

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAY 24 2013

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

APPLICATION OF KENTUCKY POWER COMPANY FOR)
APPROVAL OF THE TERMS AND CONDTIONS OF THE)
RENEWABLE ENERGY PURCHAS AGREEMENT FOR)
BIOMASS ENERGY RESOURCES BETWEEN THE)
COMPANY AND ECOPOWER GENERATION-HAZARD)
LLC; AUTHORIZATION TO ENTER INTO THE)
AGREEMENT; GRANT OF CERTAIN DECLARATORY)
RELIEF; AND GRANT OF ALL OTHER REQUIRED)
APPROVALS AND RELIEF)

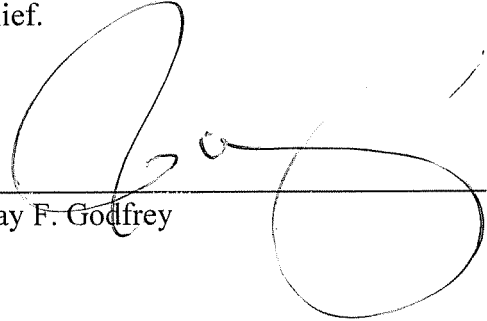
Case No. 2013-00144

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

May 24, 2013

VERIFICATION

The undersigned, Jay F. Godfrey, being duly sworn, deposes and says he is the Managing Director for Renewable Energy, for American Electric Power Service Corporation and he has personal knowledge of the matters set forth in the forgoing responses for which he is identified as the witness and that the information contained therein is true and correct to the best of his information, knowledge and belief.



Jay F. Godfrey

STATE OF OHIO

)

) CASE NO. 2013-144

COUNTY OF FRANKLIN

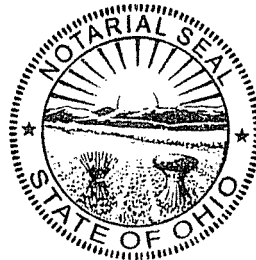
)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Jay F. Godfrey, this the 22nd day of May, 2013.



Notary Public

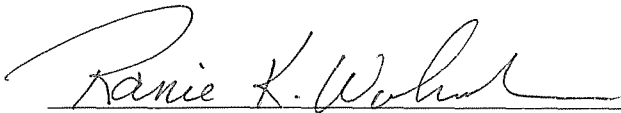
My Commission Expires: January 4, 2014



Donna J. Stephens
Notary Public, State of Ohio
My Commission Expires 01-04-2014

VERIFICATION

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



Ranie K. Wohnhas

COMMONWEALTH OF KENTUCKY)
) CASE NO. 2013-00144
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Ranie K. Wohnhas, this the 17th day of May 2013.



Notary Public

My Commission Expires January 23, 2017

Kentucky Power Company

REQUEST

Reference the Application at pages 4-5. Is the ecoPower facility, as described, included in either the active merchant transmission queue or active generation interconnection queue for the PJM Interconnection, LLC ("PJM")?

- a. If yes, please provide all relevant information regarding the anticipation of this facility, including but not limited to, queue number, the queue date, status information and any feasibility information.
- b. If no, why is KPCo. seeking additional capacity from this merchant generator at this time?
- c. If no, why is KPCo. requesting Commission approval of this Renewable Energy Purchase Agreement ("the Purchase Agreement") on or before September 9, 2013?

RESPONSE

- a. Please see the Company's response to KPSC 1-4.
- b. N/A
- c. N/A

WITNESS: Jay F Godfrey

Kentucky Power Company

REQUEST

Will or could the PJM economic dispatch rules take precedence over the terms of the Purchase Agreement?

- a. Could any other PJM rules supersede the terms of the Purchase Agreement?
If so, please explain in detail.

RESPONSE

No, the REPA is consistent with PJM rules, not in conflict with them. The REPA incorporates compliance with PJM rules, including PJM economic dispatch rules. Section 10.2 of the REPA requires the Seller (ecoPower) to staff, control, and operate the Facility consistent at all times with Good Utility Practice(s), which included practices, methods, and acts approved by the Transmission Operator (PJM). In addition, see Section 5.6 for the Scheduling Arrangements and the related PJM requirements. In essence, the REPA conforms to the requirements of PJM.

- a. See the Company's response above.

WITNESS: Jay F Godfrey

Kentucky Power Company

REQUEST

State whether FERC will have to approve any portion(s) of the proposed contract.

- a. If so, what could their decision(s) entail, and how long will those decisions take?
- b. Will there be any future financial ramifications if this Purchase Agreements is subject to FERC jurisdiction?

RESPONSE

No, the FERC will not have to approve any portion of the proposed REPA.

- a. N/A
- b. N/A

WITNESS: Jay F Godfrey

Kentucky Power Company

REQUEST

Please reference the Application, Testimony of Jay Godfrey, Exhibit JFG-1 the Purchase Agreement. If the PSC does not grant approval of the Purchase Agreement, or if either or both of the contracting parties decide to not pursue the Purchase Agreement, subject to its terms, does the Purchase Agreement contain any clause or provision requiring KPCo. to pay any sums to the owners of ecoPower and/or the transmission regulators / PJM?

- a. If so, identify the specific contract language, and please provide any and all applicable amount(s).
- b. If so, identify whether the company will pass those costs to its shareholders, or its ratepayers.

RESPONSE

If the PSC does not grant approval of the REPA, KPCo may terminate the agreement without any financial penalty. See Article 6 Conditions Precedent of the REPA for additional detail.

- a. N/A.
- b. N/A.

WITNESS: Jay F Godfrey

Kentucky Power Company

REQUEST

Reference the Application, Testimony of Greg Pauley at page 5, lines 14-20 in which the witness confirms that the EcoPower facility is not currently operational and describes its status. Please provide the basis upon which Mr. Pauley relies for this statement, including all relevant communications with EcoPower.

- a. Based on the information providing a basis for Mr. Pauley's description of the EcoPower facility, would KPCo characterize the facility as shovel-ready? Please explain in detail.
- b. If not, why not?
- c. If not, why is KPCo seeking additional capacity from this merchant generator at this time?
- d. If not, why is KPCo requesting Commission approval of the Purchase Agreement on or before September 9, 2013?

RESPONSE

a. - d. The Company is unclear what the term "shovel-ready" means in this request. However, please refer to the Company's response to KPSC 1-8 for the current status of construction at the facility. Also, please refer to Article 3 and Article 4 of the REPA for a more detailed discussion of the facility construction process and Exhibit JFG-3 for a list of the Major Project Milestones. Please see the testimony of Company witness Pauley, pages 5-9 for a description of why KPCo is requesting Commission approval of the REPA.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Confirm that KPCo has issued a request for proposals ("RFP") regarding the replacement or repowering/refueling of the Big Sandy Unit 1 with a possible conversion to natural gas.

- a. Is there anything contained in the RFP that would prevent a merchant generator from tendering a proposal in response to the RFP?
- b. Is there anything contained in the RFP that would prevent a responding bidder from tendering a proposal for a partial replacement of the capacity of the Big Sandy Unit 1?
- c. Is there anything contained in the RFP that would prevent a responding bidder from tendering a proposal that includes renewable energy resources?

RESPONSE

Yes, on March 28, 2013, American Electric Power Service Corporation, as agent for KPCo, issued an RFP regarding the replacement or repowering/refueling of the Big Sandy Unit 1 with a possible conversion to natural gas.

a-c. No, provided they meet the terms of the RFP.

WITNESS: Jay F Godfrey

Kentucky Power Company

REQUEST

Reference Pauley at page 6. Given that KPCo has conceded that the proposed Purchase Agreement is not the least cost alternative to supply capacity and energy (emphasis supplied), does KPCo. believe that it is not required to identify the least cost alternative for its energy capacity? Explain in detail with references to any Commission precedent for support of any assertion/answer if it is in the affirmative.

RESPONSE

Entering into the REPA with EcoPower is a unique opportunity for the Company to increase its fuel diversity and promote economic growth, all within the Commonwealth of Kentucky. It is unlikely that any renewable resources in Kentucky would be the least cost option. However, to move forward with fuel diversity, the Commission must decide when and if it is the proper time to approve a facility that is not the least cost option. The Company believes that the EcoPower biomass facility is the appropriate facility to do so.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Reference Pauley at page 6-8. Does KPCo. and its parent company, AEP, support Governor Beshear's 2008 Energy Plan referenced by Mr. Pauley?

- a. Does KPCo, and its parent company, AEP, support economic development and job creation in Kentucky?
- b. Does KPCo, and its parent company, AEP, support the potential for biomass as a renewable energy resource?
- c. What amount of shareholder funding is KPCo, and its parent company, AEP, willing to provide to subsidize the additional costs of renewable energy diversification in Kentucky?

RESPONSE

Yes.

a/b. Yes.

- c. None. However, as in the past, the Company will continue in the future to work with anyone (including renewable energy groups) to help diversify Kentucky's energy portfolio.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Assuming KPCo receives regulatory approval, and assuming it proceeds with the Purchase Agreement, please state whether the company will incur any additional maintenance costs to its generating fleet when bio-mass-generated - power flows into its transmission system/distribution grid.

- a. Using the same assumptions, what additional costs will the company incur in order to ensure reliability for its customers?

RESPONSE

The Company does not expect to incur any additional maintenance costs to its generating fleet when the bio-mass-generated-power flows into its transmission system/distribution grid.

- a. The Company does not expect to incur an additional costs to ensure reliability for its customers as a result of the REPA.

WITNESS: Jay F Godfrey

Kentucky Power Company

REQUEST

Reference the Application generally, and provide specific references thereto if responses to the following are already contained in the Application. Assuming KPCo receives regulatory approval and proceeds with the proposed Purchase Agreement:

- (a) What type and amount of start-up costs will KPCo incur?
- (b) How and when does KPCo. intend to pass these costs on to its customers?

RESPONSE

- a. There are no start-up costs for Kentucky Power.
- b. N/A.

WITNESS: Ranie K. Wohnhas

Kentucky Power Company

REQUEST

If KPCo proceeds with the Purchase Agreement, will it incur any costs for locational marginal pricing ("LMP") associated with PJM transmission costs?

- a. If yes, provide the best estimates for each year of the proposed contract.
- b. If the company will not incur any LMP costs, state in detail why not.

RESPONSE

The Company objects to this question on the grounds that it is ambiguous. Without waiving its objection, the Company states as follows:

Under the terms of the Purchase Agreement, any costs for locational marginal pricing (LMP) associated with PJM transmission costs up to the point of delivery are borne by EcoPower.

- a. Not Applicable.
- b. See Section 5.6 Scheduling Arrangements for a detailed discussion of any costs for locational marginal pricing (LMP) associated with PJM transmission costs.

WITNESS: Jay F Godfrey

Kentucky Power Company

REQUEST

Assuming the PSC grants approval for the Purchase Agreement, and that KPCo and EcoPower proceed with its terms, for each year of the contract period what percentage of the KPCo's combined total electric service costs will be attributed to biomass-generated power?

RESPONSE

Kentucky Power does not know what its total electric service costs, other than with respect to the REPA, will be beginning in 2017 through the contract period.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Assuming the PSC grants approval for the Purchase Agreement, and that KPCo and EcoPower proceed with its terms, will the biomass-generated power be used to serve peak, intermediate, or base loads or any combination of thereof?

RESPONSE

The biomass facility will be used to serve all loads.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Provide the current differential for prices KPCo charges for on-system sales as opposed to amounts it receives for off-system sales.

RESPONSE

Please see AG 1-14 Attachment 1 for the requested information.

WITNESS: Ranie K. Wohnhas

Reporting Period	Off-System Rate	On-System Rate	Differential
Jan-12	38.624	26.421	12.203
Feb-12	36.948	25.945	11.003
Mar-12	37.503	33.343	4.160
Apr-12	36.268	28.798	7.470
May-12	37.889	28.173	9.716
Jun-12	38.378	30.621	7.757
Jul-12	42.907	30.691	12.216
Aug-12	37.281	29.46	7.821
Sep-12	35.548	22.285	13.263
Oct-12	36.632	24.559	12.073
Nov-12	39.988	21.776	18.212
Dec-12	35.293	31.783	3.510
Jan-13	38.364	31.79	6.574
Feb-13	37.041	35.184	1.857
Mar-13	39.924	32.528	7.396

Kentucky Power Company

REQUEST

Confirm that in the event the PSC grants approval for the Purchase Agreement, and assuming KPCo. and EcoPower proceed with its terms, when the biomass generated power enters the company's transmission system/ distribution grids, the power being generated by KPCo's own generation fleet in excess of its customers' needs will be sold in off-system sales.

RESPONSE

The Company will attempt to sell any excess energy in the off-system sales market.

WITNESS: Ranie K. Wohnhas

Kentucky Power Company

REQUEST

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

RESPONSE

AEP does not take power under contract from any biomass facilities.

WITNESS: Jay F Godfrey

Kentucky Power Company

REQUEST

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

RESPONSE

Kentucky Power objects to this request as it is unduly burdensome, seeks irrelevant information, and is unlikely to lead to the discovery of admissible evidence. Kentucky Power is not a party to purchased power agreements containing the information requested and the information is subject to disclosure only in the affected utility's jurisdiction.

WITNESS: Jay F Godfrey

Kentucky Power Company

REQUEST

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

RESPONSE

Construction work for the Chipper Building began on April 22, 2013.

WITNESS: Jay F Godfrey

Kentucky Power Company

REQUEST

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.

RESPONSE

There are no studies or analysis. Please see the Company's response to KIUC 1-11.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Confirm that on or about 28 June 2012, KPSCo requested authorization to delay the filing of its Integrated Resource Plan ("IRP") until the completion of its re-evaluation of alternative environmental compliance options.

RESPONSE

The Company can not confirm the statement. It requested authorization to delay filing its next IRP until a to-be-determined date after the Commission issues its order on the Company's then-anticipated fourth quarter 2012 application reflecting its re-analysis of the continued operation of the Big Sandy units.

WITNESS: Ranie K. Wohnhas

Kentucky Power Company

REQUEST

Confirm that on or about 30 July 2012, the Commission entered an order in Case No. 2012-00334 to extend KPCo's filing of an IRP until its resolution of its environmental compliance application but in no event later than 31 December 2013.

RESPONSE

The Commission did issue an order on July 30, 2012 extending the filing for its IRP except that the Case No. was 2012-00344.

WITNESS: Ranie K. Wohnhas

Kentucky Power Company

REQUEST

Confirm that KPCo's attempt to resolve its environmental compliance plan is being addressed in Case No. 2012-00578.

RESPONSE

The Company is addressing environmental issues related to Big Sandy Unit 2 in Case No. 2012-00578.

WITNESS: Ranie K. Wohnhas

Kentucky Power Company

REQUEST

Confirm that in in the instant matter, KPCo has represented as follows in the pre-filed testimony of Jay F. Godfrey at page 12:

Q. WHAT CONDITIONS PRECEDENT ARE INCLUDED IN THE CONTRACT?

A. The REPA contains certain conditions to the effectiveness of the REPA (Section 6) and contains termination rights whereby the Company may terminate the REPA in the event those conditions are not met. For the Purchaser, provisions in Section 6.1 require pre-approval from the Commission of the REPA and approvals by the Commission and FERC of the Mitchell Unit transfer transaction KPSC Case No. 2012-00578 and FERC Docket No. EC13-28-000. Effectiveness of the REPA is further contingent on the Mitchell transaction actually being consummated....

RESPONSE

Yes, the above quoted passage, which discusses the Conditions Precedent included in the REPA, appears in the pre-filed testimony of Jay F. Godfrey at page 12. The REPA, in its entirety, including Section 6.1, must be followed by the Parties.

WITNESS: Jay F Godfrey

Kentucky Power Company

REQUEST

Has the Commission completed its review of Case No. 2012-00578?

RESPONSE

No.

WITNESS: Ranie K Wohnhas