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MAY 13 2013

PUBLIC SERVICE
COMMISSION

Via Overnight Mail

May 10, 2013

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2013-00144

Dear Mr. Derouen:

Please find enclosed the original and ten (10) copies of KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC's FIRST SET OF DATA REQUESTS TO KENTUCKY POWER COMPANY for filing in the above-referenced docket.

By copy of this letter, all parties listed on the Certificate of Service have been served. Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

Jody Kyler Cohn, Esq.

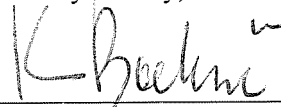
BOEHM, KURTZ & LOWRY

MLKkew
Attachment

cc: Certificate of Service
Quang Nyugen, Esq.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy via electronic mail (when available) and regular U.S. Mail to all parties on this 10th day of May, 2013.



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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF APPLICATION OF KENTUCKY POWER :
COMPANY FOR APPROVAL OF THE TERMS AND :
CONDITIONS OF THE RENEWABLE ENERGY PURCHASE :
AGREEMENT FOR BIOMASS ENERGY RESOURCES :
BETWEEN THE COMPANY AND ECOPOWER GENERATION : **Case No. 2013-00144**
HAZARD LLC AUTHORIZATION TO ENTER INTO THE :
AGREEMENT; GRANT OF CERTAIN DECLARATORY :
RELIEF; AND GRANT OF ALL OTHER REQUIRED :
APPROVALS AND RELIEF :
:

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.'s
FIRST SET OF DATA REQUESTS
TO
KENTUCKY POWER COMPANY

Dated: May 9, 2013

DEFINITIONS

1. “Document(s)” is used in its customary broad sense and includes electronic mail and all written, typed, printed, electronic, computerized, recorded or graphic statements, memoranda, reports, communications or other matter, however produced or reproduced, and whether or not now in existence, or in your possession.
2. “Study” means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion whether preliminary or final, and whether or not referred to in Big Rivers’ direct testimony.
3. If any document requested herein was at one time in existence, but has been lost, discarded or destroyed, identify such document as completely as possible, including the type of document, its date, the date or approximate date it was lost, discarded or destroyed, the identity of the person (s) who last had possession of the document and the identity of all persons having knowledge of the contents thereof.
4. “Person” means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
5. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
6. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company’s possession or subject to its control, state what disposition was made of it.
7. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.
8. “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
9. “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.
10. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
11. “You” or “your” means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, “you” or “your” may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness’ testimony.
12. “Kentucky Power” means Kentucky Power Company and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.
13. “ecoPower” means ecoPower Generation-Hazard LLC and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.
14. “REPA” means the Renewable Energy Purchase Agreement for Biomass Energy Resources Between ecoPower and Kentucky Power.
15. The “Facility” means the ecoPower Facility to be located in the Coal Fields Regional Industrial Park in Perry County, Kentucky.
16. “The Application” means the Application and attachments filed by Kentucky Power on April 10, 2013 with the Kentucky Public Service Commission in Case No. 2013-00144.

INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total Company as well as Intrastate data, unless otherwise requested.

**KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.'s
FIRST SET OF DATA REQUESTS
TO
KENTUCKY POWER COMPANY
Docket No. 2013-00144**

- Q.1-1. Please describe how the ecoPower transaction opportunity was first presented to Kentucky Power. Specifically, was the transaction submitted in the context of a formal Kentucky Power solicitation for power supplies?
- Q.1-2. If the ecoPower transaction was submitted in the context of a formal Kentucky Power solicitation for power supplies, please provide the original ecoPower proposal, all other proposals that were received, and all reports, analyses, and data associated with the evaluation of all of the proposals.
- Q.1-3. If the ecoPower transaction was not submitted in the context of a formal Kentucky Power solicitation for power supplies, please provide all notes, presentations, reports, analyses, and data associated with the initial meeting(s) where Kentucky Power was presented with the ecoPower transaction opportunity.
- Q.1-4. Prior to a decision to commence negotiations, how did Kentucky Power evaluate the ecoPower transaction opportunity? Please provide all notes, presentations, reports, analyses, and data associated with such evaluation and the evaluation of any power supply alternatives.
- Q.1-5. Following the decision to commence negotiations, who provided the first draft of a term sheet or of the REPA (ecoPower or Kentucky Power)? Please provide that first draft.
- Q.1-6. Beyond those materials already provided in response to questions Q1-1 through Q1-5 above, provide a copy of all other correspondence and documents exchanged between Kentucky Power and ecoPower regarding the transactions described in the Application.
- Q.1-7. Provide a copy of all correspondence and documents exchanged between Kentucky Power and Greenleaf Power LLC regarding the transactions described in the Application.
- Q.1-8. Provide a copy of all correspondence and documents exchanged between Kentucky Power and Denham Capital regarding the transactions described in the Application.
- Q.1-9. Provide a copy of all correspondence and documents exchanged between Kentucky Power and any of the witnesses that provided testimony in support of the Application regarding the transactions described in the Application.
- Q.1-10. Provide a copy of all correspondence and documents exchanged internally within Kentucky Power and AEP regarding the transactions described in the Application.
- Q.1-11. If Kentucky Power did not conduct a recent solicitation (i.e., within the last 24 months) to gauge and assess whether or not the ecoPower transaction was the best resource for Kentucky Power's customers and that the transaction's pricing was fair, just, and reasonable, explain in narrative form why it did not.

Q.1-12. Refer to Mr. Pauley's Testimony, page 6 beginning on line 18.

- a. If the REPA is not the least cost alternative to supply the contracted capacity and energy; is it the least cost "renewable" capacity and energy?
- b. Did Kentucky Power conduct an RFP to determine the least cost "renewable" capacity and energy? If so, then please provide all reports, analyses, workpapers, and documentation of any type in support of your answer. If not, then please explain why it did not.

Q.1-13. Did Kentucky Power perform any studies in order to identify the least-cost means of providing energy and capacity to Kentucky Power. Please provide all reports, analyses, workpapers, and documentation of any type that was produced from conducting those studies. If no studies were performed, please explain why they were not performed. This information should be provided electronically with all formulas intact and no pasted in values.

Q.1-14. Provide the following estimated annual data separately for the ecoPower facility. Provide all source documents relied on and/or that otherwise support your answer:

- a. Capacity of Units
- b. Net Generation (MWh)
- c. Capacity Factor
- d. Fuel Cost
- e. Forced Outage Rate
- f. O&M Expense
- g. Planned Outage Frequency and Duration
- h. Availability Factor

Q.1-15. Refer to page 5 of Mr. Godfrey's Testimony. Identify all biomass facilities that AEP owns, operates. For any identified facilities provide the following information. Provide all source documents relied on and/or that otherwise support your answer:

- a. Capacity of Units
- b. Net Generation (MWh)
- c. Capacity Factor
- d. Fuel Cost
- e. Forced Outage Rate
- f. O&M Expense
- g. Commercial operation date
- h. Type of fuel source
- i. Combustion technology
- j. Facility location
- k. Planned Outage Frequency and Duration
- l. Availability Factor

Q.1-16. Identify all biomass facilities that AEP takes power from under contract. For any identified facilities provide a copy of the contract or agreement between AEP and the owner/operated of the biomass facility. For any identified facilities provide the following information. Provide all source documents relied on and/or that otherwise support your answer:

- a. Capacity of Units
- b. Net Generation (MWh)
- c. Capacity Factor
- d. Fuel Cost
- e. Forced Outage Rate
- f. O&M Expense
- g. Total purchase cost per MWh by year.
- h. Planned Outage Frequency and Duration
- i. Availability Factor

Q.1-17. Please provide all reports, analyses, workpapers, and documentation in support of Exhibit JFG-2. For the Agreements listed provide the following information. Provide all source documents relied on and/or that otherwise support your answer:

- a. Capacity of Units
- b. Net Generation (MWh)
- c. Capacity Factor
- d. Forced Outage Rate
- e. O&M Expense
- f. Total purchase cost per MWh by year.
- g. Planned Outage Frequency and Duration
- h. Availability Factor

Q.1-18. Refer to Exhibit JFG-1, page 73. Will construction on the Facility start on May 23, 2013 without Commission approval of the REPA?

Q.1-19. Provide all studies and analysis demonstrating Kentucky Power's need for the energy and capacity supplied in the REPA. Please provide all reports, analyses, workpapers, and documentation of any type that was produced from conducting such studies or analysis. This information should be provided electronically with all formulas intact and no pasted in values.

Q.1-20. Please provide the estimated capacity value of the proposed facility for PJM purposes. Provide all documentation relied on to make this estimate.

Q.1-21. Please confirm that the additional energy from purchases pursuant to the REPA will increase the energy available for sale into the market, all else equal.

Q.1-22. If the Company agrees that the additional energy from purchases pursuant to the REPA will increase energy available for sale into the market, then does the Company propose any

modification of the System Sales Clause so that the margins from such increased sales are allocated 100% to customers rather than the allocation of 60% to customers and 40% to the Company under the present SSC? Please explain your response and provide all reasons for the Company's position on sharing these incremental margins between customers and the Company.

- Q.1-23. Please confirm that the Company plans to treat the REPA as "must run," meaning that it will purchase all energy produced by the facility without regard to economic dispatch.
- Q.1-24. Please provide all reports, studies, and other documentation of the construction costs and operating expenses of the proposed facility.
- Q.1-25. Please provide all reports, studies, and other documentation of the construction costs and operating expenses of other biomass facilities similar to the proposed facility.
- Q.1-26. Please provide a copy of all reports, studies, and analyses that quantify the costs of the proposed facility if AEP or Kentucky Power Company constructed the facility rather than a third party. If the Company has not performed such analyses, then please explain why it has not.
- Q.1-27. Please provide the Company's most recent load/resource projection for the next 20 years with and without the proposed REPA. Provide the date this projection was prepared, the purpose for which it was prepared, the case number for any filings that were made, a description of the review by and the approvals from specific AEP and Kentucky Power Company officers, and the approvals received from the Kentucky Public Service Commission, if any.
- Q.1-28. Refer to page 8 lines 18-19 of Mr. Pauley's Direct Testimony wherein he states that "the REPA is necessary for, and consistent with, proper performance by Kentucky Power of that service to the public." Please state all support for the proposition that the REPA is *necessary* for the Company's service to the public to the exclusion of other lower cost alternatives.
- Q.1-29. On pages 6 and 7 of the REPA states:

"Commission Approval Order" means final, non-appealable order from the Commission, among other things, (i) approving the terms and conditions of this REPA without modification, (ii) declaring that concurrent recovery of costs associated with this REPA through Kentucky retail rates via a monthly rider or monthly surcharge to purchaser's base rates is appropriate (iii) approving and authorizing Purchaser to enter into this REPA and (iv) granting without modification or condition all approvals required to accomplish the Mitchell Transaction, which order is satisfactory to Purchaser in all respects in its sole discretion." (emphasis added)

Explain the relationship between the Mitchell Transaction and the REPA. Why is approval of the Mitchell Transaction a condition of a Commission Approval Order according to the terms of the REPA?

- Q.1-30. Refer to the Direct Testimony of Mr. Pauley, page 5. Regarding the proposed 69kV switchyard and 1.5 mile transmission line connecting to AEP's Engle Substation ("the transmission facilities"):
- a. Will AEP own these transmission facilities?
 - b. What are the projected costs of these transmission facilities. Please provide all reports, analyses, workpapers, and documentation in support of your response.
 - c. Are these costs included in the cost estimate in RKW-1? If not, how does Kentucky Power propose that the cost of these transmission facilities be recovered? Will ecoPower be charged?
 - d. If the Commission does not approve the REPA, will Kentucky Power build these transmission facilities?
- Q.1-31. Please provide the Company's estimate of transmission costs, including line losses and congestion costs for the purchases pursuant to this proposed REPA by year. Provide all assumptions, data, and calculations, including electronic spreadsheets with formulas intact.
- Q.1-32. Please provide all reports, analyses, workpapers, and documentation in support of Exhibit RWK-1, and any other reports, analyses, workpapers, and documentation related to the rate impact of the REPA. This information should be provided electronically with all formulas intact and no pasted in values.
- Q.1-33. Please provide a quantification of all other costs not included in RWK-1 that Kentucky Power will incur as a direct or indirect result of the REPA that will affect the Company's revenue requirement, such as the debt equivalent penalty. Please provide all reports, analyses, workpapers, and documentation of any type in support of your answer.
- Q.1-34. Please provide a copy of AEP's guidelines/methodology for assessing bid responses to RFPs that reflect a (power purchase agreement) PPA alternative, including, but not limited to, the methodology used to calculate the debt equivalent penalty resulting from a PPA and how that penalty is factored into the ranking of bid responses.
- Q.1-35. Refer to Mr. Godfrey's Testimony, page 11, beginning on line 7. What is the projected value of the Renewable Energy Certificates (RECs) that will be generated as a function of the REPA? Please provide all reports, analyses, workpapers, and documentation of any type in support of your answer. This information should be provided electronically with all formulas intact and no pasted in values.
- Q.1-36. Has Kentucky Power performed an assessment of how much the RECs that Kentucky Power will receive from the ecoPower transaction will cost? If so, please provide that assessment and all associated reports, analyses, workpapers, and documentation of any type in support of that assessment. If not, why has Kentucky Power not quantified estimates of the costs of the ecoPower RECs?
- Q.1-37. Refer to Mr. Godfrey's Testimony, page 11, beginning on line 7. How does Kentucky Power propose that the REC benefits be flowed-through to customers? Provide all support documentation.

- Q.1-38. Refer to page 5 lines 16-23 of Mr. Wohnhas' Direct Testimony wherein he describes the S&P's imputed debt calculation, including the calculation of the net present value of the capacity payments and the "risk factor" that S&P's applies to the net present value.
- a. Please provide the projected capacity payments by year for the 20 year term of the REPA. Provide all assumptions, data, and calculations used for this purpose, including the basis for separating the energy rate pursuant to the REPA into a capacity rate and energy rate for the purpose of calculating the capacity payments for the debt equivalent, and all electronic spreadsheets with formulas intact.
 - b. Please provide the Company's "risk factor" based on other debt equivalent calculations either for the Company or other AEP utilities and provide a copy of the source documents relied on for this risk factor.
 - c. Does Kentucky Power plan to add additional equity to its capital structure in response to this imputed debt? If so, how much? At what cost? Please provide all reports, analyses, workpapers, and documentation of any type in support of your answer.
- Q.1-39. Please provide all documents related to the "Seller Performance Fund" including, but not limited to any contracts, term sheets or correspondence.
- Q.1-40. Please provide, in electronic spreadsheet format, ecoPower's complete financial statements (e.g., balance sheet, income statement, cash flow statement, statement of shareholders' equity, and statement of comprehensive income) on an annual (or year-end for the balance sheet) actual basis for the past calendar year and on an actual plus forecast basis for the current calendar year (or year-end for the balance sheet).
- Q.1-41. Please provide, in electronic spreadsheet format, ecoPower's complete financial statements (e.g., balance sheet, income statement, cash flow statement, statement of shareholders' equity, and statement of comprehensive income) on an annual (or year-end for the balance sheet) pro forma basis for the life of the contract.
- Q.1-42. Refer to Exhibit JFG-1, page 80. Provide a copy of the Cumulative Environmental Assessment, including all supporting documentation.
- Q.1-43. Refer to Mr. Godfrey's Testimony, page 7. Provide a copy of the engineering, procurement and construction (EPC) proposal for the ecoPower project.
- Q.1-44. List all federal, state or local environmental permits that are required for construction and operation of the facility. Provide a copy of all such permits that have been issued including any completed applications and all supporting documentation.
- Q.1-45. Did Kentucky Power perform, or engage a third party to perform, any studies or analysis in order to identify the environmental impact of the proposed facility? Please provide all reports, analyses, workpapers, and documentation of any type that was produced from conducting those studies. If no studies were performed, please explain why they were not performed. This information should be provided electronically with all formulas intact and no pasted in values.
- Q.1-46. Refer to Mr. Godfrey's Testimony, page 9. Is Kentucky Power and/or ecoPower permitted to remove live, healthy trees in order to fuel the Facility under the terms of the REPA?

Q.1-47. Refer to Mr. Godfrey's Testimony, page 8, lines 2-3. Provide the approximate annual miles travelled (roundtrip) via truck in order to deliver fuel to the Facility. Please provide all supporting documentation for this calculated value.

Q.1-48. Refer to Mr. Godfrey's Direct Testimony, page 6. Provide a copy of the Air Permit and Kentucky Power's application(s) for an Air Permit, including all supporting documentation and environmental reports.

Q.1-49. Please provide the maximum allowed emissions rates (in lbs/MWh) for the proposed Facility for the following pollutants as allowed in the Facility's air permits:

- a. NO_x
- b. SO_x
- c. CO
- d. VOC
- e. PM₁₀

Q.1-50. Please provide the expected emissions rates (in lbs/MWh) for the proposed Facility operating at full capacity for the following pollutants:

- a. NO_x
- b. SO_x
- c. CO
- d. VOC
- e. PM₁₀
- f. CO₂

Q.1-51. a) Please provide the actual emissions rates for these same pollutants (in lbs/MWh, annual average) for the most recent calendar year for the newest (i.e., most recently commissioned) gas-fired generation facility that is owned by AEP. Please provide the name, location, capacity, and commercial operation date for this gas-fired facility.

b) Please provide the actual emissions rates for these same pollutants (in lbs/MWh, annual average) for the most recent calendar year for the newest (i.e., most recently commissioned) coal-fired generation facility that is owned by Kentucky Power. Please provide the name, location, capacity, and commercial operation date for this coal-fired facility.

Q.1-52. Refer to Mr. Pauley's Testimony, page 7 beginning on line 12.

- a. With respect to the approximately 30 full-time employees at the Facility, when will these employees be hired? Provide the approximate average annual salary and approximate average annual value of benefits for full time employees.
- b. With respect to the approximately 230 temporary construction jobs at the Facility, when will these employees be hired? When will their employment be completed? Provide the approximate average annual salary and approximate average annual value of benefits for these employees.

- c. With respect to the approximately 225 timber and trucking related jobs, when will these employees be hired? Provide the approximate average annual salary and approximate average annual value of benefits for these employees.

Q.1-53. Kentucky Power released the following statement on its website:

2013 Kentucky Power 250 MW RFP

Kentucky Power Company (Company) is undertaking a process to determine the least, reasonable cost solution to replacing the impending generation loss anticipated with the retirement of its Big Sandy Unit 1 generation unit. Big Sandy Unit 1 is a 278 MW coal fired generating unit that went into service in 1963 and is currently scheduled for retirement in 2015. Big Sandy Unit 1 is located near Louisa, Kentucky and is within the PJM regional transmission organization. Options available to the Company for the replacement of the Big Sandy Unit 1 generation capacity as a coal fired generation resource include:

- Converting the Big Sandy Unit 1 to a natural gas fired generation unit (BS1 Conversion) and continuing to operate it, and
- issuing an RFP for 250 MW of PJM Generation Capacity Resources.

The Company will use the proposals received as a result of this 250 MW RFP along with the BS1 Conversion cost estimate to determine the least, reasonable cost solution to replacing the Big Sandy Unit 1 capacity as a coal fired generating unit.

(<https://www.kentuckypower.com/b2b/rfp/2013250MW/>)

Please provide the results of this RFP as soon as they are available. As is the case with all of KIUC's data requests, this request is continuing in nature, and information which Kentucky Power later becomes aware of, or has access to, and which is responsive to this request should be delivered to KIUC when it becomes available.

Respectfully submitted,



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May 10, 2013

**COUNSEL FOR KENTUCKY INDUSTRIAL
UTILITY CUSTOMERS, INC.**