

Commonwealth of Kentucky

Before the Public Service Commission

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In the Matter of:

FEB 06 2013

PUBLIC SERVICE
COMMISSION

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

ATTORNEY GENERAL'S INITIAL REQUESTS FOR INFORMATION
 TO KENTUCKY POWER COMPANY

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, submits his Initial Requests for Information to Kentucky Power Company.

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for Big Rivers with an electronic version of these questions, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, please request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys,

studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

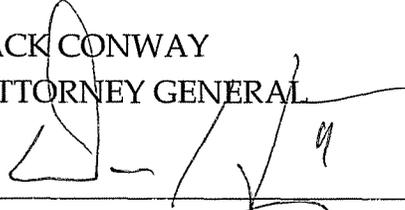
(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL

A handwritten signature in black ink, appearing to read "Dennis G. Howard, II", is written over a horizontal line. The signature is stylized and includes a small mark resembling a lowercase "g" or "j" at the end.

Dennis G. Howard, II

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Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

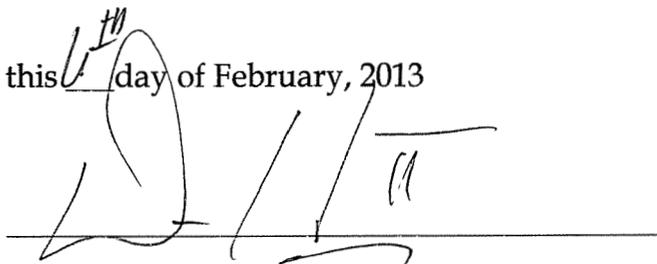
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Ranie Wohnhas
Managing Director
Kentucky Power Company
101 A Enterprise Drive
P. O. Box 5190
Frankfort, KY 40602

this 1st day of February, 2013

A handwritten signature in black ink, appearing to be "Ranie Wohnhas", is written over a horizontal line. The signature is stylized and includes a large loop at the beginning.

Assistant Attorney General

1. Reference the application at page 6, paragraph 11, and testimony of Greg Pauley at page 13. Please explain in detail the basis for the increase in the current net value of the fifty percent in the Mitchell units from \$519 to \$536 million at the time of the anticipated closing.
2. Reference the application at page 6, paragraph 11. Please explain in detail the “undivided fifty percent interest in the liabilities associated with the Mitchell Plant as well as certain other liabilities.” This data request should be construed to request a more detailed description than provided in the application at page 7, paragraph 14, and the “Form of Asset Contribution Agreement” at Section 2.04. Moreover, this description should include specific detail of the net \$159 million liabilities noted at page 17, paragraph 42 if they are different than those referenced at page 6.
3. Reference the application at page 10, paragraph 24. Please explain in detail what is meant by “unintended tax consequences.” See also the testimony of Greg Pauley, lines 10 and 11, wherein the same assertion is made.
 - a. Please explain in detail exactly how the applicant can guarantee that there will be no unintended tax consequences.
 - b. If there are unintended tax consequences and the applicant cannot avoid them, will the applicant commit to having the shareholders bear those costs? If not, why not?
4. Will the applicant’s Kentucky ratepayers be required to absorb any of the transaction costs listed in paragraphs 22 through 26 of the application? If so, please explain in detail.
5. Reference the application at page 14, paragraph 33. Please explain in detail how the “Transfer and Assumption Transaction and the Mitchell Plant Operating Agreement” comply to the extent applicable under KRS 278.2207 and the other provisions of KRS 278.2201 *et seq.*
6. Reference the application at page 14, paragraph 33 and footnote 13. If the Commission finds that Transfer and Assumption Transaction and the Mitchell Plant Operating Agreement do not fully comply with the requirements of KRS

278.2207 and the other provisions of KRS 278.2201 et seq., explain fully the areas where the company would require waivers.

7. Reference the application at page 16, paragraph 37. Please explain in detail the modification in permits and licenses anticipated in the paragraph.
8. Reference the testimony of Greg Pauley at page 6. If the PSC does not approve the transfer of the undivided fifty percent of Mitchell to the applicant, what happens to that interest in Mitchell?
9. Reference the testimony of Greg Pauley at page 6. If the PSC does not approve the transfer of the undivided fifty percent of Mitchell to the applicant, what will the applicant file with regard to the company's current filing before the FERC?
10. Reference the testimony of Greg Pauley at pages 7 and 8. A number of issues are listed as making the Pool Agreement no longer feasible, including demand side management. Please explain in detail why or how demand side management affects the Pool Agreement if not addressed completely by witness Weaver at page 27 of his testimony.
11. Reference the testimony of Greg Pauley at pages 8 and 9. Given the difference between average base load of Big Sandy (800MW) and Mitchell (780), does the company contemplate any effect on it being able to meet its demand, whether average or maximum?
12. Reference the testimony of Greg Pauley at pages 11 through 12. Please provide all information, including any modeling, data inputs and outputs, assumptions etc. used in the "long term resource optimization tools" and the "30-year economic study period" if the information is not included in the Weaver testimony or the application in general.
13. Reference the testimony of Greg Pauley at pages 18 through 19. In the event that the Mitchell generating station is transferred on or about 12/31/13, why does the applicant maintain that the Mitchell generating station "may not be available in 2015 to be transferred?" Please explain in detail.

14. Reference the testimony of Greg Pauley at page 20. If Big Sandy Unit 1 remains on- line, will the applicant have excess capacity? If so, what will the applicant do with the revenues generated therefrom?
15. Reference the application in general. Will NEWCO at any point in time control, either directly or indirectly, the applicant? (For purposes of this question only, control means the possession, either directly or indirectly, of the power to direct or cause the direction of the management and policies of the applicant, whether through the ownership of voting securities, by effecting a change in the composition of the board of directors, by contract or otherwise.)
16. Reference the testimony of Mark Becker and the application in general. Did the applicant rely primarily on the Strategist ® application primarily in its decision making for this application?
17. Are the costs for the Strategist modeling and any testimony related thereto incorporated into the costs for this application?
 - a. If yes, is the applicant requesting the ratepayers to bear these costs?
 - b. If yes, please provide detail of the costs, including but not limited to the licensing agreement, the costs for the modeling runs and the testimony addressing the modeling results.
18. Can an individual or the PSC independently recreate the Strategist ® results arrived at by the applicant?
19. Can an individual or the PSC independently verify the Strategist ® results arrived at by the applicant?
20. Reference the testimony of Karl Bletzacker at pages 3, 10, 11 and 12 as well as the testimony in general regarding CO2 allowances. Please provide the results for any modeling that does not consider the financial effects of CO2.
21. Reference the testimony of Karl Bletzacker at page 12, lines 15 and 16. What is meant by “the price elasticity of residential, commercial and industrial

demand?" Please explain in detail how this was considered by the company in arriving at its results and how it affects the application.

22. Reference the testimony of Jeffrey LaFleur at page 4, lines 16 and 17. Are the costs for the upgrades to the electrostatic precipitators already included in the application?
 - a. If yes, please provide the specific amounts and details related to same.
23. Reference the testimony of Jeffrey LaFleur at page 4 whereat there is discussion of the synthetic gypsum. Are there actual disposal "costs" for the gypsum or are there revenues/profits since the gypsum is sent to "the wallboard plant?"
 - a. Please provide details regarding the wallboard plant, For example, who owns it; are there revenues generated by the plant owner; is the plant affiliated with the applicant, etc.
24. Reference the testimony of Jeffrey LaFleur at page 5. Please provide details for each "other major environmental capital investment in progress at the Mitchell plant" including, but not limited to, the actual or projected costs, in-service date, etc.
25. Reference the testimony of Jeffrey LaFleur in general. Why was the decision made to retrofit the Mitchell Units with FGDs and SCRs prior to that of Big Sandy, the latter being the older of the units?
26. Reference the testimony of Karl McDermott at pages 2 and 3. What does the witness mean when he states that he reviewed the Asset Transfer Proposal "for consistency with traditional regulatory principles?"
27. Reference the testimony of Karl McDermott at page 5. Please explain exactly what the witness reviewed when he states that he reviewed the company's analytical framework for consistency with acceptable regulatory practice and the Commission's approach.
28. Reference the testimony of John McManus at page 5. What does the witness mean when he states that the Mitchell plants are "expected to be able to achieve the MATS limits without any upgrades to or new installations of emission

control equipment?" (See also page 11 whereat the witness states that he expects the Mitchell plant to be meet the requirements of the MATS rule.)

- a. Will the Mitchel units be certain to achieve compliance without additional costs? If not, please describe any costs in detail.
29. Reference the testimony of John McManus at pages 8 through 11. If the EPA's Clean Water Act "316(b) Rule" is finalized on or about June 27, 2013, what are the anticipated or projected costs on the Mitchell units?
 30. Reference the testimony of John McManus at pages 8 through 11. What are anticipated or projected costs for Mitchell to meet any changes to the EPA's Steam Effluent Limitations Guidelines ("ELG")? If any, please describe in detail.
 31. Reference the testimony of John McManus at pages 8 through 11. What are anticipated or projected costs for Mitchell to meet any changes to the EPA's Coal Combustion Residuals ("CCR") Rule? If any, please describe in detail.
 32. Reference the testimony of Scott Weaver at pages 14 and 15. Is it correct to interpret the testimony to indicate that while the Strategist® model accounts for an extension of purchase of power from Rockport through 2040, there is no commitment from AEG Generating Company beyond 2022? If so, does this affect the modeling?
 33. Reference the testimony of Weaver at pages 42 through 44. Are the costs for the Aurora® modeling and any testimony related thereto incorporated into the costs for this application?
 - a. If yes, is the applicant requesting the ratepayers to bear these costs?
 - b. If yes, please provide detail of the costs, including but not limited to the licensing agreement, the costs for the modeling runs and the testimony addressing the modeling results.
 34. Can an individual or the PSC independently recreate the Aurora® results arrived at by the applicant?

35. Can an individual or the PSC independently verify the Aurora® results arrived at by the applicant?
36. Reference the testimony of Weaver at page 45. Why did the company not include other direct or indirect impacts, whether loss/gain of jobs, etc., in the modeling?
37. Reference the testimony of Ranie Wohnhas at page 8 and Exhibit RKW-4. Please update the information to reflect the most current costs as well as the 2011 data as listed.
38. Reference the testimony of Ranie Wohnhas at page 8. Based on current projections, how much will the applicant seek in its next rate case to be filed on or about June 28, 2013?