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April 22nd, 2013

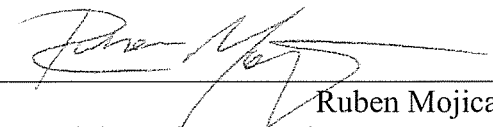
Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Docket Case No. 2012-00578

Dear Mr. Derouen:

Enclosed for the filing are an original and ten copies of the *ALEXANDER DESHA, TOM VIERHELLER, BEVERLY MAY, AND THE SIERRA CLUB'S RESPONSE TO COMMISSION STAFF'S FIRST REQUESTS FOR INFORMATION* and a certificate of service in docket 2012-00578 before the Kentucky Public Service Commission. This filing contains no confidential information.

Sincerely,



Ruben Mojica
Sierra Club Environmental Law Program
85 2nd Street, 2nd Floor
San Francisco CA, 94105
(415)977-5737

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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APR 22 2013

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

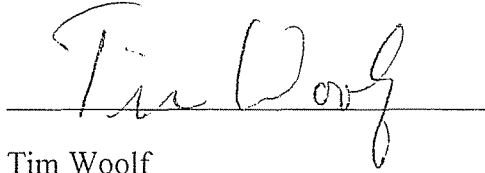
Case No. 2012-00578

ALEXANDER DESHA, TOM VIERHELLER, BEVERLY MAY, AND THE
SIERRA CLUB'S RESPONSE TO COMMISSION STAFF'S FIRST REQUESTS
FOR INFORMATION

April 22, 2013

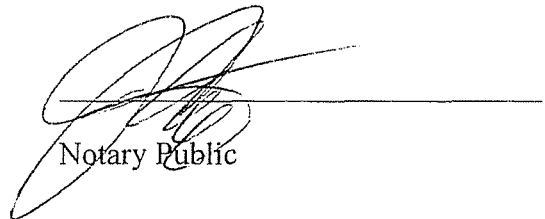
VERIFICATION

The undersigned, Tim Woolf, being duly sworn deposes and says he is the Vice President of Synapse Energy Economics, Inc., 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.



Tim Woolf

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

Subscribed and sworn to before me, a Notary Public in and before said County and State,
by Tim Woolf, this the 22 day of April 2013


Notary Public

My Commission Expires: 7-27-18

 **JANICE CONYERS**
Notary Public
Commonwealth of Massachusetts
My Commission Expires
July 27, 2018

KPSC Case No. 2012-00578
SC Response to Staff Data Requests
Item No. 1

1. Refer to page 6, lines 5 through 6 of the Direct Testimony of Tim Woolf (“Woolf Testimony”). Quantify the impact of the recommended resource options, including:

- a. Purchase of power from the PJM system.
- b. Competitively bidding new generation.
- c. Natural gas construction.
- d. DSM.
- e. Renewables.

Response

Mr. Woolf did not quantify the specific impact of the recommended resource options. Such a quantification would require a considerable amount of time and resources.

Mr. Woolf recommends that the Commission require the Company to conduct a more thorough, comprehensive analysis to determine the least-cost mix of resource types that can be used to meet the Company’s capacity and energy needs after the retirement of Big Sandy. Additional information regarding the procurement of DSM resources is provided in response to SC-Staff-2. Additional information regarding the procurement of renewable resources is provided in response to SC-Staff-3.

KPSC Case No. 2012-00578
SC Response to Staff Data Requests
Item No. 2

2. Refer to page 29, lines 13 through 26 of the Woolf Testimony, which makes three recommendations regarding Demand-Side Management. For each recommendation, provide a proposed timeline and series of steps that would be needed to accomplish the recommendations.

Response

The first recommendation is that the Commission find that the Company has not sufficiently considered DSM resources as part of the economic analysis of the Mitchell purchase, and therefore has not demonstrated that the purchase is part of a least-cost resource plan. The Commission can make this finding when it issues an order in this docket, presumably within the next several months.

The second recommendation is that the Commission direct the Company to conduct a comprehensive reassessment of the energy efficiency and demand response programs that it can implement for the purposes of meeting future resource needs in the absence of Big Sandy Units 1 and 2. Again, the Commission can direct the Company to undertake this assessment in the order it issues for this docket, presumably within the next several months. Then it may take the Company roughly three to six months to conduct the assessment.

The third recommendation is that the Commission implement DSM regulations or guidelines to clarify the policies and practices needed to encourage the Company to design, plan for, and implement a much broader array of cost-effective energy efficiency programs in the future. The Commission could open a docket to investigate DSM regulations at any time. The docket could take anywhere from three to nine months to complete, depending upon how comprehensive and expeditious the Commission chooses to be. I recommend that implementing new DSM regulations be a top priority of the Commission, so that Kentucky utilities can develop aggressive and successful programs on an on-going basis, and thereby prevent the situation where there is insufficient time to develop DSM resources to meet a specific capacity or energy need in the near future. Note that the Company need not, and should not, wait for the Commission to promulgate these regulations before developing more comprehensive and aggressive DSM programs.

KPSC Case No. 2012-00578
SC Response to Staff Data Requests
Item No. 3

3. Refer to pages 30 through 32 of the Woolf Testimony. Provide Mr. Woolf's recommendation for Kentucky Power and the Commission regarding renewable resources.

Response

Mr. Woolf's recommendations regarding renewable and other resource options are summarized briefly on page 5 of his testimony, lines 6 through 11.

Mr. Woolf recommends that the Commission require the Company to immediately conduct a more thorough assessment of all resource options that are available to meet future resource needs, including natural gas options, renewable resources and DSM resources.

Mr. Woolf also recommends that the Commission require the Company, as a part of this new assessment, to issue an RFP as soon as practical to purchase energy and capacity necessary to meet future resource needs in the absence of Big Sandy units 1 and 2. That RFP should include provisions for the solicitation, evaluation and selection of renewable resources, as well as of fossil-fired resources.

KPSC Case No. 2012-00578
SC Response to Staff Data Requests
Item No. 4

4. Refer to page 32, lines 29 through 31 of the Woolf Testimony, which states, "...the Company used an out-of-date gas price forecast, which significantly overstates the prices of natural gas and overstates the economic value of the Mitchell purchase."

- a. Provide the amount by which the price of natural gas is overstated.
- b. Provide the amount by which the economic value of the Mitchell Plant purchase is overstated.

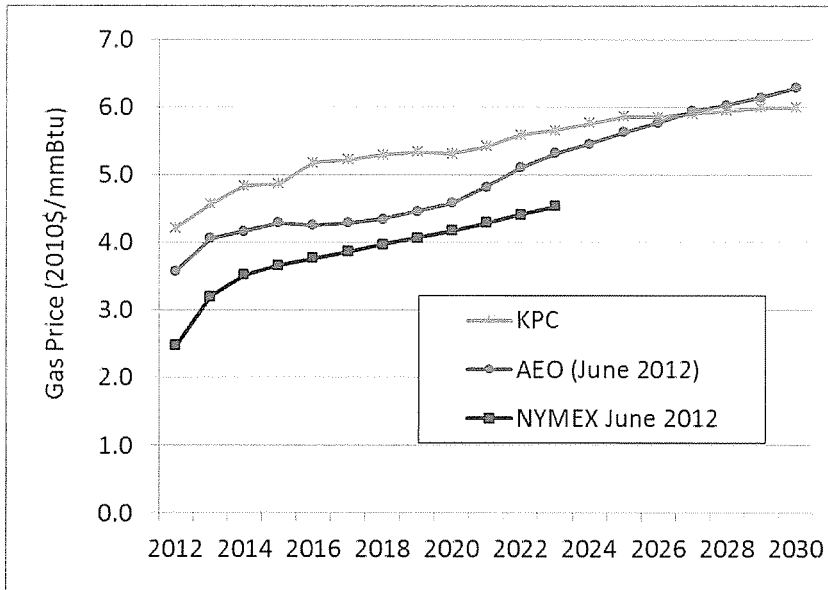
Response

(a) Figures 3 and 4 in Mr. Woolf's testimony provide a graphic depiction of the amount by which the price of natural gas increased between April 2011 and June 2012, by presenting the difference between two key natural gas price indicators: AEO's forecast and NYMEX gas futures. This difference indicates the amount by which the Company's gas prices may be overstated. The numerical values are presented in the table below.

Natural Gas Price Forecasts by AEO 2011, AEO 2012, and NYMEX

	KPC 'BASE'	AEO 2011 (Apr 2011)	AEO 2012 (Jun 2012)	NYMEX (Apr 2011)	NYMEX (Jun 2012)
2012	4.22	4.56	3.58	4.74	2.47
2013	4.57	4.62	4.06	5.00	3.20
2014	4.84	4.63	4.17	5.22	3.52
2015	4.86	4.73	4.29	5.45	3.66
2016	5.18	4.80	4.26	5.66	3.77
2017	5.22	4.83	4.29	5.85	3.87
2018	5.30	4.87	4.34	6.01	3.97
2019	5.34	4.94	4.46	6.14	4.07
2020	5.31	5.12	4.58	6.25	4.18
2021	5.42	5.31	4.82	6.36	4.29
2022	5.59	5.46	5.11	6.46	4.41
2023	5.66	5.65	5.32	6.51	4.54
2024	5.76	5.87	5.46		
2025	5.86	6.05	5.63		
2026	5.85	6.18	5.77		
2027	5.90	6.32	5.94		
2028	5.94	6.39	6.03		
2029	5.99	6.43	6.15		
2030	5.99	6.48	6.29		

This table also provides the KPC 'Base' gas price forecast used in the economic analysis of Mitchell (Weaver Exhibit SCW-2). The figure below presents a graphical comparison of the KPC Base forecast with the 2012 AEO forecast and 2012 NYMEX futures.



(b) Mr. Woolf has not estimated the amount by which the comparative economic value of Mitchell versus other resource options is overstated as a result of the overstated natural gas prices, as this would require a considerable amount of analysis including a re-running of the Company's economic modeling. However, it is likely that overstated natural gas prices will have a significant effect on the comparative economic value of Mitchell, because almost all of the alternatives that the Company considered were natural gas resources, or as in the case of PJM purchases, heavily influenced by natural gas prices. Mr. Woolf recommends that the Commission require the Company to use up-to-date fuel price forecasts for all future economic analyses, unless the Company can provide a well-documented justification for not doing so.

KPSC Case No. 2012-00578
SC Response to Staff Data Requests
Item No. 5

5. Refer to page 48, lines 10 through 19 of the Woolf Testimony. State whether one could infer from the PUCO decision allowing Ohio Power Company to transfer the Mitchell units to AEP Generation Resources at net book value that the market value is less than the net book value.

Response

The PUCO decision allowing the Ohio Power Company to transfer the Mitchell units to AEP Generation Resources at net book values does not necessarily demonstrate that the PUCO expected the market value of the asset to be less than the book value. The PUCO apparently considered several factors, including recent decisions in a similar case (See page 7 of the PUCO Order.)

Nonetheless, if the market value of the Mitchell asset is less than the book value, then transfer at the net book value would be in the interests of Ohio Power Company's customers. One would expect that the PUCO would take this into consideration in its decision.

CERTIFICATE OF SERVICE

I certify that I mailed a copy of Alexander Desha, Tom Vierheller, Berverly May, and the Sierra Club's Responses to Commission Staff's First Requests for Information by first class mail on April 22nd, 2013 to the following:

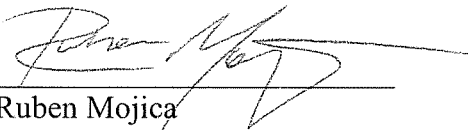
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