ImpairmentAnalysis.xlsx

contains the analyses Mr. Hayet used to develop the coal price inputs used in Strategist. The worktabs in the spreadsheet identified as Mitchell 1 and Mitchell 2 were the source of the information used in Mr. Hayet's study. For convenience in entering Mitchell data, Mr. Hayet combined the Impairment Study's fuel cost and variable O&M, and a heat rate adjustment into a single fuel cost input for the Mitchell units. Separate inputs were derived for the Mitchell 1 and Mitchell 1 and 2 fuel costs. Since variable O&M was entered as part of the fuel cost input, Mr. Hayet set the variable O&M for Mitchell 1 and 2 to zero. See the fuel and Var O&M row number 50 in the Mitchell 1 and Mitchell 2 tabs, and see columns A through Z in the Inputs tab. See also the Heat Rate Notes tab concerning the heat rate adjustment.

Market Energy Prices:

Market energy prices were also derived from:

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KPCO 1-20 attachment a - Mitchell-ImpairmentAnalysis.xlsx

See row 18 in the Mitchell 1 and 2 worktabs, and the MarketPrices worktab. A scale factor was derived at cell P24 in the Market Prices worktab that was used to create a revised market price forecast. The revised market price forecast was created in the file:

KPCO 1-20 Attachment b - CarbonAdjusted RLIB_RDAT Typ Week. Impairment.xlsx

The scale factor was used in tab OrigTypWk at cell GH44, and it resulted in the creation of new hourly market energy cost inputs in worktabs RLIB_P, and RLIB_S. Those inputs were entered into the appropriate Strategist database. New emergency energy costs are found in tab RDAT_P beginning at cell L19.

Market Capacity Prices:

Market capacity prices were also derived from:

KPCO 1-20 attachment a - Mitchell-ImpairmentAnalysis.xlsx

See row 18 in the Mitchell 1 and Mitchell 2 worktabs, and the MarketPrices worktab. The inputs to the NPV spreadsheet used for the Market Capacity costs are found beginning at cell D28.

Other Inputs:

Fixed O&M and Capital Expenditures were also derived from:

KPCO 1-20 attachment a - Mitchell-ImpairmentAnalysis.xlsx

COMMONWEALTH OF KENTUCKY
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IN THE MATTER OF:

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

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See rows 29 and 33 in the Mitchell 1 and 2 worktabs, columns AB - AF in the Inputs worktab, and the entire FixedCosts worktab.

The file:

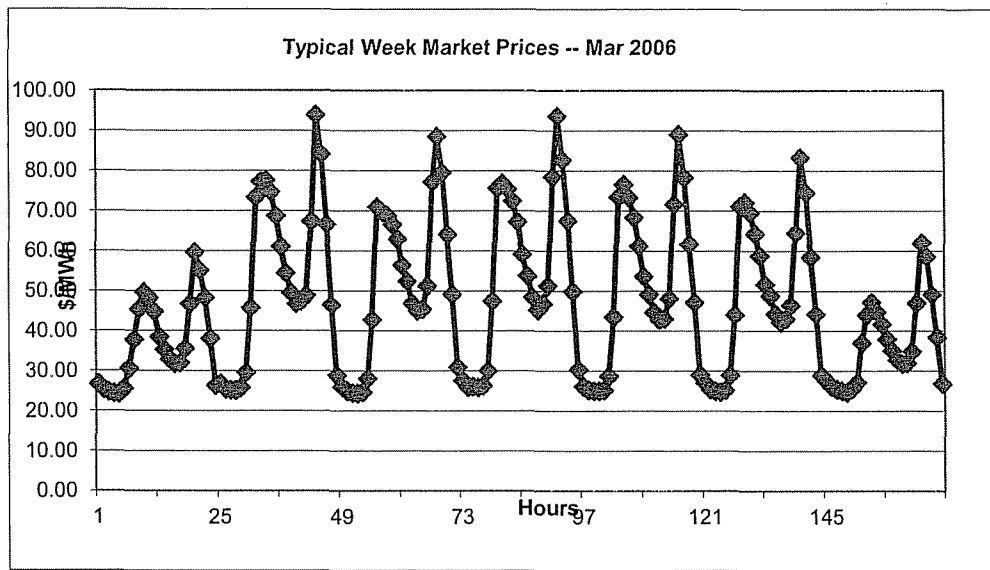
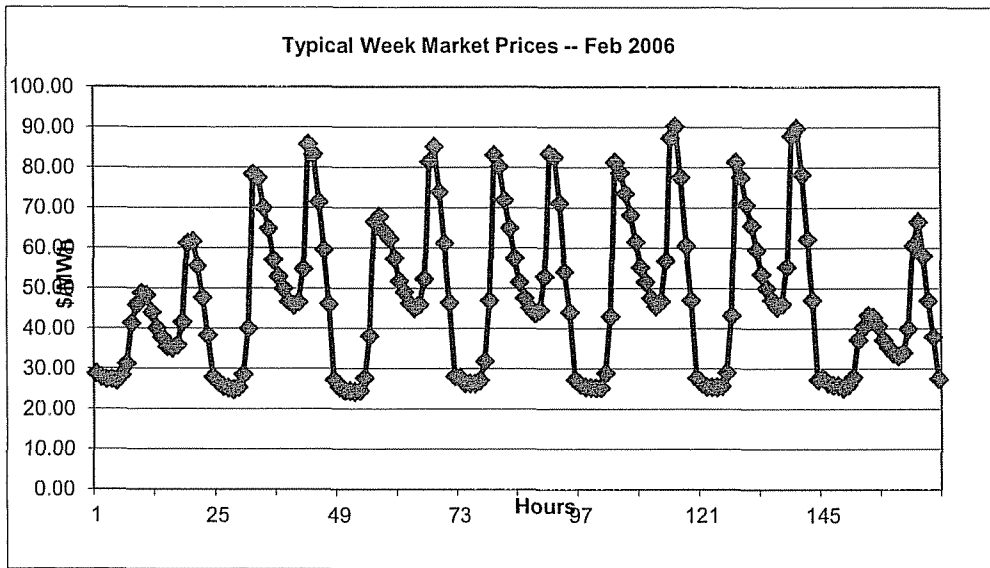
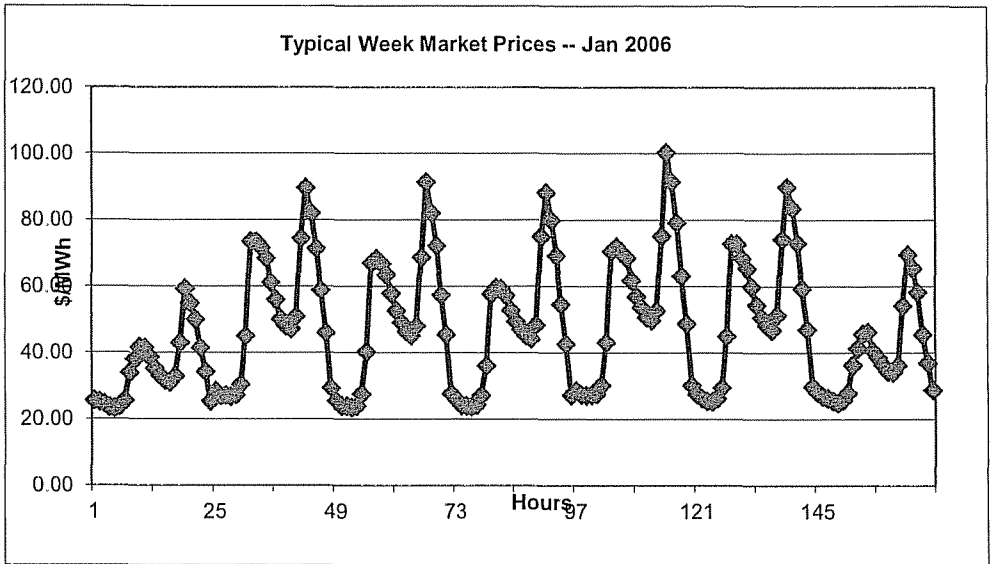
KPCO 1-20 attachment c - ML12 Transfer STRAT INPUT DATA4.OrigModel.Impair Results.xls

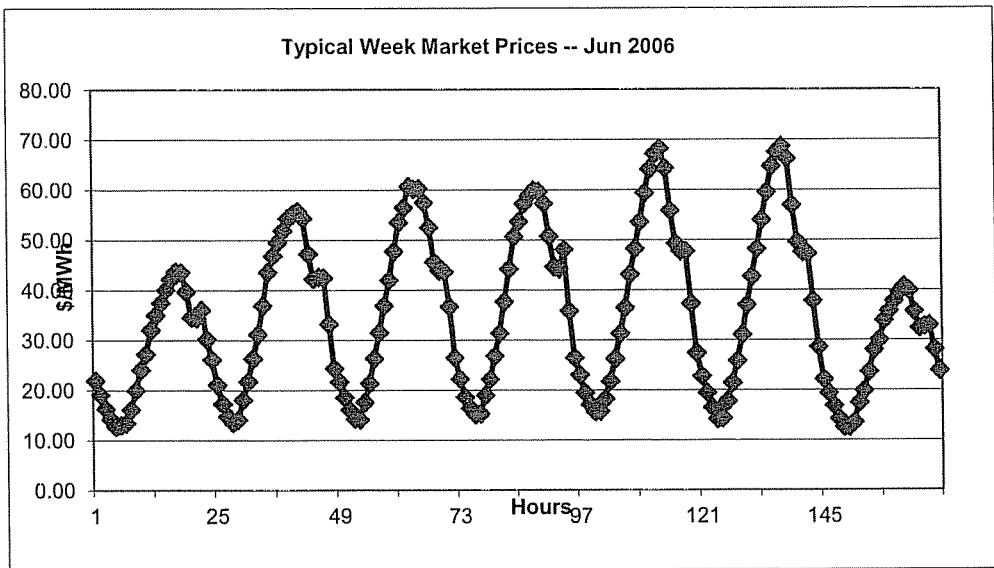
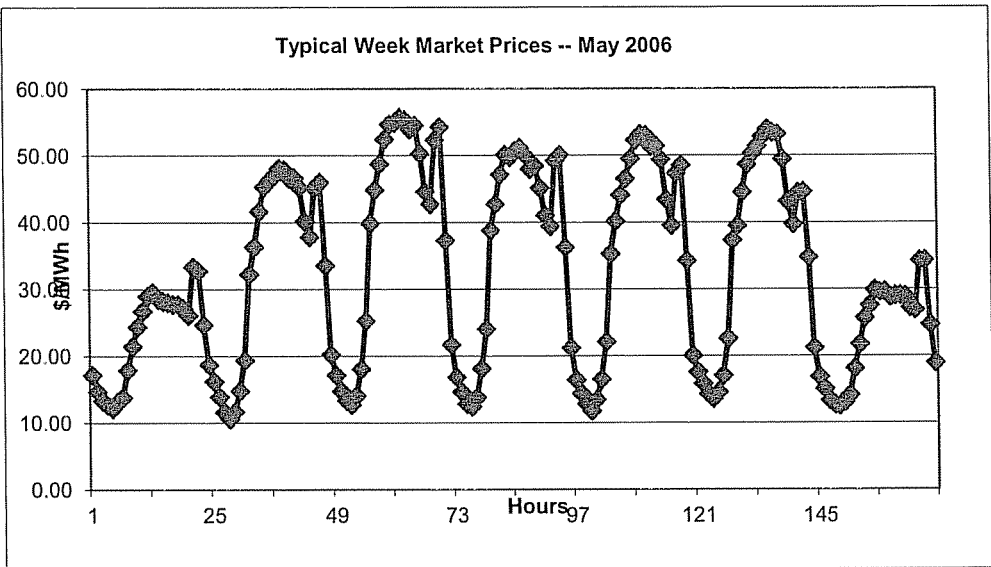
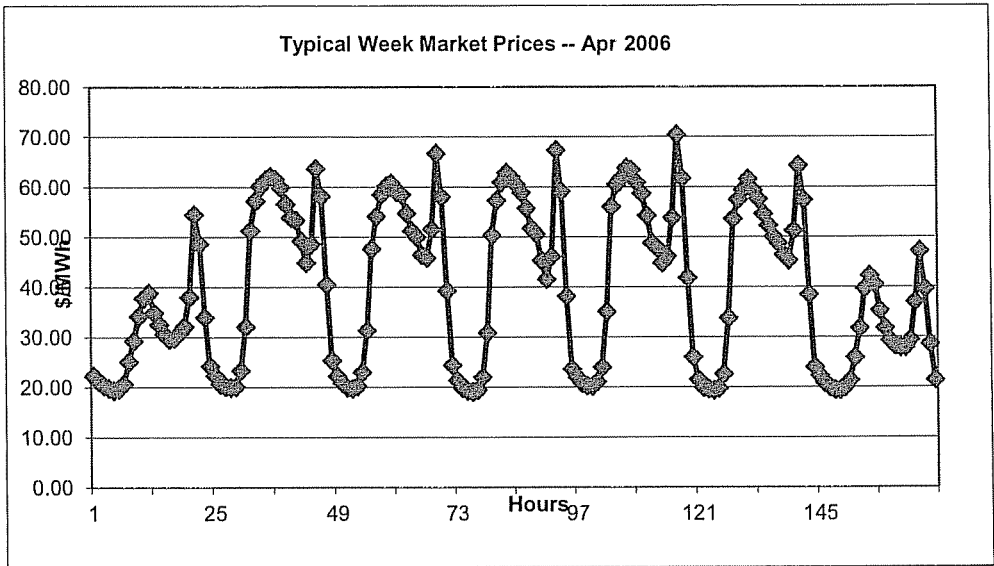
was used to develop the revenue requirement inputs that were loaded into Strategist in the Fixed Costs (\$000/YR) input.

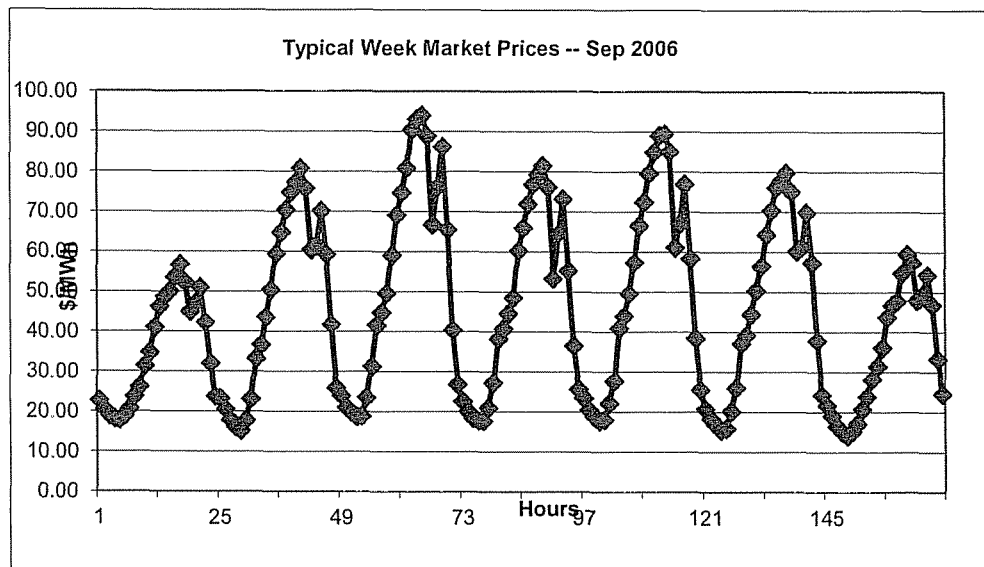
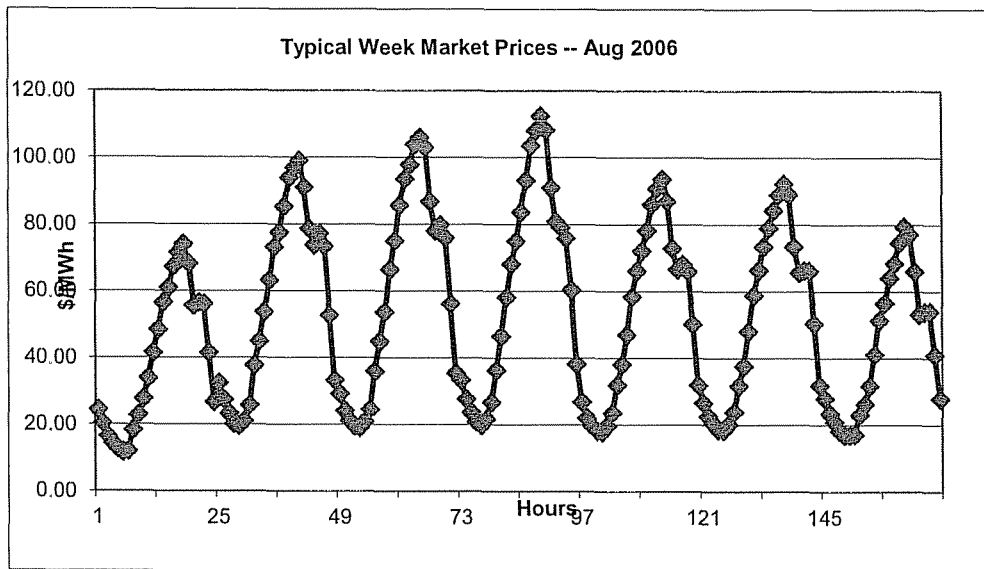
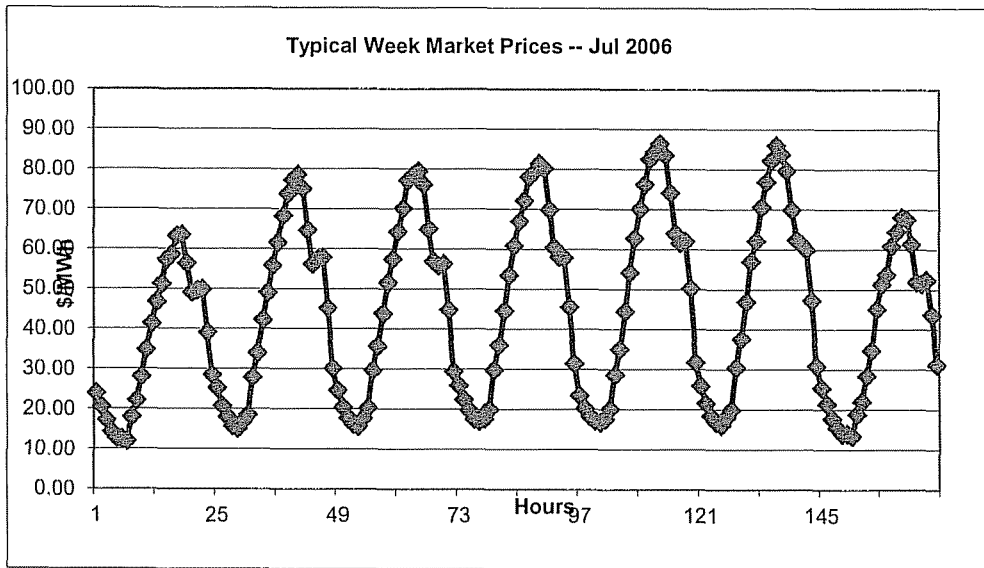
(d) .SAV and .REP files for all strategist runs that were referenced in Mr. Hayet's Testimony in Table 3 are listed in the following table. The .SAV and .REP files are found within the folder KPCO 1-18/Strat Results/Table 3. NPV files are also being supplied in the same folder. Additional information regarding the runs is included in the table found in Mr. Hayet's testimony.

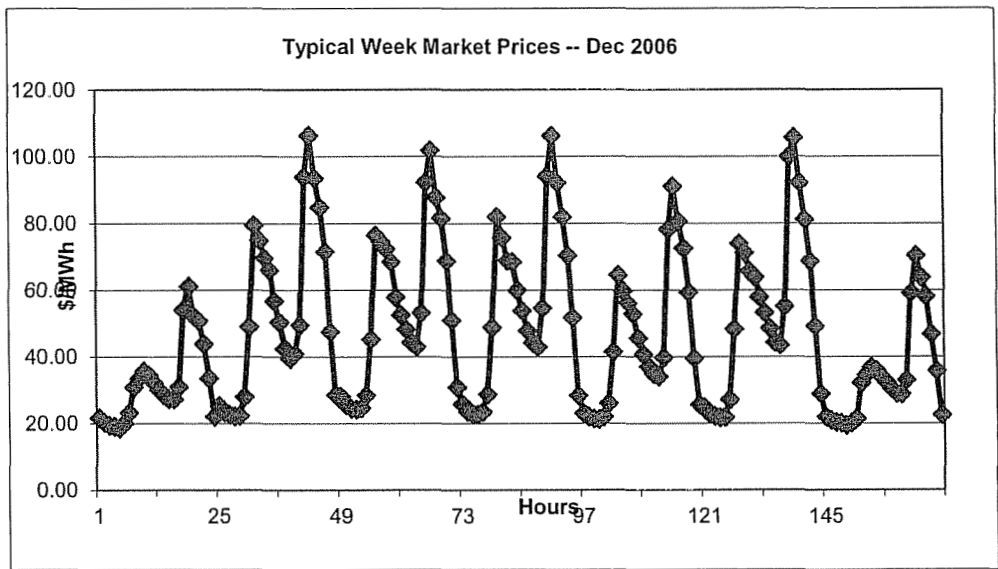
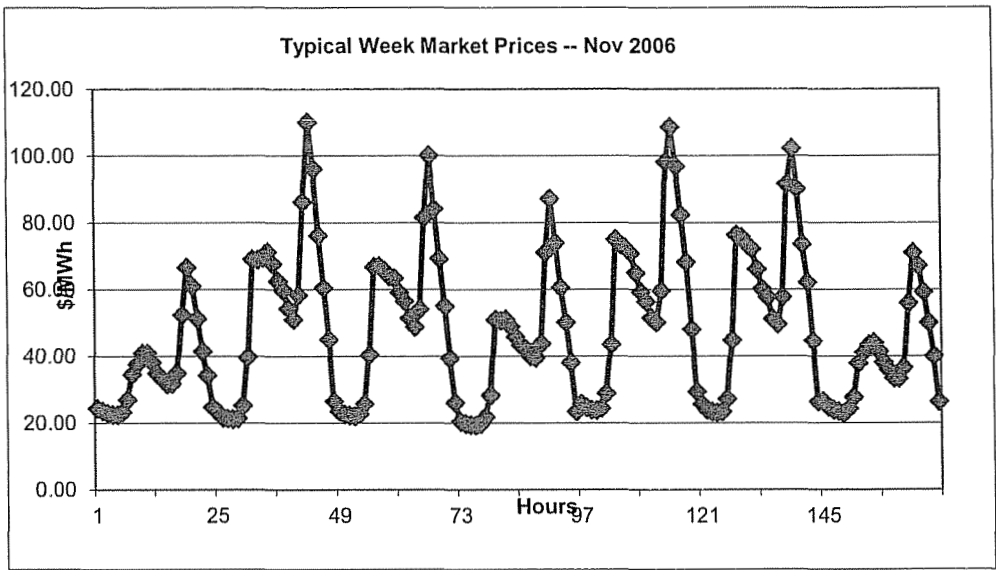
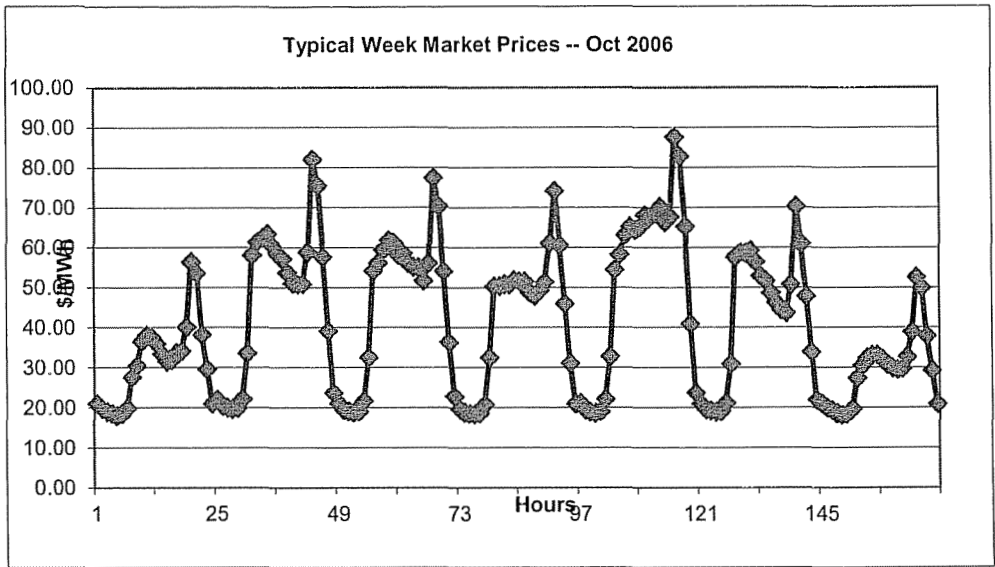
Row in Table 3	Strategist Naming Convention for .SAV and .REP files	NPV Files Naming Convention
1	Run11R20	Run11R20.NPV.xls
2	Run11R20a	Run11R20a.NPV.xls

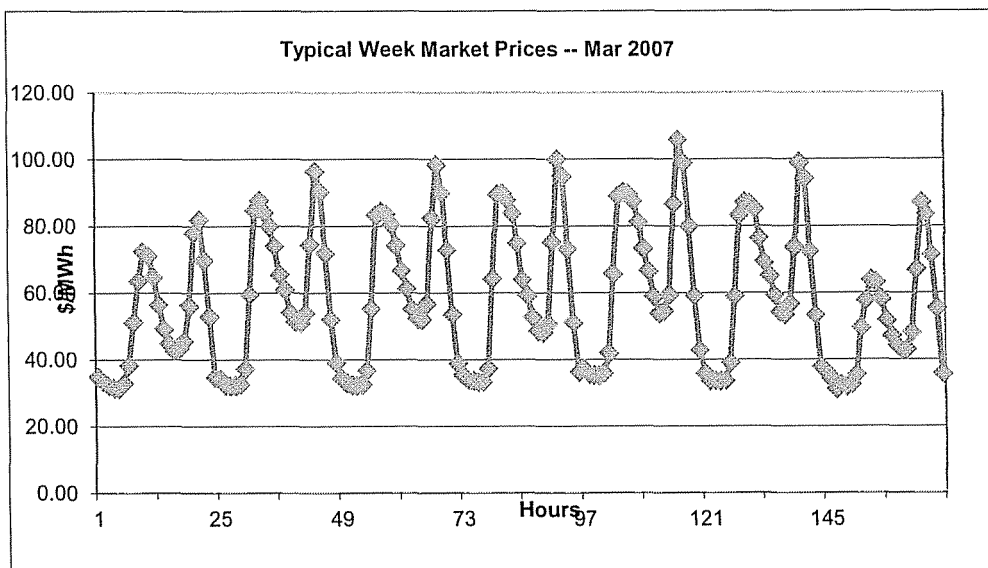
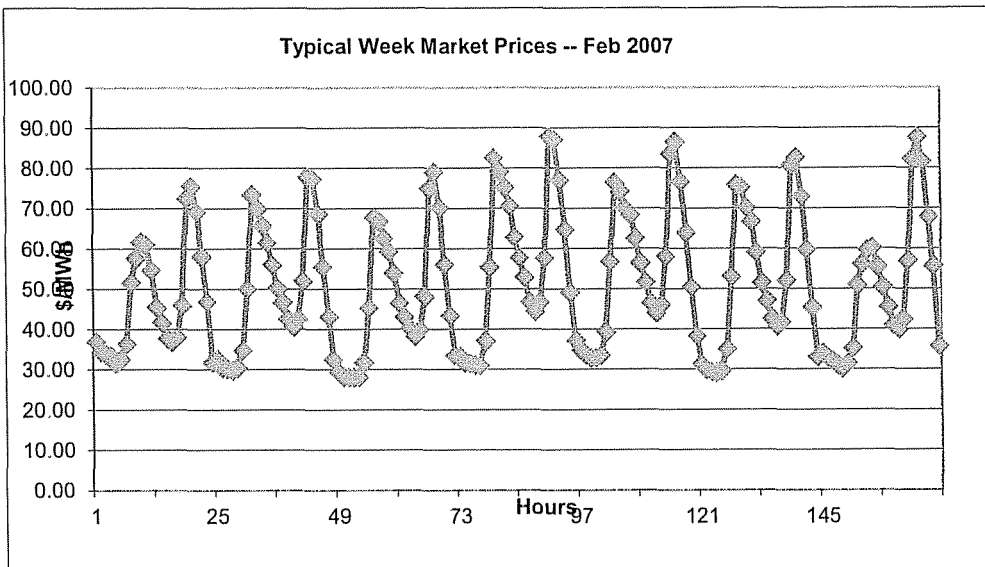
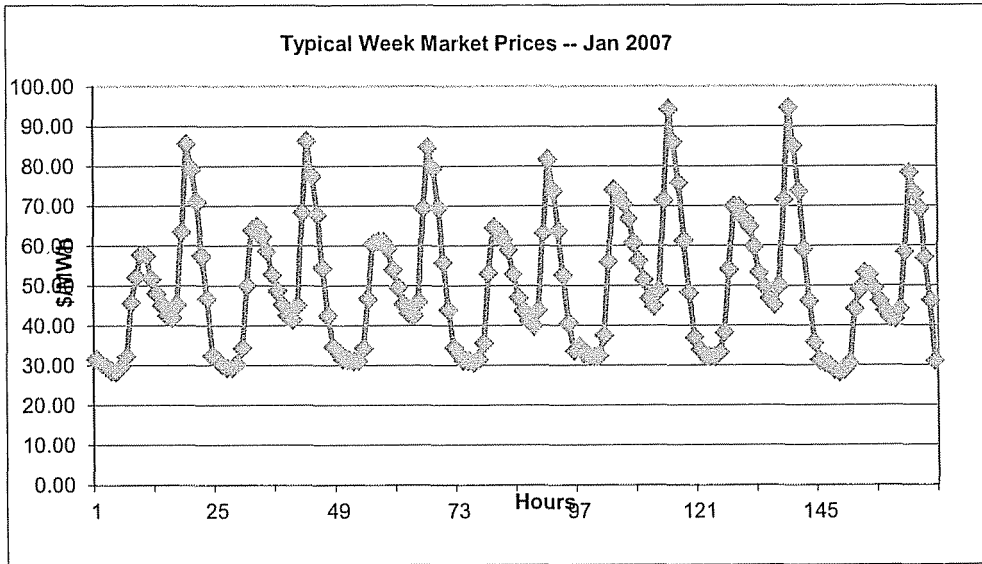
(e) Data were extracted from Strategist by directly copying the outputs and pasting them into the appropriate NPV files.







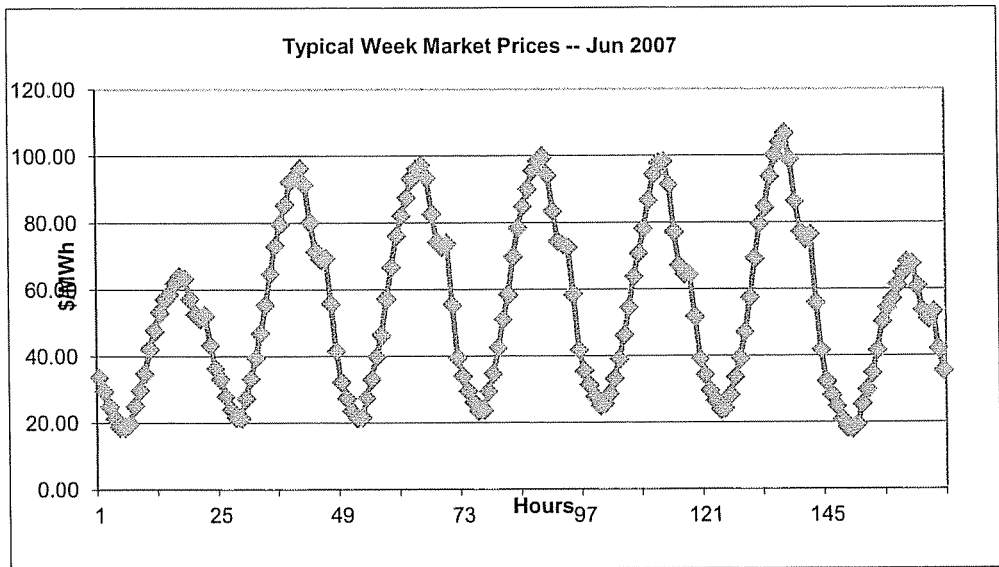
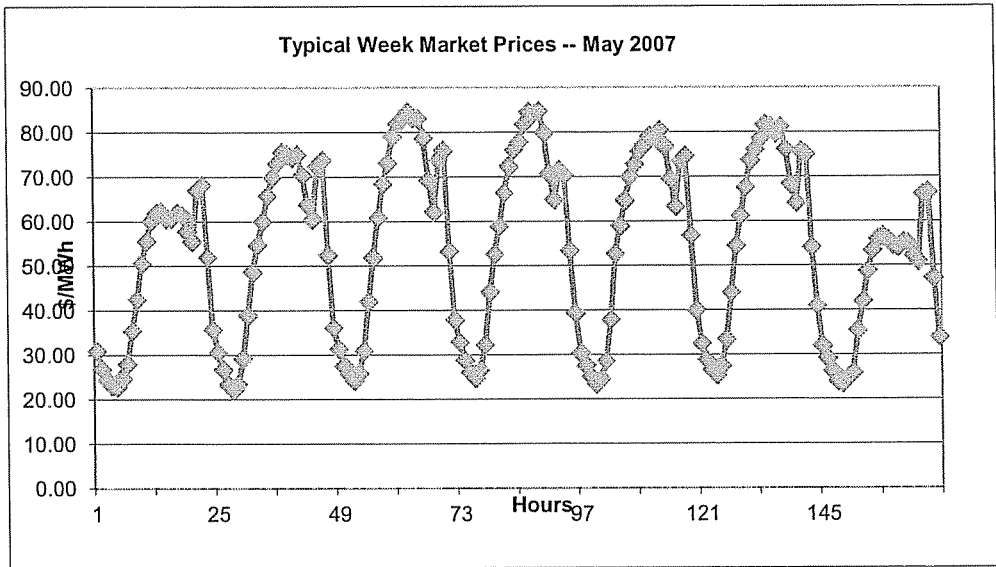
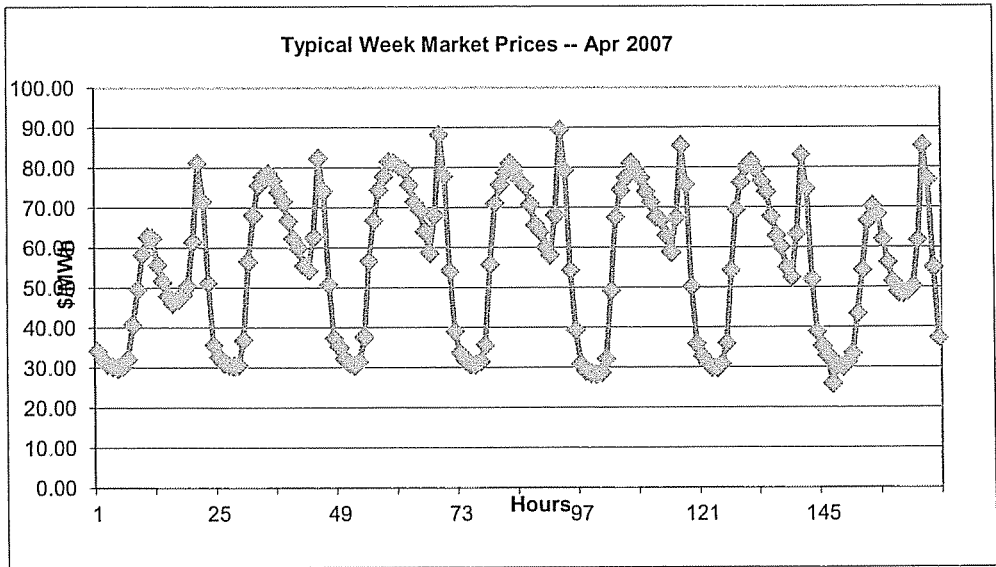


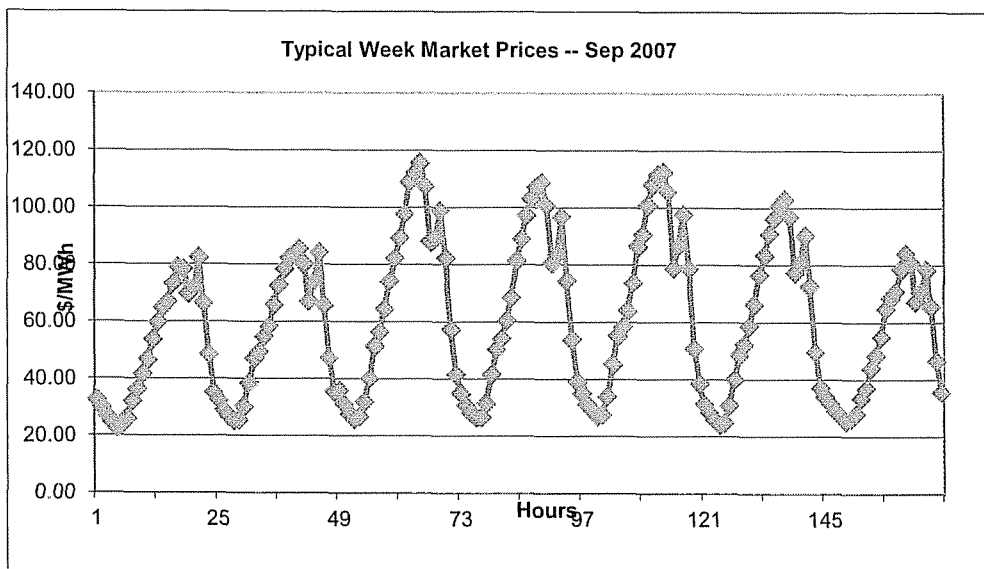
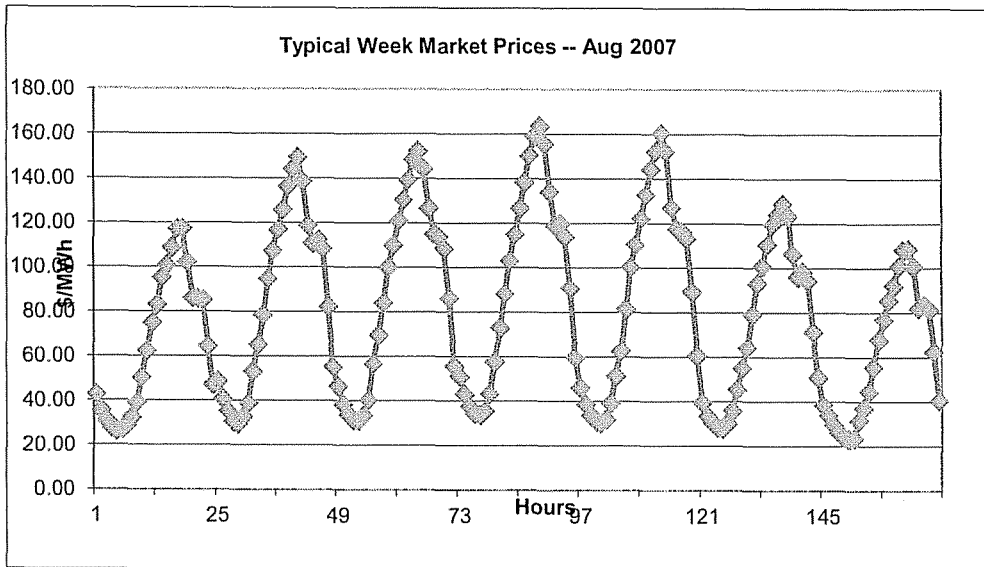
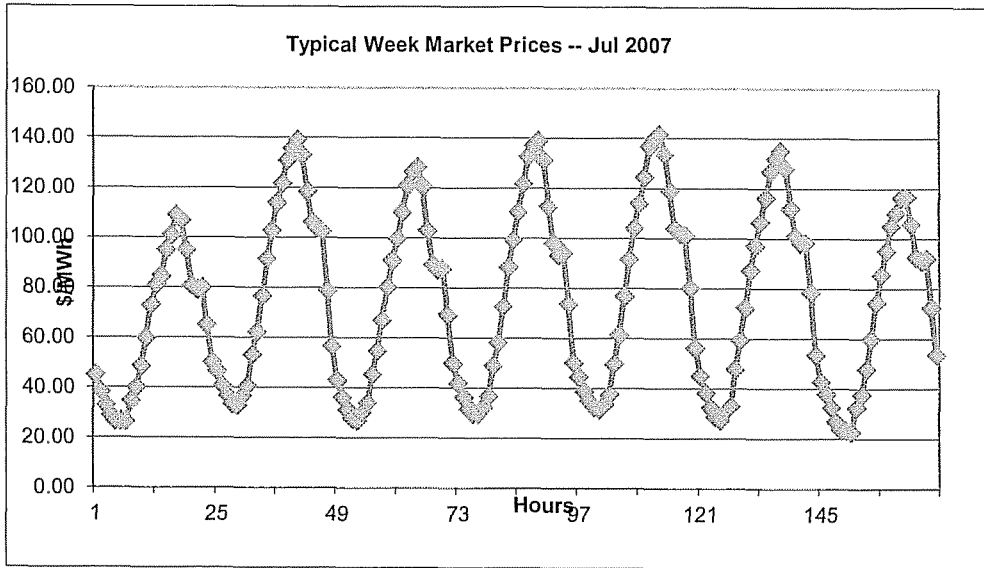


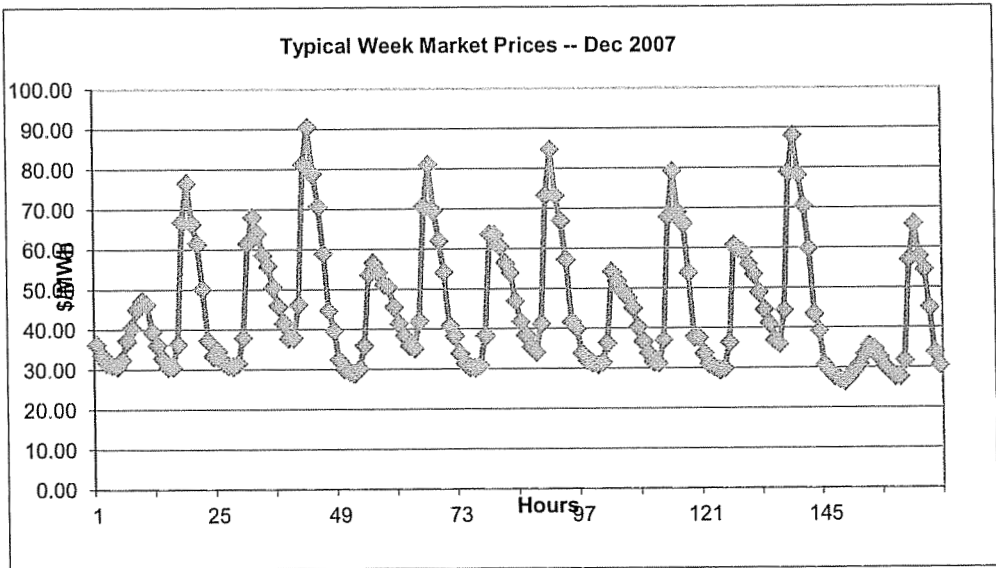
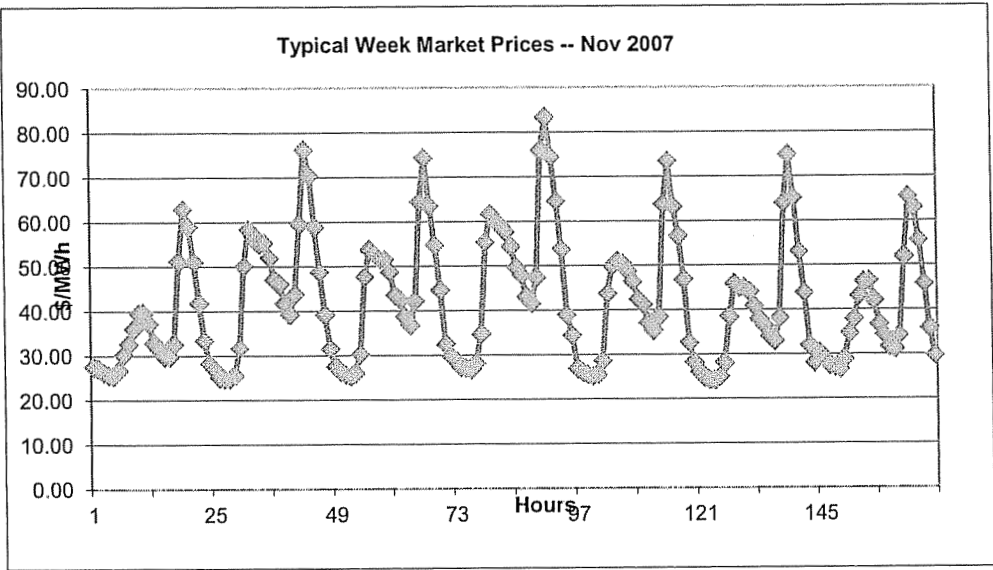
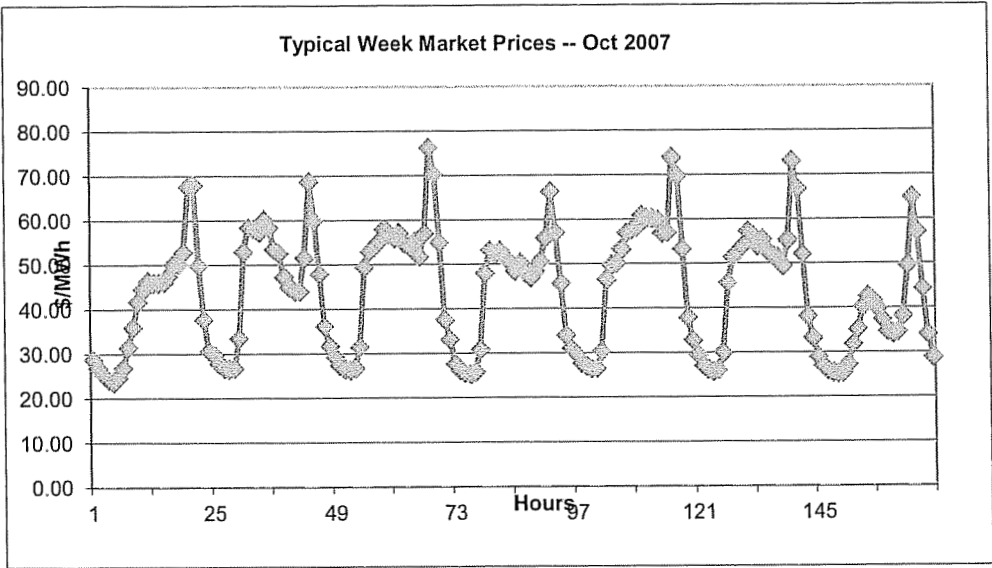
Resource Planning Operational Analysis

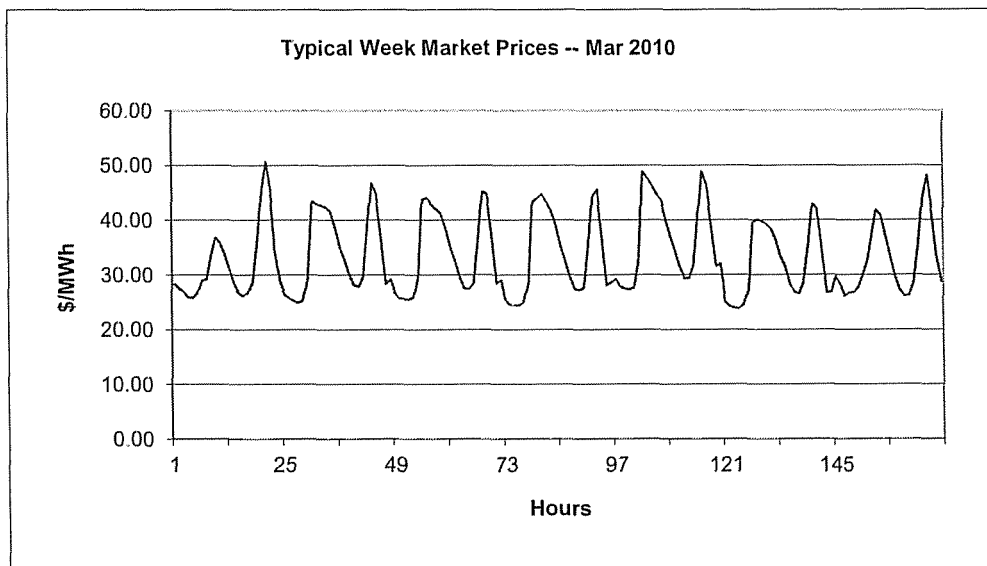
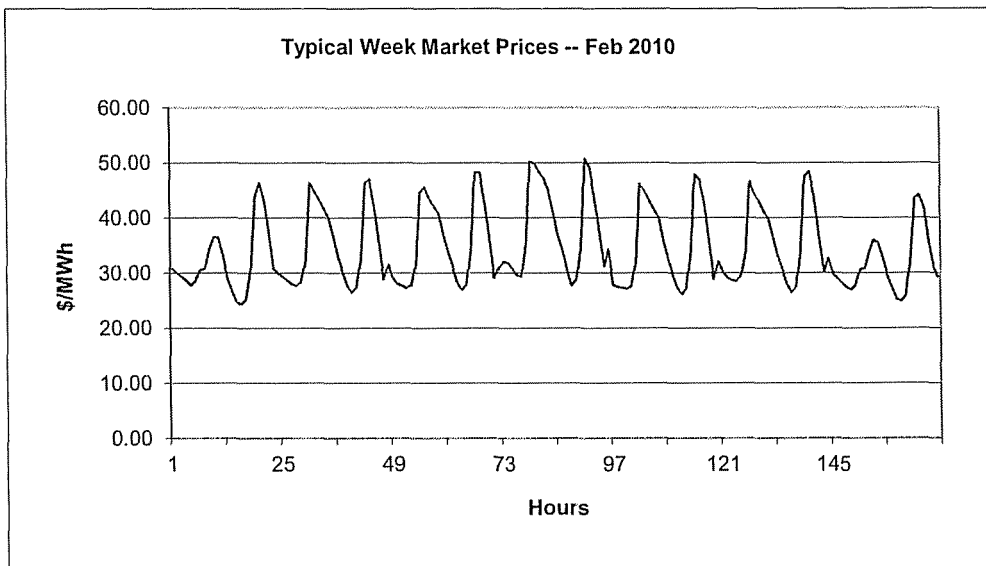
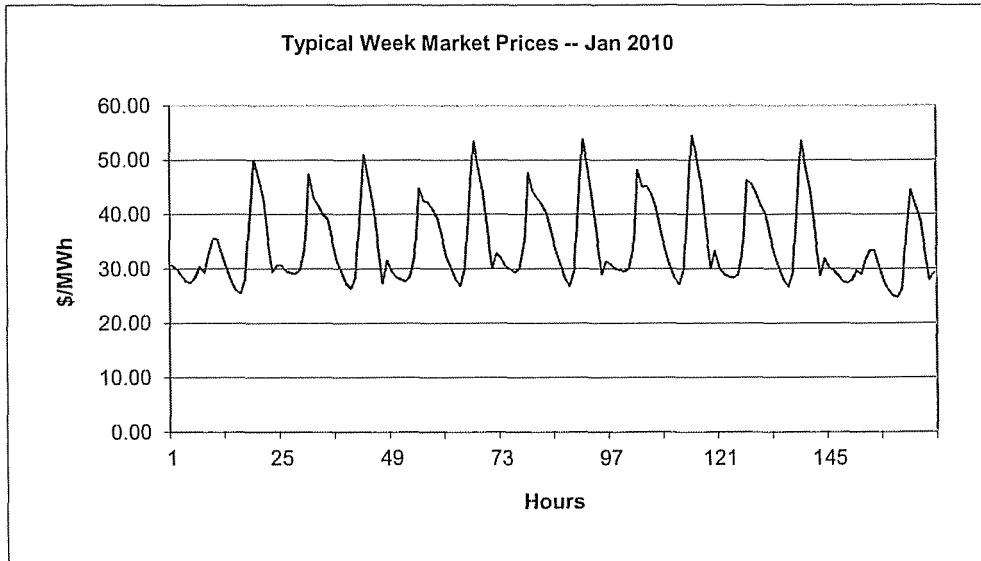
October 4, 2007

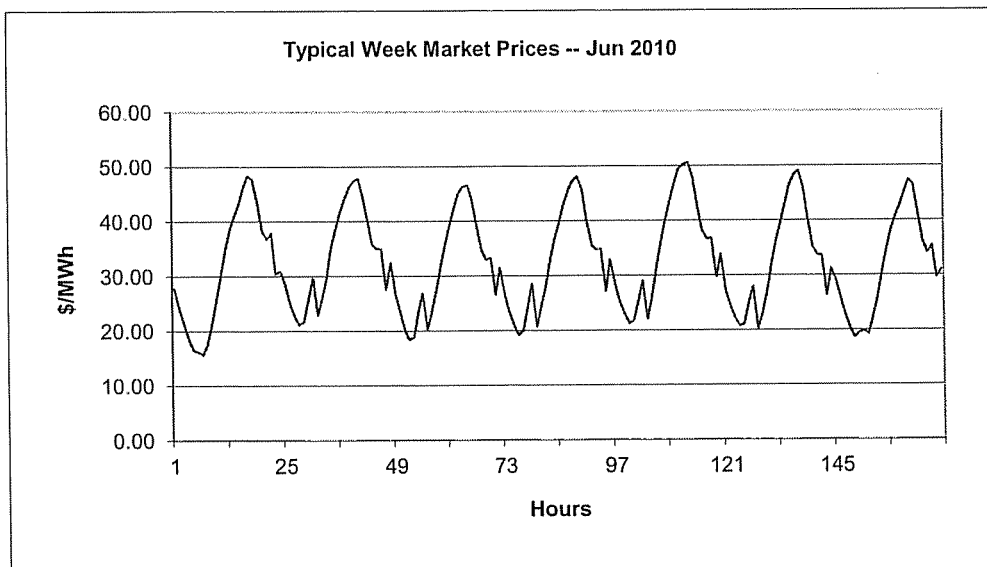
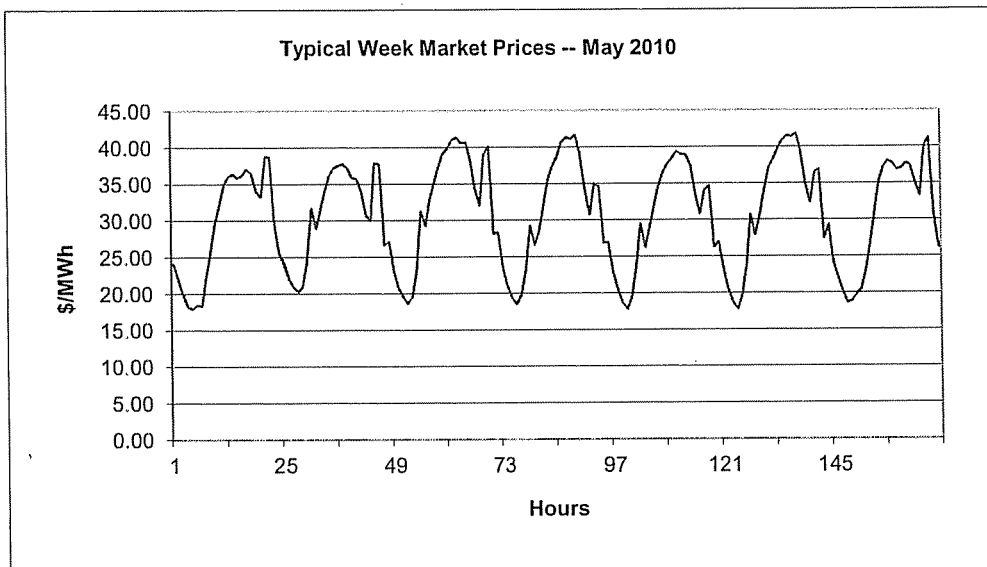
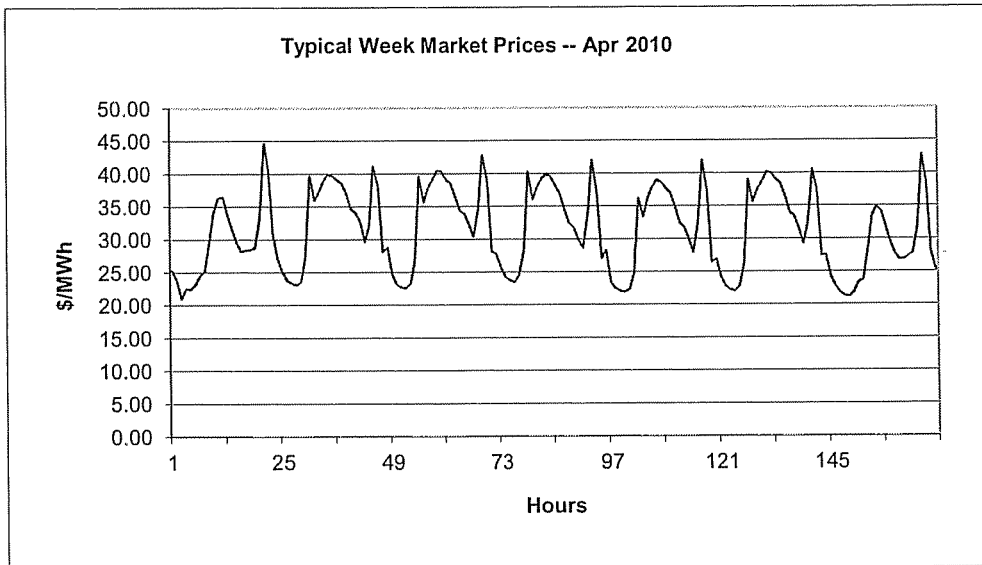
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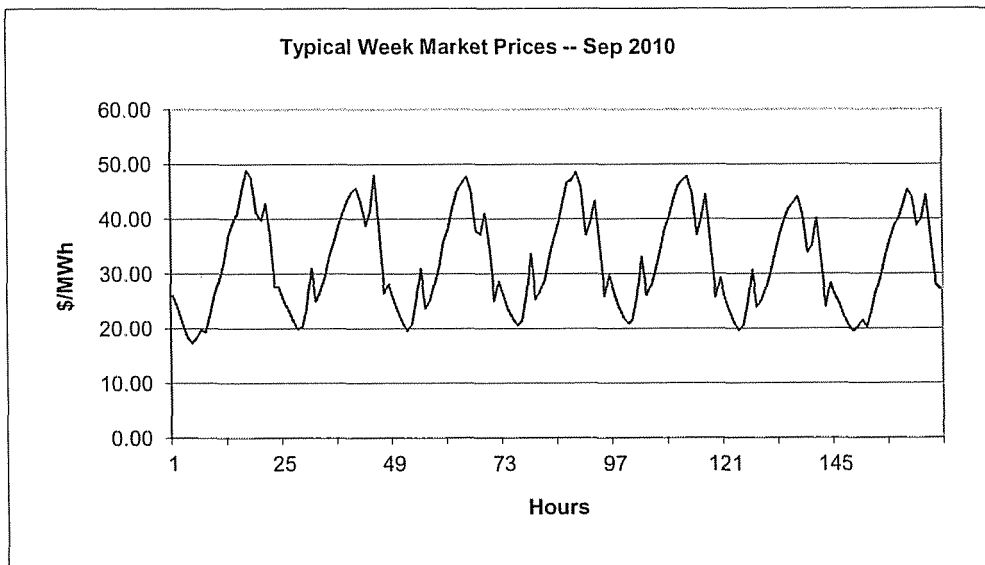
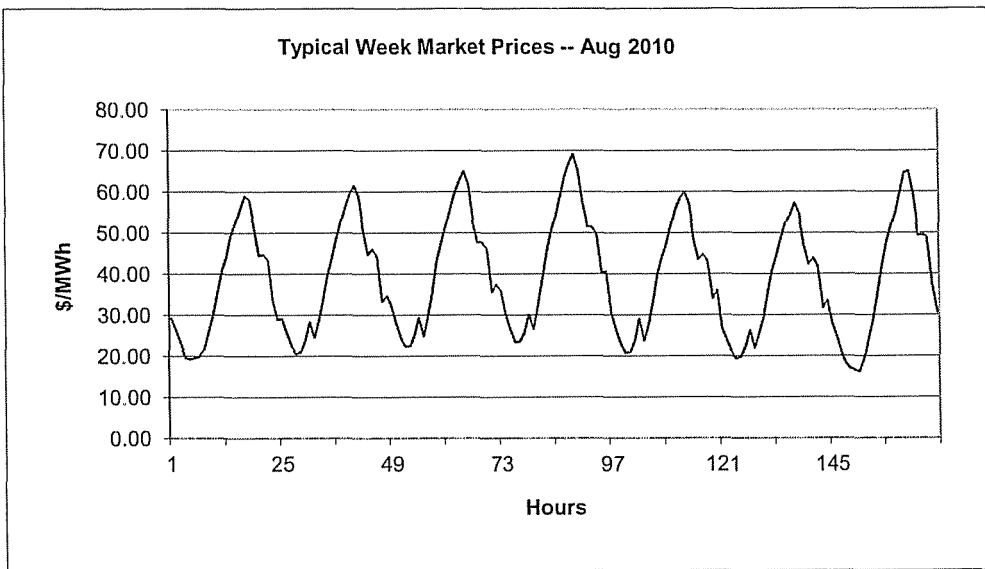
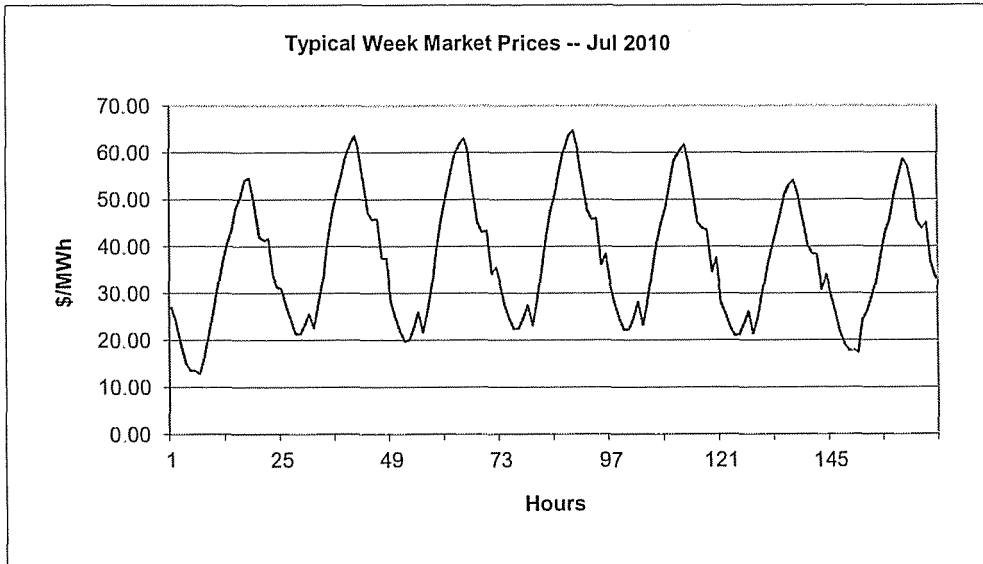


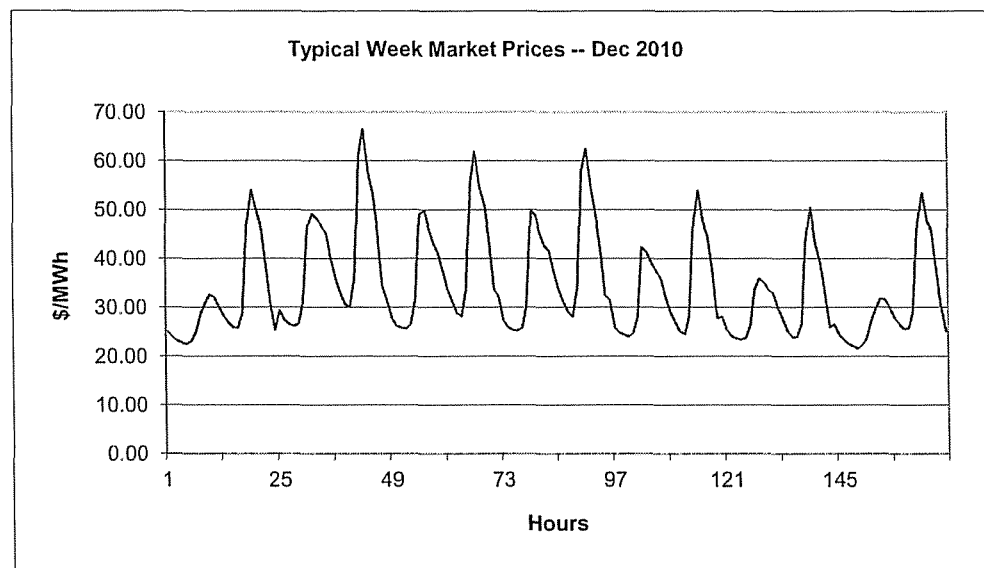
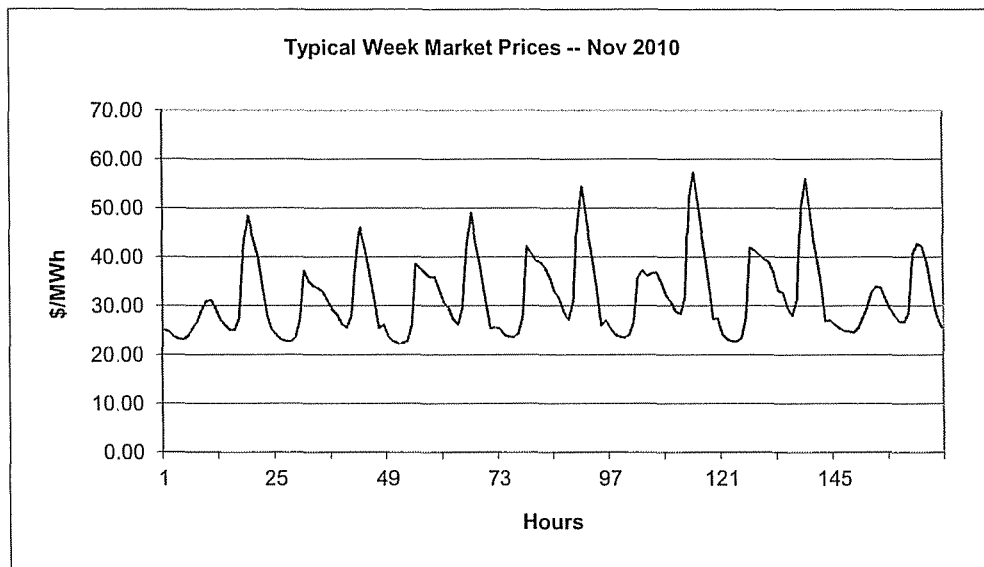
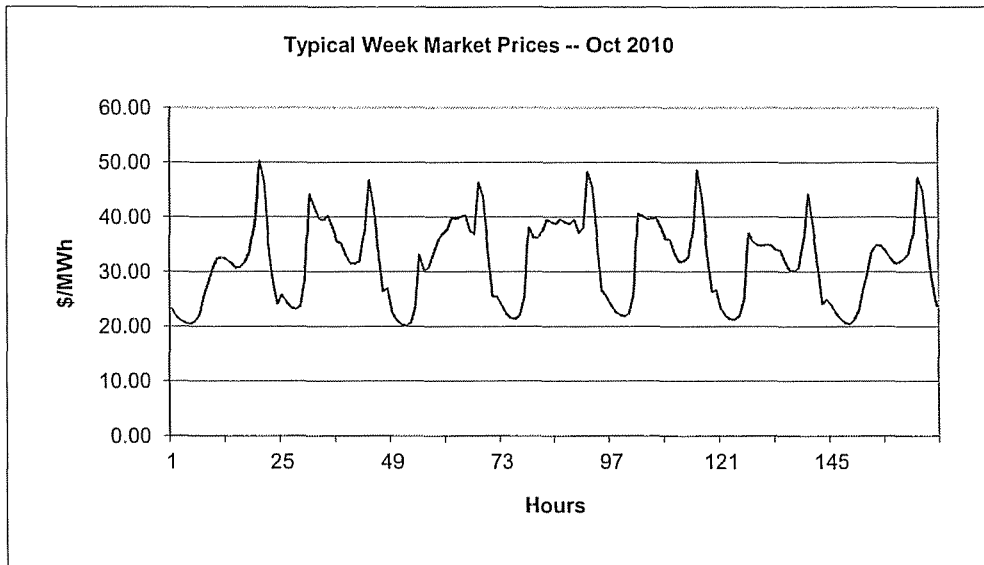


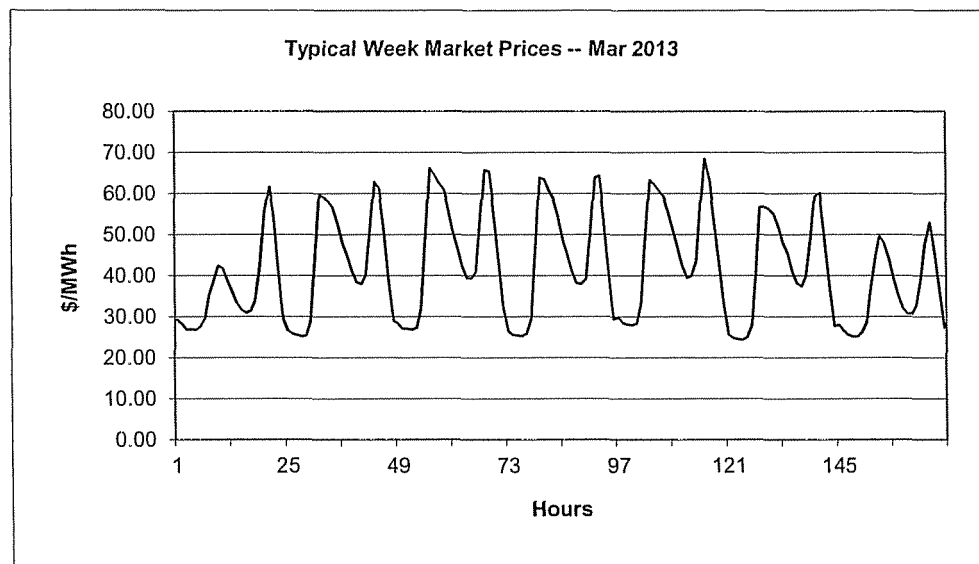
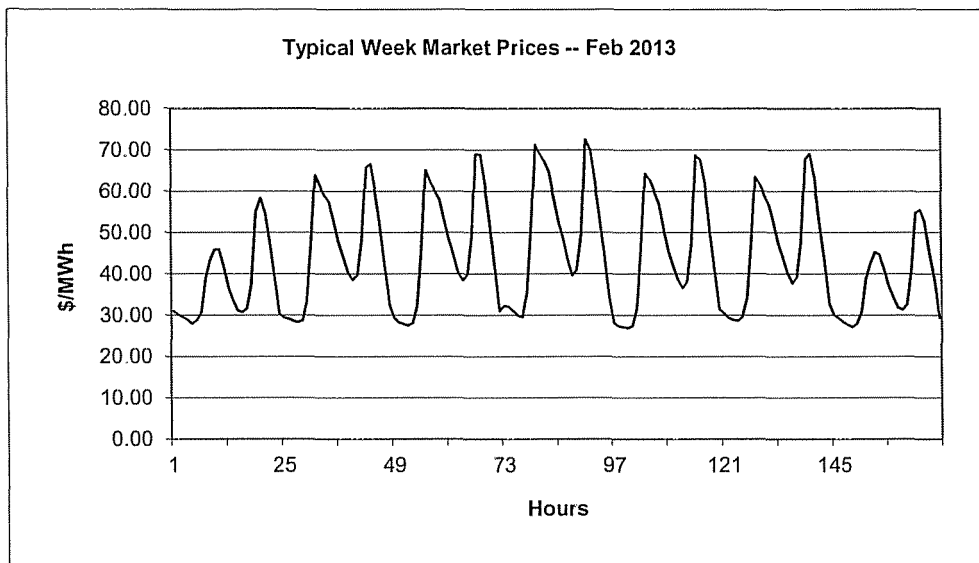
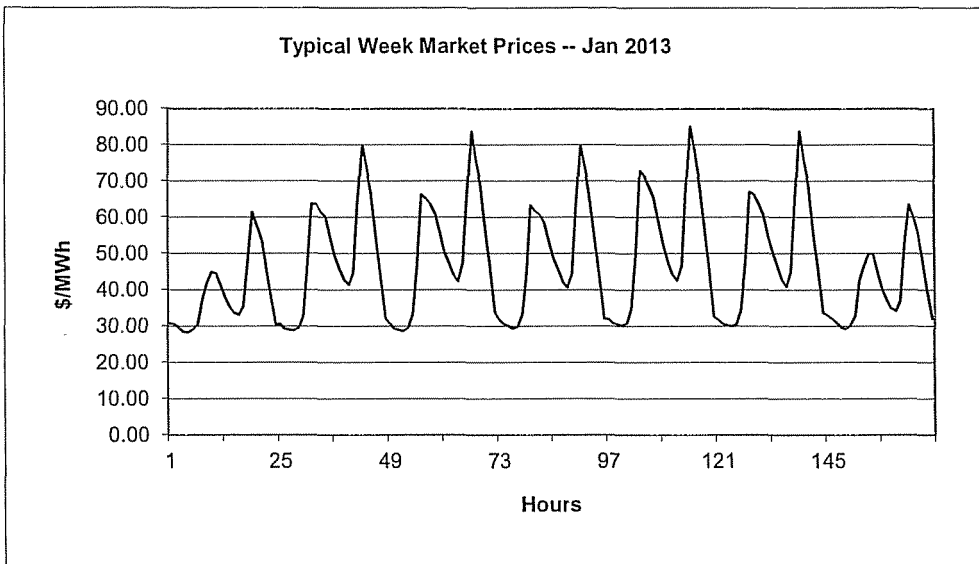


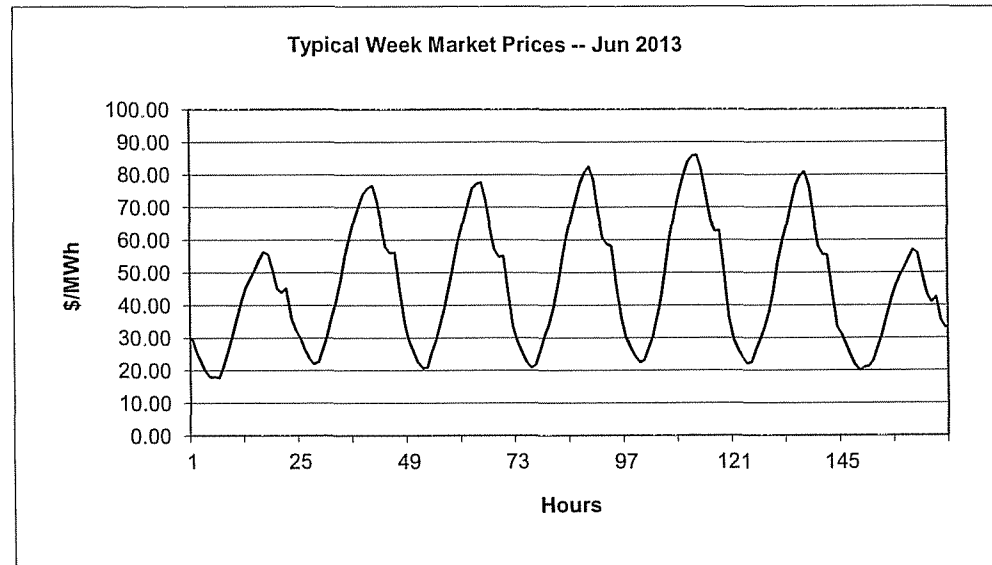
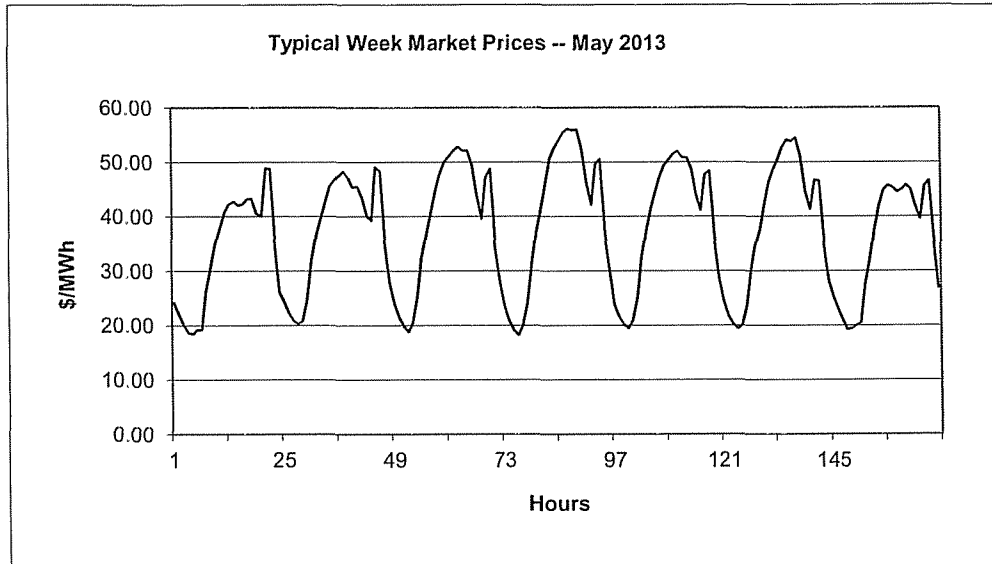
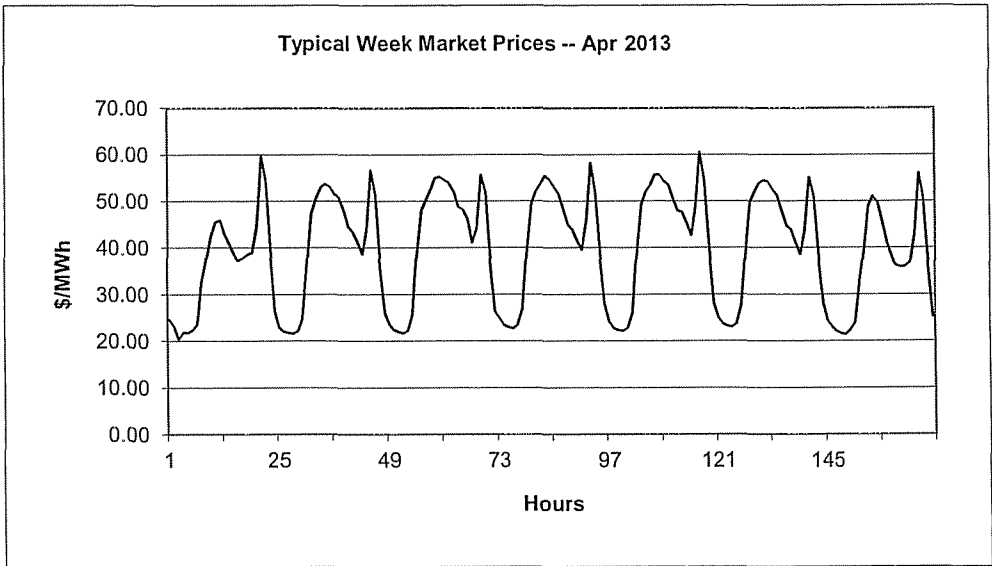


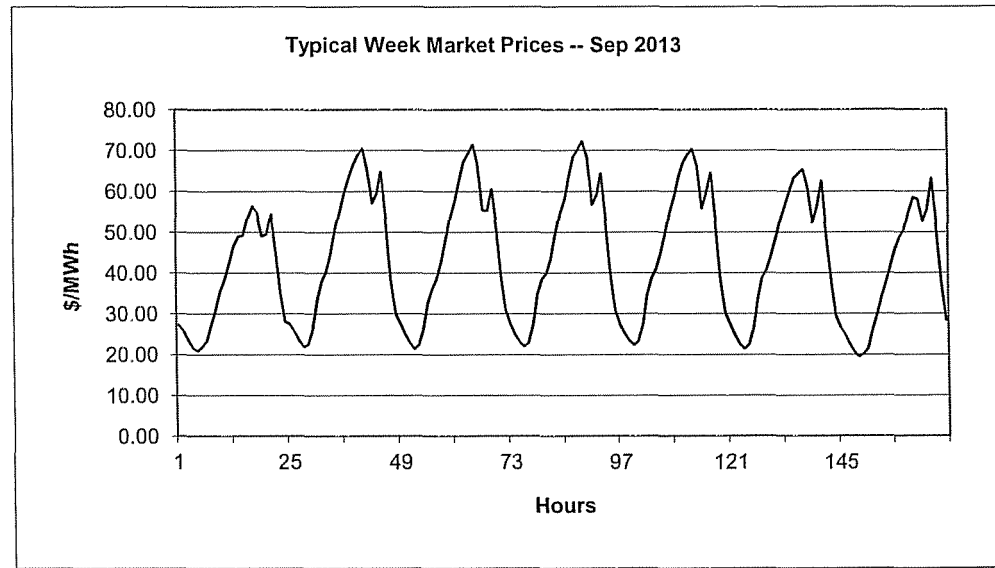
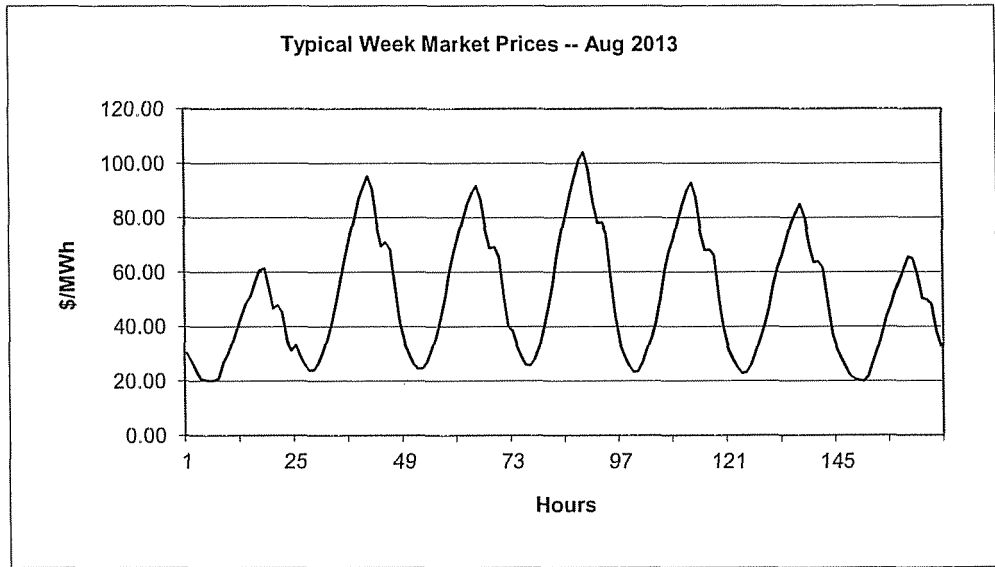
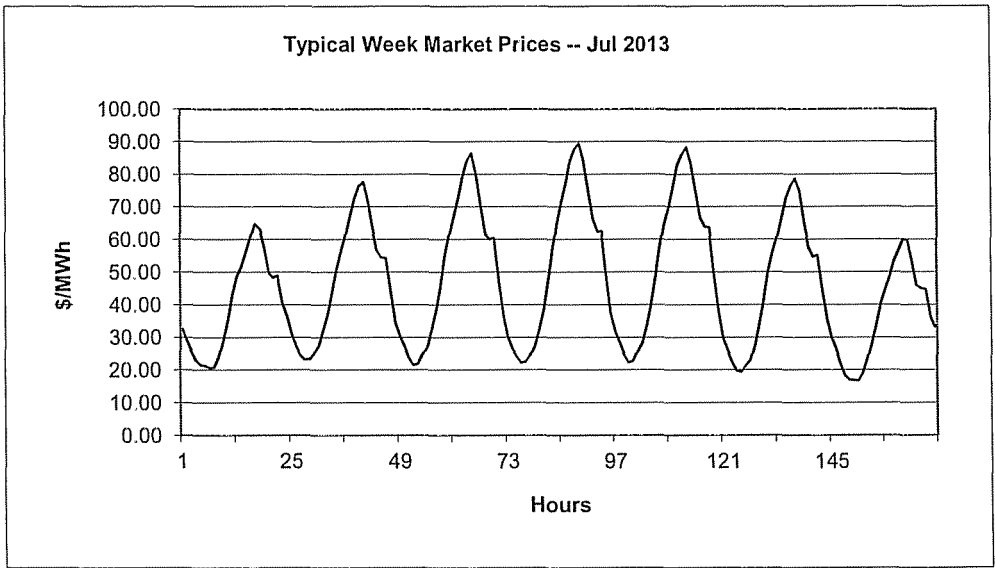


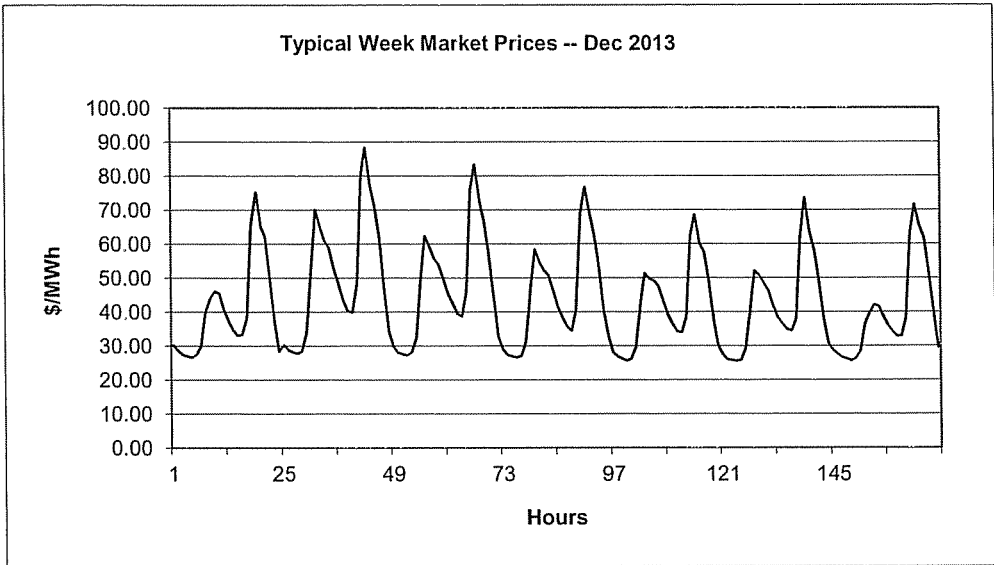
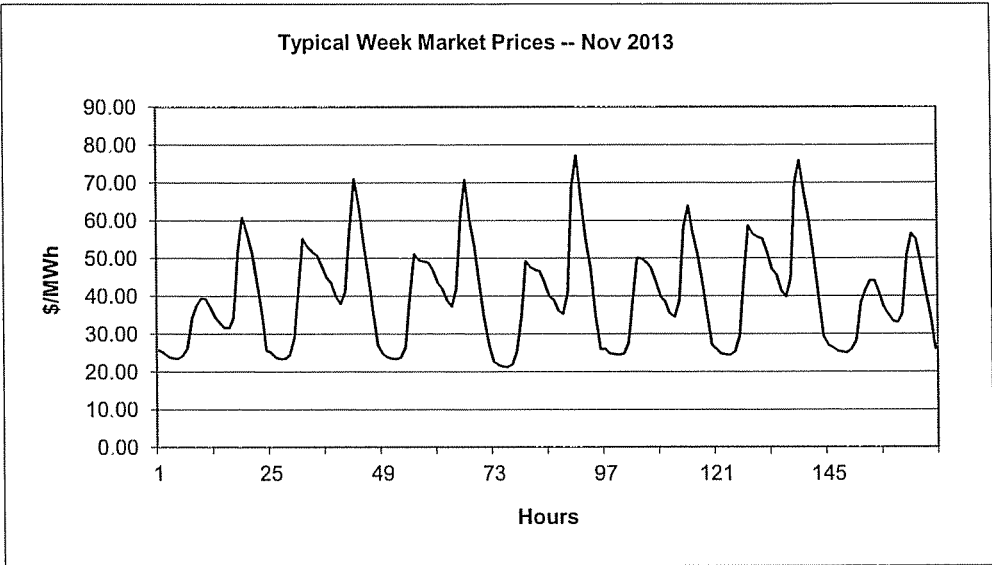
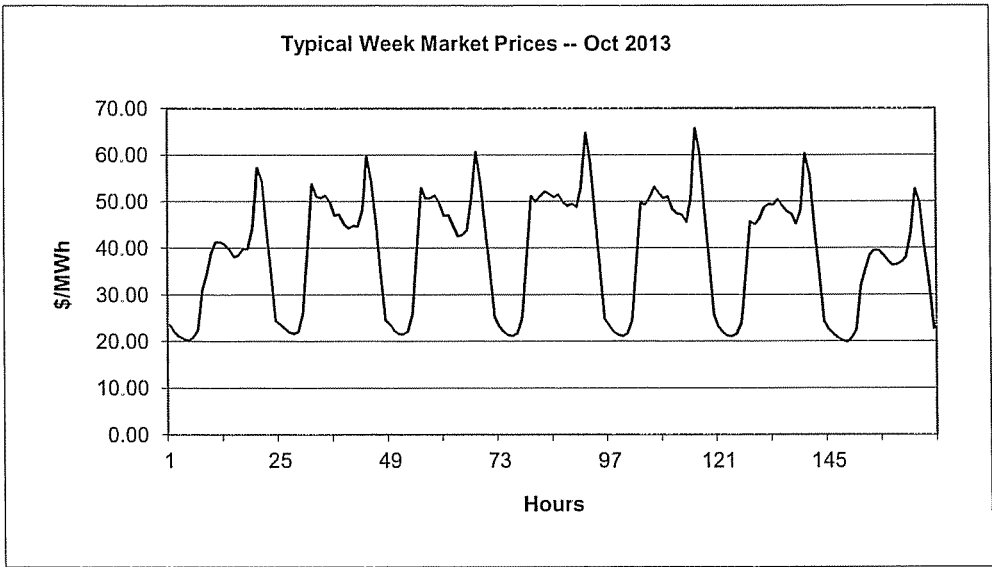


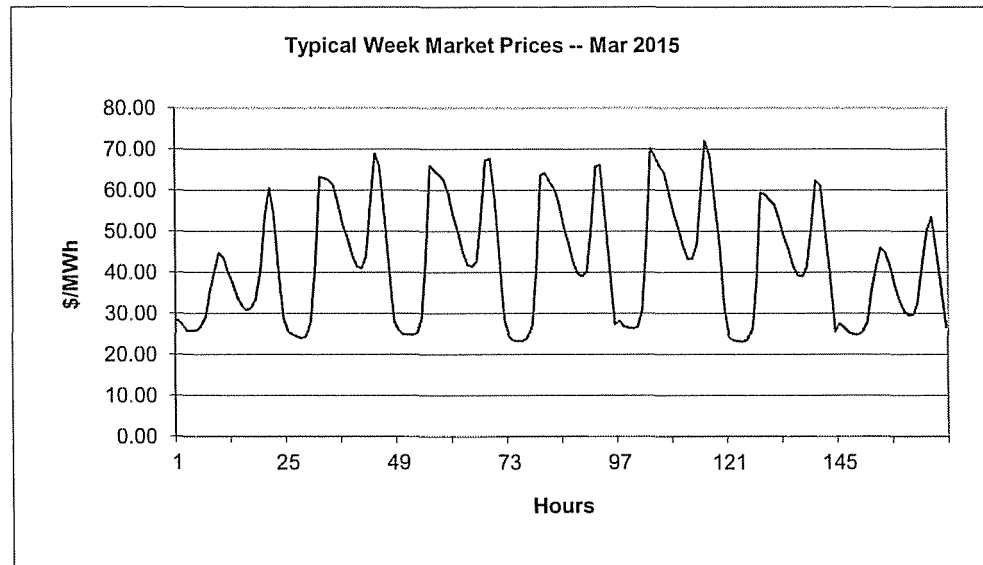
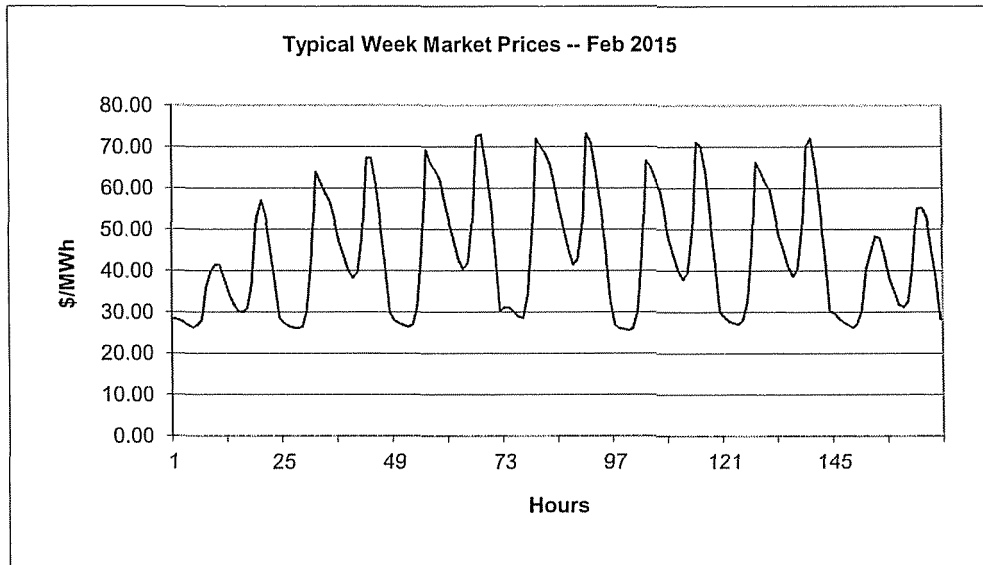
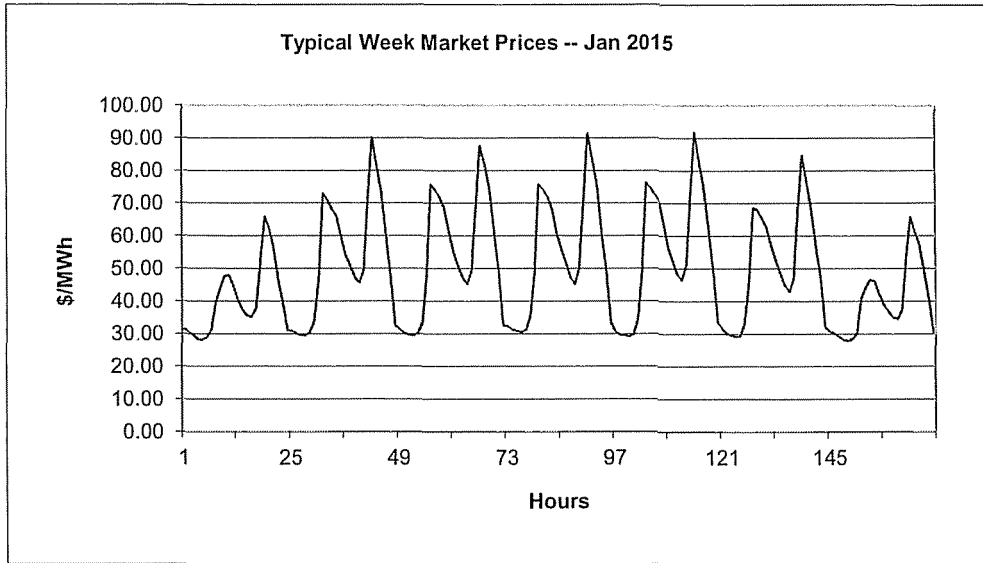


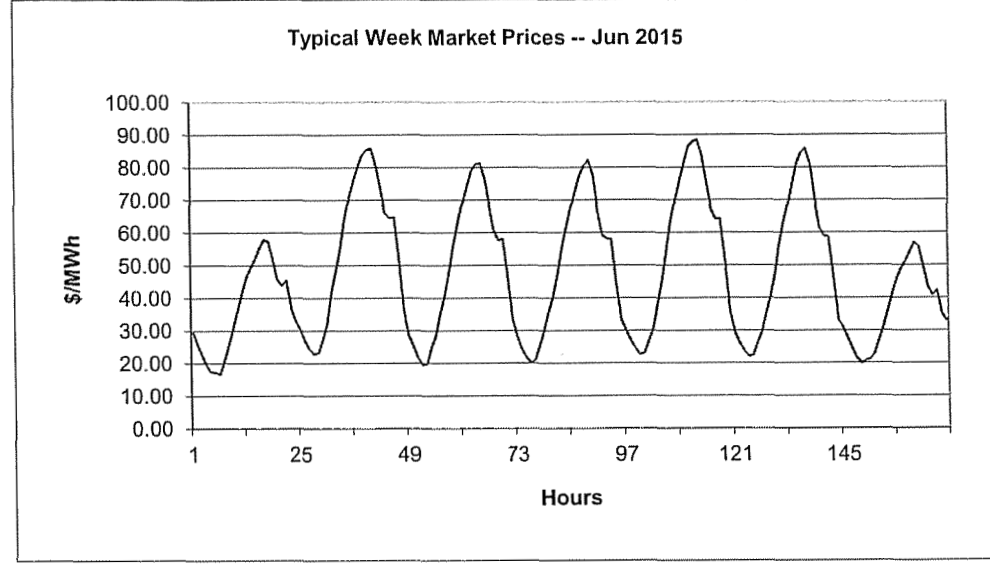
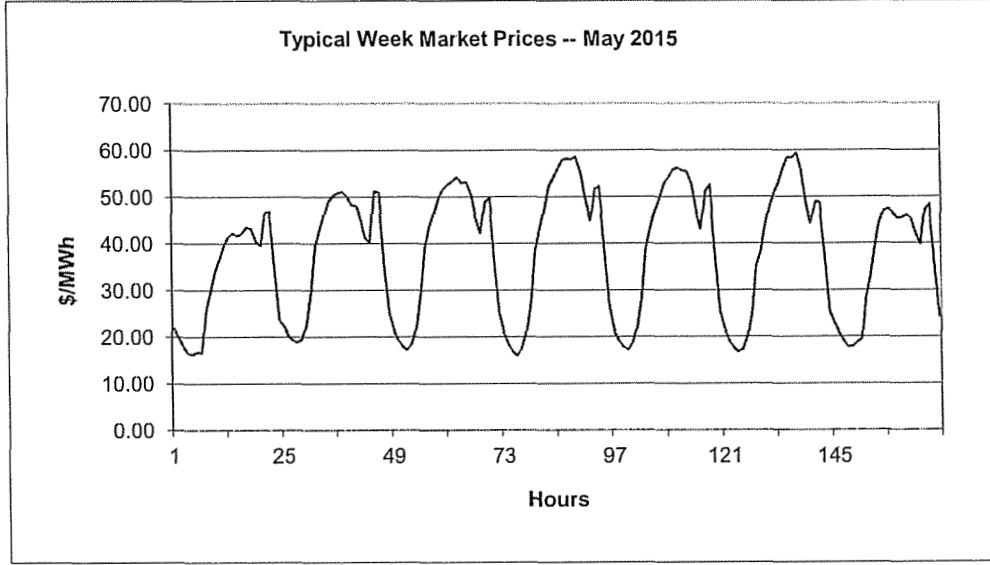
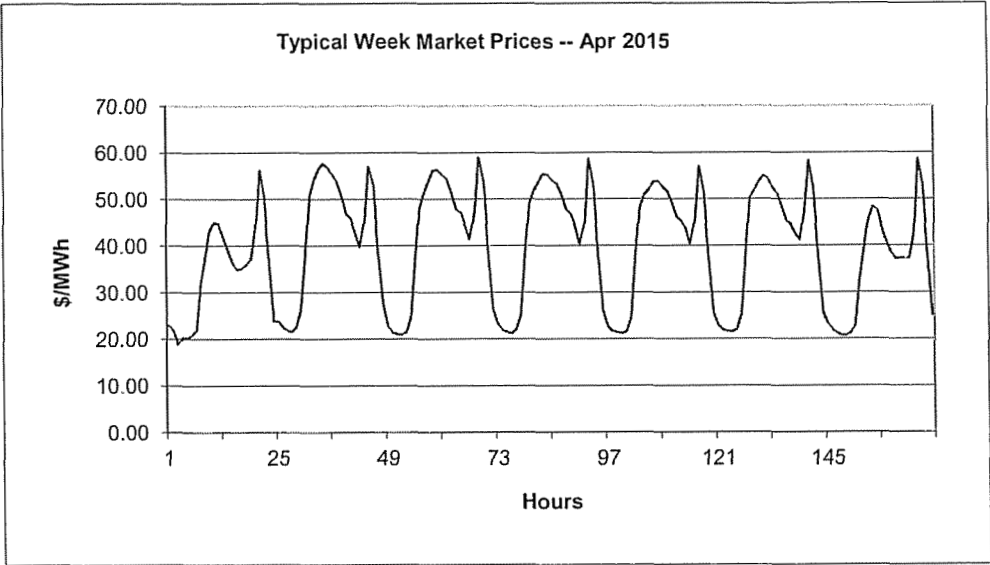


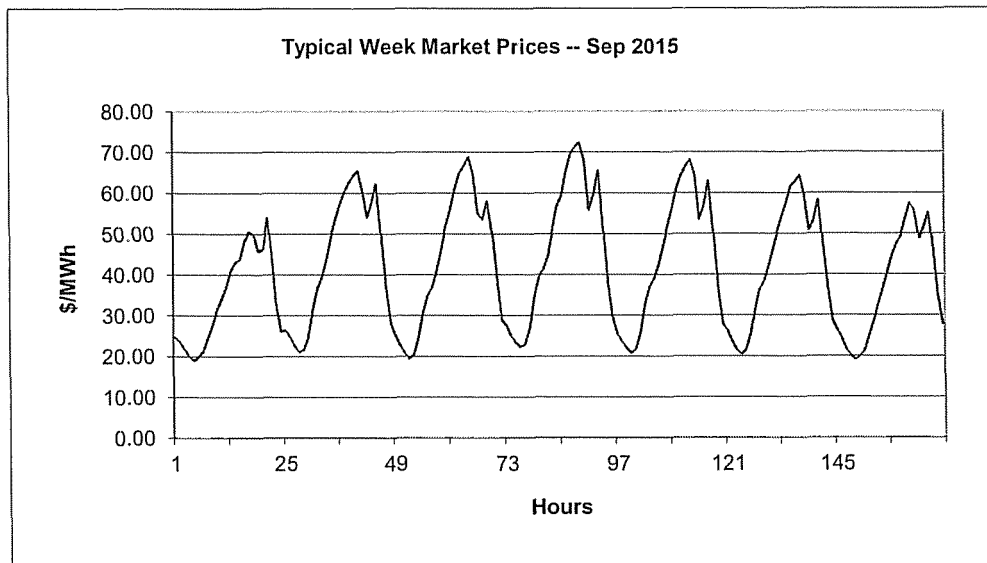
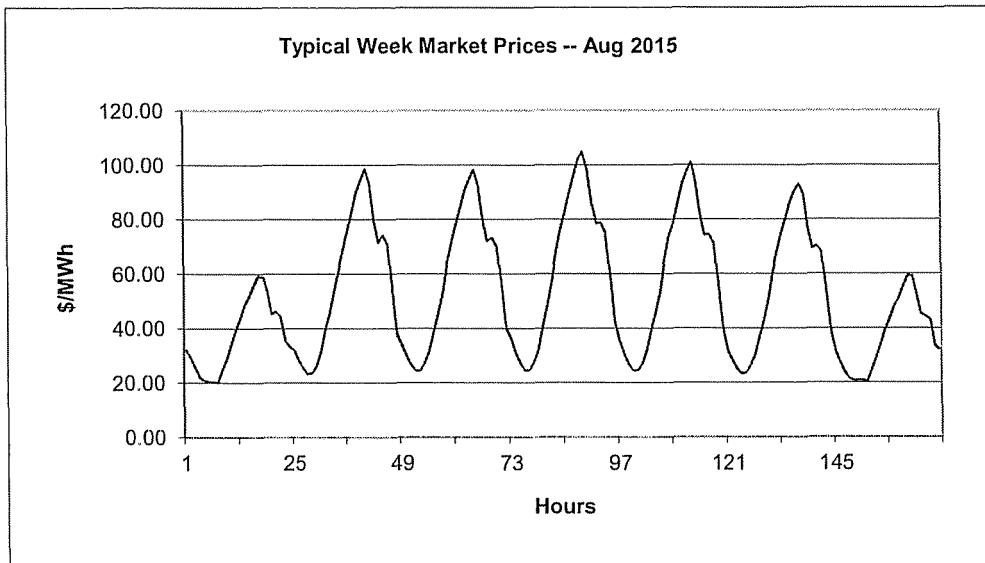
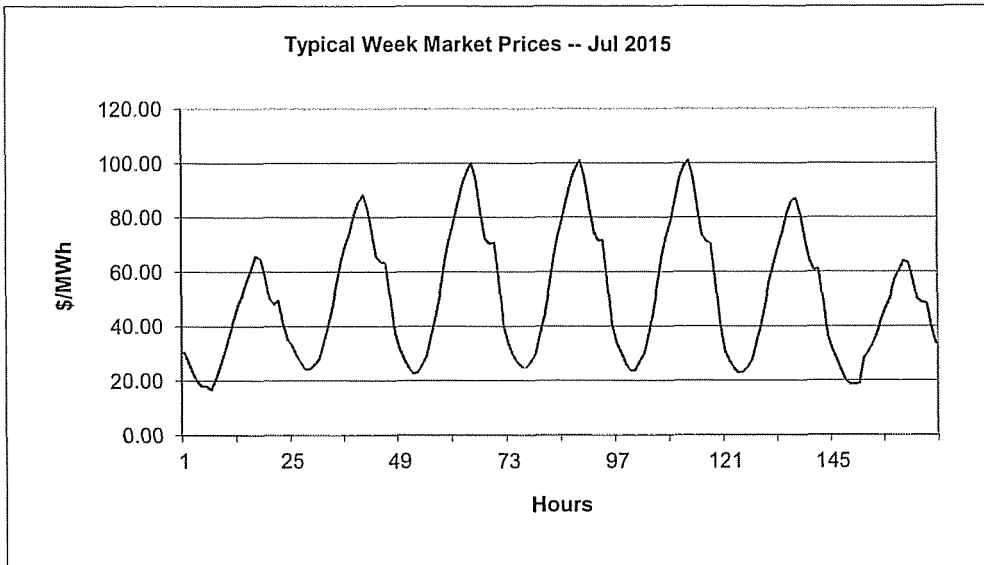


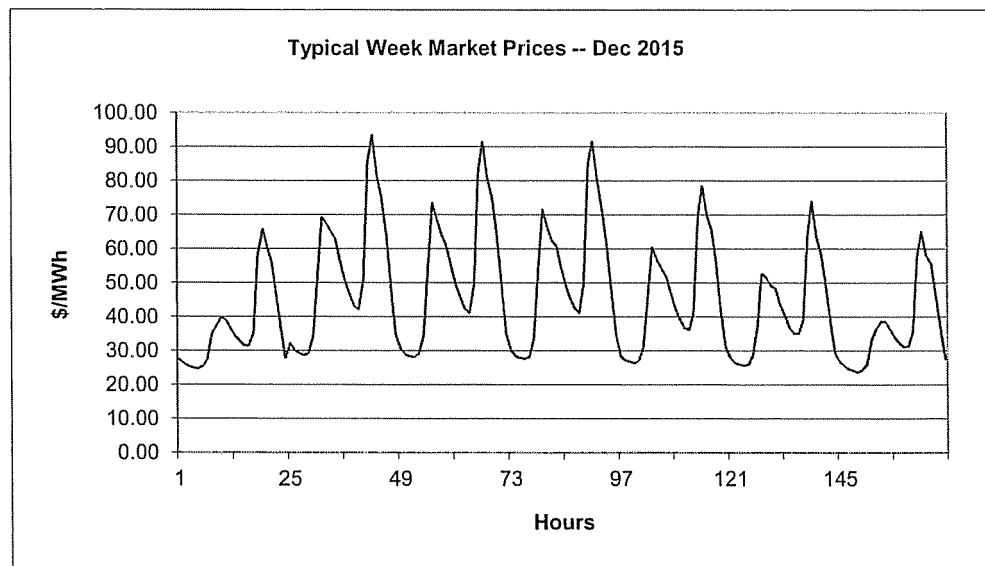
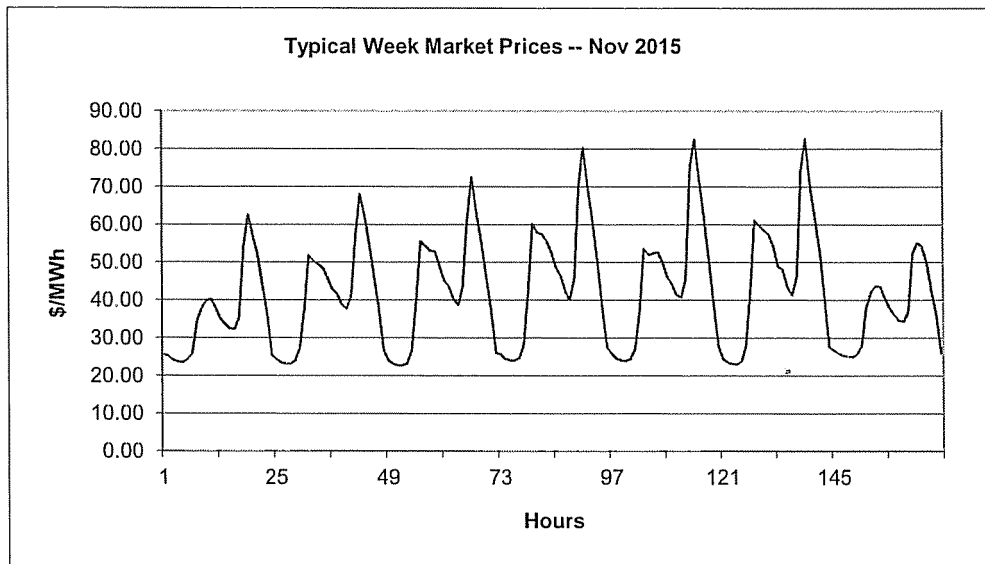
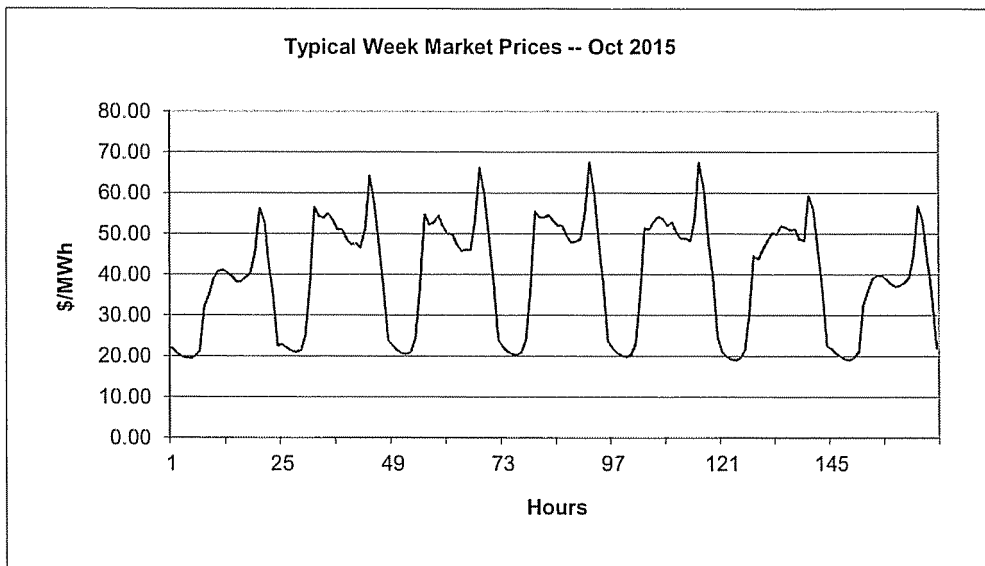












COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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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
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TO MEET FEDERAL CLEAN AIR ACT AND
RELATED REQUIREMENTS; AND (5) ALL OTHER
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KIUC'S RESPONSES TO
KENTUCKY POWER COMPANY'S
FIRST REQUEST FOR INFORMATION

21. Please refer to page 13, line 12 through page 14, line 5 and Figure 1 of Mr. Hayet's testimony.

- (a) Please identify by publisher, date of publication of publication, and title all supporting documentation and source documents used or reviewed by Mr. Hayet in connection with his preparation of the identified testimony and Figure 1.
- (b) Please provide, in electronic format if available, the supporting documentation and source documents identified in the response to subpart (a) of this request.
- (c) Please provide Figure 1 electronically. The requested information should be provided in native format, with formulas intact and visible, and no pasted values.
- (d) If different from the response to subpart (c) above, please provide all tools used to create Figure 1. The requested information should be provided electronically in native format, with formulas intact and visible, and no pasted values.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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Case No. 2012-00578

**KIUC'S RESPONSES TO
KENTUCKY POWER COMPANY'S
FIRST REQUEST FOR INFORMATION**

RESPONSE:

(a) Figure 1 is found in the following document:

Source	File Name
KIUC – work papers Data supplied by KPCO EIA Annual Energy Outlook forecasts	KPCO 1-18 attachment a - FuelAnalysis.xlsx

See also the responses to KPCO 1-18 above.

(b) See the response to KPCO 1-18 above.

(c) See the response to KPCO 1-18 above.

(d) See the response to KPCO 1-18 above.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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

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**KIUC'S RESPONSES TO
KENTUCKY POWER COMPANY'S
FIRST REQUEST FOR INFORMATION**

22. Please refer to page 14, line 7 through page 15, line 6 and Figure 2 of Mr. Hayet's testimony.

- (a) Please identify by publisher, date of publication of publication, and title all supporting documentation and source documents used or reviewed by Mr. Hayet in connection with his preparation of the identified testimony and Figure 2.
- (b) Please provide, in electronic format if available, the supporting documentation and source documents identified in the response to subpart (a) of this request.
- (c) Please provide Figure 2 electronically. The requested information should be provided in native format, with formulas intact and visible, and no pasted values.
- (d) If different from the response to subpart (c) above, please provide all tools used to create Figure 2. The requested information should be provided electronically in native format, with formulas intact and visible, and no pasted values.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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

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**KIUC'S RESPONSES TO
KENTUCKY POWER COMPANY'S
FIRST REQUEST FOR INFORMATION**

RESPONSE:

(a) Figure 2 is found in the following document:

Source	File Name
KIUC – work papers Data supplied by KPCO EIA Annual Energy Outlook forecasts	KPCO 1-18 attachment a - FuelAnalysis.xlsx

See also the responses to KPCO 1-18 above.

(b) See the response to KPCO 1-18 above.

(c) See the response to KPCO 1-18 above.

(d) See the response to KPCO 1-18 above.

COMMONWEALTH OF KENTUCKY
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**KIUC'S RESPONSES TO
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FIRST REQUEST FOR INFORMATION**

23. Please refer to page 15, line 7 through page 16, line 12 and Figure 3 of Mr. Hayet's testimony.

- (a) Please identify by publisher, date of publication of publication, and title all supporting documentation and source documents used or reviewed by Mr. Hayet in connection with his preparation of the identified testimony and Figure 3.
- (b) Please provide, in electronic format if available, the supporting documentation and source documents identified in the response to subpart (a) of this request.
- (c) Please provide Figure 3 electronically. The requested information should be provided in native format, with formulas intact and visible, and no pasted values.
- (d) If different from the response to subpart (c) above, please provide all tools used to create Figure 3. The requested information should be provided electronically in native format, with formulas intact and visible, and no pasted values.

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RESPONSE:

(a) Figure 3 is found in the following document:

Source	File Name
Marathon Petroleum Company	KPCO 1-23 attachment a - NGas Futures.xlsx

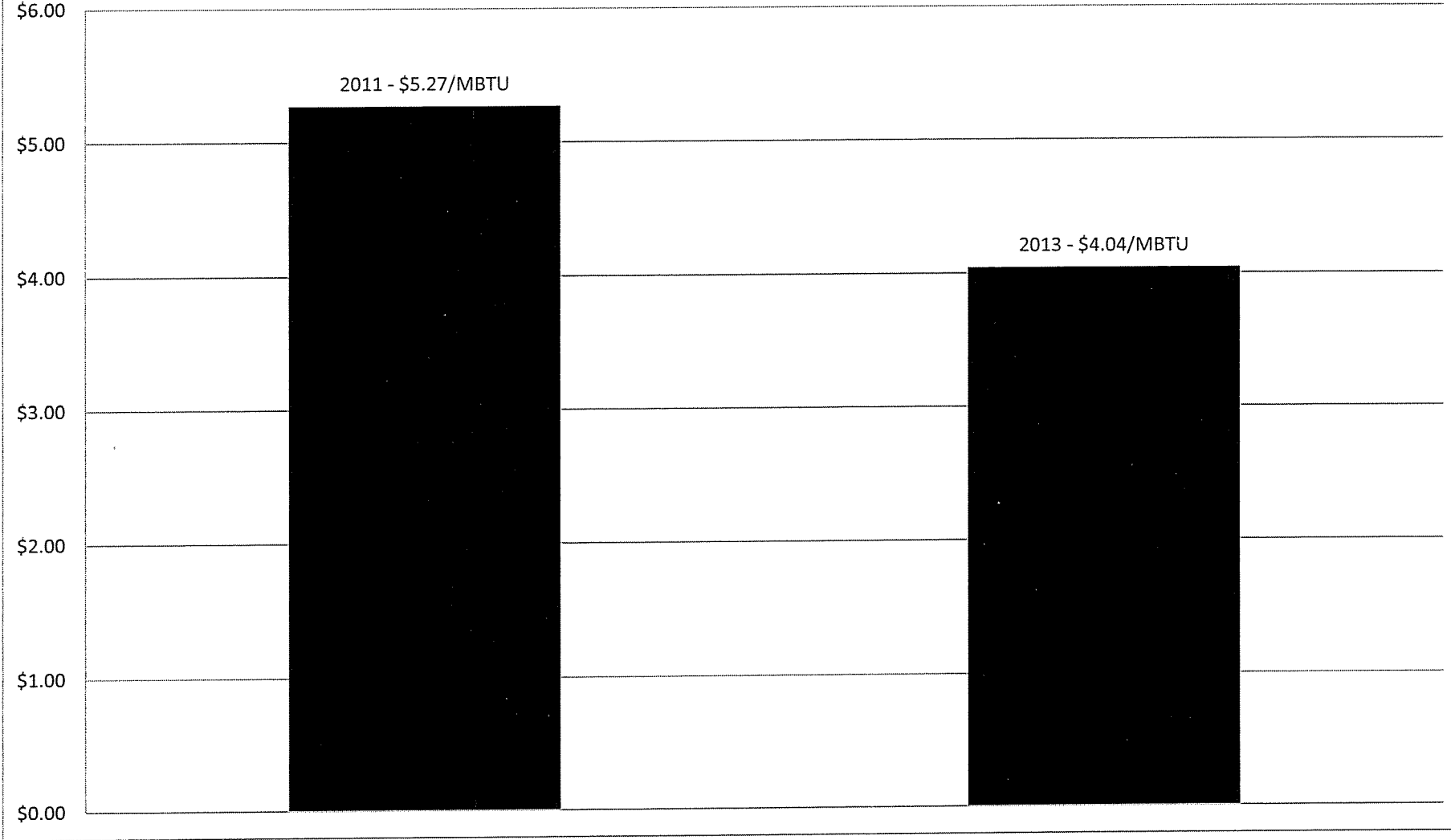
Marathon Petroleum Company is the publisher of the file, and the date associated with the file is part of the properties of the file.

(b) See attached document.

(c) See attached document.

(d) See attached document.

Figure 3
Comparison of NYMEX Futures
Settlement Prices for 2014
Comparing 2011 vs 2013 NYMEX Futures Data
\$/MBTU



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24. Please refer to page 23, line 14 through page 24, line 6 and Figure 5 of Mr. Hayet's testimony.

- (a) Please identify by publisher, date of publication of publication, and title all supporting documentation and source documents used or reviewed by Mr. Hayet in connection with his preparation of the identified testimony and Figure 5.
- (b) Please provide, in electronic format if available, the supporting documentation and source documents identified in the response to subpart (a) of this request.
- (c) Please provide Figure 5 electronically. The requested information should be provided in native format, with formulas intact and visible, and no pasted values.
- (d) If different from the response to subpart (c) above, please provide all tools used to create Figure 5. The requested information should be provided electronically in native format, with formulas intact and visible, and no pasted values.

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RESPONSE:

(a) Figure 5 is found in the following document:

Source	File Name
EAI Annual Energy Outlook forecasts Data supplied by KPCO	KPCO 1-18 attachment c - EIA used for revised coal forecast.xlsx

See also the responses to KPCO 1-18 above.

(b) See the response to KPCO 1-18 above.

(c) See the response to KPCO 1-18 above.

(d) See the response to KPCO 1-18 above.

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25. Please refer to page 27, lines 9-20 and Table 3 of Mr. Hayet's testimony.

- (a) Please identify by publisher, date of publication of publication, and title all supporting documentation and source documents used or reviewed by Mr. Hayet to create the Strategist inputs (fuel, variable O&M, fixed O&M, and ongoing capital expenditures) for the Mitchell units used or referred to in the preparation of the identified testimony and Table 3.
- (b) Please provide, in electronic format if available, the supporting documentation and source documents identified in the response to subpart (a) of this request.
- (d) Please provide all tools used and step-by-step instructions for the process used to create the inputs for the Mitchell units. The instructions should identify the tools, spreadsheets, tabs, and cell locations used.

RESPONSE:

- (a) See responses to KPCO 1-20 above.
- (b) See responses to KPCO 1-20 above.
- (c) See responses to KPCO 1-20 above.

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26. Please refer to page 28, lines 11-15 of Mr. Hayet's testimony. There, Mr. Hayet testified that "KPCO customers would save approximately \$60 million on a net present value basis over the period of 2011 to 2040 if KPCO only acquires a 20% interest in Mitchell compared to the Company's preference to acquire 50%." Please provide the following with respect to the identified testimony:

- (a) The specific assumptions relied upon, and inputs utilized, in the indicated calculation that yielded the \$60 million saving;
- (b) Please provide all work papers, spreadsheets, analyses, Strategist databases (.SAV or .FSV), supporting input assumption documents, input tools, and other calculations that support the identified savings, or that were reviewed or relied upon by Mr. Hayet in connection with the preparation of the indicated statement in his testimony. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.

RESPONSE:

- (a) KPCO's response to KPSC 2-27 indicated the amount the Total KPCO Net Present Value Revenue Requirement would increase if a baghouse had to be installed at Mitchell. The amounts KPCO would incur depend on whether 20% or 50% of Mitchell were acquired.

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KPCO 2-27 included NPV results for the 11 Base Case scenarios that the Company performed. By subtracting the NPV results of the original 11 Base Case analyses from the results provided in the KPSC 2-27, it was determined that the 20% Mitchell cases incurred approximately a \$40 million NPV increase and the 50% Mitchell cases incurred approximately a \$100 million NPV increase. Therefore KPCO customers would save approximately \$60 million on an NPV basis over the period 2011 to 2040 if only 20% of the Mitchell plant were acquired versus acquiring 50%.

(b) See the following workpaper.

Source	File Name
Data supplied by KPCO KIUC workpaper	KPCO 1-26 attachment a - Compare FabFilter.xlsx

Cummulative Present Worth Comparison

Case	w/o 133mill\$ Fabric Filter	with 133mill\$ Fabric Filter	Diff
1A	\$6,277,099	\$6,319,218	\$42,119
1B	\$6,484,157	\$6,484,157	\$0
2A	\$6,134,344	\$6,176,463	\$42,119
2B	\$6,347,201	\$6,347,201	\$0
3A	\$6,210,140	\$6,252,259	\$42,119
3B	\$6,419,837	\$6,419,837	\$0
4A	\$6,197,747	\$6,197,747	\$0
4B	\$6,221,994	\$6,221,994	\$0
5A	\$5,630,634	\$5,735,863	\$105,229
5B	\$6,044,857	\$6,044,857	\$0
6	\$5,787,072	\$5,892,301	\$105,229

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27. Please refer to page 29, lines 6-16 of Mr. Hayet's testimony. There, Mr. Hayet testifies that "there would be a savings of approximately \$27 million if Mitchell were delayed until June 2015. With respect to the identified testimony, please provide the following:

(a) Please provide in electronic format all Strategist databases (.SAV or .FSV), supporting input assumption documents, input tools (whether Strategist or otherwise) used in the analysis referred to in the identified testimony.

(b) Please provide all Strategist reporting tools (e.g. Report Agent TPL files) and any other spreadsheets used to create and summarize the results referred to in the identified testimony. The requested information should be provided electronically in native format, with formulas intact and visible, and no pasted values.

RESPONSE:

- (a) This run was based on KIUC's preferred case, which included KIUC's gas, market and emergency energy prices based on the 2013 EIA AEO gas forecast. See the response to KPCO 1-18a above for the steps performed to develop these data assumptions. KIUC's preferred case also includes Big Sandy 1 converted to natural gas in 2015. In addition see the following workpaper, which was used to develop the fixed cost inputs to Strategist for the Mitchell units, to account for the acquisition delay from January 1, 2014

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to June 1, 2015:

Source	File Name
KIUC – work papers Data supplied by KPCO	KPCO 1-27 attachment a - ML12 Transfer STRAT INPUT DATA4.Delay Model.xls

The .SAV and .REP files for the Strategist run that was made associated with the Delay Scenario are listed in the following table. An NPV files is also being supplied.

Strategist Naming Convention for .SAV and .REP files	NPV Files Naming Convention
Run11R40	Run11R40.NPV.xls

(b) Data were extracted from Strategist by directly copying the outputs and pasting them into the NPV file.

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28. Please refer to page 30, lines 8-9 of Mr. Hayet's testimony. Please provide all documents reviewed or relied upon by Mr. Hayet (including any EIA documents) in connection with his testimony that the EIA combined-cycle capital cost estimate is similar to LG&E's combined-cycle capital cost estimate. The requested informally at a minimum should include a brief description of the CC technology type/configuration referenced or assumed, as well as a specific breakdown of the attendant installed cost (steam turbine, gas turbine HRSG, balance of plant, gas pipeline and transmission interconnection and all normally applicable project indirect cost (excluding AFUDC) all on a \$/kW basis.

RESPONSE:

Mr. Hayet reviewed documents available for download from the Kentucky Public Service Commission website associated with LGE's CPCN filing for the Cane Run 6 CCGT unit (Case No. 2011-00375). The documents Mr. Hayet reviewed are publicly available and may be downloaded from the Commission's website, and included LG&E's initial application filed on September 16, 2011, and the Commission's Order issued May 3, 2012.

Other documents that Mr. Hayet reviewed include the following:

Online Source	Publisher, date, and title	File Name
http://pscstar.louisiana.gov/star/ViewFile.aspx?Id=2848c1b3-b50a-4ed7-82eb-bb1ca207d936	Louisiana Public Service Commission, Cleco, Feb 28, 2013, Case No R-28271	KPCO 1-28 attachment a - Cleco. LPSC R-28271.pdf
http://www.brattle.com/_documents/UploadLibrary/Upload971.pdf	PJM, Brattle Group August 24, 2011	KPCO 1-28 attachment b - pjm CC and CT Cone

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	"Cost of New Entry Estimates for Combustion Turbine and Combines Cycle Plants in PJM"	study.pdf
http://www.eia.gov/forecasts/aeo/assumptions/pdf/table8_2_er.pdf	EIA Early Release 2013 Dec. 5, 2012 "Table 8.2 Cost and Performance Characteristics of New Central Station Electricity Generating Technologies"	KPCO 1-28 attachment c - EIA table8_2_er.pdf

The technology type discussed in the materials that Mr. Hayet reviewed associated with LG&E's CPCN request was a GE Frame F combined cycle technology type unit. The breakdown of the cost discussed in the materials Mr. Hayet reviewed was \$583 million for the cost of constructing the unit and \$34 million for the cost of transmission upgrades. In total the cost is \$617 million and is equal to \$964/kW